Annual Securities Report

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

Fiscal year:	from April 1, 2020
(95th)	to March 31, 2021

DKK Co., Ltd.

(E01897)

95th term (from April 1, 2020 to March 31, 2021)

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.

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[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 30, 2021
[Fiscal year]	95th term (from April 1, 2020 to March 31, 2021)
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Part 1. [Company Information]

I. [Company Overview]

1. [Key Performance Indicators]

(1) Consolidated performance indicators, etc.

Term		91st	92nd	93rd	94th	95th
Month of fiscal year-end		March 2017	March 2018	March 2019	March 2020	March 2021
Net sales	(millions of yen)	39,906	43,022	44,757	45,016	41,478
Ordinary income	(millions of yen)	953	1,823	2,943	2,774	1,799
Net income attributable to shareholders of parent company	(millions of yen)	543	804	1,524	1,789	1,155
Comprehensive income	(millions of yen)	1,250	1,696	1,062	1,401	2,219
Net assets	(millions of yen)	44,806	45,522	45,963	46,309	47,991
Total assets	(millions of yen)	60,164	61,687	62,437	61,208	62,463
Net assets per share	(yen)	3,602.92	3,648.43	3,680.74	3,760.57	3,908.32
Net income per share	(yen)	44.66	65.84	124.78	148.08	96.14
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	73.2	72.3	72.0	73.8	75.2
Return on equity	(%)	1.2	1.8	3.4	4.0	2.5
Price-to-earnings ratio	(x)	63.2	48.0	26.7	16.8	28.3
Cash flows from business activities	(millions of yen)	956	2,398	3,177	1,543	1,447
Net cash flows from investing activities	(millions of yen)	(6,888)	(3,610)	(1,120)	(1,261)	(1,402)
Cash flows from financing activities Cash flows	(millions of yen)	(1,793)	(1,506)	(626)	(1,069)	(633)
Cash and cash equivalents at end of term	(millions of yen)	12,768	10,066	11,494	10,931	10,300
Number of employees [Average number of temporary employees]	(persons)	1,251 [121]	1,257 [138]	1,213 [148]	1,344 [164]	1,266 [150]

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 91st 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		91st	92nd	93rd	94th	95th
Month of fiscal year-end		March 2017	March 2018	March 2019	March 2020	March 2021
Net sales	(millions of yen)	30,376	33,572	34,476	35,930	34,308
Ordinary income	(millions of yen)	154	1,414	2,221	2,025	1,305
Net income	(millions of yen)	203	888	1,168	1,278	792
Capital	(millions of yen)	8,774	8,774	8,774	8,774	8,774
Issued shares	(shares)	70,424,226	14,084,845	14,084,845	14,084,845	14,084,845
Net assets	(millions of yen)	34,952	35,228	35,360	34,882	36,051
Total assets	(millions of yen)	46,418	47,394	47,637	45,614	47,342
Net assets per share	(yen)	2,859.57	2,882.98	2,893.91	2,902.73	2,999.65
Dividend per share (including interim dividend per share)	(yen)	15.00 (0.0)	45.00 (0.0)	45.00 (0.0)	45.00 (0.0)	45.00 (0.0)
Net income per share	(yen)	16.71	72.67	95.59	105.79	65.96
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	75.3	74.3	74.2	76.5	76.2
Return on equity	(%)	0.6	2.5	3.3	3.6	2.2
Price-to-earnings ratio	(x)	168.9	43.5	34.8	23.6	41.2
Payout ratio	(%)	449.10	61.92	47.08	42.54	68.22
Number of employees [Average number of temporary employees]	(persons)	576 [85]	569 [99]	563 [116]	582 [136]	591 [117]
Total shareholder yield (TOPIX total return index for comparison)	(%) (%)	110.3 (114.7)	125.0 (132.9)	133.1 (126.2)	103.0 (114.2)	113.2 (162.3)
Highest share price	(yen)	618	3,435 (589)	3,590	3,905	2,999
Lowest share price	(yen)	427	2,715 (514)	2,179	1,921	2,226

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 91st 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. Manufacture of radio towers and other steel structures starts. Established KK Denki Kogyo Antenna Seisakusho, a company at the Kawagoe Plant specializing in manufacture of antennas (company renamed to Denko Tekko KK in April 1965; predecessor of Denko Co., Ltd., a consolidated subsidiary).
October 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.
December 1970	The Company makes Fukoku Tsushin Kogyo KK (presently Fukoku Denko Co., Ltd.), a Fukuoka builder and seller of telecommunication equipment, an affiliate (a consolidated subsidiary presently).
October 1971	The Company makes Fuji Kogyo KK (presently Denko Co., Ltd.), a Noda, Chiba Prefecture company which process hot-dip galvanizing, an affiliate. (presently a consolidated subsidiary)
February 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 KK, a manufacturer of parabolic antenna-related equipment in Kita Ward, Tokyo, an affiliate (presently a consolidated subsidiary).(presently a consolidated subsidiary)
February 1974	The Company establishes Denki Kogyo Koji KK (presently DKC Co., Ltd.), which constructs telecommunication facilities, inside the Kawagoe Office in Oi-machi (present Fujimino), Saitama Prefecture. (presently a consolidated subsidiary)
July 1976	Established Omoto Industry Co., Ltd. (currently known as Koshuha Co., Ltd.,), a company in Isehara, Kanagawa Prefecture specialized in manufacture of electric machinery, devices, etc.(presently a consolidated subsidiary)
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	DKK Sino-Thai Engineering Co., Ltd., which construct telecommunication facilities, etc. overseas, established in Bangkok, Thailand. (presently a consolidated subsidiary)
November 1990	Moved company shares to the first section of the Tokyo Stock Exchange.
April 1991	Established Shiga Plant in Minakuchi (currently known as Koka), Koka District, Shiga Prefecture. Established Denko Techno Heat Co., Ltd., a company in the Shiga Plant specialized in contract high-frequency heat treating service.(presently a consolidated subsidiary)
June 1996	Merged Denko Tekko KK and Fuji Kogyo KK, 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	DKK of America, Inc., which provides maintenance services for high-frequency induction heating equipment, supports sales operation for such equipment, and manufactures and repairs heating coils, established in the U.S. state of Indiana. (presently a consolidated subsidiary)
August 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 KK.
Apr. 2012	Merged Denko Tech KK with Denko Seisakusho Co., Ltd. by acquisition.
May 2012	DKK (Thailand) Co., Ltd., which sells telecommunication-use antennas, repairs heating coils for high-frequency induction heating equipment, and sells other components and equipment, established in Ayutthaya, Thailand. (presently a consolidated subsidiary)
October 2012	Denki Kogyo (Changzhou) Heat Treatment Equipment Co., Ltd., which repairs and manufactures heating coils for high-frequency induction heating equipment and sells other components and equipment, established in the Chinese province of Jiangsu. (presently a consolidated subsidiary)
September 2013	DKK Manufacturing (Thailand) Co., Ltd., which manufactures telecommunication-use antennas and heating coils for high-frequency induction heating equipment, established in Ayutthaya, Thailand. (presently a consolidated subsidiary)
January 2017	DTHM, S.A de C.V., a provider of IH Heat-Treatment Processing services, established in the Mexican state of Guanajuato. (presently a consolidated subsidiary)
March 2018	Korea Denkikogyo Co., Ltd., which manufactures high-frequency induction heating equipment and sells other components and equipment, established in Incheon, South Korea. (presently a consolidated subsidiary)
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.	Performs construction work of telecommunication facilities for the Company.

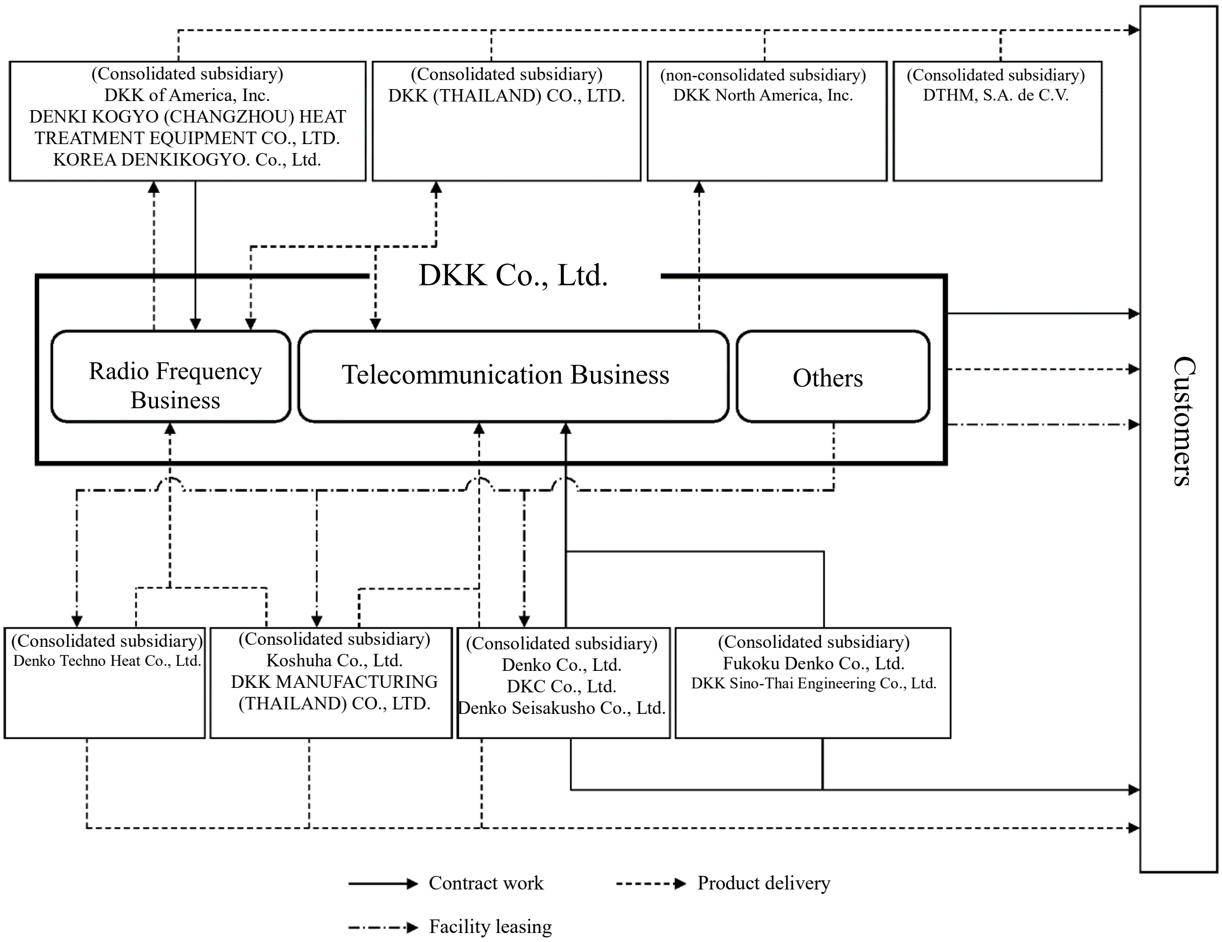
(consolidated subsidiary)	
Fukoku Denko Co., Ltd. (consolidated subsidiary)	Performs part of design and manufacture of the Company's wired and wireless telecommunication equipment.
DKK Sino-Thai Engineering Co., Ltd. (consolidated subsidiary)	Undertakes construction of telecommunication facilities overseas 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: none
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.	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.	Guanajuato, Mexico	Thousands of pesos 30,000	Radio Frequency Business	100 (90)	Mainly provides contract high-frequency heat treating service. Concurrent directorships: one person

KOREA DENKIKOGYO. Co., Ltd.	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. [Status of Employees]

(1) Status at consolidated companies

(As of March 31, 2021)

Segment	Number of employees
Telecommunication Business	911 (128)
Radio Frequency Business	293 (17)
Overall (common)	62 (5)
Total	1,266 (150)

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.

