

Annual Securities Report

(Report based on Article 24, Paragraph 1 of the Financial
Instruments and Exchange Act)

Fiscal year: From April 1, 2019
(94th term) To March 31, 2020

DKK Co., Ltd.

(E01897)

94th term (from April 1, 2019 to March 31, 2020)

Annual Securities Report

- 1 This document was created by exporting and printing the data of an annual securities report created in accordance with Article 24, Paragraph 1 of the Financial Instruments and Exchange Act, which was submitted using the Electronic Disclosure for Investors' NETwork (EDINET) as prescribed in Article 27-30-2, after adding a table of contents and page numbers.
- 2 This includes in its appendix an Auditor's Report that was attached to the annual securities report submitted in the manner described above and an Internal Control Report and a Confirmation Document submitted along with the above-mentioned annual securities report.

DKK Co., Ltd.

Table of contents

	Page
Annual Securities Report for 94th Term	
[Cover]	1
Part 1. [Company Information].....	2
I. [Company Overview]	2
1. [Key Performance Indicators].....	2
2. [History].....	4
3. [Description of Business Operations]	5
4. [Status of Subsidiaries and Affiliates].....	8
5. [Status of Employees].....	9
II. [Business Overview]	11
1. [Management Policies, Management Environment, and Pressing Issues].....	11
2. [Risk Factors]	13
3. [Management’s Analysis of Financial Position, Operating Results, and Cash Flows].....	15
4. [Important Contracts]	23
5. [Research and Development Activities].....	24
III. [Facilities]	26
1. [Outline of Capital Expenditures].....	26
2. [Main Facilities].....	26
3. [Plans for Construction and Retirement of Facilities].....	28
IV. [Status of Filing Company]	29
1. [Status of Company’s Shares].....	29
2. [Status of Acquisition of Treasury Stock].....	32
3. [Dividend Policy]	33
4. [Status of Corporate Governance].....	34
V. [Financial Information]	59
1. [Consolidated Financial Statements, Etc.].....	60
2. [Non-consolidated Financial Statements, Etc.]	99
VI. [Outline of Filing Company’s Share Management]	116
VII. [Additional Information on Filing Company].....	117
1. [Information on Filing Company’s Parent Company]	117
2. [Other Additional Information]	117
Part 2. [Information on Guarantors, Etc. of Filing Company]	118
 Auditor’s Report	
 Internal Control Report	
 Confirmation Document	

[Cover]

[Document being filed]	Annual Securities Report
[Legal basis]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of submission]	June 29, 2020
[Fiscal year]	94th term (from April 1, 2019 to March 31, 2020)
[Company name]	DKK Co., Ltd.
[Company name in English]	DKK Co., Ltd. (formerly DENKI KOGYO CO., LTD.) Note: In accordance with the resolution passed by the 94th General Meeting of Shareholders on June 26, 2020, the Company changed its English name as shown above on June 27, 2020.
[Position and name of representative]	Mikio Matsuzawa, President and Representative Director
[Location of Headquarters]	3-3-1 Marunouchi, Chiyoda-Ku, Tokyo
[Phone number]	+81-3-3216-1671 (main line)
[Contact person]	Toshihisa Takayama, Managing Officer and Head of Finance Department
[Location of nearest contact]	3-3-1 Marunouchi, Chiyoda-Ku, Tokyo
[Phone number]	+81-3-3216-1671 (main line)
[Contact person]	Toshihisa Takayama, Managing Officer and Head of Finance Department
[Places where the document will be made available for viewing]	Osaka Branch of DKK Co., Ltd. (2-30 Toyotsu-cho, Suita-shi, Osaka) Nagoya Branch of DKK Co., Ltd. (1-4-13 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part 1. [Company Information]

I. [Company Overview]

1. [Key Performance Indicators]

(1) Consolidated performance indicators, etc.

Term		90th	91st	92nd	93rd	94th
Month of fiscal year-end		March 2016	March 2017	March 2018	March 2019	March 2020
Net sales	(millions of yen)	45,647	39,906	43,022	44,757	45,016
Ordinary income	(millions of yen)	2,119	953	1,823	2,943	2,774
Net income attributable to shareholders of parent company	(millions of yen)	1,469	543	804	1,524	1,789
Comprehensive income	(millions of yen)	293	1,250	1,696	1,062	1,401
Net assets	(millions of yen)	44,408	44,806	45,522	45,963	46,309
Total assets	(millions of yen)	61,106	60,164	61,687	62,437	61,208
Net assets per share	(yen)	3,569.02	3,602.92	3,648.43	3,680.74	3,760.57
Net income per share	(yen)	118.41	44.66	65.84	124.78	148.08
Diluted net income per share	(yen)	-	-	-	-	-
Equity ratio	(%)	71.6	73.2	72.3	72.0	73.8
Return on equity	(%)	3.3	1.2	1.8	3.4	4.0
Price-to-earnings ratio	(x)	22.2	63.2	48.0	26.7	16.8
Cash flow from business activities	(millions of yen)	3,268	956	2,398	3,177	1,543
Cash flow from investing activities	(millions of yen)	(1,919)	(6,888)	(3,610)	(1,120)	(1,261)
Cash flow from financing activities	(millions of yen)	(1,040)	(1,793)	(1,506)	(626)	(1,069)
Cash and cash equivalents at end of term	(millions of yen)	20,241	12,768	10,066	11,494	10,931
Number of employees		1,087	1,251	1,257	1,213	1,344
[Average number of temporary employees]	(persons)	[98]	[121]	[138]	[148]	[164]

- Notes: 1. Net sales do not include consumption tax, etc.
2. No figures are provided for “diluted net income per share” as there are no dilutive shares.
3. DKK Co., Ltd. implemented a one-for-five reverse stock split on October 1, 2017. Net assets per share and net income per share are calculated on the assumption that the reverse stock split was completed at the beginning of the 90th term.
4. The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting, Etc.” (ASBJ Statement No. 28 issued on February 16, 2018), etc. from the beginning of the 93rd term, and key performance indicators for the 92nd term have been retrospectively restated by applying the amendments, etc.

(2) Performance indicators of the filing company

Term	90th	91st	92nd	93rd	94th
Month of fiscal year-end	March 2016	March 2017	March 2018	March 2019	March 2020
Net sales (millions of yen)	36,015	30,376	33,572	34,476	35,930
Ordinary income (millions of yen)	1,864	154	1,414	2,221	2,025
Net income (millions of yen)	1,432	203	888	1,168	1,278
Capital (millions of yen)	8,774	8,774	8,774	8,774	8,774
Issued shares	70,424,226	70,424,226	14,084,845	14,084,845	14,084,845
Net assets (millions of yen)	35,298	34,952	35,228	35,360	34,882
Total assets (millions of yen)	46,255	46,418	47,394	47,637	45,614
Net assets per share (yen)	2,878.70	2,859.57	2,882.98	2,893.91	2,902.73
Dividend per share (including interim dividend per share) (yen)	15.00 (0.0)	15.00 (0.0)	45.00 (0.0)	45.00 (0.0)	45.00 (0.0)
Net income per share (yen)	115.43	16.71	72.67	95.59	105.79
Diluted net income per share (yen)	-	-	-	-	-
Equity ratio (%)	76.3	75.3	74.3	74.2	76.5
Return on equity (%)	4.0	0.6	2.5	3.3	3.6
Price-to-earnings ratio (x)	22.7	168.9	43.5	34.8	23.6
Payout ratio (%)	64.96	449.10	61.92	47.08	42.54
Number of employees (persons)	565 [68]	576 [85]	569 [99]	563 [116]	582 [136]
Total shareholder yield (TOPIX total return index for comparison) (%)	94.7 (89.2)	104.2 (102.3)	117.7 (118.5)	125.3 (112.5)	97.5 (101.8)
Highest share price (yen)	610	618	3,435 (589)	3,590	3,905
Lowest share price (yen)	469	427	2,715 (514)	2,179	1,921

- Notes: 1. Net sales do not include consumption tax, etc.
2. No figures are provided for “diluted net income per share” as there are no dilutive shares.
3. The highest and lowest share price figures are those recorded on the first section of the Tokyo Stock Exchange.
4. DKK Co., Ltd. implemented a one-for-five reverse stock split on October 1, 2017. Net assets per share and net income per share are calculated on the assumption that the reverse stock split was completed at the beginning of the 90th term. The highest and lowest share prices in the 92nd term are figures reached after the reverse stock split, with pre-split figures indicated in parentheses.
5. The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting, Etc.” (ASBJ Statement No. 28 issued on February 16, 2018), etc. from the beginning of the 93rd term, and key performance indicators for the 92nd term have been retrospectively restated by applying the amendments, etc.

2. [History]

In March 1938, Nihon Musen Denshin KK (Japan Wireless Telegraph Company) and Kokusai Denwa KK, which have operated international wireless telecommunication and wireless telephone services in Japan, merged under a special law to form Kokusai Denki Tsushin KK (International Telecommunications Company) under the guidance of the former Ministry of Communications. The new company developed and operated domestic and international telecommunication services as a government-controlled entity.

In March 1947, after the decision to liquidate the company was made under the policy of the Supreme Commander for Allied Powers, its telecommunications facilities and all its employees were transferred to the Ministry of Communications and the company underwent liquidation proceedings.

While the nation was recovering from the ravages of World War II, demand for telecommunication and its importance grew. To address this public situation, a plan was made to establish a new company by taking over some of the facilities of the former company. A “decision development plan alteration authorization request” was submitted under the Enterprise Reorganization Act in March 1950 and was approved in May of the same year.

DKK Co., Ltd. as it is known today was thus established in June 1950 with a capital of 50 million yen. Its business purpose was the design, manufacture, construction, and maintenance of telecommunication facilities and leasing of facilities.

The following are the key changes DKK went through leading up to today.

May 1952	Built the Haneda Plant in Ota Ward, Tokyo and began manufacturing applied high-frequency devices and providing high-frequency heat treating services. Opened the Yosami branch office in Kariya, Aichi Prefecture. Leased high-powered low frequency transmitting facility to the Defense Facilities Administration Agency and began maintenance and operation services.
July 1956	Opened an office in Chiyoda Ward, Tokyo and began headquarters operations.
July 1959	Began over-the-counter trading on the Tokyo Stock Exchange.
Sept. 1960	Built Kawagoe Plant in Oi (currently known as Fujimino), Saitama Prefecture. Started manufacture of radio towers and other steel structures. Established Denki Kogyo Antenna Seisakusho Co., Ltd., a company at the Kawagoe Plant specializing in manufacture of antennas (company renamed to Denko Tekko Co., Ltd. in April 1965; predecessor of Denko Co., Ltd., a consolidated subsidiary).
Oct. 1961	Listed on the second section of the Tokyo Stock Exchange.
Jan. 1965	Built Hamamatsu Plant in Hamamatsu, Shizuoka Prefecture to expand the contract high-frequency heat treating service.
Mar. 1965	Sold land in Shinagawa Ward, Tokyo to the Tokyo metropolitan government. Transferred operations of the Telecommunication Division to the Kawagoe Plant in Oi (currently known as Fujimino), Saitama Prefecture and renamed Kawagoe Plant to Kawagoe Office.
June 1967	Built Suzuka Plant in Suzuka, Mie Prefecture, to expand the contract high-frequency heat treating service in the Chukyo region.
July 1968	Built Atsugi Plant in Aikawa, Aiko District, Kanagawa Prefecture to expand the manufacture of applied high-frequency devices and contract heat treating service.
Dec. 1970	Made Fukoku Tsushin Kogyo Co., Ltd. (currently known as Fukoku Denko Co., Ltd.), a constructor and seller of telecommunication equipment in Fukuoka, Fukuoka Prefecture, an affiliate (presently a consolidated subsidiary).
Oct. 1971	Made Fuji Kogyo Co., Ltd. (currently known as Denko Co., Ltd.), a hot-dip galvanizing company in Noda, Chiba Prefecture, an affiliate (presently a consolidated subsidiary).
Feb. 1972	Built Kanuma Plant in Kanuma, Tochigi Prefecture, moved the antenna production division at the Kawagoe Office to the Kanuma Plant, and began manufacturing antennas, including microwave antennas, as a plant specialized in antenna production.
June 1973	Made Sanei Kinzoku Kogyo Co., Ltd. (currently known as Denko Seisakusho Co., Ltd.), a manufacturer of parabolic antenna-related equipment in Kita Ward, Tokyo, an affiliate (presently a consolidated subsidiary).
Feb. 1974	Established Denki Kogyo Koji Co., Ltd. (currently known as DKC Co., Ltd., a consolidated subsidiary), a company Kawagoe Office in Oi (currently known as Fujimino), Saitama Prefecture specialized in construction of telecommunication facilities.
July 1976	Established Omoto Industry Co., Ltd. (currently known as Koshuha Co., Ltd., a consolidated subsidiary), a company in Isehara, Kanagawa Prefecture specialized in manufacture of electric machinery, devices, etc.
June 1981	Built a new Kawagoe Plant in Kawagoe, Saitama Prefecture. Started full-blown production of large steel structures as a plant dedicated to manufacture of such structures.

June 1990	Established DKK Sino-Thai Engineering Co., Ltd., a company in Bangkok, Thailand specialized in construction of telecommunication facilities, etc. overseas (currently a consolidated subsidiary).
Nov. 1990	Moved company shares to the first section of the Tokyo Stock Exchange.
Apr. 1991	Established Shiga Plant in Minakuchi (currently known as Koka), Koka District, Shiga Prefecture. Established Denko Techno Heat Co., Ltd. (presently a consolidated subsidiary), a company in the Shiga Plant specialized in contract high-frequency heat treating service.
June 1996	Merged Denko Tekko Co., Ltd. and Fuji Kogyo Co., Ltd., both consolidated subsidiary of the Company, and renamed to Denko Co., Ltd.
Mar. 1998	Established Denko Metallurgical Technologies Co., Ltd., a company in the headquarters in Chiyoda Ward, Tokyo specialized in sales of sells vacuum furnaces, etc.
Apr. 1998	Transferred the manufacturing divisions of Hamamatsu and Suzuka Plants to Denko Techno Heat Co., Ltd.
May 2004	Established DKK of America, Inc. (presently a consolidated subsidiary), a company in Indiana, U.S. specialized in maintenance services and sales support for high-frequency induction heating equipment as well as manufacture and repair of heating coils.
Aug. 2004	Built Kariya Plant in Kariya, Aichi Prefecture to expand the contract high-frequency heat treating service.
Apr. 2010	Merged Denko Metallurgical Technologies Co., Ltd. with Koshuha Co., Ltd. by acquisition.
Feb. 2011	Transferred the manufacturing division of the Kanuma Plant to Denko Tech Co., Ltd..
Apr. 2012	Merged Denko Tech Co., Ltd. with Denko Seisakusho Co., Ltd. by acquisition.
May 2012	Established DKK (THAILAND) CO., LTD. (presently a consolidated subsidiary), a company in Ayutthaya, Thailand specialized in sale of telecommunication-use antennas as well as other components and equipment and repair of heating coils for high-frequency induction heating equipment.
Oct. 2012	Established DENKI KOGYO (CHANGZHOU) HEAT TREATMENT EQUIPMENT CO., LTD. (presently a consolidated subsidiary), a company in the Chinese province of Jiangsu specialized in repair and manufacture of heating coils for high-frequency induction heating equipment and sales other components and equipment.
Sept. 2013	Established DKK MANUFACTURING (THAILAND) CO., LTD. (presently a consolidated subsidiary), a company in Ayutthaya, Thailand specialized in manufacture of telecommunication-use antennas and heating coils for high-frequency induction heating equipment.
Jan. 2017	Established DTHM, S.A DE C.V. (presently a consolidated subsidiary), a provider in the Mexican state of Guanajuato specialized in contract high-frequency heat treating service.
March 2018	Established KOREA DENKIKOGYO. Co., Ltd. (presently a consolidated subsidiary), a company in Incheon, South Korea specialized in manufacture of high-frequency induction heating equipment and sale of other components and equipment.
July 2019	Established DKK North America, Inc., a company in Texas, U.S. specialized in import and sale communications antennas.
August 2019	Established Wireless R&D Center, a facility in Yokohama, Kanagawa Prefecture where research and development of next-generation technology in 5G and beyond are conducted.

3. [Description of Business Operations]

The DKK Group (the “Group” hereafter) consists of the company filing the consolidated financial statements (the “Company” hereafter) and 14 subsidiaries.

The Company operates mainly in two areas: telecommunication and radio frequency businesses. It also leases facilities and sells electric power. The Company expands its business by work closely together with Group companies.

Key businesses the Group operates, positioning of affiliate companies in their respective business areas, and their relationship with segments are as follows.

Telecommunication Business: The Company manufactures and constructs antennas, reflectors, steel towers, structures, telecommunications facilities, and equipment. The below describes the relationships with the affiliate companies.

Denko Co., Ltd. (consolidated subsidiary)	Manufactures and sells steel structures, etc. and performs plating work. Also does part of the Company’s construction of antennas, steel towers, etc. and plating work on steel towers, steel building frameworks, etc.
Denko Seisakusho Co., Ltd. (consolidated subsidiary)	Processes metals and machinery parts. Also does part of the Company’s manufacture and processing of antennas and telecommunication equipment.

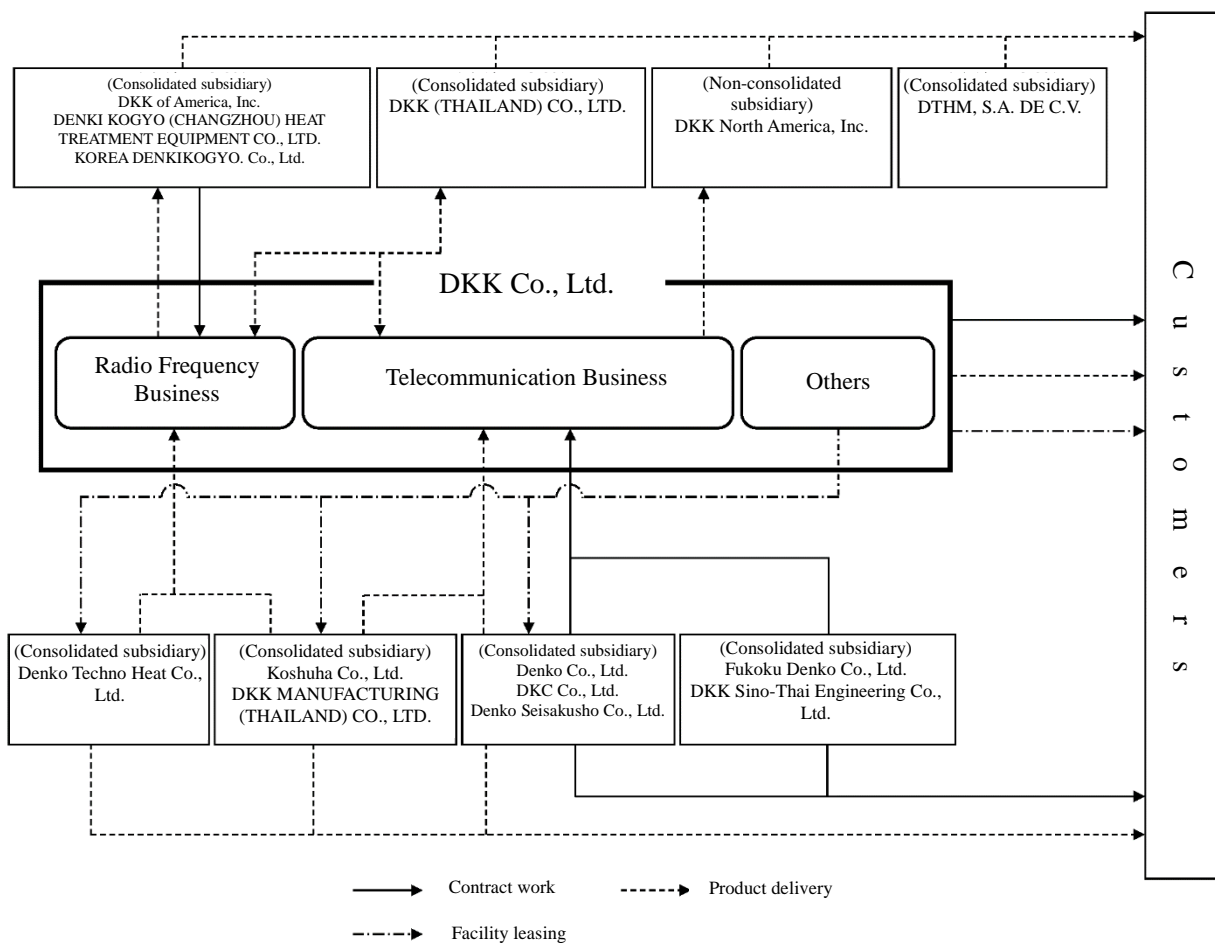
DKC Co., Ltd. (consolidated subsidiary)	Performs construction work of telecommunication facilities for the Company.
Fukoku Denko Co., Ltd. (consolidated subsidiary)	Performs part of design and manufacture of the Company's wired and wireless telecommunication equipment.
DKK Sino-Thai Engineering Co., Ltd. (consolidated subsidiary)	Undertakes construction of telecommunication facilities overseas for the Company.
Koshuha Co., Ltd. (consolidated subsidiary)	Manufactures electric machineries, devices, etc. for the Company.
DKK MANUFACTURING (THAILAND) CO., LTD. (consolidated subsidiary)	Manufactures antennas, telecommunication equipment, etc. for the Company.
DKK (THAILAND) CO., LTD. (consolidated subsidiary)	Sells antennas, telecommunication equipment, etc. of the Company.
DKK North America, Inc. (non-consolidated subsidiary)	Sells antennas, telecommunication equipment, etc. of the Company.

Radio Frequency Division: The Company manufactures and sells high-frequency induction heating equipment and provides contract high-frequency heat treating service. The below describes the relationships with the affiliate companies.

Denko Techno Heat Co., Ltd. (consolidated subsidiary)	Mainly provides contract high-frequency heat treating service.
Koshuha Co., Ltd. (consolidated subsidiary)	Manufactures and processes high-frequency induction heating equipment, etc. for the Company and provides contract high-frequency heat treating service.
DKK of America, Inc. (consolidated subsidiary)	Undertakes maintenance service for and supports sales of high-frequency induction heating equipment as well as manufactures and repairs heating coils.
DENKI KOGYO (CHANGZHOU) HEAT TREATMENT EQUIPMENT CO., LTD. (consolidated subsidiary)	Repairs and manufactures heating coils used in the Company's high-frequency induction heating equipment and sells components and equipment.
DKK MANUFACTURING (THAILAND) CO., LTD. (consolidated subsidiary)	Manufactures heating coils used in the Company's high-frequency induction heating equipment.
DKK (THAILAND) CO., LTD. (consolidated subsidiary)	Repairs heating coils used in the Company's high-frequency induction heating equipment and sells components and equipment.
DTHM, S.A. DE C.V. (consolidated subsidiary)	Mainly provides contract high-frequency heat treating service.
KOREA DENKIKOGYO Co., Ltd. (consolidated subsidiary)	Mainly manufactures high-frequency induction heating equipment, etc. and sells components and equipment.

Others: This division mainly operates a facility leasing service and electric power sales business. It leases land, buildings, etc. owned by the Company and sells power from solar plants.

The diagram below shows the above-described roles and relationships between different operations and divisions.



4. [Status of Subsidiaries and Affiliates]

Consolidated subsidiaries

Name	Location	Capital (millions of yen)	Principal business	Voting power (%)	Description of relationship
Denko Co., Ltd.	Kawagoe, Saitama Prefecture	70	Telecommunication Business	100	Undertakes manufacture of antennas, steel towers, and steel building frameworks and plating work on them for the Company. Rents the Company's land, buildings, etc. Concurrent directorships: none
Denko Seisakusho Co., Ltd.	Kanuma, Tochigi Prefecture	92	Telecommunication Business	100	Manufactures and processes antennas, telecommunication equipment, etc. for the Company. Rents the Company's land, buildings, etc. Concurrent directorships: one person
DKC Co., Ltd.	Fujimino, Saitama Prefecture	20	Telecommunication Business	100	Performs construction work of telecommunication facilities for the Company. Rents the Company's land, buildings, etc. Concurrent directorships: none
Fukoku Denko Co., Ltd.	Hakata Ward, Fukuoka, Fukuoka Prefecture	17	Telecommunication Business	100	Undertakes design of and construction work for the Company's wired and wireless telecommunication equipment. Concurrent directorships: none
DKK Sino-Thai Engineering Co., Ltd. (See Note 3.)	Ayutthaya, Thailand	Millions of baht 8	Telecommunication Business	49	Undertakes construction of overseas telecommunication facilities for the Company. Concurrent directorships: none
Denko Techno Heat Co., Ltd.	Kariya, Aichi Prefecture	70	Radio Frequency Business	100	Mainly provides contract high-frequency heat treating service. Rents the Company's land, buildings, etc. Concurrent directorships: none
Koshuha Co., Ltd.	Aikawa, Aiko District, Kanagawa Prefecture	50	Telecommunication Business Radio Frequency Business	100	Manufactures electric machineries, devices, etc. for the Company, manufactures and processes high-frequency induction heating equipment, etc., and provides contract high-frequency heat treating service. Rents the Company's land, buildings, etc. Concurrent directorships: none
DKK of America, Inc.	Indiana, U.S.	Thousands of dollars 300	Radio Frequency Business	100	Undertakes maintenance service for and supports sales of high-frequency induction heating equipment as well as manufactures and repairs heating coils. Concurrent directorships: none
DENKI KOGYO (CHANGZHOU) HEAT TREATMENT EQUIPMENT CO., LTD.	Jiangsu Province, China	Millions of yuan 6	Radio Frequency Business	70	Repairs and manufactures heating coils used in the Company's high-frequency induction heating equipment and sells components and equipment. Concurrent directorships: none
DKK MANUFACTURING (THAILAND) CO., LTD.	Ayutthaya, Thailand	Millions of baht 118	Telecommunication Business Radio Frequency Business	100	Manufactures the Company's antennas, telecommunication equipment, etc. and heating coils used in high-frequency induction heating equipment. Rents the Company's equipment, etc. Concurrent directorships: one person
DKK (THAILAND) CO., LTD. See Note 5.	Bangkok, Thailand	Millions of baht 8	Telecommunication Business Radio Frequency Business	61 (12)	Sells antennas and telecommunication equipment as well as other components and equipment etc. of the Company and repairs heating coils used in high-frequency induction heating equipment. Concurrent directorships: none

DTHM, S.A. DE C.V. See Note 5.	Guanajuato, Mexico	Thousands of pesos 300	Radio Frequency Business	100 (90)	Mainly provides contract high-frequency heat treating service. Concurrent directorships: one person
KOREA DENKIKOGYO. Co., Ltd. See Note 5.	Incheon, South Korea	Millions of won 1,020	Radio Frequency Business	78	Mainly manufactures high-frequency induction heating equipment, etc. and sells other components and equipment. Concurrent directorships: one person

- Notes:
- 1 The names of businesses in the “Principal business” column are of those provided in the financial information by segment.
 - 2 None of the companies have submitted securities registration statements or annual securities reports.
 - 3 Although the Company holds shares of less than 50% in DKK Sino-Thai Engineering Co., Ltd., it is included as an affiliate company because the Company effectively controls it.
 - 4 The figures in parentheses in the “Percentage of votes” column indicate indirect ownership and is included in respective main figures.
 - 5 DKK (THAILAND) CO., LTD., DTHM, S.A. DE C.V., and KOREA DENKIKOGYO. Co., Ltd. were added to the scope of consolidation starting in the current consolidated fiscal year due to their increased significance.

5. [Status of Employees]

(1) Status at consolidated companies

(As of March 31, 2020)

Segment	Number of employees
Telecommunication Business	971 (144)
Radio Frequency Business	317 (15)
Overall (common)	56 (5)
Total	1,344 (164)

- Notes:
- 1 The number of employees represents the number of permanent employees; the number of temporary employees is indicated in parentheses in annual average figures.
 - 2 The number of employees in the “Overall (common)” row is that of employees belonging to administrative divisions that cannot be classified into specific segments.
 - 3 The number of employees has increased 131 persons from the previous fiscal year due mainly to additional hires at DKK MANUFACTURING (THAILAND) CO., LTD. and the inclusion of DKK (THAILAND) CO., LTD., DTHM, S.A. DE C.V., and KOREA DENKIKOGYO. Co., Ltd. in the scope of consolidation.

(2) Status at filing company

(As of March 31, 2020)

Number of employees	Average age	Average number of years of service	Average annual salary (in thousands of yen)
582 (136)	45.9	17.2	6,089

Segment	Number of employees
Telecommunication Business	403 (129)
Radio Frequency Business	123 (2)
Overall (common)	56 (5)
Total	582 (136)

- Notes:
- 1 The number of employees represents the number of permanent employees; the number of temporary employees is indicated in parentheses in annual average figures.
 - 2 Average annual salary includes bonuses and extra wages.
 - 3 The number of employees in the “Overall (common)” row is that of employees belonging to administrative divisions that cannot be classified into specific segments.