(2) Status at filing company

(As of March 31, 2021)

Number of employees	Average age	Average number of years of service	Average annual salary (in thousands of yen)
591 (117)	44.9	15.7	5,753

Segment	Number of employees
Telecommunication Business	421 (110)
Radio Frequency Business	108 (2)
Overall (common)	62 (5)
Total	591 (117)

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 313 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 has the target return of equity of at least 5% and will work to further improve it over the medium to long term.

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

The Company has the 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. Under our medium- to long-term management strategy, which is described in the Medium- and Long-Term Management Strategy disclosed in March 2021, we are working toward the goal of achieving the group's ideal of "Pioneering the Future" by actively contributing to society, improving corporate value, and achieving growth. For this, we set three growth strategies of "Creation of new business," "Further expansion of existing business," and "Strengthening of our financial foundation" and are working on them.

Under the "Creation of new business" strategy, we will develop new revenue sources that differ from those of existing businesses through business style transformation, expansion of customer base, and pursuit of differentiation. As for new business, we will focus efforts on developing new markets outside the automotive industry in the radio frequency business, in addition to local 5G. Local 5G has the potential to offer opportunity for us to find customers that are different from existing ones. We regard it as a promising market where we can develop markets by taking advantage of our strengths based on the technologies we have developed over the years. As for the target of market development effort in the radio frequency business, we will focus efforts on the development of markets outside the existing automotive industry, including the food industry.

In existing business areas, we aim to expand business in peripheral areas of the businesses that remain important and regarded as the pillars, including mainly mobile communication-related, fixed wireless communication-related, broadcasting-related, and radio frequency businesses, seeking to expand our stable revenue base by introducing products that feature new technologies. We will work toward increasing our corporate value by channeling management resources while making appropriate capital investment.

We will also work on strengthening our business foundation to support the growth strategies in these businesses. The information communication-related industries and the applied high-frequency devices industries including mainly the automotive industry, where the Company belongs, have entered a phase of major change driven by technological innovation. By further stepping up research and development efforts focused on the era to come, we will expand business and contribute to the further development of social infrastructure. In addition, we will carry out capital measures and financial strategies to put our capital to maximum use and channel our business resources into appropriate areas.

Strengthening the business foundation requires a corporate governance perspective. Our fundamental approach to corporate governance is to increase social credibility and corporate value of the Company by ensuring transparent and sound management. We will continue to take measures to achieve sustainable growth, including effectiveness evaluation of the Board of Directors and reduction in cross-held shares, in an era of rapid change.

(4) Management environment

During the fiscal year under review, the Japanese economy showed signs of partial recovery from a rapid deterioration caused by the new coronavirus pandemic, but once again weakened toward the end of the fiscal year. Corporate production activity and corporate earnings fell sharply due to the effect of decreased demand in Japan and overseas and disruption in supply chains, but some signs of recovery have emerged after the economic activity began returning to normal across the globe. Still, impacts are felt in capital expenditure and the employment environment. Furthermore, there are signs that COVID-19 may spread further. The future of the Japanese economy thus still remains uncertain.

In the telecommunications industry in which the Group operates, demand for 5G-use antennas has emerged in the mobile communication-related segment. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use has remained at high levels, while in the broadcasting-related segment, demand for equipment upgrades and maintenance has emerged from broadcasters. In both segments, however, there have been delays in bidding processes and construction work due to the COVID-19 pandemic. In the applied high-frequency devices industry, demand for capital expenditures in the automotive segment has dropped sharply. 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.

Amid such an environment surrounding the Group, we will actively work to capture demand in the mobile communication-related segment as demand for 5G-use antennas is expected to remain steady. We also plan to work to capture demand for maintenance on mobile communication steel towers. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use is expected to remain steady without much fluctuation. We will continue to focus our efforts on capturing demand. In the broadcasting-related segment, we will work to capture demand for update and maintenance on broadcasting equipment from broadcasters. 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 actively promote efforts to stimulate new demand in areas other than the automotive segment.

At the same time, we think one of the issues the Group's existing business segments face is that the Group's business performance is vulnerable to fluctuations in customers' capital expenditure trends as they are order-centric businesses. The Company thus worked out the Medium- and Long-Term Management Strategy, which describes growth strategies including the creation of new businesses, to help solve such issues and achieve the Company's ideal of "Pioneering the Future." The Group will work to "strengthen our business foundation" by reinforcing Group governance, enhancing the compliance structure, stepping up research and development, and carrying out financial strategies, among other measures in accordance with the Medium- and Long-Term Management Strategy. In addition to continuing to ensure safety and quality management based on this business foundation, we will develop cutting-edge technologies to realize technological innovation from a long-term perspective, introduce products featuring new technologies, expand stable revenue bases through "further expansion of existing businesses," and create new revenue sources through "creation of new businesses." While adhering to these three strategies, we will work to increase customer trust, maximize revenues, become actively involved in social contribution activities, and realize improvement and growth of corporate value.

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) Revenue recognition using percentage-of-completion method

The Group applies the percentage-of-completion method to work contracts that satisfy specified requirements. Sales are recognized based on the ratio of cost incurred to estimated total cost. We are working to manage costs appropriately through measures including review of estimated total cost of construction and planned work periods for individual work projects on an ongoing basis. If review of these becomes necessary, it may inflict a significant impact on the Group's earnings and financial position. To address this risk, the Group is working to improve the precision of construction cost estimates and reflect this in financial results as appropriate.

(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, from the medium- to long-term perspective to improve corporate value. As these securities may affect the Group's business earnings and financial position if the market deteriorates or the investees' earnings slump, we work to minimize such risk by examining transaction status of each issue of the shares held and monitoring market trends at all times. The Group regularly reports to the Board of Directors about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits. If examination reveals that a stock no longer has considerable significance of possession, we try to improve the situation for a certain period or sell it.

(v) 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.

(vi) 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, while working to maintain and develop existing business relationships, aims to pursue reforms of business styles and expansion and differentiation of our customer base to expand the scope of business and create new revenue sources that are different from those of existing businesses.

(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.

(vi) Information security

The Group manages information of a large number of customers and business partners required to operate the business and holds confidential information regarding technology, sales, and other aspects of our business. There is the possibility that unexpected events, including computer virus infection, unauthorized access to company systems, targeted fraudulent emails that disguise as insiders, and cyberattacks, may cause system troubles, leak of confidential information, internet fraud damage, loss of important business information, etc. and affect the Group's earnings and financial position. The Group is working to avoid such risks and minimize their impact by regularly giving training and thoroughly taking information security management steps, including audits.

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 at the end of the current consolidated fiscal year increased 1.254 billion yen from a year earlier to 62.463 billion yen.

Current assets increased by 1.079 billion yen from a year earlier to 45.421 billion yen. This is attributed mainly to increases respectively of 1.308 billion yen in accounts receivable, including notes receivable, and 351 million yen in cash and deposits, despite a decrease of 700 million yen in inventories.

Non-current assets increased 175 million yen from a year earlier to 17.042 billion yen. This is attributed mainly to increases respectively of 344 million yen in intangible assets and 341 million yen in investment securities, despite a decrease of 485 million yen in deferred tax assets.

Current liabilities decreased 350 million yen from a year earlier to 10.196 billion yen. This is attributed mainly to decreases respectively of 268 million yen in trade payables, including notes payable, and 510 million yen in advances received on uncompleted construction contracts, despite an increase of 344 million yen in income taxes payable, etc.

Fixed liabilities decreased 76 million yen from a year earlier to 4.275 billion yen. This is attributed mainly to a decrease of 365 million yen in net defined benefit liability, despite an increase of 168 million yen in advances received on long-term uncompleted construction contracts included in the others.

Net assets increased 1.681 billion yen from a year earlier to 47.991 billion yen. This is attributed mainly to increases respectively of 611 million yen in retained earnings and 883 million yen in valuation difference on available-for-sale securities.

As a measure to address risks related to the COVID-19 pandemic, the Company has ensured liquidity of funding by signing a 7.0 billion yen commitment line agreement with a financial institution, in addition to existing commitment line agreements.

b. Operating results

During the fiscal year under review, the Japanese economy showed signs of partial recovery from a rapid deterioration caused by the new coronavirus pandemic, but once again weakened toward the end of the fiscal year. Corporate production activity and corporate earnings fell sharply due to the effect of decreased demand in Japan and overseas and disruption in supply chains, but some signs of recovery have emerged after the economic activity began returning to normal across the globe. Still, impacts are felt in capital expenditure and the employment environment. Furthermore, there are signs that COVID-19 may spread further. The future of the Japanese economy thus still remains uncertain.

In the telecommunications industry in which the Group operates, demand for 5G-use antennas has emerged in the mobile communication-related segment. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use has remained at high levels, while in the broadcasting-related segment, demand for equipment upgrades and maintenance has emerged from broadcasters. In both segments, however, there have been delays in bidding processes and construction work due to the COVID-19 pandemic. In the applied high-frequency devices industry, demand for capital expenditures in the automotive segment has dropped sharply.

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 decreased 18.6% year-on-year to 36.483 billion yen while net sales fell 7.9% from a year earlier to 41.478 billion yen.

In terms of profit, operating income decreased 39.1% year-on-year to 1.583 billion yen, ordinary income dropped 35.1% from a year earlier to 1.799 billion yen, and net income attributable to shareholders of the parent decreased 35.4% year-on-year to 1.155 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, demand emerged for antennas that support frequency bands allotted to 5G, but impacts of the COVID-19 pandemic have been felt, including delays in base station construction work. In the fixed wireless communication-related segment, demand from administrative radio systems for disaster prevention use has remained at high levels, as local governments move to enhance or digitize anti-disaster systems. In the broadcasting-related segment, we are working to capture demand from broadcasters for facility replacement and maintenance. We note, however, that both segments have experienced delays in bidding processes and work schedule. In other segments, we are developing demand for LED aviation obstacle lights and thermal camera systems. Our business environment is becoming more severe in all segments due to intensified price competitions. Amid such an environment, we have actively worked to capture demand and improve productivity in these business segments.

As a result, amount of orders received decreased 17.4% year-on-year to 29.37 billion yen while net sales rose 2.8% from a year earlier to 33.962 billion yen. Segment income (operating income) increased 10.2% from a year earlier to 3.876 billion yen.

(Radio Frequency Business)

In this business, the mainstay high-frequency induction heating equipment segment experienced a sharp fall in capital expenditure in the automotive industry, affected by a sharp demand decrease, plant suspensions, and disruption in the supply chain due to the COVID-19 pandemic. For the heat-treatment processing services, there were some signs of recovery in vehicle production, but the impact of global semiconductor shortage becoming evident. Under such circumstances, the radio frequency business has worked to expand profits by developing new markets and new users, as well as improving productivity, while closely monitoring the business environment.

As a result, amount of orders received decreased 23.0% year-on-year to 7.113 billion yen, while net sales came to 7.43 billion yen, down 37.7% from a year earlier. Segment income (operating income) decreased 48.8% from a year earlier to 870 million 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 increased 1.1% from a year earlier to 330 million yen. Segment income (operating income) increased 6.1% from a year earlier to 158 million yen.

(ii) Cash flows

Cash and cash equivalents (“Funds” hereafter) decreased 630 million yen year-on-year to 10.3 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 1.447 billion yen, compared with 1.543 billion yen obtained a year earlier. This is due mainly to positive factors, including net income before income taxes totaling 1.647 billion yen and depreciation totaling 1.322 billion yen, partially offset by decrease factors, including a 1.378 billion yen decrease in notes and accounts receivable-trade.

(Cash flows from investing activities)

Funds used as a result of investing activities came to 1.402 billion yen, compared with 1.261 billion yen used a year earlier. This is attributed mainly to decrease factors, including 1.187 billion yen spent on the acquisition of property, plant, and equipment and intangible assets and 1.0 billion yen spent on net increase of time deposits, partially offset by increase factors, including 507 million yen earned from sale of investment securities.

(Cash flows from financing activities)

Funds used as a result of financing activities came to 633 million yen, compared with 1.069 billion yen used a year earlier. This is attributable mainly to decrease factors including 545 million yen spent on the payout of dividends and net change in short-term loans payable of 114 million yen.

(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	14,105	(5.1)
Radio Frequency Business	7,335	(34.5)
Total	21,440	(17.7)

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	29,370	(17.4)	8,327	(35.4)
Radio Frequency Business	7,113	(23.0)	2,417	(11.6)
Total	36,483	(18.6)	10,745	(31.3)

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	19,775	10.2
	Equipment and materials sales	14,167	(5.8)
	Subtotal	33,942	2.9
Radio Frequency Business		7,430	(37.7)
Others		105	(2.2)
Total		41,478	(7.9)

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, 2019 to March 31, 2020)		Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)	
	Net sales (millions of yen)	Ratio (%)	Net sales (millions of yen)	Ratio (%)
NTT DOCOMO, INC.	4,992	11.1	4,221	10.2

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, 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
Current fiscal year (from April 1, 2020 to March 31, 2021)	Construction work	9,851	13,540	23,392	17,653	5,738	6.5	375	17,674
	Equipment and materials sales	2,095	11,327	13,423	11,690	1,732	67.3	1,165	11,839
	Total	11,947	24,868	36,815	29,344	7,470	20.6	1,541	29,513

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, 2019 to March 31, 2020)	26.6	73.4	100
Current fiscal year (from April 1, 2020 to March 31, 2021)	23.8	76.2	100

Note: Above percentage figures are based on contract amount.

c. Consolidated Net Sales

Fiscal year	Category		Public (millions of yen)	Private (millions of yen)	Total (millions of yen)
Previous 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
Current fiscal year (from April 1, 2020 to March 31, 2021)	Construction work	See Note 1.	9,350	8,303	17,653
	Equipment and materials sales	See Note 2.	321	11,369	11,690
	Total		9,671	19,673	29,344

Notes: 1 Sales of completed construction contracts

2 Net sales of 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
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

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
Towada municipality	Project to service new broadcast-type administrative radio systems for disaster prevention use
Tomioka municipality	Project to service digital administrative radio systems for disaster prevention use
Kobayashi municipality	Project to service digital 280MHz radio broadcast system

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.	4,992 million yen	17.6%
Previous fiscal year	KDDI CORPORATION	3,060 million yen	10.8%
Current fiscal year	NTT DOCOMO, INC.	4,221 million yen	14.4%
Current fiscal year	KDDI CORPORATION	3,517 million yen	12.0%

d. Backlog (as of March 31, 2020)

Category	Public (millions of yen)	Private (millions of yen)	Total (millions of yen)
Construction work	2,422	3,315	5,738
Equipment and materials sales	293	1,438	1,732
Total	2,716	4,754	7,470

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	June 2021
Takasago municipality	Digitalization project on administrative radio broadcast systems for disaster prevention use	March 2022
Susaki municipality	Project to service digital 280MHz radio broadcast system	June 2021
Seiyo municipality	CATV equipment project Uwa center development work	May 2021
Takenaka Corporation	Steel tower dismantling work at DOCOMO Kumamoto building	February 2022

Radio Frequency Business

a. Production results

Category	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
	Amount (millions of yen)	Amount (millions of yen)
Contract high-frequency hardening service	80	72
High-frequency induction heating equipment	6,561	4,474
Total	6,641	4,547

Note: The yen amounts are selling prices.

b. Results of orders received

Category	Two fiscal years prior	Previous fiscal year (from April 1, 2019 to March 31, 2020)		Current fiscal year (from April 1, 2020 to March 31, 2021)	
	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	−	80	−	72	−
High-frequency induction heating equipment	3,521	5,569	1,950	4,219	1,608
Total	3,521	5,649	1,950	4,292	1,608

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, 2019 to March 31, 2020)		Current fiscal year (from April 1, 2020 to March 31, 2021)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Contract high-frequency hardening service	80	1.1	72	1.6
High-frequency induction heating equipment	7,140	98.9	4,560	98.4
Total	7,220	100	4,633	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	TOYOTSU MACHINERY CORPORATION	1,836 million yen	25.4%
	Toyota Tsusho Corporation	779 million yen	10.8%
Current fiscal year	TOYOTSU MACHINERY CORPORATION	1,437 million yen	31.0%
	Toyota Tsusho Corporation	563 million yen	12.2%

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 goods provided in the filing company’s profit and loss statement.

Other Businesses

a. Sales results

Category	Previous fiscal year (from April 1, 2019 to March 31, 2020)		Current fiscal year (from April 1, 2020 to March 31, 2021)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Facility-leasing business	224	68.6	230	69.7
Electric power sales business	102	31.4	100	30.3
Total	326	100	330	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, both revenue and profit decreased, with net sales totaling 41.478 billion yen, down 7.9% from a year earlier, and operating income totaling 1.583 billion yen, down 39.1% 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 Operating Results, Etc. by segment, the mobile communication-related segment of the telecommunication business saw emergence of demand for antennas that support frequency bands allotted for 5G, but the COVID-19 pandemic affected capital expenditure plans of its customers. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use remained brisk as local governments moved to enhance or digitize anti-disaster systems. On the other hand, the overall revenue rose slightly in the telecommunication business. Profit also 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, both revenue and profit decreased significantly from a year earlier as demand for capital expenditure in the automotive industry slowed sharply due to the impact of COVID-19.

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 35.1% from a year earlier to 1.799 billion yen as operating income dropped. Net income attributable to shareholders of the parent company decreased 35.4% from a year earlier to 1.155 billion yen despite greater gain on sales of investment securities as ordinary income decreased and loss on valuation of investment securities increased.

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 growth strategy stated in II. [Business Overview], 1. [Management Policies, Management Environment, and Pressing Issues], (3) The Company's medium- to long-term management strategy.

As for the business outlook, capital expenditures and consumption remain restrained, although there have been signs of recovery in economic activity that have slowed sharply due to the impact of COVID-19, and it remains difficult to predict when the pandemic will run its course. Thus, uncertainty remains for the future of domestic economic activity. Impacts of the pandemic are expected to remain. In particular, for the radio frequency business, capital spending has decreased significantly in the automotive industry due to decreased production and suspension or postponement of capital spending in the industry. For the heat-treatment processing services, there were some signs of recovery in vehicle production, but the impact of global semiconductor shortage becoming evident. 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 the demand from moves to build 5G networks as we expect capital spending to expand coverage areas of 5G services will grow in earnest. 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 mainly local 5G. 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 1.447 billion yen from business activities, but as 1.402 billion yen and 633 million yen were used respectively in investing and financing activities, the balance of cash and cash equivalents at the end of the current consolidated fiscal year came to 10.3 billion yen, down 630 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, increased 351 million yen from the end of the previous fiscal year to 18.995 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 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.

(Revenue recognition using percentage-of-completion method)

Of the accounting estimates used for revenue recognition using the percentage-of-completion method and assumptions used for such estimates, important items are as described in V. [Financial Information], 1. [Consolidated Financial Statements, Etc.], (1) Consolidated financial statements, Notes, (Significant accounting estimates).

(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.

(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.

(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.

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 stepped up efforts on 5G in the mobile communication-related segment. We are conducting development of multifrequency antennas which support both existing frequency bands and 5G frequency bands, radio equipment, and mobile communication antennas targeted at overseas markets, as well as research and development related to the expansion of communication areas using beamforming antennas. In addition, we are working on research and development projects that support the Company’s comprehensive 5G solutions, including a project regarding maritime communication using local 5G commissioned by the Ministry of Internal Affairs and Communications and radio wave propagation and transmission tests using local 5G experimental test stations. Looking ahead to 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 solutions combining LED aviation obstacle lights and navigation aids for offshore wind turbines and system solutions related to disaster prevention, including monitoring equipment using infrared cameras and emergency power source equipment used in 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 uses for induction heating technology targeting a broad range of industries and a new technology using superheated steam.

In the current consolidated fiscal year, the Company spent a total of 2,064 million yen on research and development.

Research and development activities by segment are as follows.

(Telecommunication Business)

Research and development costs totaled 1,877 million yen in the current consolidated fiscal year.

- Mobile communication-, broadcasting-, and fixed wireless communication-related segments
  (1) Development of systems for carrier 5G
  (2) Development of systems for local 5G
  (3) Development of new antenna technologies
  (4) Development of 4G and 5G antenna systems targeting domestic market
  (5) Development of antenna systems targeting overseas markets
  (6) Development of broadcasting and communication antennas targeting new demands
  (7) Development of antenna systems for specialized projects
- Facility-related segment
  (1) Reinforcement of competitiveness of steel structures and construction work
- New areas
  (1) Development of system solutions
  (2) Development of 280MHz administrative radio systems for disaster prevention use (existing equipment)

(Radio Frequency Business)

Research and development costs totaled 187 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 1,390 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 961 million yen, used mainly for updating aging equipment and measuring instruments.