(3) Situation of the labor union

The labor union of the company filing the consolidated financial statements was formed on March 17, 1957 and currently has 303 members. The organization belongs to the Japanese Association of Metal, Machinery, and Manufacturing Workers (JAM), a member organization the Japanese Trade Union Confederation (JTUC-Rengo). Labor unions of consolidated subsidiaries are formed by Denko Co., Ltd. and Fukoku Denko Co., Ltd.

All the companies have a good labor-management relationship, and there is no particular issue worthy of mention.

II. [Business Overview]

1. [Management Policies, Management Environment, and Pressing Issues]

Any forward-looking statement in the below text is based on the Group's judgment made as of now at the end of this consolidated fiscal year.

(1) The Company's basic management policy

DKK's most crucial basic policy in terms of management is to enhance the corporate value and meet expectations of shareholders and customers. The Company pursues the policy by following the management philosophy of being a "forward-looking company with a fighting spirit, seeking to capture the needs of the times early and never being afraid of failures." In addition, in order to "provide outstanding products to society and contribute to society" to pursue the policy, the Company implements measures aimed at promoting steady technological development and improving product quality and performance under the key management policy set every year, based on the rich expertise and experience in telecommunication and applied high-frequency technologies gained over many years.

(2) Target key performance indicators (KPIs)

The Group aims to ensure efficient operation and business expansion by focusing on stable expansion of the business foundation. The Group will work toward improving the return on equity with a target of at least 8% in operating profit margin over a medium to long term.

(3) The Company's medium- to long-term management strategy

With basic principles of responding quickly to changes in the management environment, seeking to ensure continuity of business and stable revenue, and ensuring increase of corporate value, the Company operates business under the overarching slogan of "realizing growth by focusing efforts of the entire Group" by working out a five-point key management policy comprised of "exercise sales practice that capture maximum demand and make sure profits are secured," "enhance productivity through improved skills and faster implementation," "enhance corporate strength through thorough coordination of efforts within the Company," "realize cutting-edge research and development that takes advantage of latest trends and achieve technological innovation," and "make sure structures to ensure compliance are in place, safety is secured, and quality is improved."

DKK aims to inform employees of the above policy, raise awareness, and strengthen order-taking activities under a coordinated Group effort. The telecommunication business actively seeks to capture opportunities related to demand for capital expenditures aimed at improving communication quality and on the shift to 5G communication in the mobile communications industry. The business seeks to win orders related to demand for upgrading and maintaining administrative radio systems for disaster prevention use in the fixed wireless industry and broadcast equipment in the broadcasting industry. The radio frequency business, which seeks demand for capital expenditures mainly in the automotive industry, plans to expand operations into nonautomotive areas, including peripheral areas. In pursuit of future growth, both businesses aim to expand the scope of the operations by seeking to capture new demand in anticipation of the next generation and accurately identifying market needs through coordinated efforts of the Group.

(4) Management environment

In the current consolidated fiscal year, the Japanese economy remained on a gradual recovery track in the first half as capital expenditures remained solid, supported by high corporate earnings, but slowed sharply toward the fiscal year-end, affected by a consumption tax hike and the spread of COVID-19. As the global economic climate also significantly deteriorated, with corporate earnings and consumption sharply falling on the back of slowdown in economic activities, uncertainty surrounding the outlook for the nation's economy has grown to an unprecedented degree.

In the telecommunications industry in which the Group operates, antenna demand is growing, backed by moves to expand LTE and LTE-Advanced services, and demand for 5G-use antennas has emerged in the mobile communication-related segment. In the fixed wireless communication-related segment, the level of demand has remained steady in administrative radio systems for disaster prevention use, while in the broadcasting-related segment, demand for equipment upgrades and maintenance has emerged from broadcasters. In the applied high-frequency devices industry, while capital expenditure-driven demand in the automotive segment in some overseas markets is on a downtrend production activity has sharply slowed due to the spread of COVID-19. As price competition has intensified in both telecommunications and applied high-frequency devices industries, our efforts to win orders have faced a difficult environment.

(5) Issues the Company needs to address

We expect the management environment surrounding the Group to remain adverse due to an impact of COVID-19, a rapidly changing business environment, and intensified price competition.

Under such circumstances, the Group aims to step up efforts to train personnel and promote internal coordination as well as make sure sales practice that can capture maximum demand is exercised and productivity is improved to increase its corporate strength. Furthermore, the Group will promote cutting edge research and development projects to achieve technological innovation in a long-term perspective. At the same time, we aim to solidify our business foundation and improve customer trust by ensuring safety and quality management and operation of a compliance management system.

In the process of receiving tax examination in December 2018, we discovered inappropriate accounting practices involving improper transfers of costs were implemented at multiple operational locations in the fiscal year ended March 2019. We will work to regain confidence of our shareholders by, as preventive measures against the inappropriate accounting practice, disciplining relevant individuals by actions commensurate with their respective roles and letting employees know about it, making sure employees are properly educated, clarifying and reviewing rules for calculating costs, reinforcing checking functions, enhancing internal controls, and reviewing rules on submission of the low-margin reporting form and the deficit-reporting form through a coordinated effort by employees across divisions.

2. [Risk Factors]

Among the matters regarding situations of business, accounting, etc. described in the annual securities report, key risks that the management recognized as potentially having significant impact on the financial positions, operational results, and cash flows of the consolidated companies include the following.

Note that any forward-looking statement in the below text is based on the Group's judgment current as of the end of the current consolidated fiscal year.

(Risks related to fluctuations in financial positions, operating results, and cash flows)

(i) Risks latent in business expansion overseas

In overseas business expansion, the Group's business operation, financial position, operating results, and cash flows may be affected if social confusion arises, including unexpected changes in laws or regulations, aggravation of political or economic situations, natural disasters, epidemic, disputes, terrorism, and strikes. As part of efforts to address these risks, the Group is working to collect information, including those on tax systems, laws and regulations, and political and economic situations in the countries where we operate.

Items including assets, debts, revenues and costs denominated in local currencies in the financial statements of the Company's subsidiaries are converted to yen in creating consolidated financial statements. Regarding import and export transactions in foreign currencies, amounts converted and booked in yen are exposed to the risk of fluctuation in exchange rates at the time of conversion. The Group is working to minimize such risk using forward exchange contracts, etc.

(ii) Retirement benefit liabilities

The Group's retirement benefit expenses and obligations are calculated based on actuarial assumptions and expected rate of return on pension assets. Therefore, as impact of any change in the actuarial assumptions would be systematically recognized into the future, it would affect costs recognized and debts booked in future terms.

In the future, any change in retirement benefit plans, any change in discount rates due to changing financial market conditions, or deterioration in investment returns may affect the Group's earnings or financial position. As an effort to address such risks, the Group has worked to mitigate the risk of additional contribution by partially introducing defined contribution pension plans and making appropriate investment allocation, accounting for safety and profitability, in pension asset investment.

(iii) Impairment of non-current assets

The Company applies the Accounting Standard for Impairment of Fixed Assets and the Guidance on Accounting Standard for Impairment of Fixed Assets on its accounts. If the Company ends up recognizing impairment losses due to changes in fair values or the business environment, it may affect the Group's earnings and financial position. After considering potential risks and measures to address them at the time of designing investment plans, the Group analyzes profitability and makes investment decisions.

(iv) Impact of share prices due to market trends

The Group holds securities, mainly including shares in transacting financial institutions, affiliates, and important business partners, that are intended to be held for a long term. If the market situations deteriorate or business of investee companies slump, the Group's earnings and financial position may be affected. The Group works to minimize risks by examining transaction situations of each stock in its portfolio and constantly monitoring market trend.

(v) Industry trends

Although the Group endeavors to win orders at fair values and increase profits by reducing costs, the Group's earnings and financial position may be affected significantly if it fails to achieve initial sales and profit targets, depending on the trends in demand situations of the related industries, including intensified price competition or rises in purchase prices of production materials, such as steel. The Group is working to increase earnings by constantly monitoring trends of other companies in the industry, working to increase efficiency of operations, and boosting profits through cost-reducing activities.

(Risks related to reliance on specific business partners, products, technologies, etc.)

(i) Risks related to reliance on specific business partners

Telecommunication business relies heavily on mobile communication-related companies and broadcasters and radio frequency business on automakers and other companies in the automotive industry for orders and sales. Fluctuations in demand arising from capital expenditures among these customers may significantly affect the Group's earnings and financial

position. The Group aims to maintain or expand existing business relationships, while working to expand into new business areas by accurately identifying market needs and developing new sources of demand targeting the next generation.

(ii) Product defects, disasters/accidents at plants

The Group is working to make sure quality and safety are maintained. However, there is no guarantee that no defects would be produced or no accidents would happen regarding any of our products and construction projects. Any occurrence of defects in our products or disasters and accidents in our construction projects may affect not only the Group's reputation but also its earnings and financial position. The Group manufactures products and performs construction work under quality control standards (ISO9001), excluding some plants and subsidiaries. It has purchased damage insurance policies to cover liability for potential damage related to construction work it performs or products it manufactures.

(Others)

(i) Occurrence of significant incidents leading to lawsuits

There was no lawsuit brought against the Group in the current consolidated fiscal year that may significantly affect its future earnings. However, the Group's earnings and financial position may be affected in the future in the course of operating its business if claims are brought against the Group in the form of lawsuit or otherwise in relation to a wide range of potential incidents, including product defects and accidents in construction work. In order to be prepared for lawsuit risk, the Group works to make sure product quality and safety are maintained and laws and regulations are complied with.

(ii) Intellectual property rights

If lawsuit, complaints, etc. arise regarding intellectual property rights owned by the Group, the Group's earnings and financial position may be affected. The Group strives to obtain and protect useful intellectual property rights related to its business activity.

(iii) Legal restraints

In operating business, the Group is subject to statutory regulations based on laws including the Construction Business Act and the Product Liability Act. The Group's earnings and financial position may be affected if it is deemed to have violated laws as a result of factors such as wrong interpretation of laws. The Group works to make sure internal controls are maintained and laws and regulations are complied with.

(iv) Large-scale natural disasters

If large-scale natural disasters, such as earthquakes and typhoons, as well as other events, cause confusion, directly or indirectly, to the Group's operations, including a halt to production lines, its earnings and financial position may be significantly affected. In order to be prepared for events such as disasters, minimize damage, and ensure continuation of business operation, the Group has worked out a business continuity plan (BCP) and is taking necessary measures for it.

(v) Impact of COVID-19

COVID-19 is expected to affect business sectors in which the Group operates. In the telecommunication business, slump in customers and supply chains, postponement in bidding and construction work, etc. may happen. In the radio frequency business, decreased production and suspension or postponement of capital spending in the automotive industry may result in a significant decrease in orders for mainstay induction heating equipment and heat-treatment processing services. Although we expect the business environment to recover for all of the divisions as the coronavirus pandemic ends, but any further spread of the disease or emergence of a different disease could affect the Group's earnings and financial position. The Group is working to ensure employees' health by calling on them to wash hands, sanitize, wear a face mask, measure bodily temperature, etc. We also encourage them to use video conferencing, telecommute, and rethink their work styles.

3. [Management's Analysis of Financial Position, Operating Results, and Cash Flows]

(1) Overview of Operating Results, Etc.

The overview of the Group's financial position, operating results, and cash flows ("Operating Results, Etc." hereafter) in the current fiscal year are as follows.

(i) Status of financial position and operating results

a. Financial position

Total assets decreased 1.229 billion yen from a year earlier to 61.208 billion yen at the end of the current consolidated fiscal year.

Current assets decreased 420 million yen from a year earlier to 44.341 billion yen. This is attributed mainly to decreases respectively of 1.216 billion yen in cash and deposits and 533 million yen in inventories, despite an increase of 1.432 billion yen in accounts receivable, including notes receivable.

Non-current assets dropped 808 million yen from a year earlier to 16.866 billion yen. This is attributed mainly to a 1.299 billion yen decrease in investment securities, despite an increase of 557 million yen in property, plant, and equipment.

Current liabilities decreased 1.819 billion yen from a year earlier to 10.547 billion yen. This is attributed mainly to decreases of 581 million yen in trade payables, including notes payable, 457 million yen in income taxes payable, etc., and 1.233 billion yen in other current liabilities, including advances received.

Fixed liabilities increased 244 million yen from a year earlier to 4.351 billion yen. This is attributed mainly to an increase of 219 million yen in long-term loans payable.

Net assets increased 346 million yen from a year earlier to 46.309 billion yen. This is attributed mainly to an increase of 1.306 billion yen in retained earnings, despite decreases of 615 million yen in acquisition of treasury stock and 573 million yen in valuation difference on available-for-sale securities.

b. Operating results

In the current consolidated fiscal year, the Japanese economy remained on a gradual recovery track in the first half as capital expenditures remained solid, supported by high corporate earnings, but slowed sharply toward the fiscal year-end, affected by a consumption tax hike and the spread of COVID-19. As the global economic climate also significantly deteriorated, with corporate earnings and consumption sharply falling on the back of slowdown in economic activities, uncertainty surrounding the outlook for the nation's economy has grown to an unprecedented degree.

In the telecommunications industry in which the Group operates, antenna demand is growing, backed by moves to expand LTE and LTE-Advanced services, and demand for 5G-use antennas has emerged in the mobile communication-related segment. In the fixed wireless communication-related segment, the level of demand has remained steady in administrative radio systems for disaster prevention use, while in the broadcasting-related segment, demand for equipment upgrades and maintenance has emerged from broadcasters. In the applied high-frequency devices industry, while capital expenditure-driven demand in the automotive segment in some overseas markets is on a downtrend production activity has sharply slowed due to the spread of COVID-19. As price competition has intensified in both telecommunications and applied high-frequency devices industries, our efforts to win orders have faced a difficult environment.

Under such circumstances, the Group actively engaged in activities to stimulate demand, worked to expand profit through efforts to improve efficiency and reduce costs, and endeavored to improve business performance.

As a result, amount of orders received increased 0.6% year-on-year to 44.8 billion yen while net sales reached 45.016 billion yen, up 0.6% from a year earlier.

In terms of profit, operating income decreased 3.3% year-on-year to 2.601 billion yen, ordinary income dropped 5.7% from a year earlier to 2.774 billion yen, and net income attributable to shareholders of the parent increased 17.3% year-on-year to 1.789 billion yen.

Results by segment are as follows. (Results of reportable segments, etc. include intersegment sales, etc.)

(Telecommunication Business)

In the mobile communication-related segment of this business, mobile carriers have continued to invest in base stations for LTE and LTE-Advanced services to address an increase in communication traffic driven by an increased use of smartphones. In addition, demand for 1.7-GHz and 3.4-GHz antennas and antennas for frequency bands allocated to 5G has emerged. In the fixed wireless communication-related segment, demand from administrative radio systems for disaster prevention use is increasing, as local governments move to enhance or digitize anti-disaster systems. In the broadcasting-related segment, we are working to respond to the demand for complementary FM relay stations as a way of using the VHF-Low band and the needs of broadcasters for facility replacement and maintenance. In other segments, we are developing demand for LED aviation obstacle lights and thermal camera systems. Our business environment is becoming severer in all segments due to intensified price competitions. Amid such an environment, we have conducted business activities under the “challenges and changes” slogan, strengthened the research and development function, and expanded business areas, as well as worked to reduce production costs and improve competitiveness.

As a result, amount of orders received increased 13.1% year-on-year to 35.563 billion yen while net sales fell 1.0% from a year earlier to 33.031 billion yen. Segment income (operating income) increased 4.8% from a year earlier to 3.516 billion yen.

(Radio Frequency Business)

In this business, a falling trend in sales of mainstay high-frequency induction heating equipment has grown prominent in some overseas market, but capital expenditure in Japan has continued to be carried out. On the other hand, the heat-treatment processing services has faced an increasingly prominent impact on auto production from a decline in overseas demand and U.S.-China trade friction. Under such circumstances, the radio frequency business has worked to expand profits by developing new markets and new users, as well as improving productivity.

As a result, amount of orders received decreased 29.6% year-on-year to 9.237 billion yen while net sales increased 5.0% from a year earlier to 11.92 billion yen. Segment income (operating income) decreased 6.5% from a year earlier to 1.699 billion yen.

(Others)

Other businesses include facility leasing business which leases land, offices, etc. to subsidiaries and electric power sales business. Net sales of the business decreased 19.0% from a year earlier to 326 million yen. Segment income (operating income) decreased 37.5% from a year earlier to 149 million yen.

(ii) Cash flows

Cash and cash equivalents (“Funds” hereafter) decreased 562 million year-on-year to 10.931 billion yen at the end of the current consolidated fiscal year.

Cash flow situations and factors behind them in the current consolidated fiscal year are as follows.

(Cash flows from business activities)

Funds obtained as a result of business activities came to 1.543 billion yen, compared with 3.177 billion yen obtained a year earlier. This is due mainly to positive factors, including mainly net income before income taxes totaling 2.532 billion yen and depreciation totaling 1.31 billion yen, partially offset by negative factors, including mainly a 1.046 billion yen decrease in notes and accounts receivable-trade and 915 million yen in income taxes paid.

(Cash flows from investing activities)

Funds used as a result of investing activities reached 1.261 billion yen, compared with 1.120 billion yen used a year earlier. This is attributed mainly to a decrease factor of a total of 1.831 billion yen spent on the acquisition of property, plant, and equipment and intangible assets, partially offset by increase factors, including 665 million yen earned from a net decrease in time deposits.

(Cash flows from financing activities)

Funds used as a result of financing activities came to 1.069 billion yen, compared with 626 million yen used a year earlier. This is attributable mainly to decrease factors including 652 million yen spent on acquisition of treasury stock and 555 million yen paid out as dividends.

(iii) Results of production, orders received, and sales

a. Production results

A breakdown of production results by business segment in the current consolidated fiscal year is shown below.

Segment	Output (millions of yen)	Year-on-year change (%)
Telecommunication Business	14,862	(12.8)
Radio Frequency Business	11,199	(6.6)
Total	26,062	(10.2)

- Notes: 1 Amounts are based on sales prices; intersegment transactions have been offset.
2 The above amounts do not include consumption tax.
3 In the telecommunication business, production results related to construction projects are excluded from the above production results due to difficulty in defining the results.

b. Results of orders received

A breakdown of orders received by business segment for the current consolidated fiscal year is as follows.

Segment	Orders received		Order backlog	
	Amount (millions of yen)	Year-on-year change (%)	Amount (millions of yen)	Year-on-year change (%)
Telecommunication Business	35,563	13.1	12,899	24.9
Radio Frequency Business	9,237	(29.6)	2,734	(49.5)
Total	44,800	0.6	15,634	(0.7)

Note: The above amounts do not include consumption tax.

c. Sales results

A breakdown of sales results by business segment in the current consolidated fiscal year is as follows.

Segment	Net sales (millions of yen)	Year-on-year change (%)	
Telecommunication Business	Construction work	17,951	11.5
	Equipment and materials sales	15,037	(12.5)
	Subtotal	32,988	(0.9)
Radio Frequency Business	11,920	5.0	
Others	107	(5.5)	
Total	45,016	0.6	

- Notes: 1 Intersegment transactions have been offset.
2 The above amounts do not include consumption tax.
3 The "Others" segment, which is not included in reportable segments, includes equipment leasing and electric power sales businesses.
4 Breakdown of sales results by major counterparties and ratio of sales result to total sales

Counterparty	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)		Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)	
	Net sales (millions of yen)	Ratio (%)	Net sales (millions of yen)	Ratio (%)
NTT DOCOMO, INC.	6,333	14.2	4,992	11.1

Non-consolidated operating results are provided below for reference. (Figures exclude consumption tax.)

Telecommunication Business

a. Orders received, net sales, carryovers, and works completed

Fiscal year	Sales category	Carryover from previous term (millions of yen)	Orders received this term (millions of yen)	Total (millions of yen)	Net sales of this term (millions of yen)	Carryover to next term			Works completed this term (millions of yen)
						Backlog (millions of yen)	Including work done worth... (% , millions of yen)		
Previous fiscal year (from April 1, 2018 to March 31, 2019)	Construction work	5,704	14,078	19,783	12,723	7,059	4.6	328	12,375
	Equipment and materials sales	3,257	13,126	16,383	13,900	2,483	57.1	1,417	13,935
	Total	8,962	27,204	36,167	26,623	9,543	18.3	1,745	26,311
Current fiscal year (from April 1, 2019 to March 31, 2020)	Construction work	7,059	18,944	26,004	16,152	9,851	3.6	355	16,179
	Equipment and materials sales	2,483	11,841	14,325	12,230	2,095	48.5	1,017	11,829
	Total	9,543	30,786	40,329	28,382	11,947	11.5	1,372	28,009

- Notes: 1 Regarding projects ordered in and before the previous fiscal year for which ordered amount has since been changed due to contract changes, the figures of the orders received this term reflect such changes. Therefore, changes are also reflected on the net sales of this term.
- 2 The figures of works completed included in works carried over to next period are estimated value of works completed included in backlog, reflecting the progress of each project to the accrued costs of unfinished work.
- 3 Work done = net sales of this term + work carried over to next term - work carried over from previous term

b. Breakdown of orders received by method

Methods for receiving orders are broadly divided into non-competitive and competitive orders.

Fiscal year	Non-competitive orders (%)	Competitive orders (%)	Total (%)
Previous fiscal year (from April 1, 2018 to March 31, 2019)	30.9	69.1	100
Current fiscal year (from April 1, 2019 to March 31, 2020)	26.6	73.4	100

Note: Above percentage figures are based on contract amount.

c. Net sales

Fiscal year	Category	Public (millions of yen)	Private (millions of yen)	Total (millions of yen)
Previous fiscal year (from April 1, 2018 to March 31, 2019)	Construction work See Note 1.	4,761	7,961	12,723
	Equipment and materials sales See Note 2.	106	13,793	13,900
	Total	4,867	21,755	26,623
Current fiscal year (from April 1, 2019 to March 31, 2020)	Construction work See Note 1.	6,668	9,483	16,152
	Equipment and materials sales See Note 2.	328	11,901	12,230
	Total	6,997	21,385	28,382

- Notes: 1 Sales of completed construction contracts
2 Net sales of finished goods
3 Key projects that contributed to sales are as shown in the below table.

Key projects contributing to sales in previous fiscal year

Customer	Project description
NTT DOCOMO, INC.	Delivery of base station antennas
KDDI CORPORATION	Delivery of base station antennas
Ministry of Defense	Project to service Tokorozawa (29) communications facility
NEC Corporation	Delivery of outdoor communications systems
Higashimatsushima municipality	Project to install receivers in homes for administrative radio broadcast systems for disaster prevention use

Key projects contributing to sales in the current fiscal year

Customer	Project description
NTT DOCOMO, INC.	Delivery of base station antennas
KDDI CORPORATION	Delivery of base station antennas
TOBU TOWER SKYTREE CO., LTD.	Project to enhance lighting of Tokyo Skytree
Japan Radio Co., Ltd.	Redevelopment work on Fukuoka Prefecture's disaster-prevention administrative communications network
Habikino municipality	Digitalization project on administrative radio broadcast systems for disaster prevention use

- 4 Net sales of customers who represent at least 10% of overall sales and its ratio to the overall sales
- | | | | |
|----------------------|------------------|-------------------|-------|
| Previous fiscal year | NTT DOCOMO, INC. | 6,333 million yen | 23.8% |
| Current fiscal year | NTT DOCOMO, INC. | 4,992 million yen | 17.6% |
| Current fiscal year | KDDI CORPORATION | 3,060 million yen | 10.8% |

d. Backlog (as of March 31, 2020)

Category	Public (millions of yen)	Private (millions of yen)	Total (millions of yen)
Construction work	5,545	4,306	9,851
Equipment and materials sales	400	1,695	2,095
Total	5,945	6,002	11,947

Below table shows key projects included in the order backlog.

Customer	Project description	Target completion date
Unnan municipality	Project to service digital 280MHz radio broadcast system	March 2021
Towada municipality	Project to service new broadcast-type administrative radio systems for disaster prevention use	March 2021
Tomioka municipality	Project to service digital administrative radio systems for disaster prevention use	March 2021
Kobayashi municipality	Project to service digital 280MHz radio broadcast system	June 2020
Hita municipality	Project to service 280MHz administrative radio systems for disaster prevention use	September 2020

Radio Frequency Business

a. Production results

Category	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
	Amount (millions of yen)	Amount (millions of yen)
Contract high-frequency hardening service	74	80
High-frequency induction heating equipment	7,811	6,561
Total	7,885	6,641

Note: The yen amounts are selling prices.

b. Results of orders received

Category	Two fiscal years prior	Previous fiscal year (from April 1, 2018 to March 31, 2019)		Current fiscal year (from April 1, 2019 to March 31, 2020)	
	Order backlog (millions of yen)	Orders received (millions of yen)	Order backlog (millions of yen)	Orders received (millions of yen)	Order backlog (millions of yen)
Contract high-frequency hardening service	-	74	-	80	-
High-frequency induction heating equipment	2,749	8,146	3,521	5,569	1,950
Total	2,749	8,220	3,521	5,649	1,950

Note: Volume is not shown due to difficulty caused by a wide variety of order items.

c. Sales results

Category	Previous fiscal year (from April 1, 2018 to March 31, 2019)		Current fiscal year (from April 1, 2019 to March 31, 2020)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Contract high-frequency hardening service	74	1.0	80	1.1
High-frequency induction heating equipment	7,374	99.0	7,140	98.9
Total	7,449	100	7,220	100

Notes: 1 Volume is not shown due to difficulty caused by a wide variety of sold items.

2 Net sales of customers who represent at least 10% of overall sales and its ratio to the overall sales

Previous fiscal year	Toyota Tsusho Corporation	1,322 million yen	17.7%
	TOYOTSU MACHINERY CORPORATION	1,276 million yen	17.1%
	AISIN AW CO., LTD.	823 million yen	11.0%
Current fiscal year	TOYOTSU MACHINERY CORPORATION	1,836 million yen	25.4%
	Toyota Tsusho Corporation	779 million yen	10.8%

3 The amount combining this term's net sales of equipment and materials of the telecommunication business and the above sales results corresponds to net sales of finished goods provided in the filing company's profit and loss statement.

Other Businesses

a. Sales results

Category	Previous fiscal year (from April 1, 2018 to March 31, 2019)		Current fiscal year (from April 1, 2019 to March 31, 2020)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Facility-leasing business	294	73.0	224	68.6
Electric power sales business	108	27.0	102	31.4
Total	403	100	326	100

(2) Analysis and review of Operating Results, Etc. from management viewpoint

The management's understanding and details of analysis and review regarding Operating Results, Etc. of the Group are as follows.

Matters herein regarding the future reflect judgment made at the end of the current consolidated fiscal year.

(i) Understanding, analysis, and discussion of financial position and Operating Results, Etc.

For details of the Group's financial position in the current consolidated fiscal year, see II. [Business Overview], 3. [Management's Analysis of Financial Position, Operating Results, and Cash Flows], (1) Overview of Operating Results, Etc., (i) Status of financial position and operating results, a. Financial position.

In the Group's Operating Results, Etc. in the current consolidated fiscal year, revenue grew but profit decreased, with net sales totaling 45.016 billion yen, up 0.6% from a year earlier, and operating income totaling 2.601 billion yen, down 3.3% from a year earlier.

Factors that may give significant impact on the Group's operating results include changes in external environment, including the impact of COVID-19, and industry and customer trends, which may prevent us from achieving targets, as stated in II. [Business Overview], 2. [Risk Factors].

In terms of our understanding, analysis, and discussion of financial position and Operating Results, Etc. by segment, in the telecommunication business, investment for LTE and LTE-Advanced base stations has continued to be made in the mobile communication-related segment and demand for 1.7-GHz and 3.4-GHz antennas as well as antennas for frequency bands allocated to 5G has emerged. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use is increasing, as local governments move to enhance or digitize anti-disaster systems. On the other hand, the overall revenue fell slightly for the telecommunication business due to decreases in orders at overseas subsidiaries, but profit grew from the previous consolidated fiscal year thanks to improved profitability of construction projects, as well as a fall in costs. In the radio frequency business, demand for capital expenditure in the automotive industry slowed sharply toward the end of the previous fiscal year due to the impact of COVID-19, but in the first half of the fiscal year, revenues increased from a year earlier mainly in the Japanese market supported by a solid orders environment. Profits decreased from a year earlier as heat-treatment processing services remained slumped, affected by production fall in the automotive industry.

For details of net sales and operating profit, see II. [Business Overview], 3. [Management's Analysis of Financial Position, Operating Results, and Cash Flows], (1) Overview of Operating Results, Etc., (i) Status of financial position and operating results, b. Operating results.

Ordinary income fell 5.7% from a year earlier to 2.774 billion yen as operating income dropped. Net income attributable to shareholders of the parent increased 17.3% from a year earlier to 1.789 billion yen as extraordinary losses, including losses on valuation of investment securities, decreased.

Under such circumstances, the Company strives to operate business while trying to respond quickly to changes in the management environment, seek to ensure continuity of the business and stable revenue, and ensure increase in corporate value. We will strive to raise our corporate value and meet expectations of our shareholders and customers under the Company's management philosophy of "providing outstanding products to society and contributing to society," "being a forward-looking company with a fighting spirit, seeking to capture needs of the times early and never being afraid of failures," "constantly working to improve productivity and trying to secure reasonable profits at all times," and "striving to help improve living of employees, developing and growing the company under the spirit of 'one company, one family,' respecting harmony of group members," and the key management policy stated in II. [Business Overview], 1. [Management Policies, Management Environment and Pressing Issues], (3) The Company's medium- to long-term management strategy.