(Radio Frequency Business)
In the current consolidated fiscal year, capital expenditures totaled 152 million yen mainly for updating aging equipment.

(Others)
There was no capital expenditure in the current consolidated fiscal year.

(Common across companies)
In the current consolidated fiscal year, capital expenditures totaled 276 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, 2021)

Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees (persons)
		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	73	4	14 (18,489.51)	2	24	118	49 (23)
Kawagoe Plant (Kawagoe, Saitama Prefecture)	Facility for design, manufacture, and construction of as well as plating work on telecommunication facilities and steel building frameworks	205	0	60 (48,944.97) <125.49>	―	19	285	9 (2)
Kanuma Plant (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	750	64	43 (20,248.03) <215.50>	14	926	1,800	158 (7)

(2) Domestic subsidiaries

(As of March 31, 2021)

Company	Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees (persons)
			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	28	239	― (-)	―	26	294	63 (4)
Denko Seisakusho Co., Ltd.	Headquarters (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	63	108	370 (11,991.00)	―	16	558	78 (9)

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 ("<>") 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, 2021)

Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees (persons)
		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	367	64	1,189 (35,969.54) <312.17>	12	18	1,652	92 (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 ("<>") 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	At end of fiscal year under review Issued shares March 31, 2021	As of the date of submission Issued shares June 30, 2021	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 outstanding shares Issued shares	Total number of outstanding 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, 2021)

Category	Status of shares (Number of shares consisting one unit: 100)								Status of shares below unit Issued shares
	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 (persons)	—	33	27	101	132	7	4,650	4,950	—
Number of shares held (unit)	—	46,794	1,528	10,668	31,924	14	49,398	140,326	52,245
Percentage of shares held	—	33.35	1.09	7.60	22.75	0.01	35.20	100.00	—

Note: 20,086 units of the treasury stocks totaling 2,008,645 are included in "Individuals, etc.," while the remaining 45 shares are included in “Status of shares less than one unit.”

(6) [Status of major shareholders]

(As of March 31, 2021)

Name	Location	Number of shares held (thousands of shares)	Percentage of total number of shares held relative to the total outstanding shares
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	1,035	8.57
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	885	7.32
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	444	3.68
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/JANUS HENDERSON HORIZON FUND (Standing proxy: Custody Service Department, Tokyo branch of The Hongkong and Shanghai Banking Corporation Limited)	33 RUE DE GASPERICH, L-5826 HOWALD-HESPERANGE, LUXEMBOURG (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	443	3.67
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
JPMBL RE NOMURA INTERNATIONAL PLC 1 COLL EQUITY (Standing proxy: MUFG Bank, Ltd.)	1 ANGEL LANE LONDON - NORTH OF THE THAMES UNITED KINGDOM EC4R 3AB 2-7-1, Marunouchi, Chiyoda-ku, Tokyo	327	2.71
DKK Client Stock Ownership	3-3-1, Marunouchi, Chiyoda-Ku, Tokyo	319	2.64
DKK Employee Stock Ownership	3-3-1, Marunouchi, Chiyoda-Ku, Tokyo	248	2.05
Total	-	4,788	39.64

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

Custody Bank of Japan, Ltd. (trust account): 840 thousand shares

The Master Trust Bank of Japan, Ltd. (trust account): 748 thousand shares

2 Japan Trustee Services Bank, Ltd. merged with JTC Holdings, Ltd. and Trust & Custody Services Bank, Ltd. and changed the trade name to Custody Bank of Japan, Ltd. on July 27, 2020.

3 A statement of changes to a statement of large-volume holdings that was made available for public viewing on January 22, 2021 indicates Sumitomo Mitsui Trust Bank, Ltd. and its joint holders were holding the following shares as of January 18, 2021. However, the said parties are not included in the status of major shareholders shown above because the Company was not able to confirm the beneficial ownership as of March 31, 2021.

The information in the statement of changes to a statement of large-volume holdings is as follows.

Name	Location	Number of shares held (thousands of shares)	Ownership ratio (%)
Sumitomo Mitsui Trust Bank, Ltd.	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	372	2.64
Sumitomo Mitsui Trust Asset Management Co., Ltd.	1-1-1, Shibakoen, Minato-ku, Tokyo	293	2.09
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	633	4.50

4 A statement of changes to a statement of large-volume holdings that was made available for public viewing on April 7, 2021 indicates Nomura International plc and its joint holders were holding the following shares as of March 31, 2021. However, the said parties are not included in the status of major shareholders shown above because the Company was not able to confirm the beneficial ownership as of March 31, 2021.

The information in the statement of changes to a statement of large-volume holdings is as follows.

Name	Location	Number of shares held (thousands of shares)	Ownership ratio (%)
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	333	2.37
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	566	4.02

(7) [Status of voting rights]

(i) [Issued shares]

(As of March 31, 2021)

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 2,008,600	―	―
Shares with full voting rights (others)	Common stock 12,024,000	120,240	―
Shares less than one unit	Common stock 52,245	―	―
Issued shares	14,084,845	―	―
Total number of voting rights	―	120,240	―

Notes: 1 Common stock in the "Shares with full voting rights (treasury stocks, etc.)" does not include the Company's shares totaling 57 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 45 shares held by the Company.

(ii) [Treasury stock, etc.]

(As of March 31, 2021)

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	2,008,600	―	2,008,600	14.26
Total	―	2,008,600	―	2,008,600	14.26

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

(Share-based compensation scheme for directors)

The Company and some of its consolidated subsidiaries have a share-based compensation scheme (the "Scheme" hereafter) for their 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.

(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 and those of some of its consolidated subsidiaries. Directors are granted the Company's shares when they retire from directorship, in principle.

The number of shares held in the trust account at the end of the current consolidated fiscal year totaled 57,551 (74,400 at the time the Trust was established).

(ii) Total number of shares planned to be granted to qualified directors

57,551 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 May 14, 2021 (Period of share acquisition: May 17, 2021 to July. 31, 2021)	135,000	300
Treasury stock acquired before current fiscal year	—	—
Treasury stock acquired in current fiscal year	—	—
Total number and value of remaining shares subject to resolution	—	—
Percentage of shares yet to be acquired at the end of current fiscal year	—	—
Treasury stock acquired during the period	30,200	69
Percentage of shares yet to be acquired at the day of filing	77.6	76.9

Note: "Treasury stock acquired during the period" does not include the number of shares acquired under the treasury stock acquisition program in a period from June 1, 2021 to the date when the annual securities report was submitted.

(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	908	2
Treasury stock acquired during the period	78	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, 2021 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 for reasons of merger, share exchange, share granting, or company split	—	—	—	—
Others (sale of below-unit shares in response to requests for sales)	120	0	—	—
Number of treasury stocks held	2,008,645	—	2,038,923	—

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, 2021 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, 2021 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 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. In addition, the Company decided to acquire treasury stock as a measure to improve shareholder returns and capital efficiency. The Company aims to put the treasury stock it acquires to effective use for expanding its business scope and acquiring technology. At the same time, it aims to consider its retirement to maintain an optimum capital structure.

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 29, 2021 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 the company 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.

Furthermore, in order to ensure transparency and soundness of business operation, we adopted a corporate auditor system with an audit structure comprised of four corporate auditors, including two outside auditors.

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 administrative divisions collect and sort them out to promote crisis management for the Company as a whole and take appropriate measures to mitigate risks.

(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 four 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. In addition, at the meeting held on May 14, 2021, the Board resolved to work out a compliance program, under which we will work to enhance the governance structure and monitoring function in an effort to ensure governance to function properly.

Furthermore, the Company has voluntarily established voluntary nomination and compensation committees, in which independent outside directors and auditors represent the majority in each, as advisory bodies to the Board. These provide new functions for enhancing and strengthening the management and governance structures by enhancing objectivity and transparency of the decision making process of directors' compensation and personnel for the management ranks that play the role of ensuring the Company's sustainable growth and helping it gain trust.

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

Tadatoshi Kondo (President and Representative Director), Kazuhiro Ito (Director and Senior Executive Managing Officer), Tsuyoshi Shimoda (Director and Managing Officer), Takashi Asai (Director and Managing Officer), Toshiro Kawahara (Director and Managing Officer), Hidehiro Tsukano (Outside Director), Jean-Francois Minier (Outside Director), Ryoko Takeda (Outside Director), and Atsushi Takahashi (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:

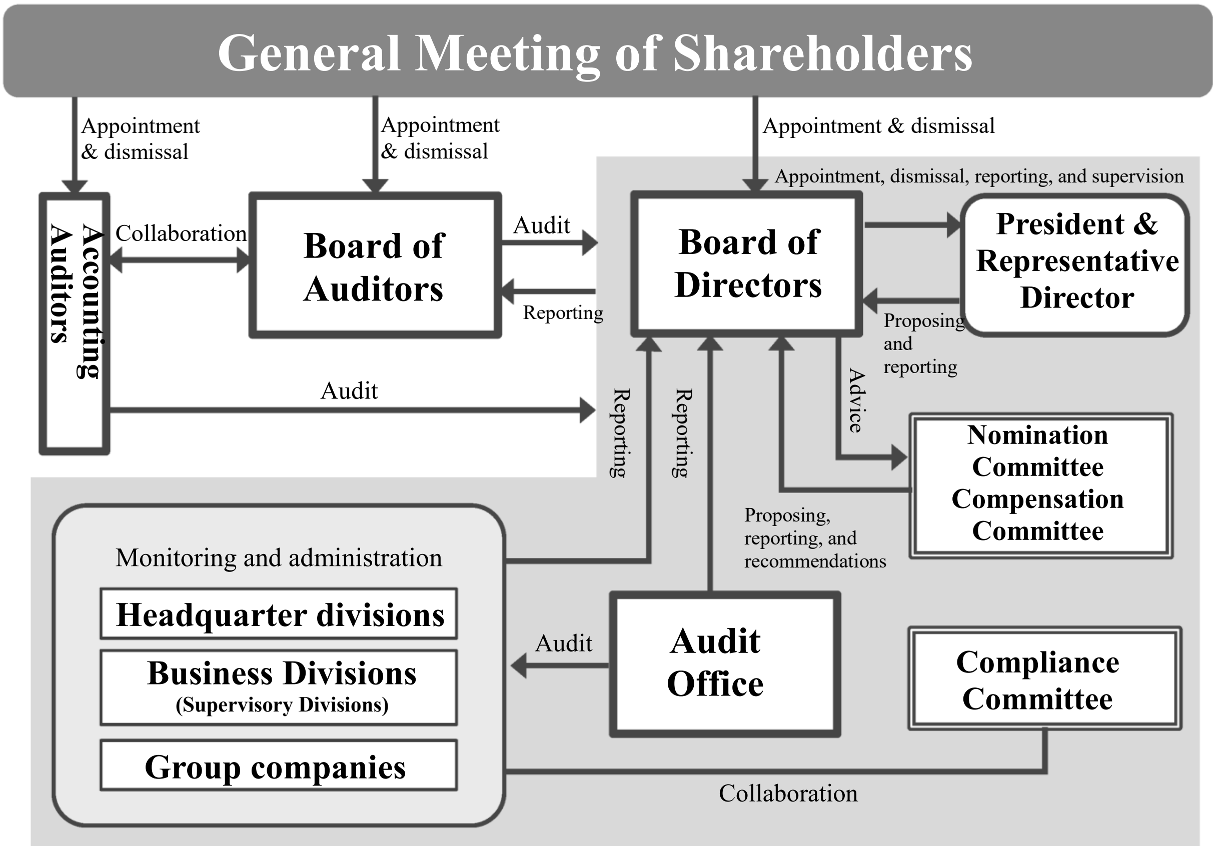
Toshio Akahane (Corporate Standing Auditor), Nobuo Funabashi (Corporate Standing Auditor), Hiroshi Matsubayashi (Outside Auditor), and Shoji Kobayashi (Outside Auditor)

Shoji Kobayashi will resign as Outside Auditor on June 30, 2021 and Yuka Matsuda will take office as Outside Auditor on July 1, 2021.