We expect impact from COVID-19 will be felt going forward. In the telecommunication business, slump in customers and supply chains, postponement in public tenders and construction work, etc. may happen. In the radio frequency business, decreased production and suspension or postponement of capital spending in the automotive industry may result in a significant decrease in orders for mainstay induction heating equipment and heat-treatment processing services. We expect the business environment to recover for all of the divisions as the coronavirus pandemic ends. In the mobile communication-related segment of the telecommunication business, we aim to aggressively capture demand for LTE and LTE-Advanced antennas, as well as demand related to moves to build 5G networks in frequencies newly assigned for 5G services. In the fixed wireless communication-related segment, we will continue efforts to capture demand related to administrative radio systems for disaster prevention use and, in the broadcasting-related segment, demand for upgrading or servicing equipment that was installed in early phases of terrestrial digital broadcast. In addition, we will focus efforts for developing demand in new business areas, including LED aviation obstacle lights and thermal camera systems. In the radio frequency business, we aim to strengthen coordination with overseas offices while closely monitoring the business environment, reinforce efforts to capture demand driven by capital expenditure led by Japanese automotive manufacturers, and stimulate demand in areas other than the automotive segment.

(ii) Analysis and discussion of cash flows and information on financial resources for capital and liquidity of funds

The Group's cash flow in the current consolidated fiscal year acquired funds totaling 1.543 billion yen from business activities, but as 1.261 billion yen and 1.069 billion yen was used respectively in investing and financing activities, the balance of cash and cash equivalents at the end of the current consolidated fiscal year was 10.931 billion yen, down 562 million yen from the end of the previous fiscal year. The balance of cash and deposits, including time deposits whose maturity is over three months, decreased 1.216 billion yen from the end of the previous fiscal year to 18.644 billion yen.

For analysis of cash flows, see II. [Business Overview], 3. [Management's Analysis of Financial Position, Operating Results, and Cash Flows], (1) Overview of Operating Results, Etc., (ii) Cash flows.

In terms of financial resources for capital and liquidity of funds of the Group, the main use of the Group's working capital is operating expenses, including expenses for buying products and materials, outsourcing expenses, manufacturing expenses, distribution cost, and general and administrative expenses. The fundamental source of these funds is the Company's own funds and short-term borrowing from financial institutions. If it becomes necessary to make capital expenditures for purposes such as reinforcement, rationalization, and upgrade of production facilities or obtain long-term working capital, the Company may use leasing or take out long-term loans from financial institutions.

(iii) Significant accounting estimates and underlying assumptions

The Group's consolidated financial statements were prepared in accordance with accounting standards generally accepted in Japan. In preparing the consolidated financial statements, specific costs or losses expected in the future are recognized as such if their amounts can be estimated reasonably with reference to past results or according to given situations. Note, however, that actual results may differ from these estimates as they have uncertainty specific to estimates.

Significant accounting policies adopted in the Group's consolidated financial statements are described in "Important matters that form basis for preparation of consolidated financial statements" which are in the notes provided in V. [Financial Information], 1. [Consolidated Financial Statements, Etc.], (1) [Consolidated financial statements], Notes, Important matters that form basis for preparation of consolidated financial statements.

Significant accounting estimates and assumptions used in preparing the consolidated financial statements are as follows.

As there is significant uncertainty as to the potential impact of COVID-19, it is difficult to reflect the impact of such factors in estimates in future business plans, etc., but we examined the figures using information available at the end of the fiscal year.

(Deferred tax assets)

The Group books deferred tax assets resulting from deductible temporary differences where sufficient taxable income can be secured based on future profit plans or if they are judged to have the potential to be collected. As the possibility for deferred tax assets to be collected depends on estimates of future taxable income, there is risk that deferred tax assets may be reduced and tax expenses may be booked due to changes in conditions or assumptions for such estimates which result in decreases.

(Provision for retirement benefits)

The Group made an allowance for employees' retirement benefit expenses based on estimated amounts of retirement benefit liabilities and pension assets at the end of each consolidated fiscal year. These are booked by incorporating significant estimates of discount rates, rates of pay hike, mortality rates, expected long-term rates of return on pension assets, etc.

(Impairment of non-current assets)

The Group reduces the book value of a non-current asset or a group of non-current assets that shows signs of impairment to a recoverable amount if the total amount of undiscounted future cash flows from such an asset or an asset group is less than the book value and books the amount of such reduction as an impairment loss. We proceed carefully in detecting signs of impairment and recognizing or measuring impairment losses, but there is risk that impairment write-downs may become necessary due to potential changes in conditions or assumptions of estimates, which could arise from changes in business plans or the market environment.

4. [Important Contracts]

There are no special matters to be noted.

5. [Research and Development Activities]

In terms of research and development activity, the Group has the goal of contributing to permanent growth and development through creative ideas and superior technology and focused on development of competitive products that capture market needs, speedy product development and research, and development that forms the basis for future business expansion. These goals are aimed at maintaining our focus on mobile communication-, fixed wireless communication-, broadcasting-, and radio frequency-related segments as strategic pillars from the medium- to long-term perspective while supporting the Group's expansion into peripheral areas of these segments. For this, sales, plant/on-site work, and development divisions work together to promote research and development in a coordinated effort.

Under the Group's research and development structure, development and design divisions of the Company and consolidated subsidiaries, led by the Wireless R&D Center set up in August 2019, in principle coordinate efforts and cooperate with their respective, related divisions to work on projects. The Group is also working to speed up development of new technologies by strengthening coordination with external research entities through industry-academia collaborations, etc.

Details of research and development activities conducted by individual segments in the current consolidated fiscal year are as follows.

In the telecommunication business, we conduct research and development of multifrequency antennas which add frequency bands used for 5G to existing frequency bands, radio equipment, international specification antennas for overseas markets, multi-value MIMO and beamforming antennas, etc. in the mobile communication-related segment. In addition, we have obtained an experimental radio station license for frequency bands used in local 5G and conducted demonstrative tests on radio wave propagation. Looking ahead beyond 5G (Beyond 5G and 6G), we are conducting research and development on new technologies for antennas using even higher frequency bands. In the broadcasting-related segment, we are developing antennas for 8K broadcast and FM antennas. In the fixed wireless communication-related segment, we are conducting research and development of public-use radio antennas, parabolic antennas for satellite communication, etc. In developing products, we have worked to make them smaller, improve their performance, and lower the prices, as well as focused on the pursuit of developing unique technologies to strengthen our market competitiveness. In addition, we identified customer needs early and made technology and product proposals in a timely manner. In developing new businesses, our divisions coordinated efforts on the development of system solutions related to disaster prevention, including infrared cameras, LED aviation obstacle lights, and emergency power source equipment for disasters. In the area of basic research, we are actively engaging in research and development of communications systems that use advanced technologies, including the metamaterials technology, through cooperation with universities and external research entities in anticipation of future technological developments.

In the radio frequency business, we are actively adopting new technologies, including IoT, and working to improve performance, reduce size and costs of equipment, as well as develop equipment that can address wide-ranging needs. In addition, we are continuously engaging in research and development projects for technologies to reduce costs of heating coils and improve quality of heat-treatment services, including a method to manufacture heating coils using metal 3D printers and heat treatment simulation technologies. Furthermore, we are working on the development of new technologies and uses for induction heating technology targeting a broad range of industries.

In the current consolidated fiscal year, the Company spent a total of 1,521 million yen on research and development.

Research and development activities by segment are as follows.

(Telecommunication Business)

Research and development costs totaled 1,408 million yen in the current consolidated fiscal year.

- Mobile communication-, broadcasting-, and fixed wireless communication-related segments
 - (1) Development of new business areas in the mobile communication market
 - (2) Development of new antenna technologies and aperture antennas
 - (3) Development of 4G and 5G antenna systems targeting domestic market
 - (4) Development of antenna systems targeting overseas markets
 - (5) Development of broadcasting and communication antennas targeting new demands
- Facility-related segment
 - (1) Reinforcement of competitiveness of steel structures and construction work
- New areas
 - (1) Development of system solutions
 - (2) Study on renewable energy-related technologies
 - (3) Development of new technology with an eye toward the future

(Radio Frequency Business)

Research and development costs totaled 113 million yen in the current consolidated fiscal year.

- Induction heating-related segment
 - (1) Improvement of performance and functions of existing equipment
 - (2) Expansion of use of heat treatment and induction heating technologies
 - (3) Development of new technology to expand market

III. [Facilities]

1. [Outline of Capital Expenditures]

In the current consolidated fiscal year, capital expenditures totaled 1,605 million yen, as we expanded, rationalized and updated production equipment.

Capital expenditures by segment are as follows.

Note that there was no retirement or sale of important facilities in any of the below segments.

(Telecommunication Business)

In the current consolidated fiscal year, capital expenditures totaled 1.026 billion yen, used mainly for updating aging equipment and measuring instruments.

(Radio Frequency Business)

In the current consolidated fiscal year, capital expenditures totaled 519 million yen mainly for updating aging equipment.

(Others)

In the current consolidated fiscal year, capital expenditures totaled 5 million yen mainly for buildings leased to consolidated subsidiaries.

(Common across companies)

In the current consolidated fiscal year, capital expenditures totaled 53 million yen mainly for updating or newly installing equipment for administrative operation at the headquarters of the filing company.

2. [Main Facilities]

(Telecommunication Business)

(1) Filing company

(As of March 31, 2020)

Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees
		Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Lease assets	Others	Total	
Kawagoe Office (Fujimino, Saitama Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	77	7	14 (18,448.60)	3	35	137	47 (35)
Kawagoe Plant (Kawagoe, Saitama Prefecture)	Facility for design, manufacture, and construction of as well as plating work on telecommunication facilities and steel building frameworks	225	0	60 (48,944.97) <125.49>	-	14	300	11 (9)
Kanuma Plant (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	598	48	43 (20,248.03) <215.50>	20	1,032	1,744	141 (10)

(2) Domestic subsidiaries

(As of March 31, 2020)

Company	Plant/office (location)	Description of facility	Book value (millions of yen)					Number of employees	
			Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Lease assets	Others		Total
Denko Co., Ltd.	Headquarters (Kawagoe, Saitama Prefecture)	Facility for design, manufacture, and construction of as well as plating work on telecommunication facilities and steel building frameworks	32	177	- (-)	-	79	289	58 (0)
Denko Seisakusho Co., Ltd.	Headquarters (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	74	61	370 (11,991.00)	-	22	527	75 (7)

- Notes: 1 The "Others" book value is the sum total of "tools, furniture, and fixtures," "construction in progress," and "intangible assets."
2 The figures in the angle brackets (" \langle ") indicate facilities leased to entities other than consolidated subsidiaries, shown in square meters.
3 There is no key equipment that is being suspended.
4 Figures in parentheses in the number of employees column indicate additional numbers of temporary employees.

(Radio Frequency Business)

(1) Filing company

(As of March 31, 2020)

Plant/office (location)	Description of facility	Book value (millions of yen)					Number of employees	
		Buildings and structures	Machinery, equipment, and vehicles	Land (m ²)	Lease assets	Others		Total
Atsugi Plant (Aikawa, Aiko District, Kanagawa Prefecture)	Manufacturing facility for high-frequency hardening service and applied high-frequency devices	406	71	1,189 (35,969.54) \langle 312.17 \rangle	16	27	1,710	105 (2)

- Notes: 1 The "Others" book value is the sum total of "tools, furniture, and fixtures," "construction in progress," and "intangible assets."
2 The figures in the angle brackets (" \langle ") indicate facilities leased to entities other than consolidated subsidiaries, shown in square meters.
3 There is no key equipment that is being suspended.
4 Figures in parentheses in the number of employees column indicate additional numbers of temporary employees.

3. [Plans for Construction and Retirement of Facilities]

There is no plan to newly construct or retire important facilities.

IV. [Status of Filing Company]

1. [Status of Company's Shares]

(1) [Total number of shares, etc.]

(i) [Total number of shares]

Class	Total number of shares authorized to be issued
Common stock	56,000,000
Total	56,000,000

(ii) [Issued shares]

Class	Number of issued shares at end of current fiscal year (March 31, 2020)	Number of issued shares as of the date of submission (June 29, 2020)	Name of listed or authorized financial instruments exchange	Remarks
Common stock	14,084,845	14,084,845	Tokyo Stock Exchange (first section)	Number of shares constituting one unit: 100
Total	14,084,845	14,084,845	-	-

(2) [Situation of share options]

(i) [Share option plans]

There are no matters to be noted.

(ii) [Details of rights plans]

There are no matters to be noted.

(iii) [Other situations of share options]

There are no matters to be noted.

(3) [Execution status of corporate bond certificates, etc. with share options subject to exercise value change]

There are no matters to be noted.

(4) [Trends in total number of issued shares, capital stock, etc.]

Date	Change in number of total issued shares	Balance of total number of issued shares	Changes in capital stock (millions of yen)	Balance of capital stock (millions of yen)	Increase (decrease) in legal capital surplus (millions of yen)	Balance of legal capital surplus (millions of yen)
October 1, 2017 Notes:	(56,339,381)	14,084,845	-	8,774	-	9,677

Note: The Company implemented a one-for-five reverse stock split on October 1, 2017. As a result, the total number of issued shares decreased 56,339,381 to 14,084,845.

(5) [Status of Shareholders]

(As of March 31, 2020)

Category	Status of shares (one unit consists of 100 shares)								Status of shares less than one unit
	Government and local public entities	Financial institutions	Financial instruments business operators	Other entities	Foreign entities, etc.		Individuals, etc.	Total	
					Non-individuals	Individuals			
Number of shareholders	-	29	31	106	118	6	4,822	5,112	-
Number of shares held (unit)	-	54,457	1,012	12,197	22,702	13	49,932	140,313	53,545
Percentage of shares held	-	38.81	0.72	8.69	16.18	0.01	35.59	100.00	-

Note: 20,078 units of the treasury stocks totaling 2,007,857 are included in "Individuals, etc.," while the remaining 57 shares are included in "Status of shares less than one unit."

(6) [Status of major shareholders]

(As of March 31, 2020)

Name	Location	Number of shares held (thousands of shares)	Percentage of total number of shares held relative to the total outstanding shares
Japan Trustee Services Bank, Ltd. (trust account)	1-8-11, Harumi, Chuo-ku, Tokyo	1,694	14.02
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	853	7.06
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	444	3.68
Sumitomo Mitsui Trust Bank, Ltd.	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	372	3.08
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	360	2.98
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	352	2.91
DKK Client Stock Ownership	3-3-1, Marunouchi, Chiyoda-Ku, Tokyo	307	2.54
DKK Employee Stock Ownership	3-3-1, Marunouchi, Chiyoda-Ku, Tokyo	276	2.29
Trust & Custody Services Bank, Ltd. (securities investment trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	271	2.24
Sompo Japan Nipponkoa Insurance Inc.	1-26-1, Nishishinjuku, Shinjuku-ku, Tokyo	241	2.00
Total	—	5,173	42.83

Notes: 1 Numbers of shares related to trust services included in the above number of shares held are as follows.

Japan Trustee Services Bank, Ltd. (trust account): 1,493 thousand shares

The Master Trust Bank of Japan, Ltd. (trust account): 673 thousand shares

Trust & Custody Services Bank, Ltd. (securities investment trust account): 271 thousand shares

2 Sompo Japan Nipponkoa Insurance Inc. changed its trade name to Sompo Japan Insurance Inc. on April 1, 2020.

(7) [Status of voting rights]

(i) [Issued shares]

(As of March 31, 2020)

Category	Number of shares	Number of voting rights	Remarks
Shares without voting rights	-	-	-
Shares with restricted voting rights (treasury stocks, etc.)	-	-	-
Shares with restricted voting rights (others)	-	-	-
Shares with full voting rights (treasury stocks, etc.)	(Treasury stock) Common stock 2,007,800	-	-
Shares with full voting rights (others)	Common stock 12,023,500	120,235	-
Shares less than one unit	Common stock 53,545	-	-
Issued shares	14,084,845	-	-
Total number of voting rights	-	120,235	-

Notes: 1 Common stock in the “Shares with full voting rights (treasury stocks, etc.)” does not include the Company’s shares totaling 60 thousand shares held by the employee stock ownership plan (ESOP) trust account for officers that the Company introduced.

2 Common stock in “shares less than one unit” includes treasury stock totaling 57 shares held by the Company.

(ii) [Treasury stock, etc.]

(As of March 31, 2020)

Holder name	Address	Number of shares held in own name	Number of shares held in others' names	Total number of shares held	Percentage of total number of shares held relative to total number of issued shares (%)
(Treasury stock) DKK Co., Ltd.	3-3-1 Marunouchi, Chiyoda-Ku, Tokyo	2,007,800	-	2,007,800	14.26
Total	-	2,007,800	-	2,007,800	14.26

(8) [Details of stock ownership plans for company officers and employees]

(Share-based compensation scheme for directors)

The Company has introduced a share-based compensation scheme (the “Scheme” hereafter) for the Company’s directors, excluding outside directors, with a purpose of establishing a clear connection between directors’ compensation and stock value and motivating them to contribute to a mid- to long-term increase in earnings and corporate value, in accordance with the resolution of the 91st General Meeting of Shareholders held on June 29, 2017.

(i) Overview of share-based compensation scheme for directors

Under the Scheme, the Company’s shares are held in the account of an employee stock ownership plan (ESOP) trust for officers (the “Trust” hereafter) established on Company funds and the number of shares corresponding to the points assigned to each director are granted to the director through the Trust in accordance with the share-granting rules established by the Company’s Board of Directors. Directors in principle are granted the shares when they retire from directorship.

The number of shares held in the trust account at the end of the current consolidated fiscal year totaled 60,019 (74,400 at the time the Trust was established).

(ii) Total number of shares planned to be granted to qualified directors
60,019 shares(iii) Scope of individuals qualified for rights including beneficiary rights under the scheme
Directors who satisfy requirements to be beneficiaries

2. [Status of Acquisition of Treasury Stock]

[Class of shares, etc.] Acquisition of common stock pursuant to Article 155, Items (iii) and (vii) of the Companies Act

(1) [Status of acquisition of treasury stock based on General Meeting of Shareholders resolutions]

There are no matters to be noted.

(2) [Status of acquisition of treasury stock based Board of Directors Meeting resolutions]

Acquisition pursuant to Article 155, Item (iii) of the Companies Act

Category	Number of shares	Total value (millions of yen)
Status of resolution of the Board of Directors meeting held on June 7, 2019 (Period of share acquisition: June 10, 2019 to Oct. 31, 2019)	280,000	650
Treasury stock acquired before current fiscal year	-	-
Treasury stock acquired in current fiscal year	214,600	649
Total number and value of remaining shares subject to resolution	65,400	0
Percentage of shares yet to be acquired at the end of current fiscal year	-	-
Treasury stock acquired during the period	-	-
Percentage of shares yet to be acquired at the day of filing (see Note below)	-	-

Note: There is effectively no shares yet to be acquired as the period of share acquisition has expired.

(3) [Status of acquisition of treasury stock not based on General Meeting of Shareholders or Board of Directors meeting resolutions]

Acquisition pursuant to Article 155, Item (vii) of the Companies Act

Category	Number of shares	Total value (millions of yen)
Treasury stock acquired in current fiscal year	914	2
Treasury stock acquired during the period	47	0

Note: The “Treasury stock acquired during the period” row does not include the number of shares acquired under the below-unit share purchase program in a period from June 1, 2020 to the date when the annual securities report was submitted.

(4) [Status of disposal and ownership of treasury stock]

Category	Current fiscal year		Share acquisition period	
	Number of shares	Total amount of disposal (millions of yen)	Number of shares	Total amount of disposal (millions of yen)
Treasury stock made available through tender offer	-	-	-	-
Treasury stock retired	-	-	-	-
Treasury stock transferred in relation to merger, share exchange, or company split	-	-	-	-
Others (sale of below-unit shares in response to requests for sales)	-	-	-	-
Number of treasury stocks held	2,007,857	-	2,007,904	-

- Notes:
- 1 The number of treasury stocks disposed of during the share-acquisition period does not include shares sold through sale of below-unit shares in a period from June 1, 2020 to the date when the annual securities report was submitted.
 - 2 The number of treasury stocks held during the share-acquisition period does not reflect below-unit shares purchased or sold in a period from June 1, 2020 to the date when the annual securities report was submitted.
 - 3 The number of treasury stock held in the current fiscal year and the share-acquisition period does not include the Company’s shares held in the account of the employee stock ownership plan (ESOP) trust for officers.

3. [Dividend Policy]

The Company has a basic dividend policy in which it considers distribution of profits to shareholders as an important management goal and aims to pay out dividends to shareholders on an ongoing basis by operating business in a stable manner. Under the basic dividend policy, we give back to shareholders by taking into account the outlook of the business environment and the total return ratio. The minimum payout is 25 yen per share annually.

The Company's basic policy is to pay dividends of surplus twice a year, at midterm and end of fiscal year. The Board of Directors and the General Meeting of Shareholders are respectively responsible for decisions on interim and end-of-term payouts. The Company's articles of incorporation stipulate it can pay out interim dividends with September 30 as the record date every year based on resolution by the Board of Directors.

In the current fiscal year, the Company decided to pay 45 yen per share for the fiscal year-end dividend, as initially targeted, and acquired treasury stock as a measure to improve shareholder returns and capital efficiency.

Going forward, the Company aims to continue to take into account the future outlook of the business environment and total return ratio in making decisions about acquisition of treasury stock in returning profits to shareholders.

The Company intends to put retained earnings to effective use for investment to revitalize existing businesses and expand the scope of its business, such as research and development, as well as for the provision of necessary funds for bolstering corporate strength in preparation for the future.

Note: Distribution of retained earnings for which the record date belongs to the current fiscal year is as follows.

Date of resolution	Total dividend (millions of yen)	Dividend per share (yen)
June 26, 2020 Resolution of General Meeting of Shareholders	543	45

4. [Status of Corporate Governance]

(1) [Status of corporate governance]

(i) Basic view on corporate governance

The Company's basic view on corporate governance is to increase social trust of companies and maximize corporate value by ensuring transparency and soundness of business operation.

To achieve this, we will strive to take measures under the key management policy worked out every year so that all stakeholders are satisfied.

In terms of compliance, we give top priority over thorough adherence to corporate ethics, strive to enhance internal rules and raise awareness about them, and take measures to ensure operations are compliant with law. As part of the effort, we established a "DKK Group Corporate Conduct Charter" and strive to raise employee awareness about the charter for the entire group. The charter is a specific policy on corporate conduct to ensure the Company complies with law and specifies target corporate behaviors and expected image of employees, aiming to create a workplace full of employees with initiative and creativity.

In an effort to enhance compliance, the Company holds Compliance Committee meetings and strives to prevent violations of law as well as educate employees on compliance, give guidance to them, and raise their awareness about compliance. The Company also corrects any misconduct and gives guidance and oversight on individuals involved.

In terms of risk management of the Group, each division identifies risk factors associated with their business characteristics, and takes measures against various issues related to changing economic conditions, product quality, and law violation.

In addressing external risk factors, the Company takes measures after thorough discussion with external attorneys.

(ii) Overview of corporate governance structure and reason for adoption

The Company has in place a corporate governance structure as described below to increase trust of the public and maximize corporate value by ensuring transparency and soundness of operation. We believe the structure is working as a function to monitor the Company's business operation to a sufficient degree and is the most suitable for its governance.

The Board of Directors, comprised of nine members including three outside directors, provides oversight on execution of duties under the motto of obtaining information early and making decisions quickly, giving top priority to discussing sufficiently and reaching conclusion speedily, and clarifying division of responsibilities. In monthly meetings as well as extraordinary meetings called as necessary, the Board of Directors makes decisions on matters provided by the law and important matters regarding the operation of the Company, analyzes monthly operating results, take necessary measures, assesses the outcomes, and conducts deliberations from the viewpoint of compliance with laws and articles of incorporation and appropriateness of operations. At the same time officers exchange views and monitor each other's execution of duties.

The Board is comprised of the following individuals, as of the date of filing:

Mikio Matsuzawa (President and Representative Director), Kojiro Ishimatsu (Director and Senior Executive Managing Officer), Kazuhiro Ito (Director and Managing Executive Officer), Tsuyoshi Shimoda (Director and Managing Officer), Tsutomu Hisano (Director and Managing Officer), Tadatoshi Kondo (Director and Managing Officer), Yo Ota (Outside Director), Masahide Susa (Outside Director), Noriyoshi Suzuki (Outside Director)

The Company has adopted a corporate auditor system. The Board of Auditors, comprised of four corporate auditors including two outside members, audits execution of duties by directors and their compliance with laws, articles of incorporation, etc. through daily audit activities, including attendance at the Board of Directors meetings, etc.

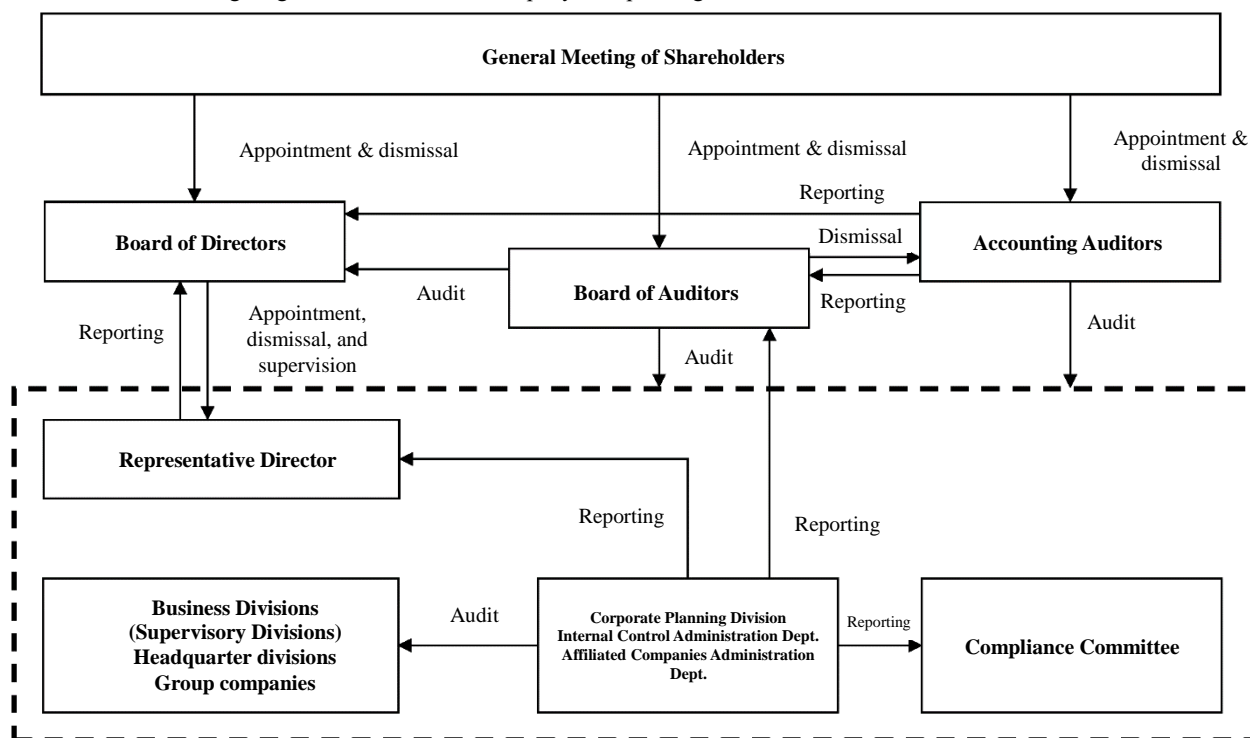
The corporate auditors include the following individuals, as of the date of filing:

Toshio Akahane (Corporate Standing Auditor), Tatsuichi Tsuchiya (Corporate Auditor), Hiroshi Tamiya (Outside Auditor), and Shoji Kobayashi (Outside Auditor)

Members of the Compliance Committee as of the date of filing are as follows:

Mikio Matsuzawa (President and Representative Director), Kojiro Ishimatsu (Director and Senior Executive Managing Officer), Kazuhiro Ito (Director and Managing Executive Officer), Tsuyoshi Shimoda (Director and Managing Officer), Tadatoshi Kondo (Director and Managing Officer), Hiroharu Fugo, Takashi Asai, Toshihisa Takayama, and Minoru Yokota

The following diagram shows how the Company's corporate governance is structured.



(iii) Other matters relating to corporate governance

<Status of internal controls and risk management systems; status of structure for ensuring appropriateness of operation of subsidiaries>

The Company positions compliance with law and adherence to social ethics as the basis for its business activity and strives to strengthen its internal control structure to ensure its operation remains appropriate by establishing and raising the awareness of the Corporate Conduct Charter. As for subsidiaries, Affiliated Companies Administration Department that is responsible for managing subsidiaries receives monthly reports, conducts regular audits, and strives to realize effective management in accordance with the Subsidiary Management Rules, while the Internal Audit Division conducts operational audits in accordance with a basic audit plan approved by the President.

Furthermore, the Internal Control Administration Department assesses effectiveness of internal controls in the Company and group companies. The Company strives to enhance internal controls by assessing effectiveness of readiness and operation of internal controls and introducing necessary improvement measures.

In addition to the above, the Company raises awareness about compliance by creating “DKK Standard,” which outlines action guidelines, including the management philosophy and the Group Corporate Conduct Charter, and basic views on safety, product quality, information management, etc., and distributing it to directors and employees of the Company and group companies. It also has introduced a group whistleblowing system and strived to inform employees about it.

The Company has resolved to develop a structure for internal controls in accordance with the Companies Act and regulations relative to the application of the said act, as described below:

(Structure to ensure execution of duties by the Group's directors and employees complies with laws and the articles of incorporation)

- The Company shall establish the Group Corporate Conduct Charter, inform directors and employees of the Group about it, and place compliance with laws, internal rules, including the articles of incorporation, and social ethics as the basis for its corporate activity.
- The Company shall establish the Compliance Committee as a body to deliberate issues regarding compliance.
- The Compliance Committee shall strive to raise awareness among the Group's directors and auditors, as well as all its employees to promote compliance.
- The Company shall develop a group whistleblowing system and prepare measures to address potential incidents in which execution of duties by group directors or employees violate law, the articles of incorporation, etc.
- The Compliance Committee shall order a halt to any acts in violation of laws, the articles of incorporation, etc. and take measures to prevent recurrence.

- Divisions responsible for audit shall conduct internal audits in accordance with internal audit rules to determine whether execution of duties by the Group's directors and employees complies with laws and is appropriate. The divisions shall report the results to the Compliance Committee, the President, and corporate auditors as well as the Board of Directors.

(Structure for storage and management of information regarding execution of duties by directors)

- Information regarding directors' execution of duties shall be stored and managed appropriately in accordance with laws, as well as internal rules established separately.
- The Compliance Committee members, directors, and corporate auditors may view information about directors' execution of duties at any time.

(Other structures, including rules on management of damage risk of the Group)

- The Company shall take appropriate measures to mitigate risks by having each division classify identified risks into categories of economic change, product quality, safety management, law violations, etc. according to the nature of their operation, for the goal of promoting crisis management throughout the entire company.
- The Company shall establish an Affiliated Companies Administration Department responsible for managing subsidiaries so that it can manage them in a comprehensive manner.
- Each division and Affiliated Companies Administration Department shall create and distribute manuals on risk management, as necessary, and review and improve them as necessary. If damage is or is expected to be incurred, each division head and the head of Affiliated Companies Administration Department shall immediately report the situation to the Board of Directors through the director in charge, call a meeting of members from relevant divisions to determine causes and work out measures under the leadership of the director in charge, and report the progress and results to the Board of Directors.

(Structure to ensure group directors are carrying out duties efficiently)

- Under the group management philosophy, the Group's Board of Directors, in accordance with the medium-term business plan and the key management policies created annually, as well as the policy management created by each division/department based on them, acts to achieve the goals specified in them.
- The Company's Board of Directors shall make decisions on matters after discussing them at meetings held once each month.
- The company shall maintain a structure in which the Board can efficiently carry out duties by establishing and reviewing rules on authority and division of responsibility as necessary.

(Structure to ensure appropriateness of operations at the corporate group comprised of the Company and its subsidiaries)

- The Company shall create a structure for internal coordination in accordance with the relevant rules by appropriately conducting mutual notification, discussions, information sharing, instructions, communication, etc. through attendance at important meetings held at Group companies, for the goal of enhancing internal control structures at Group companies.
- Affiliated Companies Administration Department shall grasp situations of Group companies' operations by having them report regularly.
- In particular, structures for risk management and compliance shall be regarded as an issue common across Group members.
- Directors and Group company Presidents shall have the authority and responsibility for establishing and operating internal controls to ensure that duties are carried out appropriately.
- The Company shall ensure reliability and appropriateness of financial reports by Group companies in accordance with the Financial Instruments and Exchange Act, by developing an internal control system that enables effective and appropriate evaluation and ensuring their appropriate operation.

(Matters concerning structure regarding employees who support duties of corporate auditors as well as steps to ensure independence of such employees from directors and effectiveness of corporate auditors' directions to such employees)

- The Board of Auditors shall select employees specialized for supporting corporate auditors' duties upon discussion with directors whenever such employees are necessary.
- Employees instructed by corporate auditors to support their audit work shall not accept directions or orders of directors, etc. Transfers and evaluation of as well as disciplinary actions for such employees shall respect opinions

of the Board of Auditors.

(Structure in which the Group's directors and employees, or employees who was briefed by them, report to corporate auditors, structure regarding other forms of reporting to corporate auditors, and structure to ensure audits by corporate auditors are conducted in an effective way)

- The Group's directors and employees shall provide, at corporate auditors' request, the Board of Auditors in advance with information required for them to conduct audits in accordance with the audit standards for corporate auditors, including information specified by law and matters that may inflict material impact on the Company.
- Content of important circulated memos for approval shall be reported by passing on the documents to corporate auditors.
- Corporate auditors shall meet with directors as necessary and exchange views with the internal audit division and the audit corporation in accordance with the above mentioned audit standards for corporate auditors.
- If an incident that may inflict a significant impact on the Company or a compliance-related issue is found, the Group's directors or employees shall immediately report it to corporate auditors.
- The Company shall not treat the reporting directors or employees in a disadvantageous way because of their reporting and shall make sure the Group's directors and employees are fully informed of such a ban.
- The Company shall comply with any request to refund payments corporate auditors made in advance or expenses incurred by them or repay debts took on in relation to execution of their duties, unless the Company can prove that such expenses or debts are not related to execution of corporate auditors' duties.

(Systems to eliminate influence of anti-social forces)

- The Company shall act dauntlessly against anti-social forces in accordance with the Corporate Conduct Charter. The Company shall establish a supervisory division responsible for leading measures to counter anti-social forces, collect and manage information about them, and work closely with external entities, including police, anti-organized-crime-group entities, and lawyers to develop and reinforce systems to eliminate anti-social forces.

<Overview of liability limitation agreements>

The Company has signed an agreement with all outside directors to limit liabilities of each under Article 423, Paragraph 1 of the Companies Act, pursuant to provisions set forth in Article 427, Paragraph 1 of the same Act. Under this agreement, if the Company assumes an outside director is liable for damage that arose due to negligence on their part, the above liability for damage will be limited up to the amount stipulated by law or a specified level above it, only if the director is deemed to have acted in good faith and is not guilty of gross negligence in performing the duties that led to the liability.

<Number of directors>

The articles of incorporation stipulate that the number of directors be no more than 11.

<Resolutions of the General Meeting of Shareholders concerning the election and dismissal of directors>

Resolutions on the appointment of directors are stipulated to require attendance of shareholders holding one-third or more of the votes of the shareholders who are entitled to vote and approval based on the majority of these voting rights. Resolutions on the appointment of directors are also stipulated not to be based on cumulative voting. The articles of incorporation stipulate that resolutions on the dismissal of directors require attendance of shareholders holding one-third or more of the votes and approval based on at least two-thirds of these voting rights.

<Acquisition of treasury stock>

The articles of incorporation stipulate that the Company may acquire treasury stock through market transactions, etc. upon resolutions of the Board of Directors pursuant to provisions set forth in Article 165, Paragraph 2 of the Companies Act, in order to enable flexible execution of management measures, including financial measures, in response to changes in economic climate.

<Liability exemption for directors and corporate auditors>

For the purpose of allowing directors and corporate auditors to play their expected roles to the full extent in performing their duties, the articles of incorporation stipulate that the Company may exempt them from liability for damage, to the extent permitted by laws and regulations, by a resolution of the Board of Directors as provided in Article 426, Paragraph 1

of the Companies Act.

<Interim dividends>

The articles of incorporation stipulate that the Company may pay out interim dividends by a resolution of the Board of Directors for the purpose of flexibly distributing profits to shareholders, pursuant to provisions of Article 454, Paragraph 5 of the Companies Act.

<Requirements for special resolutions of General Meeting of Shareholders>

The articles of incorporation stipulate that special resolutions of General Meeting of Shareholders as stipulated in Article 309, Paragraph 2 of the Companies Act require attendance of shareholders holding one-third or more of the votes of the shareholders who are entitled to vote and approval based on at least two-thirds of these voting rights, for the purpose of ensuring smooth operation of General Meeting of Shareholders.

The Company has a basic policy on how individuals responsible for deciding policy on financial affairs and business operation ought to be. Its details (matters provided in Article 118, Paragraph 3 of the Regulation for Enforcement of the Companies Act) are as follows.

(1) Details of the basic policy

If a party intending to purchase large amounts of the Company's shares emerges, we, as a listed company, believe decisions on issues including whether to sell the shares to such a party and whether to give up management of the Company to such a party should be left to judgment of the shareholders.

However, not a small number of recent attempts at buying large amounts of shares have had the potential of inflicting irrecoverable damage to the Company's corporate value and shared interests of shareholders.

If those who make decisions on financial and operational policies of the Company do not recognize the importance of the sources of the Company's corporate value or the importance of maintaining and strengthening such sources in the medium- to long-term perspective, it may not only undermine maximization of the Company's corporate value or the shareholders' shared interests but also damage management resources, both tangible and intangible, including the relationship of trust with a broad range of stakeholders.

Based on such a view, the Company's Board of Directors resolved at a meeting on May 15, 2015 to maintain the policy on potential attempts to buy large amounts of the Company's shares, with partial changes and revisions (the "Old Plan," hereafter). If maximization of the Company's corporate value or shared interests of the shareholders is at stake, such as potential damage to sources of the Company's corporate value in a long-term perspective due to acquisition of shares that carry voting rights totaling 20% or higher of the total voting rights by individuals or groups, we would regard such individuals or groups as inappropriate for controlling decisions on policies of the Company's financial affairs or business operation, and would take appropriate measures, depending on the situation and within the bounds permitted by laws and the Company's articles of incorporation, to maximize the Company's corporate value and shared interests of shareholders.

As the Old Plan expired on June 30, 2018, the Company's Board of Directors resolved at a meeting on May 18 of the same year to maintain the Old Plan with some changes made (the plan with the changes are called the "Plan" hereafter) from July 1, 2018. This plan was approved by shareholders at the 92nd General Meeting of Shareholders on June 28, 2018. Please refer to "(3) Effort to prevent persons judged inappropriate in accordance with the basic policy from controlling decisions on the Company's financial affairs and business operation" below for details of the Plan.

(2) Special efforts contributing to the execution of the basic policy

The Company and its subsidiaries (the "Group" hereafter) operates mainly in the telecommunication and radio frequency businesses.

In the telecommunication business, the Group mainly designs, manufactures, and constructs antennas and steel towers for information communication and broadcasting purposes in the information communications industry.

The radio frequency business belongs to the applied high-frequency devices industry. The Group designs and manufactures induction heating equipment using high frequencies and provides hardening services using heating equipment.

Since its foundation in 1950, the Company has stuck with the motto of providing products that satisfy customers and made steady efforts with a goal of always maintaining technologies at highest levels in the industry under the management philosophy of "being a forward-looking company with a fighting spirit, seeking to capture needs of the times early and never being afraid of failures" and "providing superior products to society and contributing to society."

We believe this has helped the Group win significant trust and support in the industry, especially from customers.

In medium to long term, we aim to increase our corporate value by making appropriate capital expenditures and channeling management resources for the goal of expanding business into peripheral fields of mobile communication-, fixed wireless communication-, broadcasting-, and high frequency-related segments which are the mainstay of the Company's business. In terms of efforts to develop new businesses, we set up a department specialized in new businesses and modified the organizational structure to enhance business development.

We believe it is very important to continue to practice the basic views expressed in our management philosophy, which forms the basis of these management plans, and attach importance to maintaining a long-term relationship of trust with customers and other stakeholders who are essential for the Group's growth in order for the Group to continue improving corporate value.

(3) Effort to prevent persons judged inappropriate in accordance with the basic policy from controlling decisions on the Company's financial affairs and business operation

The plan is aimed at enabling the Company's shareholders to appropriately judge whether or not to respond to an act of large-scale purchase (defined below) by persons who plan to engage in such an act or are already in the process of doing so ("Large-Scale Purchaser" hereafter), the Company's Board of Directors to present, upon recommendation by the Corporate Value Committee (defined below), to the Company's shareholders opinions for or against the act of large-scale purchase or alternative plans, etc. to the acquisition proposal, business plans, etc. presented by the Large-Scale Purchaser (the "Alternative Proposal" hereafter), or negotiate with the Large-Scale Purchaser for the Company's shareholders, by asking such persons to provide necessary information regarding the act of large-scale purchase in advance and allow a period for consideration and negotiation, aiming thus to maximize the Company's corporate value and the shared interests of the Company's shareholders. With respect to (i) acquisition of shares, etc. issued by the Company through purchase or other means that results in a Large-Scale Purchaser holding a stake of 20% or larger in the Company, (ii) acquisition of shares, etc. issued by the Company through purchase or other means that results in a Large-Scale Purchaser and its specially related parties holding a combined stake of 20% or larger in the Company, and (iii) persons who plan to take action that constitute or have the potential to constitute either an agreement or other acts by a shareholder that can result in such a shareholder being a joint shareholder with another shareholder or a group of other shareholders, or an act by a shareholder of establishing a relationship under which the shareholder controls another or vice versa or both take action jointly (This is limited, however, to cases in which the combined stake of the shareholder and the other in the Company is at least 20%), whether or not the actions specified in the above (i) or (ii) are taken (a "Large-Scale Purchase" hereafter), the Company has introduced a rule under which it will request applicable persons to provide sufficient information to the Company's Board of Directors and allow a period in which the Board can review the act of Large-Scale Purchase, form opinions, devise an Alternative Proposal, and conduct negotiations before a Large-Scale Purchase. If this rule is not adhered to, the Company may introduce defensive measures for the purpose of protecting the shared interests of shareholders. Defensive measures the Company takes against attempts at Large-Scale Purchase under this Plan would in principle use share options granted without cost, but other defensive measures may be taken if it is deemed appropriate to take other defensive measures permissive under laws or the Company's articles of incorporation.

In maintaining the counter-acquisition measures under the plan, the Company set up a Corporate Value Committee comprised of at least three individuals selected from the Company's outside directors, outside auditors (including their substitutes), or external experts (attorneys, certified public accountants, university professors, etc.) to eliminate the possibility that the Company's Board of Directors may make arbitrary judgment regarding defensive measures, etc. The Corporate Value Committee examines information necessary for it to review details of acquisition plans, including a tender-offer explanation provided by persons planning to initiate Large-Scale Purchase, and makes recommendation to the Company's Board of Directors on whether the Company should take defensive measures based on the Plan. If the Corporate Value Committee decides that the Company should seek shareholder judgment by calling a shareholders meeting ("Meeting to Confirm Shareholders Wishes" hereafter), it may recommend to the Company's Board of Directors that holding a Meeting to Confirm Shareholders Wishes is appropriate.

The Company's Board of Directors votes to decide whether or not to introduce defensive measures or cancel them, respecting recommendations by the Corporate Value Committee to the maximum extent possible. If the Corporate Value Committee recommends that it is appropriate to call a Meeting to Confirm Shareholders Wishes, the Company's Board of Directors may call such a meeting to seek shareholder judgment on whether to introduce defensive measures. If the meeting is called, the Company's Board of Directors will follow the outcome of such a meeting on whether to introduce defensive measures. If such a vote is taken, the Company will disclose information that is deemed appropriate, including opinions of the Company's Board of Directors, to shareholders in a timely and appropriate manner in accordance with applicable laws and regulations, as well as rules of financial instrument exchanges.

For further details of the Plan, please refer to "Notice on the continuation of the policy regarding acts of Large-Scale Purchase (defensive measures against acquisition attempts)" on the Company's website (https://www.denkogyo.co.jp/ir/ir/pdf/2018/20180518_release3.pdf).

(4) Judgment by the Board of Directors regarding efforts in the above (2) and (3) and its background

As described in the above (2) and (3), the plan has remained in place for the purpose of maximizing the Company's corporate value and the shared interests of its shareholders and is in line with the basic policy in the above (1).

Fairness and objectivity of the decision to maintain this plan is ensured as it has been approved at a General Meeting of Shareholders, fairness of the Board of Directors' judgment is ensured as the Board is obligated to respect the Corporate Value Committee's recommendations to the maximum extent possible when taking defensive measures, and the plan is slated to expire on June 30, 2021 and can be abolished at any time on resolution by the Company's General Meeting of Shareholders or the Board of Directors. It thus would not undermine shared interests of the Company's shareholders and is not intended to allow the Company's officers to maintain their positions.

(2) [Officers]

(i) List of Directors and Auditors

Male: 13, female: - (percentage of female officers: -)

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
President and Representative Director	Mikio Matsuzawa	January 7, 1948	<p>Apr. 1971 Joins the Company</p> <p>Apr. 1984 General Manager of Secretarial Department of the Company</p> <p>June 1995 Director and General Manager of Secretarial Department of the Company</p> <p>June 2000 Director, Senior Executive Managing Officer and General Manager of Secretarial Department of the Company</p> <p>June 2001 Representative Director and Vice President of the Company</p> <p>June 2007 Representative Director and Vice Chairman of the Company</p> <p>Nov. 2013 President and Representative Director of the Company (current)</p>	See Note 2.	32
Director and Senior Executive Managing Officer Executive General Manager of Administrative Supervisory Division	Kojiro Ishimatsu	November 17, 1962	<p>Apr. 1986 Joins the Company</p> <p>June 2005 Branch Manager of Western Branch of Branch Supervisory Division of the Company</p> <p>July 2014 Managing Officer and Executive Assistant General Manager of Branch Supervisory Division of the Company</p> <p>Apr. 2015 Managing Officer and Executive General Manager of Facility Engineering Supervisory Division of the Company</p> <p>Apr. 2016 Managing Officer, Executive General Manager of Branch Supervisory Division, and Executive General Manager of Facility Engineering Supervisory Division of the Company</p> <p>Apr. 2019 Managing Officer and Executive General Manager of Administrative Supervisory Division of the Company</p> <p>June 2019 Director, Managing Officer, and Executive General Manager of Administrative Supervisory Division of the Company</p> <p>June 2020 Director, Senior Executive Managing Officer, and Executive General Manager of Administrative Supervisory Division of the Company (current)</p>	See Note 2.	4
Director and Managing Executive Officer	Kazuhiro Ito	March 14, 1962	<p>Apr. 1985 Joins the Company</p> <p>Apr. 2009 General Manager of Radio Frequency Sales Department of Sales Supervisory Division II of the Company</p> <p>July 2015 Managing Officer and General Manager of Sales Department of Radio Frequency Supervisory Division of the Company</p> <p>June 2016 Director, Managing Officer, and Executive General Manager of Radio Frequency Supervisory Division of the Company</p> <p>June 2018 Director, Executive Managing Officer, and Executive General Manager of Radio Frequency Supervisory Division of the Company</p> <p>Apr. 2019 Director, Senior Executive Managing Officer, and Executive General Manager of Radio Frequency Supervisory Division of the Company</p>	See Note 2.	3

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
			<p>June 2019 Director and Senior Executive Managing Officer of the Company</p> <p>June 2020 Director and Executive Managing Officer of the Company (current)</p>		
<p>Director and Managing Officer</p> <p>Executive Assistant General Manager of Administrative Supervisory Division</p>	Tsuyoshi Shimoda	April 12, 1964	<p>Apr. 1988 Joins the Company</p> <p>Apr. 2010 Technical Manager of Equipment Manufacturing Supervisory Division of the Company</p> <p>July 2011 Executive Assistant General Manager of Equipment Supervisory Division of the Company</p> <p>July 2012 Managing Officer and Executive Assistant General Manager of Equipment Manufacturing Supervisory Division of the Company</p> <p>June 2013 Director, Managing Officer, and Executive General Manager of Equipment Manufacturing Supervisory Division of the Company</p> <p>Apr. 2017 Director, Managing Officer, Executive General Manager of Equipment Manufacturing Supervisory Division, and Executive General Manager of Overseas Business Supervisory Division of the Company</p> <p>Dec. 2017 Director, Managing Officer, and Executive General Manager of Overseas Business Supervisory Division of the Company</p> <p>Apr. 2019 Director, Managing Officer, Executive General Manager of Overseas Business Supervisory Division, and Executive Assistant General Manager of Administrative Supervisory Division of the Company</p> <p>July 2019 Director, Managing Officer, and Executive Assistant General Manager of Administrative Supervisory Division of the Company (current)</p>	See Note 2.	3
<p>Director and Managing Officer</p> <p>Executive General Manager of Telecommunication Sales Supervisory Division</p>	Tsutomu Hisano	February 5, 1961	<p>Apr. 1983 Joins the Company</p> <p>June 2008 General Manager of Telecommunication Sales Supervisory Department of Sales Supervisory Division I of the Company</p> <p>July 2014 Managing Officer and Executive General Manager of Telecommunication Sales Supervisory Division of the Company</p> <p>June 2015 Director, Managing Officer, and Executive General Manager of Telecommunication Sales Supervisory Division of the Company (current)</p>	See Note 2.	4
<p>Director and Managing Officer</p> <p>General Manager of Wireless R&D Center and General Manager of Equipment Supervisory Division</p>	Tadatoshi Kondo	August 28, 1971	<p>Apr. 1995 Joins the Company</p> <p>Apr. 2016 General Manager of North America Business Development Department of Overseas Business Supervisory Division of the Company</p> <p>July 2018 Managing Officer, Assistant General Manager of Overseas Business Supervisory Division, General Manager of North America Business, and General Manager of Overseas Purchase</p>	See Note 2.	1

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
			<p>July 2019 Division of the Company Managing Officer, General Manager of Equipment Manufacturing Supervisory Division, General Manager of Mobile Communication Technology Division, General Manager of Fixed Wireless Communication Technology Division, and General Manager of Overseas Business Division of the Company</p> <p>June 2020 Director, Managing Officer, Executive General Manager of Wireless R&D Center, and Executive General Manager of Equipment Supervisory Division of the Company (current)</p>		
Director	Yo Ota	October 3, 1967	<p>Apr. 1993 Registered as lawyer (Dai-Ichi Tokyo Bar Association); Nishimura Sanada Law Firm (currently known as Nishimura & Asahi)</p> <p>Feb. 2001 Registered as lawyer in New York state</p> <p>Apr. 2001 Civil Affairs Bureau, Ministry of Justice (in charge of Commercial Code at Counselor's Office)</p> <p>Jan. 2003 Nishimura & Tokiwa Law Firm (currently known as Nishimura & Asahi) partner (current)</p> <p>June 2005 Director of the Company (current)</p>	See Note 2.	-
Director	Masahide Susa	August 11, 1947	<p>Apr. 1966 Joins Sendai Regional Taxation Bureau</p> <p>Nov. 1978 Qualifies as certified public tax accountant</p> <p>July 1995 Deputy District Director of Kamata tax office</p> <p>July 2005 Director of Tokyo Training Center, National Tax College</p> <p>July 2006 District Director of Yokohama-naka Tax Office</p> <p>July 2007 Retires</p> <p>Aug. 2007 Starts operating as certified public tax accountant (current)</p> <p>June 2015 Director of the Company (current)</p>	See Note 2.	-
Director	Noriyoshi Suzuki	April 20, 1956	<p>Apr. 1982 Joins The Nikko Securities Co., Ltd.</p> <p>Oct. 2001 General Manager of Private Banking Department, Nikko Cordial Securities Inc. (currently known as SMBC Nikko Securities Inc.)</p> <p>Mar. 2002 Executive Director and Chief Operating Officer of Private Banking Division of Nikko Cordial Securities Inc.</p> <p>Feb. 2005 Executive Managing Director in charge of consultant support and Head of Wealth Management of Nikko Cordial Securities Inc.</p> <p>Dec. 2008 Senior Executive Managing Director and Head of Retail Business Kinki, Hokuriku & Shinetsu of Nikko Cordial Securities Inc.</p> <p>July 2009 President and Representative Director, LCF Edmond de Rothschild Nikko Cordial Co., Ltd. (currently known as Edmond de Rothschild Nikko Co., Ltd.)</p> <p>June 2016 Senior Executive Officer, Head of Private Banking and Corporate Business Unit, Head of Corporate & Public Institutions, SMBC Nikko</p>	See Note 2.	-

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
			<p>March 2017 Securities Inc. Executive Deputy President, Executive Officer, and Chief Executive for Nationwide Business of SMBC Nikko Securities Inc.</p> <p>March 2019 Executive Deputy President, and Executive Officer for Special Missions of SMBC Nikko Securities Inc.</p> <p>June 2019 Director of the Company (current)</p> <p>Apr. 2020 President and Representative Director, Suzuki Noriyoshi Office Inc. (current)</p>		
Corporate Standing Auditor	Toshio Akahane	May 12, 1957	<p>Mar. 1976 Joins Maritime Self-Defense Force</p> <p>Aug. 2007 Chief of Planning Section, Systems Planning Department, Maritime Self-Defense Force</p> <p>Mar. 2011 Director of Auditors Office, Maritime Staff Office</p> <p>June 2013 Joins the Company</p> <p>Aug. 2013 Branch Manager of Ebino Techno Center, Facility Supervisory Division of the Company</p> <p>Apr. 2015 Branch Manager of Ebino Techno Center, Facility Engineering Supervisory Division of the Company</p> <p>Apr. 2017 Branch Manager of Myanmar Office for Overseas Business Supervisory Division of the Company</p> <p>Apr. 2019 General Manager of Sales Administration Department of the Company</p> <p>June 2020 Corporate Standing Auditor of the Company (current)</p>	See Note 4.	1
Corporate Auditor	Tatsuichi Tsuchiya	January 21, 1952	<p>Apr. 1971 Joins the Company</p> <p>Apr. 2006 General Manager of Equipment Manufacturing Supervisory Division of the Company</p> <p>May 2006 General Manager of General Affairs Department of Equipment Manufacturing Supervisory Division of the Company</p> <p>June 2015 Corporate Standing Auditor of the Company</p> <p>June 2020 Corporate Auditor of the Company (current)</p>	See Note 4.	3
Corporate Auditor	Hiroshi Tamiya	October 28, 1957	<p>Apr. 1982 Joins The Nippon Fire & Marine Insurance Co., Ltd.</p> <p>Apr. 2005 Manager of Fukui Branch, NIPPONKOA Insurance Co., Ltd.</p> <p>June 2007 General Manager of Sales Department II at Headquarters of NIPPONKOA Insurance Co., Ltd.</p> <p>Apr. 2012 Executive Officer and General Manager of Hokkaido Office, NIPPONKOA Insurance Co., Ltd.</p> <p>Apr. 2014 Director and Executive Officer of NIPPONKOA Insurance Co., Ltd.</p> <p>Sept. 2014 Director and Executive Managing Officer, Sompo Japan Nipponkoa Insurance Inc. (currently known as Sompo Japan Insurance Inc.)</p> <p>Apr. 2015 Executive Managing Officer of Sompo Japan Nipponkoa Insurance Service Co., Ltd.</p> <p>Apr. 2016 Advisor of Sompo Japan Nipponkoa</p>	See Note 4.	0

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
			Insurance Service Co., Ltd. June 2016 Corporate Standing Auditor of the Company June 2020 Corporate Auditor of the Company (current) June 2020 Outside director of The Toa Reinsurance Company, Limited (current)		
Corporate Auditor	Shoji Kobayashi	September 6, 1955	Apr. 1988 Registered as lawyer (Tokyo Bar Association); Motoji Kobayashi law firm July 1992 Iwase Law Office June 2003 Corporate Auditor of the Company (current) Jan. 2016 Kobayashi Law Office (current)	See Note 5.	-
Total					54

- Notes:
- 1 Directors Yo Ota, Masahide Susa, and Noriyoshi Suzuki are outside directors.
 - 2 The term of the directors is from the conclusion of the General Meeting of Shareholders relating to the fiscal year ended March 2019 to the conclusion of the General Meeting of Shareholders relating to the fiscal year ending March 2021.
 - 3 Corporate Auditor Hiroshi Tamiya and Shoji Kobayashi are outside auditors.
 - 4 The term of Corporate Standing Auditor Toshio Akahane and Corporate Auditors Tatsuichi Tsuchiya and Hiroshi Tamiya is from the conclusion of the General Meeting of Shareholders relating to the fiscal year ended March 2020 to the conclusion of the General Meeting of Shareholders relating to the fiscal year ending March 2024.
 - 5 The term of Corporate Auditor Shoji Kobayashi is from the conclusion of the General Meeting of Shareholders relating to the fiscal year ended March 2019 to the conclusion of the General Meeting of Shareholders relating to the fiscal year ending March 2023.
 - 6 The Company has appointed a substitute corporate auditor as stipulated in Article 329, Paragraph 3 of the Companies Act in the event the number of corporate auditors may fall short of the number required by law. The following table shows a career summary of the substitute corporate auditor.