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

Tadatoshi Kondo (President and Representative Director), Kazuhiro Ito (Director and Senior Executive Managing Officer), Takashi Asai (Director and Managing Officer), Toshihisa Takayama, Hiroyuki Tanaka, Koichi Seshita, and Shoya Suzuki

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.

The Company works to strengthen and ensure internal control systems in accordance with basic policies regarding internal control systems approved by the Board of Directors and enhances internal control by examining operational statuses of such basic policies and reviewing their details as necessary.

In addition, 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 and an advisory body to the officer in charge of compliance stipulated under compliance rules.
- The officer in charge of compliance shall supervise divisions in charge of compliance to promote compliance and ensure

propagation, consciousness-raising, and education of the importance of complying with laws, regulations, internal rules, and social norms for the Group's directors, auditors, and all employees.

- 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 advise the officer in charge of compliance about the necessity of stopping any act in violation of laws, the articles of incorporation, etc. when such an act occurs, prompt the officer to stop such acts, and work out measures to prevent recurrence.
- Divisions responsible for audit shall conduct audits in accordance with internal 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 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. It shall have the Administrative Supervisory Division, which is responsible for risk management, collect and organize this information for the goal of promoting crisis management throughout the entire company and report it to the Board of Directors.
- For Group companies, supervisory divisions that are operational units shall administer group companies appropriately according to their operational characteristics and the Administrative Supervisory Division, which is the administrative division, shall provide overall supervision.
- The Administrative Supervisory Division shall create manuals on risk management, internal rules, etc. and disseminate information about them as necessary, and review them and maintain them appropriately and as necessary. If damage is or is expected to be incurred, the head of each administrative division that has recognized the risk shall immediately report the situation to the Administrative Supervisory Division and 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 regard risk management and its compliance structure particularly as an issue common across Group members and create a structure for internal coordination in accordance with the relevant rules by appropriately conducting mutual notification, discussions, information sharing, instructions, communication, etc. for the goal of enhancing internal control structures at Group companies.
- The Administrative Supervisory Division shall grasp situations of Group companies' operations by having them report regularly through supervisory divisions.
- 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 they 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 the 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 solely 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 18, 2018 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, 2021, the Company’s Board of Directors resolved at a meeting on June 2 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, 2021. This plan was approved by shareholders at the 95th General Meeting of Shareholders on June 29, 2021. 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.

One of the key changes from the Old Plan made to the Plan is the introduction of an information provision request period during which the Company can request additional information from large-scale purchasers as large-scale purchase information. The aim is to prevent delay in procedures resulting from arbitrary operation by the Company’s Board of Directors.

Another is a stipulation requiring that the Corporate Value Committee be comprised only of outside directors and outside auditors (or their substitutes) who are independent from the management team which performs duties for the Company.

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

(i) Details of business, management philosophy, etc. of the Company

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.

(ii) Efforts to improve corporate value

The Company has the 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. Specifically, under our medium- to long-term management strategy, which is described in the Medium- and Long-Term Management Strategy disclosed in March 2021, we are working toward the goal of achieving the group's ideal of "Pioneering the Future" by actively contributing to society, improving corporate value, and achieving growth. For this, we set three growth strategies of "Creation of new business," "Further expansion of existing business," and "Strengthening of our financial foundation."

Under the "Creation of new business" strategy, we will develop new revenue sources that differ from those of existing businesses through business style transformation, expansion of customer base, and pursuit of differentiation. As for new business, we will focus efforts on developing new markets outside the automotive industry in the radio frequency business, in addition to local 5G. Local 5G has the potential to offer opportunity for us to find new customers. We regard it as a promising market which we can develop by taking advantage of the strengths based on our existing technologies. As for the target of market development effort in the radio frequency business, we will focus efforts on the development of markets outside the existing automotive industry, including the food industry.

In existing business areas, we aim to expand business in peripheral areas of the businesses that remain important and regarded as the pillars, including mainly mobile communication-related, fixed wireless communication-related, broadcasting-related, and radio frequency businesses, seeking to expand our stable revenue base by introducing products that feature new technologies.

We will also work to strengthen our business foundation to support the growth strategies in these businesses. The information communication-related industries and the applied high-frequency devices industries including mainly the automotive industry, where the Company belongs, have entered a phase of major change driven by technological innovation. By further stepping up research and development efforts focused on the era to come, we will expand business and contribute to the further development of social infrastructure. In addition, we will carry out capital measures and financial strategies to put our capital to maximum use and channel our business resources into appropriate areas.

Strengthening the business foundation requires a corporate governance perspective. Our fundamental approach to corporate governance is to increase social credibility and corporate value of the Company by ensuring transparent and sound management. We will continue to take measures to achieve sustainable growth, including effectiveness evaluation of the Board of Directors and reduction in cross-held shares, in an era of rapid change.

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 and outside auditors (including their substitutes) 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.denkikogyo.co.jp/ir/ir/pdf/2021/20210602_release4.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, 2024 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: 12, female: 1 (percentage of female officers: 7.7%)

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
President & Representative Director	Tadatoshi Kondo	August 28, 1971	Apr. 1995 Joins the Company Apr. 2016 Head of North America Promotion Division of Overseas Business Promotion Supervisory Division of the Company July 2018 Managing Officer, Full-time Deputy Head of Overseas Business Supervisory Division of the Company July 2019 Managing Officer, Head of Equipment Supervisory Division of the Company June 2020 Director, Managing Officer, Head of Wireless R&D Center, and Head of Equipment Supervisory Division of the Company April 2021 President and Representative Director of the Company (current)	See Note 2.	3
Director and Senior Executive Managing Officer	Kazuhiro Ito	March 14, 1962	Apr. 1985 Joins the Company Apr. 2009 Radio Frequency Sales Manager of Sales Supervisory Division II of the Company July 2015 Managing Officer and Sales Manager of Radio Frequency Supervisory Division of the Company June 2016 Director, Managing Officer, and Head of Radio Frequency Supervisory Division of the Company June 2018 Director, Managing Director, and Head of Radio Frequency Supervisory Division of the Company Apr. 2019 Director, Senior Executive Managing Officer, and Head of Radio Frequency Supervisory Division of the Company June 2019 Director and Senior Executive Managing Officer of the Company June 2020 Director and Managing Executive Officer of the Company April 2021 Director and Senior Executive Managing Officer of the Company (current)	See Note 2.	6
Director and Managing Officer	Tsuyoshi Shimoda	April 12, 1964	Apr. 1988 Joins the Company Apr. 2010 Technical Manager of Equipment Supervisory Division of the Company July 2011 Deputy Supervisory Head of Equipment Supervisory Division of the Company July 2012 Managing Officer and Deputy Supervisory Head of Equipment Supervisory Division of the Company June 2013 Director, Managing Officer, and Head of Equipment Supervisory Division of the Company Apr. 2017 Director, Managing Officer, Head of Equipment Supervisory Division, and	See Note 2.	4

			 Dec. 2017 Apr. 2019 July 2019 April 2021	Head of Overseas Business Supervisory Division of the Company Director, Managing Officer, and Head of Overseas Business Supervisory Division of the Company Director, Managing Officer, Head of Overseas Business Supervisory Division, and Deputy Supervisory Head of Administrative Supervisory Division of the Company Director, Managing Officer, and Deputy Supervisory Head of Administrative Supervisory Division of the Company Director and Managing Officer of the Company (current)		
Director and Managing Officer Head of Administrative Supervisory Division	Takashi Asai	May 1, 1972	Apr. 1995 Apr. 2016 Apr. 2017 Apr. 2019 Apr. 2020 May 2020 April 2021 June 2021	Joins the Company Head of Hokkaido Branch of Branch Supervisory Division of the Company Central Sales Manager of Branch Supervisory Division and Overseas Sales Manager of Overseas Business Supervisory Division of the Company Managing Officer and Head of Branch Supervisory Division of the Company Managing Officer and Head of New Business Promotion Office of the Company Managing Officer and Head of Facility Engineering Supervisory Division of the Company Managing Officer, Head of Administrative Supervisory Division, Head of Secretarial Section, and Head of Safety and Quality Management Division of the Company Director, Managing Officer, and Head of Administrative Supervisory Division of the Company (current)	See Note 2.	1

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
Director and Managing Officer Head of Wireless R&D Center	Toshiro Kawahara	March 9, 1967	April 1991 Joins NIPPON TELEGRAPH AND TELEPHONE CORPORATION July 1992 R&D Division of NTT Mobile Communications Network, Inc. (presently NTT DOCOMO, Inc.) July 2008 General Manager of Wireless Access Development Division of NTT DoCoMo, Inc. (currently NTT DOCOMO, Inc.) July 2019 Joins the Company; Full-time Head of Technology Development Supervisory Division August 2019 Chief Researcher of Wireless R&D Center and Full-time Head of Technology Development Supervisory Division of the Company June 2020 Deputy Head of Wireless R&D Center of the Company April 2021 Head of Wireless R&D Center of the Company June 2021 Director, Managing Officer, and Head of Wireless R&D Center of the Company (current)	See Note 2.	1
Directors	Hidehiro Tsukano	March 21, 1958	April 1981 Joins FUJITSU LIMITED June 2009 Head of Corporate Strategy Office of FUJITSU LIMITED May 2011 Corporate Executive Officer and Head of Corporate Strategy Office of FUJITSU LIMITED Apr. 2014 Managing Executive Officer and CFO of FUJITSU LIMITED June 2015 Director, Managing Executive Officer, and CFO of FUJITSU LIMITED Apr. 2016 Director, Senior Managing Executive Officer, and CFO of FUJITSU LIMITED Apr. 2017 Director, Corporate Executive Officer, Vice President, and CFO of FUJITSU LIMITED June 2017 Representative Director, Vice President, and CFO of FUJITSU LIMITED June 2019 Corporate Executive Officer and Vice Chairman of FUJITSU LIMITED May 2020 Advisor to NTT Advanced Technology Corporation (current) June 2021 Director of the Company (current)	See Note 2.	—
Directors	Jean-Francois Minier	November 20, 1970	September 1992 Equity derivatives trader of Indosuez W.I. Carr Securities Ltd. March 1995 Vice President and equity derivatives trader of Morgan Stanley February 1997 Associate Director and Head of OTC Equity Derivatives Trading of NatWest Markets Mar. 1998 CEO Asia-Pacific and Tokyo Branch Manager of Dresdner Kleinwort March 2009 In charge of Japanese company development of AVISA Partners Representative Director and	See Note 2.	—