Name	Date of birth	Career summary and roles at other entities		Term	Number of shares held (thousands of shares)
Yasuhiko Ohata	May 25, 1959	Apr. 1982	Joins Nomura Securities Co., Ltd.	Notes:	-
		Jan. 1990	Joins Jardine Fleming (Securities) Limited, Tokyo		
		Feb. 1991	Joins Salomon Brothers Asia Securities, Ltd.		
		Jan. 1999	Managing Director of Salomon Smith Barney Securities		
		Aug. 2004	Head of Top Management Support Office, Nikko Cordial Securities Inc.		
		Mar. 2010	General Manager of equity sales - institutional investors, SMBC Nikko Securities Inc.		
		Sept. 2012	Retires from SMBC Nikko Securities Inc.		
		March 2018	Director, CMD Laboratory Inc.		
		Nov. 2019	Retires from SMBC Nikko Securities Inc.		

Note: The term of a substitute corporate auditor is from the time the position is taken until the expiration of the term of the corporate auditor he/she has replaced.

(ii) Status of outside directors and outside auditors

There are three outside directors and two outside auditors. The outside directors and outside auditors satisfy the Tokyo Stock Exchange's requirement for independent directors and auditors. They were appointed as such because of their high independence, which makes them free from the risk of causing conflicts of interest with general shareholders.

Yo Ota, an outside director, is a lawyer versed in corporate law and has sufficient knowledge for governing corporate management. We decided he is suited for our purpose of strengthening corporate governance and thus appointed him outside director.

Outside director Masahide Susa served important positions at the National Tax Agency over many years. As a certified public tax accountant, he is versed in financial affairs and corporate accounting and has sufficient knowledge for governing corporate management. We thus judged him to be suitable and appointed him outside director.

We appointed Noriyoshi Suzuki outside director as we judged that he is suited for the role in helping to maintain and improve transparency and soundness of the Company's management for his ample knowledge and experience, as well as broad expertise that he acquired through his job as management at securities companies.

We appointed Hiroshi Tamiya outside auditor as we judged that he is suited for the role in helping to reinforce the audit structure and expect him to be able to provide us with objective audits and advice from a broad perspective based on knowledge and experience he acquired through his previous job at a nonlife insurance company.

We appointed Shoji Kobayashi outside auditor because we judged him to be suitable for the role in helping to reinforce the audit structure as he is a lawyer versed in corporate legal affairs and has sufficient knowledge for governing corporate management.

The Company does not have any particular rules about how we should ensure independence of outside directors or outside auditors in appointing them. Our basic policy on these roles is to select individuals whom we can expect to play an objective and appropriate role of providing oversight or audit based on specialized knowledge in accordance with standards required by the Companies Act or the Tokyo Stock Exchange and who do not have the risk of causing conflicts of interest with general shareholders.

None of the outside directors or outside auditors have special interests in the Company. In cases in which any of the outside directors or outside auditors is serving, or served in the past, as employee, director, or auditor at other companies, there are no special interests between the Company and such companies. The situation of the outside directors' and outside auditors' holdings of the Company's shares is as described in "(i) List of Directors and Auditors."

(iii) Supervision or audits and internal audits by outside directors or outside auditors, their cooperation in audits by corporate auditors and account audits, and their relationship with the internal control division

The Company's internal audit structure, which is led by the Business Planning Department and Internal Control Administration Department (comprised of six members), conducts internal audits on execution of duties, along with audits on Group companies by Affiliated Companies Administration Department. Internal audits, which are conducted under

internal audit rules, are conducted with an aim to protect the Company's assets and improve its management efficiency by examining and assessing execution of business activities from the perspective of legality and efficiency.

The outside directors attend the Board of Directors meetings, where each speaks out from an objective standpoint in an effort to ensure validity and appropriateness of directors' decisions.

The Board of Auditors is comprised of four members, including two outside members. The Company has a structure in which execution of duties by the directors is checked by corporate auditors to a sufficient degree in entire aspects of management through their daily audit and other activities, including attendance at Board of Directors meetings and other important meetings in accordance with audit policies set by the Board of Auditors and duties assigned to each. Corporate auditor Shoji Kobayashi is a licensed lawyer who is versed in business law and has sufficient knowledge of corporate finance and accounting.

To ensure cooperation between different bodies, the Board of Auditors, accounting auditors, and the internal audit division share information and exchange views as necessary.

The outside directors perform their roles and duties from an independent standpoint from the management and controlling shareholders, including provision of supervision to ensure the implementation of corporate governance from a third-party standpoint, through the Board of Directors. The outside auditors collect necessary information and express opinions through attendance at the Board of Directors and Board of Auditors meetings and execution of audits, and conduct audits in a coordinated effort with accounting auditors, the internal audit division, and the division in charge of internal control. Outside directors and outside auditors each support enhancement of supervision on management, ensuring appropriateness of operation to a sufficient degree.

(3) [Status of audits]

(i) Status of audits by corporate auditors

a. Organization of audits by Board of Auditors, members, and procedures

The Company's Board of Auditors is comprised of four members, including two outside members (one of the two has sufficient knowledge about corporate finance and accounting).

b. Activities of corporate auditors and Board of Auditors

In the current fiscal year, the Company called 15 Board of Auditors meetings all of which were attended by all members.

Topics discussed by the Board of Auditors included audit policies and plans, situation of preparation and construction of internal control systems, validity of audit methods employed by the accounting auditors and audit results, and examination of effectiveness of measures to prevent recurrence of an inappropriate accounting practice that came to light in the previous fiscal year.

Activities of corporate auditors included attendance at important meetings, including Board of Directors meetings; review of documents relating to important decisions; communication with directors; review of operation at headquarters, plants, and branches and situations of their assets; communication and exchange of information with subsidiary directors and corporate auditors; review of business reports from subsidiaries; review of accounting auditors' reports on implementation situations and results of audits; and review of the internal audit division's reports on implementation situations and results of audits.

(ii) Status of internal audits

The Company's internal audit structure, which is led by the Business Planning Department and Internal Control Administration Department (comprised of six members), conducts internal audits on execution of duties, along with audits on Group companies by Affiliated Companies Administration Department. Internal audits, which are conducted under internal audit rules, are conducted with an aim to protect the Company's assets and improve its management efficiency by examining and assessing execution of business activities from the perspective of legality and efficiency.

(iii) Status of accounting audits

a. Name of audit corporation

Deloitte Touche Tohmatsu LLC

b. Period audits were conducted

Nine years

c. Certified public accountants who performed audits

Kenji Morita

Takaaki Saito

The number of years of audits is omitted because it is less than seven.

d. Composition of assistants involved in audit work

Assistants involved in the Company's accounting audit are composed of 8 certified public accountants and 13 others.

e. Policy and reason for appointing audit corporation

The Company evaluates and selects an external accounting auditor upon formulating evaluation criteria for aspects, including quality control, audit team structures, etc. of audit firms, in the "Evaluation of Independent Accounting Auditors and Selection Criteria."

f. Evaluation of the audit corporation by corporate auditors and the Board of Auditors

The Company's corporate auditors and the Board of Auditors evaluate the audit corporation. For this evaluation, the Board of Auditors has set "Evaluation Criteria for Accounting Auditors" in aspects including quality control by the audit firm, the audit team, audit fees, communication with corporate auditors, relationship with the management, group audits, and risk of misconduct. Using these, the Board reviews quality of audits, expertise, independence, etc. and evaluates the audit corporation by receiving regular reports on audits and reviews from the audit corporation, being present at audits by the audit team, and collecting information on the audit corporation from finance divisions and internal control audit divisions. As a result, the Company decided not to pursue submission of a proposal regarding dismissal or rejection of reappointment of the accounting auditor to the General Meeting of Shareholders.

(iv) Detail of audit fees, etc.

a. Fees for certified public accountants performing audits

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Filing company	38	-	53	-
Consolidated subsidiaries	-	-	-	-
Total	38	-	53	-

Note: In addition to the above, 20 million yen is paid in the current consolidated fiscal year in additional fees related to the previous fiscal year.

b. Fees paid to the same network (Deloitte Tohmatsu Tax Co.) the certified public accountants performing audits belong to (excluding a.)

Category	Previous consolidated fiscal year		Current consolidated fiscal year	
	Audit fees (millions of yen)	Non-audit fees (millions of yen)	Audit fees (millions of yen)	Non-audit fees (millions of yen)
Filing company	-	0	-	0
Consolidated subsidiaries	-	-	-	-
Total	-	0	-	0

Note: The non-audit service at the Company is a tax advisory service.

c. Details of fees based on other important audit and attestation services

There are no matters to be noted.

d. Policy on determining audit fees

The articles of incorporation stipulate that the Company set the amount of audit fees for accounting auditors after the representative director obtains consent from the Board of Auditors.

e. Reasons the Board of auditors gave consent to fees for the accounting auditor

The Board of Auditors gave consent to the amount of fees to the accounting auditor (Companies Act Article 399, Paragraph 1) after checking and reviewing analysis and evaluation of the audit work in the previous fiscal year, the schedule of audits and personnel assignment plans in the audit plans, the status of the accounting auditor's execution of duties, validity of fee estimates, etc., in accordance with the "Practical Guidelines on Collaboration With Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association.

(4) [Remuneration of directors and auditors]

(i) Matters regarding policies for deciding remuneration of directors and auditors and methods for calculating the amounts

The Company has a policy on how to decide the amount of remuneration of directors and auditors as well as how amounts are calculated. This policy is required to be commensurate with the size of a role and the scope of responsibility assigned to each position. Remuneration of directors and auditors is composed of basic compensation, bonuses, and share-based compensation. A resolution to allow severance payment of retirement bonuses for corporate auditors and directors was adopted each at the 90th General Meeting of Shareholders on June 29, 2016 and at the 91st General Meeting of Shareholders on June 29, 2017, respectively.

The method for deciding the amounts is as follows.

(Basic compensation and bonuses)

The Company decides basic compensation of full-time directors by accounting for factors, including the size of role for the position, the scope of responsibility, and existing practice. The Company's earnings in the fiscal year is accounted for in deciding amounts of bonuses.

Basic compensation of full-time corporate auditors is decided through discussions by corporate auditors at the Board of Auditors, accounting for factors, such as existing practices

Remuneration of part-time directors and auditors is decided by taking into consideration comprehensive factors, including the individual's social position, degree of contribution to the Company, and circumstances under which the individual is appointed.

(Share-based compensation)

The Company has introduced a share-based compensation scheme (the "Scheme" hereafter) for the Company's directors, excluding outside directors, with a purpose of establishing a clear connection between directors' compensation and stock value and motivating them to contribute to a mid- to long-term increase in earnings and corporate value, in accordance with the resolution of the 91st General Meeting of Shareholders held on June 29, 2017.

Under the Scheme, the Company's shares are held in the account of an employee stock ownership plan (ESOP) trust for officers (the "Trust" hereafter) established on Company funds and the number of shares corresponding to the points assigned to each director are granted to the director through the Trust in accordance with the share-granting rules established by the Company's Board of Directors. Points are tallied according to the position of each director in accordance with share-granting rules. Directors are granted the Company's shares when they retire from directorship, in principle. The initial trust period of this trust account spans three years from August 2017 to August 2020.

The General Meeting of Shareholders adopted a resolution regarding the remuneration for the directors and auditors on June 29, 2006. The resolution calls for upper limits of 500 million yen annually for directors and 80 million yen annually for corporate auditors, with the former decided by the Board of Directors and the latter by the Board of Auditors.

The Compensation Committee has the authority to decide policies for deciding the amount of remuneration for the Company's directors and auditors and methods for calculating the amounts. In the current fiscal year, we voluntarily set up a Compensation Committee comprised of three members (two outside directors and a representative director) and had proposals on policies related to decisions on compensation, amounts of payment to individual directors, etc. deliberated by the committee before deciding them.

The Company's remuneration for directors and auditors is comprised of performance-linked compensation and nonperformance-linked and other compensation. Performance-linked compensation is bonuses for directors and auditors, while nonperformance-linked and other compensation is comprised of basic compensation and share-based compensation, but we do not set rules on ratios of payment or have a policy for deciding such ratios. From among indicators reflecting the status of profits, the Company has chosen net income attributable to shareholders of parent as the indicator for calculating performance-linked compensation, aiming to incentivize directors, including the representative director and excluding outside directors, to contribute to increasing the Company's earnings.

In the current fiscal year, the target for performance-linked compensation was set at 1.9 billion yen in net income attributable to shareholders of the parent. The result was 1.789 billion yen, but the Board of Directors resolved not to pay bonuses to directors or auditors, recognizing their responsibility for an inappropriate accounting practice that came to light in the 93rd term.

- (ii) Total amount of remuneration and other payments, total amount of remuneration and other payments by type, and number of eligible officers by officer category

Officer category	Total amount of remuneration and other payments (millions of yen)	Total amount of remuneration and other payments by type (millions of yen)			Number of eligible officers
		Basic compensation	Bonuses	Share-based compensation	
Director (excluding outside directors)	172	146	-	25	7
Corporate Auditor (excluding outside auditors)	22	22	-	-	2
Outside directors and auditors	66	66	-	-	5

- (iii) Total amount of consolidated remuneration and other payments awarded to individual officers

Figures are not provided as there is no individual whose consolidated remuneration or other payments amounted to 100 million yen or higher.

(5) [Stocks held by the Company]

(i) Standards and policy on classification of investment stocks

Stocks held purely for investment purpose include those owned for changes in their values or their dividends, while those held for purposes other than pure investment include, in addition to the same purpose, stocks owning of which is expected to help maintain or reinforce relationships, ensure smooth operation, create synergy and help us grasp developments in the industry to which the Group belongs, as well as to contribute to improving the Group's corporate value over a medium to long term.

(ii) Investment stocks held for purposes other than pure investment

a. Policy on holding stocks and method to verify rationale for holding them as well as detail of examination by the Board of Directors, etc. on advisability of holding individual stock issues

The Company's basic policy on holding listed stocks not purely for investment purposes is as follows.

- That it helps maintain or reinforce relationships and ensure smooth operation of business
- That it is expected to help us grasp developments in the industry to which the Company belongs and create synergy
- That it is expected to contribute to increasing corporate value of the Group over a medium to long term

We examine advisability of holding shares held in cross-shareholdings from the perspective of improving corporate value over a medium to long term by assessing stock issues in our possession from comprehensive angles, including managerial strategic importance of holding them and for the purpose of reinforcing relationships with business partners, and regularly reporting on quantitative information, including the status and purposes of holding, payout ratios, etc. at the Board of Directors meeting.

b. Number of issues and amounts on balance sheet

	Number of issues	Total amount on balance sheet (millions of yen)
Unlisted stocks	25	141
Stocks other than unlisted stocks	21	4,347

(Issues for which the number of shares increased in the current fiscal year)

	Number of issues	Total amounts of acquisition costs pertaining to increases in number of shares (millions of yen)	Reason for increases in number of shares
Unlisted stocks	-	-	-
Stocks other than unlisted stocks	-	-	-

(Issues for which the number of shares decreased in the current fiscal year)

	Number of issues	Total amount of sales value pertaining to decreases in number of shares (millions of yen)
Unlisted stocks	-	-
Stocks other than unlisted stocks	1	227

- c. Information on number of shares and amounts on the balance sheet by stock issue of specified investment stocks and deemed shareholdings

Specified investment stocks

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding, and reason of increases in shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
Sompo Holdings, Inc.	251,874	251,874	The company has insurance deals with the company and holds this stock for the purpose of enhancing business risk management. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	No
	842	1,032		
FUJI CORPORATION	312,000	312,000	We hold the shares to facilitate exchange of information with the company, including information on future product development and industry trends. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	Yes
	514	459		
Neturen Co., Ltd.	501,800	501,800	The radio frequency business has business deals related to induction heating equipment with this company. We hold the shares to facilitate business activity in the radio frequency-related areas. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	Yes
	353	447		
KYOWA EXEO CORPORATION	127,900	127,900	The telecommunication business has order-taking and -placing transactions for base station antennas, etc. with this company. We hold the shares to facilitate business activity in the mobile communication-related segment. Although it is difficult to quantify benefits of holding the shares in light of the above	Yes
	307	390		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding, and reason of increases in shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
NIPPON DENSETSU KOGYO CO., LTD.	136,900	136,900	<p>purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p> <p>The telecommunication business has order-taking and -placing transactions for base station antennas, etc. with this company. We hold the shares to facilitate business activity in the mobile communication-related segment.</p> <p>Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p>	Yes
	288	315		
Nippon Television Holdings, Inc.	231,900	231,900	<p>The telecommunication business has transactions related to update and maintenance of broadcast equipment with the company. We hold its shares to facilitate business activity in the broadcasting-related segment.</p> <p>Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p>	No
	279	384		
Asahi Broadcasting Group Holdings Corporation	393,700	393,700	<p>The telecommunication business has transactions related to update and maintenance of broadcast equipment with the company. We hold its shares to facilitate business activity in the broadcasting-related segment.</p> <p>Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p>	Yes
	272	304		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding, and reason of increases in shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
Sumitomo Mitsui Financial Group, Inc.	85,646	85,646	The bank, which is a key transacting financial institution, provides us with sales information and information useful for our overseas operations. We hold the shares to facilitate and stabilize financing activities. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	No
	224	331		
Sumitomo Mitsui Trust Holdings, Inc.	65,651	65,651	The bank, which is a key transacting financial institution, provides us with sales information and information useful for our overseas operations. We hold the shares to facilitate and stabilize stock transfer agent services and financing activities. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	No
	205	261		
Mitsubishi UFJ Financial Group, Inc.	484,970	484,970	The bank, which is a key transacting financial institution, provides us with sales information and information useful for our overseas operations. We hold the shares to facilitate and stabilize financing activities. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	No
	195	266		
Hibiya Engineering, Ltd.	95,000	95,000	The telecommunication business has transactions related to aviation obstacle lights, etc. We hold the shares to facilitate business activity in aviation obstacle lights-related areas. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of	Yes
	184	179		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding, and reason of increases in shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
NIPPON CONCRETE INDUSTRIES CO., LTD.	529,700	529,700	Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits. We hold the shares to facilitate exchange of information with the company, including information on future product development and industry trends. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	Yes
	141	143		
NEC Corporation	25,000	25,000	The telecommunication business has deals with this company in areas related to administrative radio systems for disaster prevention use. We hold the shares to facilitate business activity in the fixed wireless communication-related segment. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	No
	98	93		
The Aichi Bank, Ltd.	27,900	27,900	The shares are held to maintain friendly relationship with this company and ensure future development of business relationship. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	Yes
	88	95		
NAKAYO, INC.	61,000	61,000	We hold the shares to facilitate exchange of information with the company, including information on future product development and industry trends. Although it is difficult to quantify benefits of holding the shares in light of the above	Yes
	88	88		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding, and reason of increases in shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
TOKYO TEKKO CO., LTD.	70,000	70,000	<p>purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p> <p>We hold the shares to facilitate exchange of information with the company, including information on future product development and industry trends.</p> <p>Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p>	Yes
	82	87		
IKEGAMI TSUSHINKI CO., LTD.	70,300	70,300	<p>The telecommunication business has order-taking and -placing transactions for parabolic antennas, etc. with this company. We hold the shares to facilitate business activity in the fixed wireless communication-related segment.</p> <p>Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p>	Yes
	58	79		
Riken Corporation	16,500	16,500	<p>We hold the shares to facilitate exchange of information with the company, including information on future product development and industry trends.</p> <p>Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.</p>	Yes
	45	82		
Origin Co., Ltd.	32,000	32,000	<p>We hold this stock to facilitate exchange of information with the company with an aim of helping future product development, etc. in the radio frequency business.</p>	Yes
	45	63		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative effect of holding, and reason of increases in shares	Ownership of the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
	20,800	20,800	Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	
Dai-ichi Life Holdings, Inc.	26	31		
	21,400	21,400	The bank, which is a key transacting financial institution, provides us with information related to sales. We hold the shares to facilitate and stabilize financing activities. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two of its meetings about quantitative aspects, including the payout ratios, in addition to the situation and purpose of holding them etc., upon which the Board deliberate the benefits.	No
UNIVANCE CORPORATION	3	6		
	-	230,900	We sold all shares as the company was delisted.	Yes
U-Shin Ltd.	-	227		

Notes: 1 Origin Electric Co., Ltd. changed its trade name to Origin Co., Ltd. on April 1, 2019.

- 2 Sompo Holdings, Inc., Nippon Television Holdings, Inc., Sumitomo Mitsui Financial Group, Inc., Sumitomo Mitsui Trust Holdings, Inc., Mitsubishi UFJ Financial Group, Inc., and Dai-ichi Life Holdings, Inc. hold the Company's shares indirectly through their respective subsidiaries.

Deemed shareholdings

There are no matters to be noted.

- (iii) Investment stocks held purely for the purposes of investment

There are no matters to be noted.

V. [Financial Information]

1 Methods of preparing consolidated financial statements and financial statements

- (1) The Company's consolidated financial statements are prepared in accordance with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) and recorded in accordance with the Ordinance for Enforcement of the Construction Business Act (Ordinance of the Ministry of Construction No. 14 of 1949).
- (2) The Company's financial statements are based on provisions set forth in Article 2 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Ministry of Finance Order No. 59 of 1963) and prepared in accordance with the said regulation and the Ordinance for Enforcement of the Construction Business Act (Ordinance of the Ministry of Construction No. 14 of 1949).

2 Audit certificate

The Company had Deloitte Touche Tohmatsu LLC perform audits on the consolidated financial statements for the consolidated fiscal year from April 1, 2019 to March 31, 2020 and the financial statements for the business year from April 1, 2019 to March 31, 2020, in accordance with provisions set forth in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

3 Special efforts to ensure appropriateness of consolidated financial statements, etc.

The Company makes special efforts to ensure appropriateness of consolidated financial statements, etc. Specifically, we have membership in the Financial Accounting Standards Foundation and participate in training programs, etc. organized by the foundation as well as other entities in order to maintain a structure that allows us to understand details of accounting standards, etc. appropriately.

1. [Consolidated Financial Statements, Etc.]

(1) [Consolidated financial statements]

(i) [Consolidated balance sheet]

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Assets		
Current assets		
Cash and deposits	19,861	18,644
Notes receivable, accounts receivable from completed construction contracts, and others	18,094	19,527
Costs on uncompleted construction contracts	373	425
Other inventories	*1 5,710	*1 5,125
Others	793	620
Allowance for doubtful accounts	(71)	(2)
Total current assets	44,762	44,341
Non-current assets		
Property, plant, and equipment		
Buildings and structures	10,852	10,927
Machinery, equipment, and vehicles	8,854	9,480
Land	2,240	2,246
Lease assets	173	293
Construction in progress	78	351
Others	6,490	6,688
Accumulated depreciation	(21,770)	(22,511)
Total property, plant, and equipment	6,919	7,477
Intangible assets	226	231
Investments and other assets		
Investment securities	*2 7,982	*2 6,683
Long-term loans receivable	2	2
Net defined benefit assets	335	289
Deferred tax assets	1,165	1,100
Others	1,095	1,146
Allowance for doubtful accounts	(52)	(64)
Total investments and other assets	10,528	9,158
Total non-current assets	17,675	16,866
Total assets	62,437	61,208

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts, and others	7,800	7,219
Short-term loans payable	*4 298	*4 404
Lease obligations	17	62
Income taxes payable	726	269
Advances received on uncompleted construction contracts	101	561
Allowance for warranties on completed construction contracts	21	40
Allowance for product warranties	215	216
Allowance for employees' bonuses	606	467
Allowance for directors' bonuses	10	10
Allowances for losses on construction contracts	4	44
Allowances for losses on guarantees	80	-
Others	2,482	1,249
Total current liabilities	12,367	10,547
Fixed liabilities		
Long-term loans payable	130	349
Lease obligations	44	118
Allowances for retirement bonuses for directors and corporate auditors	66	78
Allowances for share-based remuneration for directors and corporate auditors	94	83
Net defined benefit liability	3,266	3,270
Asset retirement obligations	49	49
Others	455	401
Total fixed liabilities	4,107	4,351
Total liabilities	16,474	14,898
Net assets		
Shareholders' equity		
Capital	8,774	8,774
Capital surplus	9,731	9,731
Retained earnings	29,911	31,218
Treasury stock	(4,477)	(5,093)
Total shareholders' equity	43,940	44,631
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	960	386
Deferred gains or losses on hedges	(21)	(27)
Foreign currency translation adjustment	68	175
Remeasurements of defined benefit plans	28	24
Total accumulated other comprehensive income	1,035	559
Non-controlling interests	988	1,119
Total net assets	45,963	46,309
Total liabilities and net assets	62,437	61,208

(ii) [Consolidated statement of income and consolidated statement of comprehensive income]
[Consolidated statement of income]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net sales		
Sales of completed construction contracts	16,099	17,951
Net sales of finished goods	28,543	26,957
Sales in other business	*1 113	*1 107
Total net sales	44,757	45,016
Cost of sales		
Cost of sales of completed construction contracts	*2 13,394	*2 14,772
Cost of finished goods sold	*2, *4 22,746	*2, *4 21,551
Cost of sales in other business	*1 61	*1 55
Total cost of sales	36,202	36,380
Gross profit		
Gross profit on completed construction contracts	2,705	3,179
Gross profit on finished goods	5,797	5,405
Gross profit on other business	*1 52	*1 51
Total gross profit	8,554	8,636
Selling, general, and administrative expenses	*3, *4 5,864	*3, *4 6,034
Operating income	2,690	2,601
Non-operating income		
Interest income	2	8
Interest on securities	9	9
Dividend income	169	203
Others	127	102
Total non-operating income	308	323
Non-operating expenses		
Interest expenses	16	25
Commitment fee	38	50
Foreign exchange losses	-	62
Others	0	12
Total non-operating expenses	55	151
Ordinary income	2,943	2,774
Extraordinary income		
Gain on sales of non-current assets	2	-
Gain on sales of investment securities	-	80
Total extraordinary income	2	80

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Extraordinary losses		
Loss on sales of non-current assets	0	-
Loss on retirement of non-current assets	2	-
Loss on valuation of investment securities	638	172
Losses on business liquidation	-	*5 149
Provision of allowances for doubtful accounts	70	-
Provision of allowances for losses on debt guarantees	80	-
Others	2	-
Total extraordinary losses	794	322
Net income before income taxes	2,150	2,532
Income taxes-current	911	393
Income taxes-deferred	(413)	324
Total income taxes	497	718
Net income	1,652	1,813
Profit attributable to non-controlling interests	127	24
Net income attributable to shareholders of parent company	1,524	1,789

[Consolidated statement of comprehensive income]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net income	1,652	1,813
Other comprehensive income		
Valuation difference on available-for-sale securities	(485)	(573)
Deferred gains or losses on hedges	(8)	(6)
Foreign currency translation adjustment	(50)	171
Remeasurements of defined benefit plans, net of tax	(45)	(4)
Total other comprehensive income	*1 (589)	*1 (412)
Comprehensive income	1,062	1,401
(Breakdown)		
Comprehensive income attributable to shareholders of parent	947	1,315
Comprehensive income attributable to non-controlling interests	114	85

(iii) [Consolidated statement of changes in equity]

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current term	8,774	9,731	28,940	(4,476)	42,970
Cumulative effect of change in accounting policy					-
Balance at beginning of current year after change in accounting policy is applied	8,774	9,731	28,940	(4,476)	42,970
Changes of items during term					
Dividends of surplus			(553)		(553)
Net income attributable to shareholders of parent company			1,524		1,524
Purchase of treasury stock				(4)	(4)
Disposal of treasury stock		0		2	2
Change in scope of consolidation					-
Net changes of items other than shareholders' equity					
Total changes of items during term	-	0	971	(1)	969
Balance at end of current term	8,774	9,731	29,911	(4,477)	43,940

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current term	1,446	(13)	105	73	1,612	939	45,522
Cumulative effect of change in accounting policy							-
Balance at beginning of current year after change in accounting policy is applied	1,446	(13)	105	73	1,612	939	45,522
Changes of items during term							
Dividends of surplus							(553)
Net income attributable to shareholders of parent company							1,524
Purchase of treasury stock							(4)
Disposal of treasury stock							2
Change in scope of consolidation							-
Net changes of items other than shareholders' equity	(485)	(8)	(37)	(45)	(576)	48	(528)
Total changes of items during term	(485)	(8)	(37)	(45)	(576)	48	441
Balance at end of current term	960	(21)	68	28	1,035	988	45,963

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current term	8,774	9,731	29,911	(4,477)	43,940
Cumulative effect of change in accounting policy			(1)		(1)
Balance at beginning of current year after change in accounting policy is applied	8,774	9,731	29,910	(4,477)	43,938
Changes of items during term					
Dividends of surplus			(553)		(553)
Net income attributable to shareholders of parent company			1,789		1,789
Purchase of treasury stock				(652)	(652)
Disposal of treasury stock				37	37
Change in scope of consolidation			72		72
Net changes of items other than shareholders' equity					
Total changes of items during term	-	-	1,308	(615)	693
Balance at end of current term	8,774	9,731	31,218	(5,093)	44,631

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current term	960	(21)	68	28	1,035	988	45,963
Cumulative effect of change in accounting policy						(1)	(3)
Balance at beginning of current year after change in accounting policy is applied	960	(21)	68	28	1,035	986	45,959
Changes of items during term							
Dividends of surplus							(553)
Net income attributable to shareholders of parent company							1,789
Purchase of treasury stock							(652)
Disposal of treasury stock							37
Change in scope of consolidation							72
Net changes of items other than shareholders' equity	(573)	(6)	107	(4)	(476)	132	(343)
Total changes of items during term	(573)	(6)	107	(4)	(476)	132	349
Balance at end of current term	386	(27)	175	24	559	1,119	46,309

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Cash flows from business activities		
Net income before income taxes	2,150	2,532
Depreciation	1,185	1,310
Increase (decrease) in allowance for employees' bonuses	158	(138)
Increase (decrease) in allowances for directors' bonuses	(16)	(0)
Increase (decrease) in net defined benefit liability	4	62
Increase (decrease) in allowances for retirement bonuses for directors and corporate auditors	4	11
Increase (decrease) in allowances for share-based remuneration to officers for directors and corporate auditors	55	(11)
Increase (decrease) in allowances for doubtful accounts	64	(59)
Increase (decrease) in allowances for loss on construction contracts	(17)	40
Increase (decrease) in allowances for product warranties	175	(3)
Interest and dividend income	(181)	(220)
Interest expenses	16	25
Foreign exchange losses (gains)	(14)	21
Loss (gain) on sales of investment securities	-	(80)
Loss (gain) on valuation of investment securities	638	172
Loss (gain) on sales of non-current assets	(1)	-
Loss on retirement of non-current assets	2	-
Losses on business liquidation	-	149
Decrease (increase) in notes and accounts receivable-trade	(427)	(1,046)
Decrease (increase) in costs on uncompleted construction contracts	507	(48)
Decrease (increase) in inventories	89	672
Decrease (increase) in other assets	(81)	384
Increase (decrease) in notes and accounts payable-trade	(1,731)	(797)
Increase (decrease) in advances received on uncompleted construction contracts	64	429
Increase (decrease) in accrued consumption taxes	437	(156)
Increase (decrease) in other liabilities	661	(972)
Others	8	(12)
Subtotal	3,751	2,264
Interest and dividend income received	180	220
Interest expenses paid	(16)	(25)
Income taxes paid	(738)	(915)
Cash flows from business activities	3,177	1,543

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net cash flows from investing activities		
Payments into time deposits	(30,788)	(29,802)
Proceeds from withdrawal of time deposits	30,799	30,467
Expenses for purchase of property, plant, and equipment and intangible assets	(1,085)	(1,831)
Proceeds from sale of property, plant, and equipment and intangible assets	2	18
Purchase of investment securities	(366)	(261)
Proceeds from sales of investment securities	466	345
Payments of loans receivable	(83)	(201)
Collection of loans receivable	12	1
Others	(77)	2
Net cash flows from investing activities	(1,120)	(1,261)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	19	98
Proceeds from long-term loans payable	-	108
Repayments of lease obligations	(19)	(65)
Proceeds from sales of treasury stock	0	37
Purchase of treasury stock	(4)	(652)
Cash dividends paid	(554)	(555)
Dividends paid to non-controlling interests	(66)	(41)
Cash flows from financing activities	(626)	(1,069)
Effect of exchange rate change on cash and cash equivalents	(2)	7
Net increase (decrease) in cash and cash equivalents	1,427	(780)
Cash and cash equivalents at beginning of term	10,066	11,494
Increase in cash and cash equivalents related to new consolidation	-	217
Cash and cash equivalents at end of term	*1 11,494	*1 10,931

[Notes]

(Notes on the going concern assumption)

There are no matters to be noted.

(Important matters that form basis for preparation of consolidated financial statements)

1 Matters pertaining to scope of consolidation

(1) Number of consolidated subsidiaries: 13

Names of major consolidated subsidiaries

This information is omitted because it is detailed in I. [Company Overview], 4. [Status of Subsidiaries and Affiliates].

DKK (THAILAND) CO., LTD., DTHM, S.A. DE C.V. and KOREA DENKIKOGYO. Co., Ltd. were added to the scope of consolidation starting in the current consolidated fiscal year due to their increased significance.

(2) Non-consolidated subsidiaries

DKK North America, Inc.

Reason for excluding the companies from the scope of consolidation

The non-consolidated subsidiaries are excluded from the scope of consolidation because they are small companies and none of whose total assets, net sales, net profit/loss (amounts commensurate with stake), or retained earnings (amounts commensurate with stake) has any significant impact on the consolidated financial statements.

2 Matters concerning application of equity method

Names of non-consolidated subsidiaries to which equity method is not applied

DKK North America, Inc.

Reason for not applying the equity method

The companies are excluded from the application of the equity method because they have minor impact on the net profit and loss (amounts commensurate with respective stakes) or retained earnings (amounts commensurate with respective stakes) and have little overall importance.

3 Matters regarding business years, etc. of consolidated subsidiaries

The fiscal year-end for these consolidated subsidiaries is December 31: DKK Sino-Thai Engineering Co., Ltd., DKK of America, Inc., DENKI KOGYO (CHANGZHOU) HEAT TREATMENT EQUIPMENT CO., LTD., DKK MANUFACTURING (THAILAND) CO., LTD., DKK (THAILAND) CO., LTD., DTHM, S.A de C.V., and KOREA DENKIKOGYO. Co., Ltd.

In preparing consolidated financial statements, we used financial statements as of the end of the fiscal year and made adjustments necessary for consolidation regarding important transactions that took place from then until the consolidated fiscal year-end.

4 Matters regarding accounting policy

(1) Standards and method for valuation of important assets

(i) Securities

Bonds held to maturity

We used the amortized cost method (straight-line method).

Other securities

Securities with fair values

The fair value method based on market prices as of the end of the fiscal year (all valuation gains or losses reported as component of net assets; cost of securities sold calculated under moving average method) is used.

Securities without fair values

The moving average cost method is used.

(ii) Derivatives

The fair value method is used.

(iii) Inventories

Costs on uncompleted construction contracts

The cost method determined by the specific identification method is used.

Products

The cost method determined by specific identification method or weighted average method (book value reduced to reflect lowering profitability) is used.

Work in process

The cost method determined by specific identification method (book value reduced to reflect lowering profitability) is used.

Raw materials and supplies

The cost method determined by moving average method (book value reduced to reflect lowering profitability) is used.

(2) Method for depreciating important depreciable assets

(i) Property, plant, and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries use the declining balance method. However, facilities attached to buildings as well as structures acquired on and after April 1, 2016, in addition to buildings (excluding facilities attached to buildings) are depreciated by straight-line method. Useful lives of principal assets are as follows.

Buildings and structures:	2–45 years
Machinery, equipment, and vehicles:	2–17 years
Others (tools, furniture, and fixtures):	2–20 years

The straight-line method is used for overseas consolidated subsidiaries.

(ii) Intangible assets (excluding lease assets)

The straight-line method is used.

For software (internal use), the straight-line method based on the period in which they were available for use in the Company (five years) is used.

(iii) Lease assets (lease assets relating to finance lease transactions without transfer of ownership)

The straight line method, in which the lease period is the useful life and the residual value is zero, is used.

(3) Standards for important allowances

(i) Allowance for doubtful accounts

In order to be prepared for losses incurred from a bad debt from trade accounts receivable, loans receivable, etc., we estimated irrecoverable amounts using loan loss ratio for general accounts receivable and reviewed collectability of specified accounts individually, including doubtful accounts.

(ii) Allowance for warranties on completed construction contracts

In order to be prepared for expenses such as repair expenses for completed construction contracts, we booked the total of estimated amounts for future repairs based on actual compensation on completed construction contracts in past years and estimates for individual instances whose amounts have significance.

(iii) Allowance for product warranties

In order to be prepared for future guarantee expenses, etc. on delivered products, we booked the total of estimated guarantee expenses based on actual guarantee results in past years and estimates for individual instances whose amounts have significance.

(iv) Allowance for employees' bonuses

Expected amounts of payments are booked for bonuses to be paid to employees.

(v) Allowance for directors' bonuses

In order to be prepared for payments of bonuses to directors and corporate auditors, a portion of expected payments that should be charged in the current consolidated fiscal year was booked.

(vi) Allowances for losses on construction contracts

In order to be prepared for future losses related to construction contracts, allowances were booked for contracts yet to be delivered at the end of the current consolidated fiscal year that were deemed to have strong possibility of causing losses and for which amounts of such losses can be estimated to a reasonable degree of accuracy, in amounts of estimated losses.

(vii) Allowances for retirement bonuses for directors and corporate auditors

The company booked the entire amount of payments scheduled at the end of the fiscal year according to internal rule, in order to fund payment of retirement bonuses for directors.

(viii) Allowances for share-based remuneration for directors and corporate auditors

This amount was booked based on the estimated amount of share-provision liabilities at the end of the current consolidated fiscal year, in order to be prepared for provision of the Company's shares to its directors (excluding outside directors) in accordance with the share-granting rules.

(4) Methods of account processing pertaining to retirement benefits

(i) Period-corresponding method for estimated retirement benefits

In calculating retirement benefit obligations, benefit formula criteria were used as the method to attribute

estimated retirement benefit payouts to the period until the end of the current consolidated fiscal year.

- (ii) Method for amortizing unrecognized actuarial differences and unrecognized prior service costs
 - Entire amounts of unrecognized prior service costs were charged to expenses in the year of their occurrence.
 - Actuarial differences are amortized over the period of five years, which is within the average remaining service period of employees at the time of occurrence in each consolidated fiscal year, using the straight-line method from the following consolidated fiscal year when the actuarial difference is recognized.
- (5) Standards for recording significant revenues and expenses
 - Standards for recording net sales
 - Net sales were recognized under the completed construction contract standard and the shipment standard, while the percentage-of-completion method was used to recognize contracts expected to proceed as planned until the end of the current consolidated fiscal year (progress of work estimated based on cost-to-cost method for the Company and domestic consolidated subsidiaries and a method based on physical percentage of completion of construction work under contracts for overseas subsidiaries).
- (6) Standards for translating significant assets or liabilities denominated in foreign currencies into Japanese currency
 - Monetary claims and liabilities in foreign currencies were converted to yen amounts using the spot exchange rates at the fiscal year-end, and foreign exchange differences were recognized as gains or losses. Assets and liabilities of overseas subsidiaries, etc. were converted to yen amounts using the spot exchange rates at the end of the fiscal year. Revenues and expenses were converted to yen amounts using the average exchange rates during the period. Foreign exchange differences were included in foreign currency translation adjustments and non-controlling interests under net assets.
- (7) Important hedge accounting methods
 - (i) Hedge accounting methods
 - Deferral hedge accounting is used.
 - (ii) Hedging instruments and hedged items
 - Hedging instruments: forward exchange contracts
 - Hedged item: forecasted transaction in foreign currency
 - (iii) Hedging policy
 - The Group uses forward exchange contracts to hedge risks on exchange rate fluctuations in international transactions. Forward exchange contracts were executed upon approval obtained through a round robin approval process. Execution and management of subsequent contracts are handled by the accounting division. Forward exchange contracts are the only derivative transaction used as a risk-hedging instrument.
 - (iv) Method for assessing effectiveness of hedges
 - Effectiveness is judged by comparing the amount of the cumulative total of market fluctuations of the hedged item or cash flow fluctuations and the cumulative total of market fluctuations of the hedging instrument or cash flow fluctuations over a period from the execution of a forward exchange contract until the point of time when effectiveness is assessed and basing the decision on the amounts of changes of both.
- (8) Scope of funds in consolidated statement of cash flows
 - The scope of funds (cash and cash equivalents) in the consolidated statement of cash flows includes cash on hand, demand deposits, and short-term investments that are redeemable in three months or less from each acquisition date, have high liquidity, are readily convertible into cash, and are exposed to insignificant risk of changes in value.
- (9) Other important matters regarding preparation of consolidated financial statements
 - Account processing of consumption tax, etc.
 - Transactions involving consumption tax and local consumption tax were recorded in amounts exclusive of these taxes.

(Revision in accounting policy)

(Application of IFRS 16 “Leases”)

Some of our overseas subsidiaries started to apply IFRS 16 to their accounts from the current consolidated fiscal year. In applying IFRS 16, we adopted a method of recognizing a cumulative impact from the application of an accounting standard accepted as a transitional measure on the first day of application.

This has pushed up “lease assets” under “property, plant, and equipment” 65 million yen, “lease obligations” under “current liabilities” 33 million yen, and “lease obligations” under “fixed liabilities” 35 million yen in the consolidated balance sheet in the current consolidated fiscal year.

The impact from this on the consolidated statement of income and per-share indicators in the current fiscal year is insignificant.

With the cumulative impact having been reflected in net assets at the beginning of the current consolidated fiscal year, the beginning balances of retained earnings and non-controlling interests in the consolidated statement of changes in equity both decreased 1 million yen.

(Accounting standards that were not used, etc.)

- Accounting Standard for Revenue Recognition (ASBJ Statement No. 29 issued on March 31, 2020, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30 released March 31, 2020, Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 released March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) jointly developed a set of comprehensive accounting standards on recognition of revenue and released Revenue from Contracts with Customers (IASB’s IFRS 15 and FASB’s Topic 606) in May 2014. Ahead of the introduction of IFRS 15 in fiscal years starting January 1, 2018 or later and Topic 606 in fiscal years starting on December 15, 2017, Accounting Standards Board of Japan developed a comprehensive set of standards on revenue recognition and announced it, along with an implementation guidance.

In developing the accounting standards on revenue recognition, the Accounting Standards Board of Japan set the basic policy of starting by first incorporating basic principles of IFRS 15 to make it possible to compare between financial statements, which is a way to help achieve consistency with IFRS 15, and allowing exceptional treatment of any items that require consideration be made for practices in Japan, as long as doing so will not undermine comparability.

(2) Planned date of application

Accounting standard is planned to be applied from the start of the fiscal year ending March 2022.

(3) Impact of applying the accounting standard

Amounts of potential impact on consolidated financial statements made by the application of the Accounting Standard for Revenue Recognition is currently being assessed.

- Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9 issued on July 4, 2019, Accounting Standards Board of Japan)
- Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 released July 4, 2019, Accounting Standards Board of Japan)
- Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 released March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB)

respectively created detailed guidance with largely the same content on fair value measurement (IFRS 13 Fair Value Measurement in the International Financial Reporting Standards (IFRS) and FASB Accounting Standards Codification Topic 820 Fair Value Measurement in the U.S. accounting standards). In response, the Accounting Standards Board of Japan worked on a project to ensure consistency of Japanese standards with international standards, mainly regarding the guidance and disclosure on fair value of financial products, and released the Accounting Standard for Fair Value Measurement, etc.

In developing accounting standards on calculation of fair values, the Accounting Standards Board of Japan has set a basic policy of introducing basically all the stipulations of IFRS 13 to help improve comparability between financial statements of companies in Japan and overseas by using unified calculation methods. The policy also calls for allowing exceptional treatment of specific items in view of practices that have been followed in Japan within a scope that will not undermine comparability between financial statements significantly.

(2) Planned date of application

Accounting standard is planned to be applied from the start of the fiscal year ending March 2022.

(3) Impact of applying the accounting standard

Amounts of potential impact of the application of the Accounting Standard for Fair Value Measurement on consolidated financial statements is currently being assessed.

- Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The Accounting Standards Board of Japan developed and announced the Accounting Standard for Disclosure of Accounting Estimates (the “Accounting Standard” hereafter) in response to a request to consider including in the Japanese standards a call to disclose, in the form of a note, “Sources of estimation uncertainty,” whose disclosure is called for in Paragraph 125 of IAS 1 Presentation of Financial Statements released in 2003 by the International Accounting Standards Board (IASB), because the information is highly useful for users of financial statements.

In developing the Accounting Standard, the Accounting Standards Board of Japan adopted a basic policy of showing the principle (purpose of disclosure), rather than expanding individual notes, and let companies judge the content of disclosure in accordance with the purpose of disclosure. In developing this, the board decided to refer to provisions in Paragraph 125 of IAS 1.

(2) Planned date of application

Application is planned at the end of the fiscal year ending March 2021.

- Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections (ASBJ Statement No. 24 issued on March 31, 2020, Accounting Standards Board of Japan)

(1) Overview

The Accounting Standards Board of Japan made necessary revisions and released it as the Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections in response to a proposal calling for consideration of expanding notes on “accounting principles and procedures adopted when provisions in relevant accounting standards are not clear.”

In working to provide satisfactory notes relating to the “accounting principles and procedures adopted when provisions in relevant accounting standards are not clear,” stipulations of the notes to the corporate accounting principles (Note 1-2) are required to be followed so that existing procedures used when stipulations of applicable accounting standards, etc. are clear are not affected.

(2) Planned date of application

Application is planned at the end of the fiscal year ending March 2021.

(Change in method of presentation)

(Consolidated statement of income)

“Dividends income of life insurance” appeared as a line item under “Non-operating income” in the previous fiscal year is now included in “Others” in the current consolidated fiscal year as the item’s amount has become insignificant. We rearranged the financial statements of the previous consolidated fiscal year to reflect this change in presentation.

As a result, the 31 million yen shown in “Dividends income of life insurance” under “Non-operating income” on the consolidated statement of income in the previous consolidated fiscal year is reclassified as “Others.”

(Additional information)

(Share-based compensation scheme for directors)

The Company has a share-based compensation scheme (the “Scheme” hereafter) for the Company’s directors (excluding outside directors) with a purpose of clarifying connection between directors’ remuneration and stock value and incentivizing them to contribute to increasing earnings and corporate value over a medium to long term.

(1) Overview of transactions

Under the Scheme, the Company’s shares are held in the account of an employee stock ownership plan (ESOP) trust for officers (the “Trust” hereafter) established on Company funds and the number of shares corresponding to the points assigned to each director are granted to the director through the Trust in accordance with the share-granting rules established by the Company’s Board of Directors. Directors are granted the Company’s shares when they retire from directorship, in principle.

(2) The Company’s shares remaining in the trust account

The Company’s shares remaining in the trust account are recognized as treasury stock under net assets at the book value in the trust account (excluding associated expenses). This treasury stock totaled 73,435 shares worth 205 million yen in book value at the end of the previous consolidated fiscal year and 60,019 shares worth 167 million yen in book value at the end of the current consolidated fiscal year.

(Impact of COVID-19)

Spread of COVID-19 has caused an extensive impact on the economy and corporate activity. In the industry in which the Group operates, there have been a slowdown in business activity of customers and suppliers, delays in construction projects, etc. In particular, the radio frequency business is expected to suffer a significant impact on order-taking activities from a slump in the automotive industry. Although it is difficult to predict future spread of the disease or when it will end, we expect it will continue to have impact until sometime in the fiscal year ending March 2021, judging from available information in and outside the Company.

(Notes on consolidated balance sheet)

*1: Breakdown of other inventories

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Products	1,277 million yen	1,515 million yen
Work in process	2,677 million yen	1,855 million yen
Raw materials and supplies	1,756 million yen	1,755 million yen
Total	5,710 million yen	5,125 million yen

*2: Amounts attributable to non-consolidated subsidiaries are as follows.

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Investment securities (stocks)	279 million yen	53 million yen

3: Debt guarantees

The Company applies debt guarantees to amounts borrowed from financial by the following affiliates, etc.

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Bank loans payable by DTHM, S.A. DE C.V.	222 million yen	- million yen
Bank loans payable by employees, etc.	0 million yen	0 million yen
Bank loans payable by Zephyr Corp.	80 million yen	- million yen
Allowances for losses on guarantees	(80 million) yen	- million yen
Total	222 million yen	0 million yen

*4: The Company is in specified commitment line contracts (loan commitment agreements) with its key transacting financial institutions to maintain flexibility and safety for funding needs and mitigate financial risks.

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Total amount of specified commitment line contracts	7,000 million yen	7,000 million yen
Amount executed by the end of the current consolidated fiscal year	- million yen	- million yen
Difference	7,000 million yen	7,000 million yen

(Notes on consolidated statement of income)

*1: Sales in other business, cost of sales in other business, and gross profit-other business show net sales, cost of sales, and gross profit attributable to the Group's facility leasing and electric power sales business.

*2: Provision of allowances for losses on construction contracts included in cost of sales are as follows.

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
4 million yen	44 million yen

*3: Major items and amounts included in selling, general, and administrative expenses are as follows.

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Employees' salaries and allowances	2,555 million yen	2,717 million yen
Provision for bonuses	216 million yen	168 million yen
Provision for directors' bonuses	10 million yen	10 million yen
Retirement benefit expenses	117 million yen	133 million yen
Provision for directors' retirement benefits	11 million yen	11 million yen
Allowances for share-based compensation for directors	55 million yen	25 million yen
Research and development expenses	796 million yen	810 million yen

*4: Research and development expenses included in general and administrative expense and manufacturing expenses for this period are as follows.

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
1,438 million yen	1,521 million yen

*5: Losses on business liquidation

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

There are no matters to be noted.

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

Losses on business liquidation totaling 149 million yen is booked under extraordinary losses with the decision to liquidate Zephyr Corporation.

(Notes on consolidated statement of comprehensive income)

*1: Amounts of reclassification adjustments and tax effect relating to other comprehensive income are as follows.

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Valuation difference on available-for-sale securities:		
Amount booked	(700) million yen	(803) million yen
Reclassification adjustments	-	(22)
Before tax effect	(700)	(826)
Amount of tax effect	214	253
Valuation difference on available-for-sale securities	(485)	(573)
Deferred gains or losses on hedges:		
Amount booked	(12)	4
Reclassification adjustments	-	(12)
Before tax effect	(12)	(8)
Amount of tax effect	4	1
Deferred gains or losses on hedges	(8)	(6)
Foreign currency translation adjustment:		
Amount booked	(50)	171
Reclassification adjustments	-	-
Before tax effect	(50)	171
Amount of tax effect	-	-
Foreign currency translation adjustment	(50)	171
Remeasurements of defined benefit plans, net of tax:		
Amount booked	(26)	21
Reclassification adjustments	(39)	(28)
Before tax effect	(65)	(6)
Amount of tax effect	20	1
Remeasurements of defined benefit plans, net of tax	(45)	(4)
Total other comprehensive income	(589)	(412)

(Notes on consolidated statement of changes in equity)

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

1 Matters regarding issued shares

Class of shares	At beginning of current consolidated fiscal year	Increase	Decrease	At end of current consolidated fiscal year
Common stock (unit: shares)	14,084,845	-	-	14,084,845

2 Matters regarding treasury stock

Class of shares	At beginning of current consolidated fiscal year	Increase	Decrease	At end of current consolidated fiscal year
Common stock (unit: shares)	1,865,297	1,530	1,049	1,865,778

Notes: 1 The Company sold 372,000 shares of treasury stock (before reverse stock split) to Sumitomo Mitsui Trust Bank, Ltd. (Japan Trustee Services Bank, Ltd.) (the "Trust Account," hereafter) on August 28, 2017 following upon the introduction of a share-based compensation scheme for directors. However, on the recognition that the Company and the Trust Account is inseparable, assets and liabilities, including treasury stock held in the Trust Account, as well as its expenses and revenues are booked in the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and consolidated statement of cash flows. The number of treasury stocks includes 73,435 shares of the Company (after reverse stock split) held in the Trust Account at the end of the current consolidated fiscal year.

2 Breakdown of the increase is as follows.

Increase due to purchase of shares less than one unit: 1,530 shares

3 Breakdown of the decrease is as follows.

Issuance of treasury stocks to retiring directors under share-based compensation scheme: 965 shares

Decrease due to sale of shares less than one unit: 84 shares

3. Matters regarding dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 28, 2018 General Meeting of Shareholders	Common stock	553	45.0	March 31, 2018	June 29, 2018

Note: The total amount of payouts includes 3 million yen in dividends for the Company's shares held in the Trust Account at Japan Trustee Services Bank, Ltd., which was set at the time the share-based compensation scheme for directors was introduced.

(2) Dividends whose record date is in the current consolidated fiscal year and effective date in the next fiscal year

Resolution	Class of shares	Source funds for dividends	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 27, 2019 General Meeting of Shareholders	Common stock	Retained earnings	553	45.0	March 31, 2019	June 28, 2019

Note: The total amount of payouts includes 3 million yen in dividends for the Company's shares held in the Trust Account at Japan Trustee Services Bank, Ltd., which was set at the time the share-based compensation scheme for directors was introduced.

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

1 Matters regarding issued shares

Class of shares	At beginning of current consolidated fiscal year	Increase	Decrease	At end of current consolidated fiscal year
Common stock (unit: shares)	14,084,845	-	-	14,084,845

2 Matters regarding treasury stock

Class of shares	At beginning of current consolidated fiscal year	Increase	Decrease	At end of current consolidated fiscal year
Common stock (unit: shares)	1,865,778	215,514	13,416	2,067,876

Notes: 1 The Company sold 372,000 shares of treasury stock (before reverse stock split) to Sumitomo Mitsui Trust Bank, Ltd. (Japan Trustee Services Bank, Ltd.) (the "Trust Account," hereafter) on August 28, 2017 following upon the introduction of a share-based compensation scheme for directors. However, on the recognition that the Company and the Trust Account is inseparable, assets and liabilities, including treasury stock held in the Trust Account, as well as its expenses and revenues are booked in the consolidated balance sheet, consolidated statement of income, consolidated statement of changes in equity, and consolidated statement of cash flows. The numbers of treasury stocks include 60,019 shares of the Company (after reverse stock split) held in the Trust Account at the end of the current consolidated fiscal year.

2 Breakdown of the increase is as follows.

Acquisition of treasury stock under resolution at June 7, 2019 Board of Directors meeting 214,600 shares
Increase due to purchase of shares less than one unit: 914 shares

3 Breakdown of the decrease is as follows.

Issuance of treasury stocks to retiring directors under share-based compensation scheme: 13,416 shares

3 Matters regarding dividends

(1) Cash dividends paid

Resolution	Class of shares	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 27, 2019 General Meeting of Shareholders	Common stock	553	45.0	March 31, 2019	June 28, 2019

Note: The total amount of payouts includes 3 million yen in dividends for the Company's shares held in the Trust Account at Japan Trustee Services Bank, Ltd., which was set at the time the share-based compensation scheme for directors was introduced.

(2) Dividends whose record date is in the current consolidated fiscal year and effective date in the next fiscal year

Resolution	Class of shares	Source funds for dividends	Total dividends (millions of yen)	Dividend per share (yen)	Record date	Effective date
June 26, 2020 General Meeting of Shareholders	Common stock	Retained earnings	543	45.0	March 31, 2020	June 29, 2020

Note: The total amount of payouts includes 2 million yen in dividends for the Company's shares held in the Trust Account at Japan Trustee Services Bank, Ltd., which was set at the time the share-based compensation scheme for directors was introduced.

(Notes on consolidated statement of cash flows)

*1: The relationship between the term-end balance of cash and cash equivalents and the amount shown on the consolidated balance sheet is as follows.

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Cash and deposit account	19,861 million yen	18,644 million yen
Time deposits with a deposit period exceeding three months	(8,367 million) yen	(7,712 million) yen
Cash and cash equivalents	11,494 million yen	10,931 million yen

(Notes on leasing transactions)

(Lessee side)

Finance lease transactions

Finance lease transactions without transfer of ownership

(i) Lease assets

Property, plant and equipment: mainly vehicles and computer-related equipment

Intangible assets: software

(ii) Depreciation method of lease assets

The straight line method, in which the lease period is the useful life and the residual value is zero, is used.

(Notes on financial instruments)

1 Matters regarding status of financial instruments

(1) Policy on financial instruments

The Group's policy for fund management is to invest in safe financial assets and its policy for fund procurement is to use bank loans. Derivatives are used to avoid risks described below. The policy is not to engage in speculative transactions.

(2) Details of financial instruments, associated risks, and risk management

Notes receivable, accounts receivable from completed construction contracts, and others, which are operating receivables, are exposed to customers' credit risk. To address these risks, we manage due dates and balances for each customer and monitor credit statuses of key customers at regular intervals in accordance with the Group's credit management rules. Some of these risks involve foreign currency denominated items exposed to risk of currency fluctuations, and those reaching specified amounts are hedged using forward exchange contracts. To manage credit risk of borrowers associated with short-term loans receivable, we monitor operational conditions of borrowers at regular intervals to early detect or mitigate any issues in collecting debts, including deterioration in financial position, etc.

Investment securities are exposed to the risk of market fluctuation. They are mainly shares of companies with whom we have business relationship. We work to grasp their fair values and financial conditions of the issuers regularly.

Notes payable, accounts payable for construction contracts and other, and income taxes payable, which are trade payables, have due dates no longer than one year. Some of these are related to import of raw materials and are denominated in foreign currencies, which makes them exposed to risk of currency fluctuations. We hedge risks of those reaching specified amounts using forward exchange contracts.

Short-term loans payable and long-term loans payable are for fund procurement related to operational transactions, while lease obligations related to finance lease transactions are for the purpose of procuring funds necessary for capital investment. The longest of their due dates arrive in six years from the fiscal year-end (vs. seven years in the previous consolidated fiscal year). Loans payable mainly have fixed interest rates.

These current liabilities and loans payable, including trade payables, are exposed to liquidity risk. The Group members manage these by, for example, work out funding plans each month.