			Chairman of Intime		
			April 2013 Managing Director and Head of Asia of Moore Group Limited Advisor to Chairman for International Relations (pro bono) of Kyoto Prefectural Union of Agricultural Cooperatives		
			Nov. 2013 Advisor to CEO Japan and Korea of Buhler Group		
			November 2016 Non-Executive Director and Head of Corporate Development, North East Asia, of First Names Group United Company Corporate Projects Director, Asia of UC RUSAL		
			January 2019 Special Advisor to CEO of Les Rois Mages		
			Apr. 2020 Managing Director of Kroll (current)		
			June 2021 Director of the Company (current)		

Official title	Name	Date of birth	Work history		Term	Number of shares held (thousands of shares)
Directors	Ryoko Takeda	July 5, 1970	Apr. 1998 December 2014 February 2016 Oct. 2016 June 2021	Registered as lawyer; joins Nishimura & Partners (presently Nishimura & Asahi) Special Counsel of City-Yuwa Partners (current) Certified as Certified Fraud Examiner (CFE) Bar examiner and examiner for the preliminary bar examination (responsible for administrative acts) Director of the Company (current)	See Note 2.	—
Directors	Atsushi Takahashi	October 13, 1976	October 2000 June 2004 July 2014 August 2020 June 2021	Joins Tohmatsu & Co. (presently Deloitte Touche Tohmatsu LLC) Registered as certified public accountant Partner of Deloitte Touche Tohmatsu LLC Representative member of Partners SG Audit Corporation (current) Director of the Company (current)	See Note 2.	—
Corporate standing auditors	Toshio Akahane	May 12, 1957	Mar. 1976 Aug. 2007 Mar. 2011 June 2013 Aug. 2013 Apr. 2015 Apr. 2017 Apr. 2019 June 2020	Joins Maritime Self-Defense Force Chief of Planning Section, Systems Planning Department, Maritime Self-Defense Force Director of Auditors Office, Maritime Staff Office Joins the Company Head of Ebino Techno Center, Facility Supervisory Division of the Company Head of Ebino Techno Center, Facility Engineering Supervisory Division of the Company Head of Myanmar Office for Overseas Business Supervisory Division of the Company Head of Business Administration Department of the Company Corporate Standing Auditor of the Company (current)	See Note 4.	3
Corporate standing auditors	Nobuo Funabashi	July 11, 1958	November 1983 Aug. 2007 Apr. 2009 July 2013 Apr. 2016 June 2018	Joins the Company Government Sector Sales Manager of Sales Supervisory Division II of the Company Head of Tokyo Branch of Branch Supervisory Division of the Company Managing Officer, Head of Branch Supervisory Division, and Head of Tokyo Branch of the Company Head of Overseas Business Promotion Supervisory Division, Deputy Supervisory Head of Branch Supervisory Division, and Project Promotion Manager of Overseas Business Promotion Supervisory Division of the Company Councilor of Human Resources Department of Administrative Supervisory Division (seconded to Zephyr Corporation) of the Company	See Note 5.	4

			Apr. 2020 Councilor of Human Resources Department of Administrative Supervisory Division (seconded to Denko Techno Heat Co., Ltd.) of the Company June 2021 Corporate Standing Auditor of the Company (current)		
Auditors	Hiroshi Matsubayashi	June 28, 1960	Apr. 1983 Joins The Nippon Fire & Marine Insurance Co., Ltd. June 2007 Manager of Shiga Branch, NIPPONKOA Insurance Co., Ltd. Apr. 2014 Executive Officer and General Manager of Corporate Sales Department No. 4 of NIPPONKOA Insurance Co., Ltd. Sept. 2014 Managing Executive Officer and General Manager of Corporate Sales Department No. 4 of Sompo Japan Nipponkoa Insurance Service Co., Ltd. Apr. 2016 Managing Executive Officer and General Manager of Kansai Division No. 2 of Sompo Japan Nipponkoa Insurance Service Co., Ltd. Apr. 2017 Managing Executive Officer, General Manager of Kanagawa Division, and General Manager of Shizuoka Division of Sompo Japan Nipponkoa Insurance Service Co., Ltd. June 2019 Managing Director of Sompo Japan Nipponkoa Welfare Foundation (presently Sompo Welfare Foundation) (current) June 2021 Corporate Auditor of the Company (current)	See Note 5.	—

Official title	Name	Date of birth	Work history		Term	Number of shares held (thousands of shares)
Auditors	Shoji Kobayashi	September 6, 1955	Apr. 1988 July 1992 June 2003 Jan. 2016	Registered as lawyer (Tokyo Bar Association); Motoji Kobayashi law firm Iwase law firm Corporate Auditor of the Company (current) Kobayashi law firm (current)	See Note 6.	—
Total						25

Notes: 1 Directors Hidehiro Tsukano, Jean-Francois Minier, Ryoko Takeda, and Atsushi Takahashi 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 2021 to the conclusion of the General Meeting of Shareholders relating to the fiscal year ending March 2023.

3 Auditors Hiroshi Matsubayashi and Shoji Kobayashi are outside auditors.

4 The term of Corporate Standing Auditor Toshio Akahane 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 Standing Auditors Nobuo Funabashi and Corporate Auditor Hiroshi Matsubayashi is from the conclusion of the General Meeting of Shareholders relating to the fiscal year ended March 2021 to the conclusion of the General Meeting of Shareholders relating to the fiscal year ending March 2025.

6 Corporate Auditor Shoji Kobayashi resigned as Outside Auditor on June 30, 2021 and Corporate Auditor Yuka Matsuda took office on July 1, 2021 for a term of office until the conclusion of the General Meeting of Shareholders relating to the fiscal year ended March 2025. The following table shows her career summary.

Name	Date of birth	Career summary and roles at other entities		Term	Number of shares held (thousands of shares)
Yuka Matsuda	September 19, 1960	Apr. 1985 October 1991 October 1992 Apr. 1995 April 1999 July 2002 July 2014 July 2021	Joins Citibank, N.A., Tokyo Branch Joins Chuo Shinko Audit Corporation Joins Chuo Coopers Lybrand International Tax Office (presently PwC Tax Japan) Registered as certified public accountant Registered as certified public tax accountant Partner of PwC Tax Japan (current) Director of PwC Tax Japan To take office as Corporate Auditor of the Company	See Note 6.	—

7 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)
Sadamu Yoshida	July 4, 1960	Apr. 1982 July 2003 November 2003 April 2011	Joins The Fuji Bank, Limited (presently Mizuho Bank, Ltd.) General Manager of Corporate Finance Department No. 4 of Capital Markets Group of Mizuho Securities Co., Ltd. General Manager of Investment Banking Department No. 5 of Investment Banking Group of Mizuho Securities Co., Ltd. Executive Officer and General Manager of Investment Banking Department No. 2 of Investment Banking Group of Mizuho Securities	Notes:	—

			Co., Ltd.		
		Apr. 2014	Managing Executive Officer in charge of Investment Banking Group of Mizuho Securities Co., Ltd.		
		Apr. 2016	Managing Executive Officer and Deputy Head of Retail & Business Banking Division (in charge of investment banking) of Mizuho Securities Co., Ltd.		
		Apr. 2017	Managing Executive Officer, Officer in Charge of Sales of Global Investment Banking Division, and Officer in Charge of Sales of Retail & Business Banking Division (stationed in Kansai) of Mizuho Securities Co., Ltd.		
		Apr. 2019	Senior Managing Executive Officer and Co-Head of Retail & Business Banking Division of Mizuho Securities Co., Ltd.		
		April 2021	Managing Director of Mizuho Securities Co., Ltd. (current)		

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 four outside directors and two outside auditors. Five out of the six outside directors and outside auditors (excluding Hidehiro Tsukano) 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.

We appointed Hidehiro Tsukano as outside director, judging that he is the right person to help enhance our management strategies, investor relations activities, and corporate governance. He possesses ample knowledge and experience, as well as broad expertise required for a business executive, which he acquired through his experience as CFO and other positions at a comprehensive IT service and equipment company.

We appointed Jean-Francois Minier to outside director as we judged that he is suited for the role of helping maintain and improve transparency and soundness of the management and reinforce corporate governance. He possesses ample knowledge and experience, as well as broad expertise that he acquired at international financial institutions.

Ryoko Takeda is a lawyer versed in corporate law and has sufficient knowledge for governing corporate management. We decided she is suited for our purpose of strengthening corporate governance and thus appointed her outside director.

We appointed Atsushi Takahashi as outside director, judging that he is the right person to help improve corporate governance as he has audited many companies as a certified public accountant and thus possesses specialized knowledge and experience, as well as broad expertise.

We appointed Hiroshi Matsubayashi to outside auditor as we judged that he is suited for the role of helping 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 non-life 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.

We appointed Yuka Matsuda, set to take office on July 1, 2021, to outside auditor because we judged her to be suitable for the role of helping to reinforce the audit structure as she is a certified public accountant and certified tax accountant versed in corporate financial affairs and accounting 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, excluding Hidehiro Tsukano, 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. Hidehiro Tsukano is a former representative director of FUJITSU LIMITED, which has business deals with the Company. However, the Company's deals with FUJITSU LIMITED represent only a fraction of the Company's consolidated net sales. 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

As for the Company's internal audit structure, the Audit Office (comprised of three members) leads internal audits to examine the execution of duties, as well as audits of Group companies. 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. Yuka Matsuda, who will take office as corporate auditor on July 1, 2021, is qualified as certified public accountant and certified public tax accountant. She has an appropriate level of knowledge of financial affairs and corporate 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 14 Board of Auditors meetings. Auditor Tsuchiya attended 14 of 14 meetings, Auditor Tamiya 13 of 14 meetings, Auditor Onishi 2 of 3 meetings, Auditor Kobayashi 14 of 14 meetings, and Auditor Akahane 11 of 11 meetings.

Topics discussed by the Board of Auditors included audit policies and plans; situation of preparation, construction, and operation of internal control systems; and validity of audit methods employed by the accounting auditors and their audit results.

Activities of corporate auditors conducted partly using methods such as phone and the internet included attendance at important meetings such as 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; and review of accounting auditors' reports on implementation situations and results of audits. They also discussed key audit matters, received reports on the situation of audit of such matters, and requested explanation as necessary. Corporate auditors also reviewed reports from the internal audit division on the situation of execution and results of audits.

Some inappropriate matters were found in the operation of the internal control system through audits by the internal audit division, internal control audits, and the whistleblowing system. However, we confirmed that such matters were dealt with in a timely and appropriate manner, measures to correct the situations and prevent recurrence have been taken, and intra-Group training is conducted.

(ii) Status of internal audits

As for the Company's internal audit structure, the Audit Office (comprised of three members) leads internal audits to examine the execution of duties, as well as audits of Group companies. 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.

Auditors, Audit Office, and certified public accountants exchange information and views between them, regularly reporting or explaining to one another about plans, progress, and results of audits each conduct.

(iii) Status of accounting audits

a. Name of audit corporation

Deloitte Touche Tohmatsu LLC

b. Period audits were conducted

Ten 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 4 certified public accountants and 19 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	53	–	46	7
Consolidated subsidiaries	–	–	–	–
Total	53	–	46	7

Note: Non-audit services at the Company are advisory service regarding the introduction of new revenue recognition criteria.

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 the following policy on directors' compensation and follows this policy in deciding the composition and amounts of directors' compensation.

A. Method used to establish policy for deciding compensation for each director and other details

The Company's Board of Directors approved a policy for deciding compensation for each director and other details at a meeting held on February 25, 2021.

B. Outline of policy

a. Basic policy

The basic policy calls for the use of a scheme linked with shareholder interests for deciding compensation, etc. of the Company's directors; the scheme shall function sufficiently as an incentive to ensure sustainable improvement in corporate value. The policy also calls for compensation for each director to be set at reasonable levels that commensurate with each director’s duties. Specifically, it calls for compensation, etc. for directors, including managing officers, to be comprised of basic compensation (fixed compensation), bonuses (performance-linked compensation, etc.), and share-based compensation (non-cash compensation, etc.). Only basic compensation shall be paid to outside directors, who perform supervisory functions, in view of the nature of their duties.

b. Policy for deciding amount of basic compensation for each individual (including policy for deciding timing or conditions of payment)

The policy calls for basic compensation for the Company’s directors to take the form of monthly fixed payments of cash. Compensation levels are decided in a comprehensive manner, reflecting the rank, duties, and years of service of the individual, with levels at other companies, the Company’s earnings, and employee salary levels taken into consideration.

c. Policy for deciding details of performance indicators regarding bonuses (performance-linked compensation, etc.) and method for calculating the amounts (including policy for deciding timing or conditions of payment)

Bonuses are paid in cash and reflect key performance indicator levels to raise directors’ consciousness about improving performance each fiscal year. With this as the basic policy, we select net income attributable to shareholders of parent as the calculation indicator from among the indicators of profit in each fiscal year and pay bonuses annually during a specified period in amounts calculated according to degrees of achievement against target levels. While the Board of Directors may sometimes decide not to pay bonuses, the target of performance-linked compensation for the current fiscal year was set at 1.1 billion yen in net income attributable to shareholders of parent. The outcome was 1.155 billion yen, and the Board of Directors resolved to pay bonuses totaling 19 million yen to directors or auditors for the 95th term.

d. Policy for deciding details of share-based compensation (non-cash compensation, etc.) and method for calculating the number of shares (including policy for deciding timing or conditions of payment)

Under the Company’s share-based compensation 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. The points are calculated according to each director’s rank in accordance with the share-granting rules. As a general rule, shares are granted to directors when they resign as director.

e. Policy for deciding ratios of the amounts of basic compensation, performance-linked compensation, non-cash compensation, etc. to the amount of each director’s compensation

The basic policy for the ratios of different types of compensation for directors, including representative directors, is to maintain a scheme in which the weight of performance-linked compensation, etc. increases as the rank of the individual goes up, taking into account levels at other companies. The Compensation Committee discusses and decides specific ratios for each type of compensation.

f. Matters regarding decisions on details of compensation for each director

The three-member Compensation Committee, comprised of two outside directors and a representative director appointed through the Board of Directors’ resolution, has the authority to decide the amount of compensation for each director. Specifically, the committee is authorized to decide the amount of basic compensation for each director and the evaluation-based allocation of bonus, which is the performance-linked compensation reflecting the director’s performance in their assigned role. Amounts of share-based compensation (non-cash compensation, etc.) are decided in accordance with the share-granting rules adopted by the Board of Directors.

C. Reason why Board of Directors judged that details of individual directors’ compensation, etc. relating to the current fiscal year are in line with the policy

The Board of Directors judged that the amounts of compensation for respective directors relating to the current fiscal year that the Compensation Committee decided are in line with the policy as the Board confirmed that the method of deciding the amounts of compensation and the details of the compensation thus decided are in line with the policy and the role of the Compensation Committee is functioning to a satisfying degree.

D. Resolution of General Meeting of Shareholders regarding compensation for directors and auditors

Directors’ compensation is limited up to 500 million yen annually under a resolution approved at the 80th General Meeting of Shareholders held on June 29, 2006. There were 11 directors (including an outside director) as of the end of the said meeting.

Auditors’ compensation is limited up to 80 million yen annually under a resolution agreed on at the 80th General

Meeting of Shareholders held on June 29, 2006. There were four auditors (including two outside auditors) as of the end of the said meeting.

The share-based compensation scheme for the Company's directors (excluding outside directors) was introduced under a resolution approved at the 91st General Meeting of Shareholders held on June 29, 2017. There were seven directors (excluding outside directors) who qualified for the scheme as of the end of the said meeting. A resolution to grant severance payment of retirement bonuses was adopted at the 90th General Meeting of Shareholders held on June 29, 2016 for auditors and at the 91st General Meeting of Shareholders held on June 29, 2017 for directors.

(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	
Directors (excluding outside directors)	186	152	19	15	7
Auditors (excluding outside auditors)	22	22	—	—	3
Outside directors and auditors	71	71	—	—	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

(Policy on holding stocks)

- 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

(Method to verify rationale for holding stocks)

We examine the rationality of holding stocks upon studying returns, risk factors, etc. from the perspective of improving corporate value over a medium to long term, taking into consideration importance in management strategies and strengthening of relationship with business partners. In examining the rationality, we consider comprehensive factors including expected synergy in consideration of content of business deals and degree of contribution to medium- to long-term management strategies and improvement of corporate value.

(Detail of examination by the Board of Directors, etc. on advisability of holding individual stock issues)

We report to the Board of Directors multiple times every year on quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding using outcomes of regular discussions by accounting divisions, upon which the Board deliberates the benefits of holding. If such examination reveals that an issue no longer has considerable significance of possession, we try to improve the situation for a certain period or proceed to reduce the holding.

b. Number of issues and amounts on balance sheet

	Number of issues (Issue)	Total amount on balance sheet (millions of yen)
Unlisted stocks	20	101
Stocks other than unlisted stocks	20	5,142

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

	Number of issues (Issue)	Total amount 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 (Issue)	Total amount of sales value pertaining to decreases in number of shares (millions of yen)
Unlisted stocks	5	40
Stocks other than unlisted stocks	2	324

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 Number of shares Amount on balance sheet (millions of yen)	Previous fiscal year Number of shares Amount on balance sheet (millions of yen)	Purpose and quantitative effect of holding shares, reason of increases in shares	Ownership of the Company's shares
FUJI CORPORATION	312,000 884	312,000 514	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
Sompo Holdings, Inc.	181,874 771	251,874 842	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	No*
KYOWA EXEO CORPORATION	127,900 373	127,900 307	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 purpose, each year, we report to the Board of Directors at two or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
Sumitomo Mitsui Financial Group, Inc.	85,646 343	85,646 224	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	No*

			purpose, each year, we report to the Board of Directors at two or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	
Nippon Television Holdings, Inc.	231,900	231,900	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. 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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	No*
	337	279		

Issue	Current fiscal year Number of shares Amount on balance sheet (millions of yen)	Previous fiscal year Number of shares Amount on balance sheet (millions of yen)	Purpose and quantitative effect of holding shares, reason of increases in shares	Ownership of the Company's shares
Neturen Co., Ltd.	501,800 305	501,800 353	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	No
Mitsubishi UFJ Financial Group, Inc.	484,970 286	484,970 195	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	No*
Asahi Broadcasting Group Holdings Corporation	393,700 286	393,700 272	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. 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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
NIPPON DENSETSU KOGYO CO., LTD.	136,900 265	136,900 288	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	Yes

			holding the shares in light of the above purpose, each year, we report to the Board of Directors at two or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	

Issue	Current fiscal year Number of shares Amount on balance sheet (millions of yen)	Previous fiscal year Number of shares Amount on balance sheet (millions of yen)	Purpose and quantitative effect of holding shares, reason of increases in shares	Ownership of the Company's shares
Sumitomo Mitsui Trust Holdings, Inc.	65,651 253	65,651 205	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	No*
NIPPON CONCRETE INDUSTRIES CO., LTD.	529,700 218	529,700 141	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
Hibiya Engineering, Ltd.	95,000 184	95,000 184	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 Directors at two or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
NEC Corporation	25,000 163	25,000 98	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	No

			purpose, each year, we report to the Board of Directors at two or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	
TOKYO TEKKO CO., LTD.	70,000	70,000	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
	132	82		

Issue	Current fiscal year Number of shares Amount on balance sheet (millions of yen)	Previous fiscal year Number of shares Amount on balance sheet (millions of yen)	Purpose and quantitative effect of holding shares, reason of increases in shares	Ownership of the Company's shares
NAKAYO, INC.	61,000 93	61,000 88	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
The Aichi Bank, Ltd.	27,900 84	27,900 88	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
IKEGAMI TSUSHINKI CO., LTD.	70,300 62	70,300 58	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. 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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
Origin Co., Ltd.	32,000 46	32,000 45	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. 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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation	Yes

			and purpose of holding them, etc., upon which the Board deliberates the benefits.	
Riken Corporation	16,500	16,500	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
	41	45		

Issue	Current fiscal year Number of shares Amount on balance sheet (millions of yen)	Previous fiscal year Number of shares Amount on balance sheet (millions of yen)	Purpose and quantitative effect of holding shares, reason of increases in shares	Ownership of the Company's shares
UNIVANCE CORPORATION	21,400 9	21,400 3	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 or more of its meetings about quantitative aspects, including the dividend yield, in addition to the situation and purpose of holding them, etc., upon which the Board deliberates the benefits.	No
Dai-ichi Life Holdings, Inc.	– –	20,800 26	All shares were sold after we examined the benefits of holding.	No