The derivative transactions are forward exchange contracts aimed at hedging fluctuation risk of foreign exchange related to trade receivables and payables denominated in foreign currencies. Derivative transactions are executed and managed in accordance with internal rules that specify transaction authority. For information regarding hedge accounting, including hedge instruments, hedged items, hedging policy, and method for assessing effectiveness of hedges, see Important matters that form basis for preparation of consolidated financial statements, 4. Matters regarding accounting policy, (7) Important hedge accounting methods.

(3) Supplementary explanation of matters related to market values of financial instruments

Fair values of financial instruments include values based on market prices and, for those with no market price, values estimated in a reasonable way. Since various factors of fluctuation are accounted for in estimating fair values, fair values may change if different assumptions are used.

2 Matters regarding fair values, etc. of financial instruments

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

Amounts shown on the consolidated balance sheet, fair values, and differences between them as of March 31, 2019 are as follows. Items for which fair values are very difficult to estimate are not included in the list (see Note *2).

(Millions of yen)

	Amount indicated on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	19,861	19,861	-
(2) Notes receivable, accounts receivable from completed construction contracts, and others	18,094		
(3) Short-term loans receivable	70		
Allowance for doubtful accounts (*1)	(71)		
	18,093	18,093	-
(4) Investment securities			
Bonds held to maturity	2,020	2,004	(15)
Other securities	5,425	5,425	-
Total assets	45,400	45,385	(15)
(1) Notes payable, accounts payable for construction contracts, and others	7,800	7,800	-
(2) Short-term loans payable	298	298	-
(3) Income taxes payable	726	726	-
(4) Long-term loans payable	130	130	0
(5) Lease obligations (*2)	62	61	(1)
Total liabilities	9,018	9,016	(1)
Derivatives (*3)	[38]	[38]	-

*1: Allowance for doubtful accounts booked individually for notes receivable, accounts receivable from completed construction contracts, and others, and short-term loans receivable is deducted.

*2: Lease obligations are shown as the sum total of current liabilities and fixed liabilities.

*3: Net debts and credits accrued on derivatives are shown in net amounts, and items that are net debt in aggregate are in brackets.

Notes: 1. Calculation of fair values of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes receivable, accounts receivable from completed construction contracts, and others, (3) Short-term loans receivable

As these are settled in a short period and their fair values are largely the same as book values, book values are used.

(4) Investment securities

Fair values of these are measured at prices quoted at stock exchanges, and others are measured at prices quoted by transacting financial institutions. See the "Notes related to securities" for matters concerning securities by purpose of holding.

Liabilities

(1) Notes payable, accounts payable for construction contracts, and others, (2) Short-term loans payable, (3) Income taxes payable

As these are settled in a short period and their fair values are largely the same as book values, book values are used.

(4) Long-term loans payable, (5) Lease obligations

Fair values of these are calculated using the present value which is the sum of principal and interest discounted by the interest rate that would be charged for a new similar borrowing or leasing transaction.

Derivatives

Fair values of derivative transactions are calculated based on the prices quoted by the counterparty financial institutions.

2 Financial instruments for which fair values are very difficult to determine

(Millions of yen)

Category	Amount indicated on consolidated balance sheet
Unlisted stocks	256
Shares of subsidiaries	279

These are not included in “(4) Investment securities” under “Assets” as they do not have market prices and it is very difficult to determine fair values.

3 Amounts of monetary claims and securities that have maturities, expected to be redeemed after the consolidated fiscal year-end

(Millions of yen)

	Within 1 year	Over 1 year and up to 5 years	Over 5 years and up to 10 years	Over 10 years
Cash and deposits	19,861	-	-	-
Notes receivable, accounts receivable from completed construction contracts, and others	18,094	-	-	-
Short-term loans receivable	70	-	-	-
Investment securities				
Bonds planned to be held until maturity (corporate bonds)	-	733	1,250	-
Total	38,026	733	1,250	-

4 Amounts of long-term loans payable and lease obligations planned to be repaid after the consolidated fiscal year-end

(Millions of yen)

	Within 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
Long-term loans payable	-	-	-	130	-	-
Lease obligations	17	13	11	9	5	4
Total	17	13	11	139	5	4

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

The amounts on the consolidated balance sheet, their fair values, and differences between them as of March 31, 2020 are as follows. Items for which fair values are very difficult to estimate are not included in the list (see Note *2).

(Millions of yen)

	Amount indicated on consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	18,644	18,644	-
(2) Notes receivable, accounts receivable from completed construction contracts, and others	19,527		
Allowance for doubtful accounts (*1)	(2)		
	19,525	19,525	-
(3) Investment securities			
Bonds held to maturity	2,006	1,974	(32)
Other securities	4,481	4,481	-
Total assets	44,657	44,625	(32)
(1) Notes payable, accounts payable for construction contracts, and others	7,219	7,219	-
(2) Short-term loans payable	404	404	-
(3) Income taxes payable	269	269	-
(4) Long-term loans payable	349	348	(1)
(5) Lease obligations (*2)	181	178	(2)
Total liabilities	8,424	8,420	(4)
Derivatives (*3)	[22]	[22]	-

*1: Allowance for doubtful accounts booked for notes receivable, accounts receivable from completed construction contracts, and others is deducted.

*2: Lease obligations are shown as the sum total of current liabilities and fixed liabilities.

*3: Net debts and credits accrued on derivatives are shown in net amounts, and items that are net debt in aggregate are in brackets.

Notes: 1. Calculation of fair values of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits, (2) Notes receivable, accounts receivable from completed construction contracts, and others

As these are settled in a short period and their fair values are largely the same as book values, book values are used.

(3) Investment securities

Fair values of these are measured at prices quoted at stock exchanges, and others are measured at prices quoted by transacting financial institutions. See the "Notes related to securities" for matters concerning securities by purpose of holding.

Liabilities

(1) Notes payable, accounts payable for construction contracts, and others, (2) Short-term loans payable, (3) Income taxes payable

As these are settled in a short period and their fair values are largely the same as book values, book values are used.

(4) Long-term loans payable, (5) Lease obligations

Fair values of these are calculated using the present value which is the sum of principal and interest discounted by the interest rate that would be charged for a new similar borrowing or leasing transaction.

Derivatives

Fair values of derivative transactions are calculated based on the prices quoted by the counterparty financial institutions.

2 Financial instruments for which fair values are very difficult to determine

(Millions of yen)

Category	Amount indicated on consolidated balance sheet
Unlisted stocks	141
Shares of subsidiaries	53

These are not included in “(3) Investment securities” under “Assets” as they do not have market prices and it is very difficult to determine fair values.

3 Amounts of monetary claims and securities that have maturities, expected to be redeemed after the consolidated fiscal year-end

(Millions of yen)

	Within 1 year	Over 1 year and up to 5 years	Over 5 years and up to 10 years	Over 10 years
Cash and deposits	18,644	-	-	-
Notes receivable, accounts receivable from completed construction contracts, and others	19,527	-	-	-
Investment securities				
Bonds planned to be held until maturity (corporate bonds)	300	833	850	-
Total	38,471	833	850	-

4 Amounts of long-term loans payable and lease obligations planned to be repaid after the consolidated fiscal year-end

(Millions of yen)

	Within 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
Long-term loans payable	-	6	177	54	54	54
Lease obligations	62	49	34	20	12	2
Total	62	56	212	74	66	57

(Notes on securities)

1 Bonds held to maturity

Previous consolidated fiscal year (March 31, 2019)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet	Fair value	Difference
Bonds whose fair values exceed amounts on the consolidated balance sheet	850	851	1
Bonds whose fair values do not exceed amounts on the consolidated balance sheet	1,170	1,152	(17)
Total	2,020	2,004	(15)

Current consolidated fiscal year (March 31, 2020)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet	Fair value	Difference
Bonds whose fair values exceed amounts on the consolidated balance sheet	750	750	0
Bonds whose fair values do not exceed amounts on the consolidated balance sheet	1,256	1,223	(33)
Total	2,006	1,974	(32)

2 Other securities

Previous consolidated fiscal year (March 31, 2019)

(Millions of yen)

Category	Amounts on consolidated statement of income at end of the current fiscal year	Acquisition costs	Difference
Those whose values on consolidated balance sheet exceed acquisition costs			
Stocks	3,965	2,264	1,700
Subtotal	3,965	2,264	1,700
Those whose values on consolidated balance sheet do not exceed acquisition costs			
Stocks	1,422	1,757	(335)
Others	38	43	(5)
Subtotal	1,460	1,801	(340)
Total	5,425	4,065	1,360

Current consolidated fiscal year (March 31, 2020)

(Millions of yen)

Category	Amounts on consolidated statement of income at end of the current fiscal year	Acquisition costs	Difference
Those whose values on consolidated balance sheet exceed acquisition costs			
Stocks	2,844	1,734	1,110
Subtotal	2,844	1,734	1,110
Those whose values on consolidated balance sheet do not exceed acquisition costs			
Stocks	1,511	2,083	(572)
Others	125	130	(4)
Subtotal	1,636	2,213	(577)
Total	4,481	3,947	533

3 Other securities sold

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

Class	Sales price (millions of yen)	Total gains on sale (millions of yen)	Total losses on sale (millions of yen)
Stocks	-	-	-
Total	-	-	-

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

Class	Sales price (millions of yen)	Total gains on sale (millions of yen)	Total losses on sale (millions of yen)
Stocks	227	80	-
Total	227	80	-

4 Securities that were written down

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

Loss on valuation of investment securities of 638 million yen was booked as a result of impairing shares of non-consolidated subsidiaries in the current consolidated fiscal year.

In writing down these shares, financial positions at the end of the fiscal year, future profitability, etc. were taken into consideration, and if effective prices are deemed to have fallen, amounts were written down where necessary.

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

Loss on valuation of investment securities of 172 million yen was booked as a result of write-down on securities in the current consolidated fiscal year.

In carrying out write-downs, we consider recoverability of the fair value of each issue. If its value has dropped 50% or more, we decide that it has no possibility of regaining its fair value and write down any such issue. In writing down unlisted shares whose fair values are deemed very difficult to determine, financial positions at the end of the fiscal year, future profitability, etc. were taken into consideration and if effective prices are deemed to have fallen, amounts were written down where necessary.

(Notes on retirement benefits)

1 Overview of retirement benefit program adopted

The Company's retirement benefit plans include defined benefit pension plan (fund and contract type), defined contribution pension plan, and retirement lump-sum plan. Domestic consolidated subsidiaries have defined benefit pension plan (fund type), defined contribution pension plan, and retirement lump-sum plan and use the simplified method for calculating retirement-benefit liabilities. Extra retirement allowances may be given to some employees.

2 Defined benefit plans

(1) Adjustment table for balances of retirement benefit liabilities at the beginning and end of the fiscal year (excluding plans using the simplified method)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Balance of retirement benefit liabilities at beginning of fiscal year	5,396 million yen	5,420 million yen
Service costs	230	225
Interest costs	16	16
Actuarial differences booked	119	(39)
Retirement benefits paid	(342)	(348)
Balance of retirement benefit liabilities at end of fiscal year	5,420	5,274

(2) Adjustment table for balances of pension assets at beginning and end of fiscal year (excluding plans using the simplified method)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Balance of pension assets at beginning of fiscal year	3,428 million yen	3,378 million yen
Expected return on pension assets	10	10
Actuarial differences booked	93	(17)
Contribution from business owner	92	93
Retirement benefits paid	(246)	(241)
Balance of pension assets at end of fiscal year	3,378	3,224

(3) Adjustment table for balances of pension benefit liabilities of plans using the simplified method at the beginning and end of fiscal year

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Balance of liabilities for retirement benefits at beginning of fiscal year	886 million yen	889 million yen
Retirement benefit expenses	113	125
Retirement benefits paid	(91)	(65)
Amount of contribution to plans	(19)	(19)
Balance of liabilities for retirement benefits at end of fiscal year	889	930

(4) Reconciliation of closing balances of retirement benefit liabilities and pension assets, and liabilities and assets for retirement benefits booked on the consolidated balance sheet (including plans using the simplified method)

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Funded retirement benefit obligations	4,367 million yen	4,221 million yen
Pension assets	(4,629)	(4,429)
Unfunded retirement benefit obligations	3,193	3,188
Net amount of liabilities and assets on consolidated balance sheet	2,931	2,980
Net defined benefit liability	3,266	3,270
Net defined benefit assets	(335)	(289)
Net amount of liabilities and assets on consolidated balance sheet	2,931	2,980

(5) Amounts of retirement benefit expenses and their components

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Service costs	230 million yen	225 million yen
Interest costs	16	16
Expected return on pension assets	(10)	(10)
Amortization of actuarial differences	(39)	(28)
Retirement benefit expenses calculated using the simplified method	113	125
Retirement benefit expenses related to defined benefit plans	310	329

(6) Remeasurements of defined benefit plans, net of tax

Details of items (before tax effect deduction) booked in remeasurements of defined benefit plans, net of tax are as follows.

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Actuarial differences	65	6
Total	65	6

(7) Remeasurements of defined benefit plans

Details of items (before tax effect deduction) booked in remeasurements of defined benefit plans are as follows.

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Unrecognized actuarial differences	(40)	(34)
Total	(40)	(34)

(8) Matters regarding pension assets

(i) General breakdown of pension assets

Percentages of key components of total pension assets are as follows.

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Bonds	38%	42%
Stocks	28	23
Insurance assets (general account)	31	32
Others	3	3
Total	100	100

(ii) Method for determining expected long-term rates of return

The Company considers current and expected allocation of pension assets and current and expected long-term rates of return on various components of pension assets to determine the expected long-term rates of return on pension assets.

(9) Notes on assumptions for actuarial calculation

Key assumptions for actuarial calculation (Figures are weighted averages.)

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Discount rate	0.3%	0.3%
Expected long-term rate of return	0.3%	0.3%
Expected rate of pay hike	2.6%	2.6%

3 Defined contribution plans

The amount of required contribution to defined contribution plans from the Company and domestic consolidated subsidiaries is 43 million yen in the previous consolidated fiscal year and 44 million yen in the current consolidated fiscal year.

(Notes on tax effect accounting)

1 Breakdown of deferred tax assets and deferred tax liabilities by key factors

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
(Deferred tax assets)		
Allowance for employees' bonuses	192 million yen	148 million yen
Net defined benefit liability	894 million yen	911 million yen
Allowances for retirement bonuses for directors and corporate auditors	22 million yen	26 million yen
Allowances for share-based remuneration for directors and corporate auditors	29 million yen	25 million yen
Loss on valuation of investment securities	340 million yen	46 million yen
Losses on valuation of golf club membership	67 million yen	63 million yen
Impairment losses	49 million yen	58 million yen
Valuation difference on available-for-sale securities	104 million yen	176 million yen
Losses carried forward	298 million yen	227 million yen
Others	529 million yen	503 million yen
Deferred tax assets subtotal	2,528 million yen	2,187 million yen
Valuation allowance	(675 million) yen	(589 million) yen
Total deferred tax assets	1,852 million yen	1,597 million yen
(Deferred tax liabilities)		
Reserve for advanced depreciation of non-current assets	(2 million) yen	(2 million) yen
Reserve for special depreciation	(42 million) yen	(21 million) yen
Valuation difference on available-for-sale securities	(520 million) yen	(340 million) yen
Others	(121 million) yen	(133 million) yen
Total deferred tax liabilities	(687 million) yen	(497 million) yen
Net amount of deferred tax assets	1,165 million yen	1,100 million yen

2 Breakdown by major causes of significant differences between statutory effective tax rate and actual effective tax rate for income taxes after application of tax effect accounting

	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Items excluded from deductible expenses, including entertainment expenses	1.6%	1.3%
Allowance for directors' bonuses	0.2%	0.2%
Items excluded from gross profits, including dividend income	(0.5)%	(0.5)%
Inhabitant taxes on per capita basis	1.9%	1.6%
Change in valuation allowance	(4.7)%	(3.4)%
Difference in tax rates from overseas consolidated subsidiaries	(0.9)%	(1.0)%
Tax credit	(5.6)%	(1.2)%
Others	0.6%	0.8%
Actual effective tax rate for income taxes after application of tax effect accounting	23.2%	28.4%

(Segment information, etc.)

[Segment information]

1 Overview of reportable segments

The Company's reporting segments are those units of the Company for which separate financial information is available and which the Board of Directors regularly conducts reviews to decide allocation of management resources and assess business performance.

The Company has operational units assigned with specific products and services. Each of them, including Group companies, designs comprehensive strategies for their respective products and services and operates business.

Therefore, the Company has set telecommunication business and radio frequency business as reportable segments based on types of their products and services, ways of providing them, product markets, etc., with these operational units as the basis.

Key business areas of the respective segments are as show in the below table.

Reportable segment	Main business areas
Telecommunication Business	Manufacture, construction, and sale of antennas, reflectors, steel towers, steel structures, etc. Plating work on telecommunication equipment, steel building framework, etc. Construction work for telecommunication facilities
Radio Frequency Business	Manufacture and sale of high-frequency induction heating equipment and related equipment Manufacture and sale of high-frequency power source devices for plasma, etc. Contract high-frequency heat treating service

2 Methods for calculating amounts of net sales, profit/loss, assets, liabilities, etc. by reportable segment

The accounting methods of reported business segments are the same as those described in "Important matters that form basis for preparation of consolidated financial statements."

Profit in the reportable segments is based on operating profit. Intersegment revenues and transfers are calculated using prevailing market prices.

3 Information on amounts of net sales, profit/loss, assets, liabilities, etc. by reportable segment
Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Reportable segment			Others See Note 1.	Total	Adjustments See Note 2.	Amount on consolidated financial statements (See Note 3.)
	Telecommu- nication Business	Radio Frequency Business	Total				
Net sales							
Sales to external customers	33,292	11,350	44,643	113	44,757	-	44,757
Intersegment sales or transfers	62	-	62	289	352	(352)	-
Total	33,355	11,350	44,706	403	45,109	(352)	44,757
Segment income	3,356	1,817	5,174	238	5,413	(2,723)	2,690
Segment assets	26,158	12,648	38,807	911	39,718	22,719	62,437
Other items							
Depreciation	842	250	1,093	80	1,174	11	1,185
Increase in property, plant, and equipment and intangible assets	882	461	1,344	65	1,409	22	1,432

- Notes: 1 The "Others" segment, which is not included in reportable segments, includes equipment leasing and electric power sales businesses.
- 2 Details of adjustments are as follows.
- (1) Adjustment to segment income of (2,723 million) yen includes (183 million) yen in eliminations of intersegment transactions and (2,539 million) yen in corporate expenses that are not allocated to any particular reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.
 - (2) Adjustment to segment assets is a corporate asset that is not allocated to reportable segments. Corporate assets are primarily the Company's cash and deposits, etc. of the headquarters that are not allocated to reportable segments.
 - (3) Adjustment to depreciation is a corporate expense that is not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.
 - (4) Adjustment to increase in property, plant, and equipment and intangible assets is the amount of capital expenditures of the corporate assets that is not allocated to reportable segments. Corporate assets are mainly capital expenditures at the headquarters that are not attributable to any reportable segments.
- 3 Adjustments are made to reconcile segment income with operating income in the consolidated statement of income.

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment			Others See Note 1.	Total	Adjustments See Note 2.	Amount on consolidated financial statements (See Note 3.)
	Telecommunica- tion Business	Radio Frequency Business	Total				
Net sales							
Sales to external customers	32,988	11,920	44,909	107	45,016	-	45,016
Intersegment sales or transfers	42	0	42	219	262	(262)	-
Total	33,031	11,920	44,952	326	45,279	(262)	45,016
Segment income	3,516	1,699	5,216	149	5,365	(2,763)	2,601
Segment assets	28,515	12,608	41,124	841	41,965	19,242	61,208
Other items							
Depreciation	903	308	1,211	75	1,287	23	1,310
Increase in property, plant, and equipment and intangible assets	1,026	519	1,546	5	1,552	53	1,605

- Notes: 1 The "Others" segment, which is not included in reportable segments, includes equipment leasing and electric power sales businesses.
- 2 Details of adjustments are as follows.
- (1) Adjustment to segment income of (2,763 million) yen includes (97 million) yen in eliminations of intersegment transactions and (2,665 million) yen in corporate expenses that are not allocated to any particular reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.
 - (2) Adjustment to segment assets is a corporate asset that is not allocated to reportable segments. Corporate assets are primarily the Company's cash and deposits, etc. of the headquarters that are not allocated to reportable segments.
 - (3) Adjustment to depreciation is a corporate expense that is not allocated to reportable segments. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.
 - (4) Adjustment to increase in property, plant, and equipment and intangible assets is the amount of capital expenditures of the corporate assets that is not allocated to reportable segments. Corporate assets are mainly capital expenditures at the headquarters that are not attributable to any reportable segments.
- 3 Adjustments are made to reconcile segment income with operating income in the consolidated statement of income.

[Related information]

Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)

1 Information by product/service

This information is omitted because similar information is shown in “Segment information.”

2 Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Europe	Others	Total
39,012	3,907	1,648	131	57	44,757

Note: Net sales are classified by country or region based on locations of customers.

(2) Property, plant, and equipment

This information is omitted because the amount of property, plant, and equipment in Japan exceeds 90% of the amount of property, plant, and equipment on the consolidated balance sheet.

3 Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
NTT DOCOMO, INC.	6,333	Telecommunication Business

Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)

1 Information by product/service

This information is omitted because similar information is shown in “Segment information.”

2 Information by region

(1) Net sales

(Millions of yen)

Japan	Asia	North America	Europe	Others	Total
39,812	3,967	818	123	294	45,016

Note: Net sales are classified by country or region based on locations of customers.

(2) Property, plant, and equipment

This information is omitted because the amount of property, plant, and equipment in Japan exceeds 90% of the amount of property, plant, and equipment on the consolidated balance sheet.

3 Information by major customer

(Millions of yen)

Name of customer	Net sales	Related segment
NTT DOCOMO, INC.	4,992	Telecommunication Business

[Information on impairment losses on non-current assets by reportable segment]

There are no matters to be noted.

[Information on amortization of goodwill and unamortized balances by reportable segment]

There are no matters to be noted.

[Information on gains on negative goodwill by reportable segment]

There are no matters to be noted.

[Information on related parties]

There are no matters to be noted.

(Per-share information)

	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net assets per share	3,680.74 yen	3,760.57 yen
Net income per share	124.78 yen	148.08 yen

Notes: 1 No figures are provided for “diluted net income per share” as there are no dilutive shares.

2 Data used in calculating the net income per share are as follows.

Item	Previous consolidated fiscal year (from April 1, 2018 to March 31, 2019)	Current consolidated fiscal year (from April 1, 2019 to March 31, 2020)
Net income attributable to shareholders of parent (millions of yen)	1,524	1,789
Amount not attributable to common shareholders (millions of yen)	-	-
Net income attributable to shareholders of parent pertaining to common stock (millions of yen)	1,524	1,789
Average number of common shares during the period	12,219,360	12,081,924

3 We included the Company’s shares held in the Trust Account of Japan Trustee Services Bank, Ltd. as trust assets for the share-based compensation scheme for directors in the treasury stock deducted in the calculation of the average number of shares over the period in calculating net income per share (73,757 shares in the previous fiscal year and 64,491 shares in the current consolidated fiscal year).

4 Data used in calculating the net assets per share are as follows.

Item	Previous consolidated fiscal year (March 31, 2019)	Current consolidated fiscal year (March 31, 2020)
Total net assets (millions of yen)	45,963	46,309
Amount deducted from total net assets (millions of yen)	988	1,119
(Including non-controlling interests of:)	(988)	(1,119)
Net assets related to common stock at end of fiscal year (millions of yen)	44,975	45,190
Number of common shares at end of fiscal year used in calculating net assets per share	12,219,067	12,016,969

5 The Company’s shares held in the Trust Account of Japan Trustee Services Bank, Ltd. as trust assets for the share-based compensation scheme for directors are included in the treasury stock excluded in calculating the number of shares at the end of the fiscal year for the calculation of net assets per share (73,435 in previous fiscal year and 60,019 in current consolidated fiscal year).

(Significant events after balance-sheet date)

There are no matters to be noted.

(v) [Consolidated supplementary schedules]

[Schedule of corporate bonds]

There are no matters to be noted.

[Schedule of borrowings, etc.]

Category	Balance at beginning of current term (millions of yen)	Balance at end of current term (millions of yen)	Average interest rate (%)	Due date
Short-term loans payable	298	404	1.3	-
Long-term loans payable to be repaid within a year	-	-	-	-
Lease obligations to be repaid within a year	17	62	-	-
Long-term loans payable (excluding those to be repaid within a year)	130	349	2.9	2022–2026
Lease obligations (excluding those to be repaid within a year)	44	118	-	2021–2026
Total	491	935	-	-

Notes: 1 Annual amount of long-term loans payable and lease obligations (excluding those to be repaid within a year) planned to be repaid within five years after the consolidated fiscal year-end

Category	Over 1 year and up to 2 years (millions of yen)	Over 2 years and up to 3 years (millions of yen)	Over 3 years and up to 4 years (millions of yen)	Over 4 years and up to 5 years (millions of yen)
Long-term loans payable	6	177	54	54
Lease obligations	49	34	20	12
Total	56	212	74	66

2 The average interest rate figures are weighted average rates on closing balances of the respective loans, etc.

3 Average interest rate is not shown for lease obligations as they are booked on the consolidated balance sheet in amounts before deduction of interest-equivalent amounts included in total lease charges.

[Table of asset retirement obligations]

This table was omitted because the amount of asset retirement obligations at the beginning and end of the current consolidated fiscal year is no greater than 1% of the sum of liabilities and net assets at the beginning and end of the current consolidated fiscal year.

(2) [Others]

Quarterly information for current consolidated fiscal year

(Cumulative period)	First quarter	Second quarter	Third quarter	Current consolidated fiscal year
Net sales (millions of yen)	7,862	18,001	29,307	45,016
Quarterly net income (loss) before taxes (millions of yen)	(7)	237	958	2,532
Quarterly net income (loss) attributable to shareholders of parent (millions of yen)	(76)	181	741	1,789
Quarterly net income (loss) per share (yen)	(6.25)	14.98	61.28	148.08

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income (loss) per share (yen)	(6.25)	21.38	46.58	87.15

2. [Non-consolidated Financial Statements, Etc.]

(1) [Financial statements]

(i) [Balance sheet]

(Millions of yen)

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
Assets		
Current assets		
Cash and deposits	13,040	10,880
Notes receivable-trade	492	167
Electronically recorded monetary claims-operating	1,215	943
Accounts receivable from completed construction contracts	6,116	8,621
Accounts receivable-trade	*1,638	*1,610
Products	1,261	1,483
Costs on uncompleted construction contracts	291	307
Work in process	1,853	1,107
Raw materials and supplies	846	796
Short-term loans receivable from subsidiaries and affiliates	349	266
Prepaid expenses	110	137
Others	169	208
Allowance for doubtful accounts	(71)	-
Total current assets	32,064	31,022
Non-current assets		
Property, plant, and equipment		
Buildings	8,064	8,096
Accumulated depreciation	(6,292)	(6,401)
Buildings, net	1,772	1,694
Structures	1,054	1,063
Accumulated depreciation	(912)	(931)
Structures, net	142	131
Machinery and equipment	1,452	1,517
Accumulated depreciation	(1,096)	(1,150)
Machinery and equipment, net	356	366
Vehicles	74	72
Accumulated depreciation	(71)	(71)
Vehicles, net	2	1
Tools, furniture, and fixtures	5,710	5,857
Accumulated depreciation	(4,925)	(5,096)
Tools, furniture, and fixtures (net amount)	784	761
Land	1,772	1,772
Lease assets	103	149
Accumulated depreciation	(75)	(85)
Lease assets, net	28	64
Construction in progress	32	279
Total property, plant, and equipment	4,891	5,071
Intangible assets		
Software	182	185
Others	22	19
Total intangible assets	205	205

(Millions of yen)

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
Investments and other assets		
Investment securities	7,590	6,435
Stocks of subsidiaries and affiliates	823	877
Long-term loans to employees	1	1
Long-term prepaid expenses	45	67
Prepaid pension cost	188	229
Deferred tax assets	867	779
Others	1,004	980
Allowance for doubtful accounts	(42)	(54)
Total investments and other assets	10,477	9,315
Total non-current assets	15,573	14,592
Total assets	47,637	45,614
Liabilities		
Current liabilities		
Notes payable-trade	1,493	1,139
Electronically recorded obligations-operating	2,277	1,358
Accounts payable for construction contracts	*1 1,272	*1 2,130
Accounts payable-trade	*1 1,518	*1 1,229
Lease obligations	9	19
Accounts payable-other	534	443
Income taxes payable	583	118
Accrued consumption taxes	295	144
Advances received on uncompleted construction contracts	95	523
Advances received	61	2
Deposits received	107	42
Allowance for warranties on completed construction contracts	21	39
Allowance for product warranties	137	120
Allowance for employees' bonuses	419	319
Allowances for losses on construction contracts	4	23
Allowances for losses on guarantees	80	-
Notes payable-facilities	131	44
Electronically recorded obligations-non-operating	199	24
Others	15	17
Total current liabilities	9,258	7,743
Fixed liabilities		
Long-term loans payable	130	130
Lease obligations	21	51
Provision for retirement benefits	2,270	2,314
Allowances for share-based remuneration for directors and corporate auditors	94	83
Asset retirement obligations	49	49
Others	452	360
Total fixed liabilities	3,018	2,989
Total liabilities	12,276	10,732

(Millions of yen)

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
Net assets		
Shareholders' equity		
Capital	8,774	8,774
Capital surplus		
Legal capital surplus	9,677	9,677
Other capital surplus	53	53
Total capital surplus	9,731	9,731
Retained earnings		
Legal retained earnings	1,227	1,227
Other retained earnings		
Reserve for special depreciation	97	48
Reserve for dividends	30	30
Reserve for directors' retirement allowance	108	108
Reserve for advanced depreciation of non-current assets	5	4
General reserve	11,871	12,271
Retained earnings brought forward	7,054	7,428
Total retained earnings	20,393	21,118
Treasury stock	(4,477)	(5,093)
Total shareholders' equity	34,421	34,531
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	942	372
Deferred gains or losses on hedges	(3)	(21)
Total valuation and translation adjustments	939	350
Total net assets	35,360	34,882
Total liabilities and net assets	47,637	45,614

(ii) [Statement of income]

(Millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Net sales		
Sales of completed construction contracts	12,723	16,152
Net sales of finished goods	21,349	19,450
Sales in other business	*1,403	*1,326
Total net sales	34,476	35,930
Cost of sales		
Cost of sales of completed construction contracts	* ₃ 11,065	* _{2, 3} 13,665
Cost of finished goods sold	* _{2, 3, 4} 16,916	* _{2, 3, 4} 15,831
Cost of sales in other business	*1,164	*1,177
Total cost of sales	28,146	29,674
Gross profit		
Gross profit on completed construction contracts	1,657	2,487
Gross profit on finished goods	4,433	3,618
Gross profit on other business	*1,238	*1,149
Total gross profit	6,329	6,255
Selling, general, and administrative expenses		
Directors' compensation	225	223
Employees' salaries and allowances	1,590	1,684
Provision for bonuses	169	131
Retirement benefit expenses	79	83
Allowances for share-based compensation for directors	55	25
Legal welfare expenses	259	262
Welfare expenses	28	30
Repair and maintenance	4	2
Stationery expenses	40	49
Correspondence and transportation expenses	370	371
Power utilities expenses	10	11
Advertising expenses	55	67
Provision of allowances for doubtful accounts	0	15
Entertainment expenses	93	95
Contribution	0	0
Rents	246	259
Depreciation	20	46
Taxes and dues	208	189
Insurance expenses	51	53
Miscellaneous expenses	234	375
Research and development expenses	794	624
Total selling, general, and administrative expenses	*₄ 4,538	*₄ 4,606
Operating income	1,790	1,648

(Millions of yen)

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Non-operating income		
Interest income	9	9
Interest on securities	8	8
Dividend income	*3 349	*3 384
Others	111	99
Total non-operating income	478	501
Non-operating expenses		
Interest expenses	9	9
Foreign exchange losses	-	56
Commitment fee	38	50
Others	0	8
Total non-operating expenses	47	125
Ordinary income	2,221	2,025
Extraordinary income		
Gain on sales of non-current assets	0	-
Gain on sales of investment securities	-	80
Total extraordinary income	0	80
Extraordinary losses		
Loss on retirement of non-current assets	0	-
Loss on valuation of investment securities	670	172
Losses on business liquidation	-	*5 149
Provision of allowances for doubtful accounts	70	-
Provision of allowances for losses on debt guarantees	80	-
Others	2	-
Total extraordinary losses	824	322
Income before income taxes	1,397	1,783
Income taxes-current	587	157
Income taxes-deferred	(358)	347
Total income taxes	229	505
Net income	1,168	1,278

[Report on cost of sales of completed construction contracts] (Telecommunication business)

Category	Note number	Previous fiscal year (from April 1, 2018 to March 31, 2019)		Current fiscal year (from April 1, 2019 to March 31, 2020)	
		Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
I. Materials cost		2,312	20.9	4,966	36.4
II. Labor cost (including cost of outsourced labor of:)		290 (290)	2.6 (2.6)	247 (247)	1.8 (1.8)
III. Outsourcing costs		5,567	50.3	5,730	41.9
IV. Expenses (including personnel expenses of:)		2,895 (1,699)	26.2 (15.4)	2,720 (1,613)	19.9 (11.8)
Total		11,065	100	13,665	100

Note: The Company's cost calculation is based on individual cost calculations per construction contract or property.

(iii) [Statement of changes in equity]

Previous fiscal year (from April 1, 2018 to March 31, 2019)

(Millions of yen)

	Shareholders' equity											
	Capital	Capital surplus			Legal retained earnings	Retained earnings						Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus		Other retained earnings						
						Reserve for special depreciation	Reserve for dividends	Reserve for directors' retirement allowance	Reserve for advanced depreciation of non-current assets	General reserve	Retained earnings brought forward	
Balance at beginning of current term	8,774	9,677	53	9,731	1,227	145	30	108	5	11,471	6,791	19,778
Changes of items during term												
Dividends of surplus				-							(553)	(553)
Net income				-							1,168	1,168
Reversal of reserve for special depreciation				-		(48)					48	-
Provisions of general reserve				-						400	(400)	-
Reversal of reserve for advanced depreciation of non-current assets				-					(0)		0	-
Purchase of treasury stock				-								-
Disposal of treasury stock			0	0								-
Net changes of items other than shareholders' equity				-								-
Total changes of items during term	-	-	0	0	-	(48)	-	-	(0)	400	263	614
Balance at end of current term	8,774	9,677	53	9,731	1,227	97	30	108	5	11,871	7,054	20,393

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current term	(4,476)	33,808	1,427	(6)	1,420	35,228
Changes of items during term						
Dividends of surplus		(553)			-	(553)
Net income		1,168			-	1,168
Reversal of reserve for special depreciation		-			-	-
Provisions of general reserve		-			-	-
Reversal of reserve for advanced depreciation of non-current assets		-			-	-
Purchase of treasury stock	(4)	(4)			-	(4)
Disposal of treasury stock	2	2			-	2
Net changes of items other than shareholders' equity		-	(484)	3	(480)	(480)
Total changes of items during term	(1)	613	(484)	3	(480)	132
Balance at end of current term	(4,477)	34,421	942	(3)	939	35,360

Current fiscal year (from April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity											
	Capital	Capital surplus				Retained earnings						
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings					Total retained earnings	
						Reserve for special depreciation	Reserve for dividends	Reserve for directors' retirement allowance	Reserve for advanced depreciation of non-current assets	General reserve		Retained earnings brought forward
Balance at beginning of current term	8,774	9,677	53	9,731	1,227	97	30	108	5	11,871	7,054	20,393
Changes of items during term												
Dividends of surplus				-							(553)	(553)
Net income				-							1,278	1,278
Reversal of reserve for special depreciation				-		(48)					48	-
Provisions of general reserve				-						400	(400)	-
Reversal of reserve for advanced depreciation of non-current assets				-					(0)		0	-
Purchase of treasury stock				-								-
Disposal of treasury stock				-								-
Net changes of items other than shareholders' equity				-								-
Total changes of items during term	-	-	-	-	-	(48)	-	-	(0)	400	373	725
Balance at end of current term	8,774	9,677	53	9,731	1,227	48	30	108	4	12,271	7,428	21,118

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at beginning of current term	(4,477)	34,421	942	(3)	939	35,360
Changes of items during term						
Dividends of surplus		(553)			-	(553)
Net income		1,278			-	1,278
Reversal of reserve for special depreciation		-			-	-
Provisions of general reserve		-			-	-
Reversal of reserve for advanced depreciation of non-current assets		-			-	-
Purchase of treasury stock	(652)	(652)			-	(652)
Disposal of treasury stock	37	37			-	37
Net changes of items other than shareholders' equity		-	(570)	(18)	(588)	(588)
Total changes of items during term	(615)	109	(570)	(18)	(588)	(478)
Balance at end of current term	(5,093)	34,531	372	(21)	350	34,882

[Notes]

(Significant accounting policies)

1 Standards and methods of securities valuation

(1) Bonds held to maturity

We used the amortized cost method (straight-line method).

(2) Shares of subsidiaries and affiliates

The moving average cost method is used.

(3) Other securities

Securities with fair values

The fair value method based on market prices as of the end of the fiscal year (all valuation gains or losses reported as component of net assets; cost of securities sold calculated under moving average method) is used.

Securities without fair values

The moving average cost method is used.

2 Standards and methods of derivatives valuation, etc.

(1) Derivatives

The fair value method is used.

3 Standards and method of inventories valuation

(1) Costs on uncompleted construction contracts

The cost method determined by the specific identification method is used.

(2) Products

The cost method determined by specific identification method or weighted average method (book value reduced to reflect lowering profitability) is used.

(3) Work in process

The cost method determined by specific identification method (book value reduced to reflect lowering profitability) is used.

(4) Raw materials and supplies

The cost method determined by moving average method (book value reduced to reflect lowering profitability) is used.

4 Depreciation methods of non-current assets

(1) Property, plant, and equipment (excluding lease assets)

The declining-balance method is used. However, facilities attached to buildings as well as structures acquired on and after April 1, 2016, in addition to buildings (excluding facilities attached to buildings) are depreciated by straight-line method. Useful lives of principal assets are as follows.

Buildings and structures	2–45 years
Machinery, equipment, and vehicles	2–17 years
Tools, furniture, and fixtures	2–20 years

(2) Intangible assets (excluding lease assets)

The straight-line method is used.

For software (internal use), the straight-line method based on the period in which they were available for use in the Company (five years) is used.

(3) Lease assets (lease assets relating to finance lease transactions without transfer of ownership)

The straight line method, in which the lease period is the useful life and the residual value is zero, is used.

5 Standards for recording allowances

(1) Allowance for doubtful accounts

In order to be prepared for losses incurred from a bad debt from trade accounts receivable, loans receivable, etc., we estimated irrecoverable amounts using loan loss ratio for general accounts receivable and reviewed collectability of specified accounts individually, including doubtful accounts.

(2) Allowance for warranties on completed construction contracts

In order to be prepared for expenses such as repair expenses for completed construction contracts, we booked the total of estimated amounts for future repairs based on actual compensation on completed construction contracts in

- past years and estimates for individual instances whose amounts have significance.
- (3) Allowance for product warranties
In order to be prepared for future guarantee expenses, etc. on delivered products, we booked the total of estimated guarantee expenses based on actual guarantee results in past years and estimates for individual instances whose amounts have significance.
 - (4) Allowance for employees' bonuses
Allowances are booked based on expected amounts of payments for bonuses to be paid to employees.
 - (5) Allowance for directors' bonuses
In order to be prepared for payments of bonuses to directors and corporate auditors, a portion of expected payments that should be charged in the current fiscal year was booked.
 - (6) Allowances for losses on construction contracts
In order to be prepared for future losses related to construction contracts, allowances were booked for contracts yet to be delivered at the end of the current fiscal year that were deemed to have strong possibility of causing losses and for which amounts of such losses can be estimated to a reasonable degree of accuracy, in amounts of estimated losses.
 - (7) Provision for retirement benefits
In order to be prepared to give retirement benefits to employees, these provisions were booked based on estimated amounts of retirement benefit liabilities and pension assets at the end of the current fiscal year.
 - (i) Period-corresponding method for estimated retirement benefits
In calculating retirement benefit obligations, benefit formula criteria were used as the method to attribute estimated retirement benefit payouts to the period until the end of the current fiscal year.
 - (ii) Method for amortizing unrecognized actuarial differences and unrecognized prior service costs
Entire amounts of unrecognized prior service costs were charged to expenses in the year of their occurrence.
Actuarial differences are amortized over the period of five years, which is within the average remaining service period of employees at the time of occurrence in each fiscal year, using the straight-line method from the following fiscal year when the actuarial difference is recognized.
 - (8) Allowances for share-based remuneration for directors and corporate auditors
This amount was booked based on the estimated amount of share-provision liabilities at the end of the current fiscal year, in order to be prepared for provision of the Company's shares to its directors (excluding outside directors) in accordance with the share-granting rules.
- 6 Standards for recording revenues and expenses
- (1) Standards for recording net sales
Net sales were recognized under the completed construction contract standard and the shipment standard, while the percentage-of-completion method was used to recognize contracts expected to proceed as planned until the end of the current fiscal year (progress of work estimated based on cost-to-cost method).
- 7 Hedge accounting methods
- (1) Hedge accounting methods
Deferral hedge accounting is used.
 - (2) Hedging instruments and hedged items
Hedging instruments: forward exchange contracts
Hedged item: forecasted transaction in foreign currency
 - (3) Hedging policy
The Company uses forward exchange contracts to hedge risks on exchange rate fluctuations in international transactions. Forward exchange contracts were executed upon approval obtained through a round robin approval process. Execution and management of subsequent contracts are handled by the Finance Department. Forward exchange contracts are the only derivative transaction used as a risk-hedging instrument.
 - (4) Method for assessing effectiveness of hedges
Effectiveness is judged by comparing the amount of the cumulative total of market fluctuations of the hedged item or cash flow fluctuations and the cumulative total of market fluctuations of the hedging instrument or cash flow fluctuations over a period from the execution of a forward exchange contract until the point of time when effectiveness is assessed and basing the decision on the amounts of changes of both.

8 Other Important matters that form basis for preparation of consolidated financial statements

(1) Accounting treatment of retirement benefit

The accounting method of unrecognized actuarial differences pertaining to retirement benefits is different from their accounting method on the consolidated balance sheet.

(2) Account processing of consumption tax, etc.

Transactions involving consumption tax and local consumption tax were recorded in amounts exclusive of these taxes.

(Change in method of presentation)

There are no matters to be noted.

(Additional information)

(Share-based compensation scheme for directors)

The Company has a share-based compensation scheme (the “Scheme” hereafter) for the Company’s directors (excluding outside directors) with a purpose of clarifying connection between directors’ remuneration and stock value and incentivizing them to contribute to increasing earnings and corporate value over a medium to long term.

(1) Overview of transactions

Under the Scheme, the Company’s shares are held in the account of an employee stock ownership plan (ESOP) trust for officers (the “Trust” hereafter) established on Company funds and the number of shares corresponding to the points assigned to each director are granted to the director through the Trust in accordance with the share-granting rules established by the Company’s Board of Directors. Directors are granted the Company’s shares when they retire from directorship, in principle.

(2) The Company’s shares remaining in the trust account

The Company’s shares remaining in the trust account are recognized as treasury stock under net assets at the book value in the trust account (excluding associated expenses). This treasury stock totaled 73,435 shares worth 205 million yen in book value in the previous fiscal year and 60,019 shares worth 167 million yen in book value at the end of the current fiscal year.

(Impact of COVID-19)

Spread of COVID-19 has caused an extensive impact on the economy and corporate activity. In the industry in which the Company operates, there have been a slowdown in business activity of customers and suppliers, delays in construction projects, etc. In particular, the radio frequency business is expected to suffer a significant impact on order-taking activities from a slump in the automotive industry. Although it is difficult to predict future spread of the disease or when it will end, we expect it will continue to have impact until sometime in the fiscal year ending March 2021, judging from available information in and outside the Company.

(Notes on balance sheet)

*1: Assets and liabilities relating to subsidiaries and affiliates

Those included in line items but are not shown separately are as follows.

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
Accounts receivable-trade	215 million yen	350 million yen
Accounts payable for construction contracts	299 million yen	417 million yen
Accounts payable-trade	447 million yen	434 million yen

2. Debt guarantees

The Company applies debt guarantees to amounts borrowed from financial by the following affiliates, etc.

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
Bank loans payable by DKK MANUFACTURING (THAILAND) CO., LTD.	- million yen	83 million yen
Debt guarantees by KOREA DENKIKOGYO. Co., Ltd.	- million yen	59 million yen
Bank loans payable by employees, etc.	0 million yen	0 million yen
Bank loans payable by Zephyr Corp.	80 million yen	- million yen
Allowances for losses on guarantees	(80 million) yen	- million yen
Total	0 million yen	143 million yen

3. The Company is in specified commitment line contracts (loan commitment agreements) with its key transacting financial institutions to maintain flexibility and safety for funding needs and mitigate financial risks.

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
Total amount of specified commitment line contracts	7,000 million yen	7,000 million yen
Amount executed by end of the current fiscal year	- million yen	- million yen
Difference	7,000 million yen	7,000 million yen

(Notes on statement of income)

*1: Sales in other business, cost of sales in other business, and gross profit-other business show net sales, cost of sales, and gross profit attributable to the Company's facility leasing and electric power sales business.

*2: Provision of allowances for losses on construction contracts included in cost of sales are as follows.

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
	4 million yen	23 million yen

*3: Those relating to subsidiaries and included in line items are as follows.

	Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
Purchase amount	5,434 million yen	6,057 million yen
Dividend income	187 million yen	183 million yen

*4: Research and development expenses included in general and administrative expense and manufacturing expenses for the period are as follows.

Previous fiscal year (from April 1, 2018 to March 31, 2019)	Current fiscal year (from April 1, 2019 to March 31, 2020)
1,400 million yen	1,487 million yen

*5: Losses on business liquidation

Previous fiscal year (from April 1, 2018 to March 31, 2019)

There are no matters to be noted.

Current fiscal year (from April 1, 2019 to March 31, 2020)

Losses on sales of business totaling 149 million yen is booked under extraordinary losses with the decision to sell Zephyr Corporation.

(Notes on securities)

None of the shares in subsidiaries is quoted in markets.

Note: Balance sheet amounts of shares in subsidiaries whose fair values are deemed very difficult to determine

(Millions of yen)

Category	March 31, 2019	March 31, 2020
Shares of subsidiaries	823	877

These are not quoted in markets, and their fair values are deemed very difficult to determine.

(Notes on tax effect accounting)

1 Breakdown of deferred tax assets and deferred tax liabilities by key factors

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
(Deferred tax assets)		
Allowance for doubtful accounts	24 million yen	6 million yen
Allowance for employees' bonuses	128 million yen	97 million yen
Provision for retirement benefits	637 million yen	638 million yen
Allowances for share-based remuneration for directors and corporate auditors	29 million yen	25 million yen
Loss on valuation of investment securities	340 million yen	46 million yen
Losses on valuation of golf club membership	63 million yen	59 million yen
Impairment losses	56 million yen	55 million yen
Valuation difference on available-for-sale securities	104 million yen	175 million yen
Others	392 million yen	366 million yen
Deferred tax assets subtotal	1,777 million yen	1,472 million yen
Valuation allowance	(343 million) yen	(327 million) yen
Total deferred tax assets	1,433 million yen	1,144 million yen
(Deferred tax liabilities)		
Reserve for advanced depreciation of non-current assets	(2 million) yen	(2 million) yen
Reserve for special depreciation	(42 million) yen	(21 million) yen
Valuation difference on available-for-sale securities	(520 million) yen	(340 million) yen
Others	(1 million) yen	(1 million) yen
Total deferred tax liabilities	(566 million) yen	(365 million) yen
Net amount of deferred tax assets	867 million yen	779 million yen

2 Breakdown by major causes of significant differences between statutory effective tax rate and actual effective tax rate for income taxes after application of tax effect accounting

	Previous fiscal year (March 31, 2019)	Current fiscal year (March 31, 2020)
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Items excluded from deductible expenses, including entertainment expenses	2.0%	1.6%
Items excluded from gross profits, including dividend income	(4.7)%	(3.8)%
Inhabitant taxes on per capita basis	2.8%	2.1%
Change in valuation allowance	(5.8)%	(0.9)%
Tax credit	(8.3)%	(1.5)%
Others	(0.2)%	0.1%
Actual effective tax rate for income taxes after application of tax effect accounting	16.4%	28.3%

(Significant events after balance-sheet date)

There are no matters to be noted.

(iv) [Supplementary schedules]

[Schedule of securities]

[Stocks]

		Issue	Number of shares	Amount on balance sheet (millions of yen)
Investment securities	Other securities	Sompo Holdings, Inc.	251,874	842
		FUJI CORPORATION	312,000	514
		Neturen Co., Ltd.	501,800	353
		KYOWA EXEO CORPORATION	127,900	307
		NIPPON DENSETSU KOGYO CO., LTD.	136,900	288
		Nippon Television Holdings, Inc.	231,900	279
		Asahi Broadcasting Group Holdings Corporation	393,700	272
		Sumitomo Mitsui Financial Group, Inc.	85,646	224
		Sumitomo Mitsui Trust Holdings, Inc.	65,651	205
		Mitsubishi UFJ Financial Group, Inc.	484,970	195
		Hibiya Engineering, Ltd.	95,000	184
		NIPPON CONCRETE INDUSTRIES CO., LTD.	529,700	141
		NEC Corporation	25,000	98
		The Aichi Bank, Ltd.	27,900	88
		NAKAYO, INC.	61,000	88
Others (31 issues)	339,379	404		
Total			3,670,320	4,489

[Bonds]

		Issue	Total face value	Amount on balance sheet (millions of yen)
Investment securities	Bonds held to maturity	Mitsubishi UFJ Financial Group, Inc. ninth series unsecured corporate bonds with early redemption clause	450 million yen	450
		SMBC Nikko Securities Inc. U.S. dollar-denominated fixed-rate bond with early redemption clause	1.2 million dollars	130
		SoftBank Corp. 44th series unsecured corporate bonds	300 million yen	302
		Mitsubishi UFJ Financial Group, Inc. 16th unsecured corporate bonds with early redemption clause	300 million yen	300
		Sumitomo Mitsui Financial Group, Inc. first series unsecured corporate bond	400 million yen	412
		SoftBank Group Corp. 48th series unsecured corporate bonds	300 million yen	311
Total			1,750 million yen 1.2 million dollars	1,906

[Others]

Classes and issues			Number of investment units, etc. (million units)	Amount on balance sheet (millions of yen)
Investment securities	Other securities	(Investment trust beneficiary certificates)		
		Goldman Sachs Asset Management LP Variety Open	46	39
Total			46	39

[Schedule of property, plant, and equipment, etc.]

Asset type	Balance at beginning of current term (millions of yen)	Increase during current term (millions of yen)	Decrease during current term (millions of yen)	Balance at end of current term (millions of yen)	Accumulated depreciation/amortization at end of current term (millions of yen)	Amount of write-offs of current term (millions of yen)	Balance at end of current term (millions of yen)
Property, plant, and equipment							
Buildings	8,064	59	27	8,096	6,401	134	1,694
Structures	1,054	8	-	1,063	931	19	131
Machinery and equipment	1,452	74	9	1,517	1,150	64	366
Vehicles	74	-	1	72	71	1	1
Tools, furniture, and fixtures	5,710	489	341	5,857	5,096	511	761
Land	1,772	-	-	1,772	-	-	1,772
Lease assets	103	50	4	149	85	14	64
Construction in progress	32	877	630	279	-	-	279
Total property, plant, and equipment	18,265	1,558	1,016	18,808	13,736	745	5,071
Intangible assets							
Software	-	-	-	393	208	69	185
Lease assets	-	-	-	12	12	-	-
Telephone subscription rights	-	-	-	16	-	-	16
Right of using facilities	-	-	-	7	3	0	3
Total intangible assets	-	-	-	430	224	69	205
Long-term prepaid expenses	134	87	4	217	150	65	67

- Notes: 1 The main item contributing to the increase in the amount of “tools, furniture, and fixtures” is radio wave measurement devices.
- 2 Increase in the construction in progress was driven by increases in “Buildings,” “Machinery and equipment,” and “Tools, furniture, and fixtures” shown above, while decrease was driven by transfers to the main non-current assets account.
- 3 “Balance at beginning of current term,” “Increase during current term” and “Decrease during current term” are omitted as the amount of intangible assets does not exceed 1% of total assets.
- 4 Long-term prepaid expenses that has been amortized by the end of the previous term and whose balance at the end of the year has fallen to zero are deducted from the balance of long-term prepaid expenses at the beginning of current term.

[Schedule of allowances]

Category	Balance at beginning of current term (millions of yen)	Increase during current term (millions of yen)	Decrease during current term (intended use) (millions of yen)	Decrease during current term (Others) (millions of yen)	Balance at end of current term (millions of yen)
Allowance for doubtful accounts	114	15	73	1	54
Allowance for warranties on completed construction contracts	21	38	20	-	39
Allowance for product warranties	137	59	35	40	120
Allowance for employees' bonuses	419	319	419	-	319
Allowances for losses on construction contracts	4	23	4	0	23
Allowances for losses on guarantees	80	-	80	-	-
Allowances for share-based remuneration for directors and corporate auditors	94	25	37	-	83

- Notes: 1 The amount of allowances for doubtful accounts in the "Decrease during current term (Others)" column is due to reversal of allowances.
- 2 The amount of allowances for product warranties in the "Decrease during current term (Others)" column is due to a difference between the estimated and actual amount.
- 3 The amount of allowances for losses on construction projects in the "Decrease during current term (Others)" column is due to a difference between the estimated and actual amount.
- 4 The amount of allowances for losses on guarantees in the "Decrease during current term (intended use)" column is the result of transfer to allowances for doubtful accounts by the execution of guarantee.
- (2) [Details of principal assets and liabilities]
This information is omitted as consolidated financial statements are prepared.
- (3) [Others]
There are no matters to be noted.

VI. [Outline of Filing Company's Share Management]

Fiscal year:	From April 1 to March 31
General Meeting of Shareholders	June
Record date	March 31
Record date for dividends of surplus	September 30 and March 31
Number of shares constituting a unit	100
Purchase/sale of shares less than one unit	
Place of handling	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Business Planning Department, Sumitomo Mitsui Trust Bank Ltd.
Administrator of shareholder registry	(Special account) 1-4-1, Marunouchi, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Ltd.
Broker	-
Trade commissions	A separately specified amount equivalent to commissions for entrusting trading of shares
Method of releasing public notices	Electronic public notice (See Note 1.)
Special offers to shareholders	None

- Notes: 1 The Company releases public notices in the following method. “The Company releases public notices using the electronic public notice. However, if release of an electronic public notice has become impossible due to unavoidable events, such as accidents, it releases it on the Nihon Keizai Shimbun (Nikkei) newspaper.”
The website for the Company’s electronic public notice is: <https://www.denkikogyo.co.jp/info.html>
- 2 The articles of incorporation stipulate that no rights other than those specified below can be exercised regarding shares less than one unit.
- (1) Rights specified in the items of Article 189, Paragraph 2 of the Companies Act.
 - (2) Right to make requests specified under the provisions of Article 166, Paragraph 1 of the Companies Act.
 - (3) Right to be granted allotment of shares for subscription or allotment of share options for subscription according to the number of shares held by shareholders.
 - (4) Right to request the Company sell to the shareholder a number of shares that, together with shares constituting less than one unit held by the shareholder, constitute one unit.

VII. [Additional Information on Filing Company]

1. [Information on Filing Company's Parent Company]

The Company does not have a parent company, etc. stipulated in the provisions of Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2. [Other Additional Information]

The Company submitted the following documents in a period between the beginning of the current fiscal year and the date of submission of the annual securities report.

(1)	Annual securities report, its attachments, and confirmation letter	Fiscal year:	From April 1, 2018	June 28, 2019
		(93rd term)	To March 31, 2019	Submitted to Director-General of the Kanto Finance Bureau
(2)	Internal Control Report	Fiscal year:	From April 1, 2018	June 28, 2019
		(93rd term)	To March 31, 2019	Submitted to Director-General of the Kanto Finance Bureau
(3)	Quarterly Report and its Confirmation Letter	First quarter of 94th term	From April 1, 2019 to June 30, 2019	Aug. 14, 2019 Submitted to Director-General of the Kanto Finance Bureau
		Second quarter of 94th term	From July 1, 2019 to Sept. 30, 2019	Nov. 14, 2019 Submitted to Director-General of the Kanto Finance Bureau
		Third quarter of 94th term	From Oct. 1, 2019 to Dec. 31, 2019	Feb. 14, 2020 Submitted to Director-General of the Kanto Finance Bureau
(4)	Extraordinary report	Extraordinary report pursuant to Article 19, Paragraph 2, Item (ix)-2 (results of exercise of voting rights at a general shareholders' meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, Etc. Submitted to Director-General of the Kanto Finance Bureau on July 1, 2019		
(5)	Share buyback report	Reporting period (from June 1, 2019 to June 30, 2019); submitted to Director-General of the Kanto Finance Bureau on Oct. 9, 2019		
		Reporting period (from July 1, 2019 to July 31, 2019); submitted to Director-General of the Kanto Finance Bureau on Oct. 9, 2019		
		Reporting period (from Aug. 1, 2019 to Aug. 31, 2019); submitted to Director-General of the Kanto Finance Bureau on Oct. 9, 2019		
		Reporting period (from Sept. 1, 2019 to Sept. 30, 2019); submitted to Director-General of the Kanto Finance Bureau on Oct. 9, 2019		
		Reporting period (from Oct. 1, 2019 to Oct. 31, 2019); submitted to Director-General of the Kanto Finance Bureau on Nov. 12, 2019		

Part 2. [Information on Guarantors, Etc. of Filing Company]

There are no matters to be noted.