*Note: Sompo Holdings, Inc., Sumitomo Mitsui Financial Group, Inc., Nippon Television Holdings, Inc., Mitsubishi UFJ Financial Group, Inc., and Sumitomo Mitsui Trust 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 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, 2020)	Current consolidated fiscal year (March 31, 2021)
Assets		
Current assets		
Cash and deposits	18,644	18,995
Notes receivable, accounts receivable from completed construction contracts, and others	19,527	20,836
Costs on uncompleted construction contracts	425	339
Other inventories	*1 5,125	*1 4,511
Others	620	742
Allowance for doubtful accounts	(2)	(3)
Total current assets	44,341	45,421
Non-current assets		
Property, plant, and equipment		
Buildings and structures	10,927	11,046
Machinery, equipment, and vehicles	9,480	9,502
Tools, furniture, and fixtures	6,688	7,187
Land	2,246	2,241
Lease assets	293	293
Construction in progress	351	44
Accumulated depreciation	(22,511)	(23,181)
Total property, plant, and equipment	7,477	7,134
Intangible assets	231	575
Investments and other assets		
Investment securities	*2 6,683	*2 7,025
Long-term loans receivable	2	3
Net defined benefit assets	289	580
Deferred tax assets	1,100	615
Others	1,146	1,155
Allowance for doubtful accounts	(64)	(47)
Total investments and other assets	9,158	9,332
Total non-current assets	16,866	17,042
Total assets	61,208	62,463

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts, and others	7,219	6,950
Short-term loans payable	*4 404	*4 280
Long-term loans payable to be repaid within a year	—	6
Lease obligations	62	62
Income taxes payable	269	613
Advances received on uncompleted construction contracts	561	51
Allowance for warranties on completed construction contracts	40	37
Allowance for product warranties	216	77
Allowance for employees' bonuses	467	612
Allowance for directors' bonuses	10	36
Allowances for losses on construction contracts	44	34
Others	1,249	1,432
Total current liabilities	10,547	10,196
Fixed liabilities		
Long-term loans payable	349	433
Lease obligations	118	95
Allowances for retirement bonuses for directors and corporate auditors	78	—
Allowances for share-based remuneration for directors and corporate auditors	83	102
Net defined benefit liability	3,270	2,905
Asset retirement obligations	49	49
Others	401	689
Total fixed liabilities	4,351	4,275
Total liabilities	14,898	14,472
Net assets		
Shareholders' equity		
Capital	8,774	8,774
Capital surplus	9,731	9,731
Retained earnings	31,218	31,830
Treasury stock	(5,093)	(5,088)
Total shareholders' equity	44,631	45,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	386	1,270
Deferred gains or losses on hedges	(27)	11
Foreign currency translation adjustment	175	40
Remeasurements of defined benefit plans	24	401
Total accumulated other comprehensive income	559	1,724
Non-controlling interests	1,119	1,018
Total net assets	46,309	47,991
Total liabilities and net assets	61,208	62,463

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net sales		
Sales of completed construction contracts	17,951	19,775
Net sales of goods	26,957	21,597
Sales in other business	*1 107	*1 105
Total net sales	45,016	41,478
Cost of sales		
Cost of sales of completed construction contracts	*2 14,772	16,391
Cost of finished goods sold	*2, *4 21,551	*2, *4 17,309
Cost of sales in other business	*1 55	*1 49
Total cost of sales	36,380	33,750
Gross profit		
Gross profit on completed construction contracts	3,179	3,383
Gross profit on finished goods	5,405	4,288
Gross profit on other business	*1 51	*1 55
Total gross profit	8,636	7,727
Selling, general, and administrative expenses	*3, *4 6,034	*3, *4 6,143
Operating income	2,601	1,583
Non-operating income		
Interest income	8	4
Interest on securities	9	7
Dividend income	203	164
Dividend income of life insurance	26	33
Others	76	114
Total non-operating income	323	325
Non-operating expenses		
Interest expenses	25	28
Commitment fee	50	59
Others	75	21
Total non-operating expenses	151	109
Ordinary income	2,774	1,799
Extraordinary income		
Gain on sales of investment securities	80	165
Total extraordinary income	80	165

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Extraordinary losses		
Loss on valuation of investment securities	172	318
Losses on business liquidation	*5 149	—
Total extraordinary losses	322	318
Net income before income taxes	2,532	1,647
Income taxes-current	393	630
Income taxes-deferred	324	(91)
Total income taxes	718	539
Net income	1,813	1,108
Profit/(loss) attributable to non-controlling interests	24	(47)
Net income attributable to shareholders of parent company	1,789	1,155

[Consolidated statement of comprehensive income]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net income	1,813	1,108
Other comprehensive income		
Valuation difference on available-for-sale securities	(573)	883
Deferred gains or losses on hedges	(6)	39
Foreign currency translation adjustment	171	(188)
Remeasurements of defined benefit plans, net of tax	(4)	377
Total other comprehensive income	*1 (412)	+1 1,111
Comprehensive income	1,401	2,219
(Breakdown)		
Comprehensive income attributable to shareholders of parent	1,315	2,320
Comprehensive income attributable to non-controlling interests	85	(100)

(iii) [Consolidated statement of changes in equity]

Previous 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

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(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	31,218	(5,093)	44,631
Cumulative effect of change in accounting policy					—
Balance at beginning of current year after change in accounting policy is applied	8,774	9,731	31,218	(5,093)	44,631
Changes of items during term					
Dividends of surplus			(543)		(543)
Net income attributable to shareholders of parent company			1,155		1,155
Purchase of treasury stock				(2)	(2)
Disposal of treasury stock		0		7	7
Change in scope of consolidation					—
Net changes of items other than shareholders' equity					
Total changes of items during term	—	0	611	4	616
Balance at end of current term	8,774	9,731	31,830	(5,088)	45,248

	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	386	(27)	175	24	559	1,119	46,309
Cumulative effect of change in accounting policy							—
Balance at beginning of current year after change in accounting policy is applied	386	(27)	175	24	559	1,119	46,309
Changes of items during term							
Dividends of surplus							(543)
Net income attributable to shareholders of parent company							1,155
Purchase of treasury stock							(2)
Disposal of treasury stock							7
Change in scope of consolidation							—
Net changes of items other than shareholders' equity	883	39	(135)	377	1,165	(100)	1,064
Total changes of items during term	883	39	(135)	377	1,165	(100)	1,681
Balance at end of current term	1,270	11	40	401	1,724	1,018	47,991

(iv) [Consolidated statement of cash flows]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Cash flows from business activities		
Net income before income taxes	2,532	1,647
Depreciation	1,310	1,322
Increase (decrease) in allowance for employees' bonuses	(138)	145
Increase (decrease) in allowances for directors' bonuses	(0)	26
Increase (decrease) in net defined benefit liability	62	52
Increase (decrease) in allowances for retirement bonuses for directors and corporate auditors	11	(78)
Increase (decrease) in allowances for share-based remuneration to officers for directors and corporate auditors	(11)	19
Increase (decrease) in allowances for doubtful accounts	(59)	(15)
Increase (decrease) in allowances for loss on construction contracts	40	(10)
Increase (decrease) in allowances for product warranties	(3)	(134)
Interest and dividend income	(220)	(177)
Interest expenses	25	28
Foreign exchange losses (gains)	21	(7)
Loss (gain) on sales of investment securities	(80)	(165)
Loss (gain) on valuation of investment securities	172	318
Losses on business liquidation	149	—
Decrease (increase) in notes and accounts receivable-trade	(1,046)	(1,378)
Decrease (increase) in costs on uncompleted construction contracts	(48)	83
Decrease (increase) in inventories	672	578
Decrease (increase) in other assets	384	(263)
Increase (decrease) in notes and accounts payable-trade	(797)	(228)
Increase (decrease) in advances received on uncompleted construction contracts	429	(342)
Increase (decrease) in accrued consumption taxes	(156)	(36)
Increase (decrease) in other liabilities	(972)	219
Others	(12)	32
Subtotal	2,264	1,635
Interest and dividend income received	220	180
Interest expenses paid	(25)	(28)
Income taxes paid	(915)	(339)
Cash flows from business activities	1,543	1,447

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net cash flows from investing activities		
Payments into time deposits	(29,802)	(33,211)
Proceeds from withdrawal of time deposits	30,467	32,211
Expenses for purchase of property, plant, and equipment and intangible assets	(1,831)	(1,187)
Proceeds from sale of property, plant, and equipment and intangible assets	18	25
Purchase of investment securities	(261)	(166)
Proceeds from sales of investment securities	345	507
Proceeds from redemption of investment securities	—	422
Payments of loans receivable	(201)	(3)
Collection of loans receivable	1	1
Others	2	(1)
Net cash flows from investing activities	(1,261)	(1,402)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	98	(114)
Proceeds from long-term loans payable	108	93
Repayments of lease obligations	(65)	(71)
Proceeds from sales of treasury stock	37	7
Purchase of treasury stock	(652)	(2)
Cash dividends paid	(555)	(545)
Dividends paid to non-controlling interests	(41)	—
Cash flows from financing activities	(1,069)	(633)
Effect of exchange rate change on cash and cash equivalents	7	(43)
Net increase (decrease) in cash and cash equivalents	(780)	(630)
Cash and cash equivalents at beginning of term	11,494	10,931
Increase in cash and cash equivalents related to new consolidation	217	—
Cash and cash equivalents at end of term	*1 10,931	*1 10,300

[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].

(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

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 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 prepare for provision of the Company's shares to the Company's and some of its consolidated subsidiaries' 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 is estimated based on cost-to-cost method for the Company and domestic consolidated subsidiaries and on physical percentage of completion of construction work under contracts for overseas consolidated 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 consolidated 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.

(Significant accounting estimates)

Revenue recognition using percentage-of-completion method

(1) Amount booked on consolidated financial statements of current consolidated fiscal year

Net sales: 3,517 million yen

(2) Information regarding details of significant accounting estimates pertaining to recognized items

In applying the percentage-of-completion method, we booked net sales based on the rate of progress calculated using the ratio of the total cost of construction incurred that corresponds to the completed volume of work at the end of the current consolidated fiscal year to the estimated total cost of construction.

We revise the assumptions used in estimating the total cost of construction whenever necessary. When there is any change, we book its impact on the total cost of construction in the consolidated fiscal year when the amount of impact can be estimated with reliability. It is possible that initial estimates may be changed in the future due to potential changes in assumptions for estimates of total cost of construction (changes in designs, natural disasters, etc.), which may have a significant impact on net sales to be recognized on the consolidated financial statements pertaining to the next consolidated fiscal year.

(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

To be applied from the beginning of the 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

To be applied from the beginning of the 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.

(Change in method of presentation)

(Application of Accounting Standard for Disclosure of Accounting Estimates)

We began applying the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020) to the consolidated financial statements pertaining to the end of the current consolidated fiscal year and added notes on significant accounting estimates to the consolidated financial statements.

Note, however, these notes do not include content pertaining to the previous consolidated fiscal year in accordance with the transitional handling specified in paragraph 11 of the standard.

(Consolidated balance sheet)

The item “Tools, furniture, and fixtures” was shown as “Others” under “Property, plant, and equipment” in the previous consolidated fiscal year. Starting with the current consolidated fiscal year, the item appears as “tools, furniture, and fixtures” for a more clear presentation. We rearranged the financial statements of the previous consolidated fiscal year to reflect this change in presentation.

As a result, the 6,688 million yen shown in “Others” under “Property, plant, and equipment” on the consolidated balance sheet in the previous consolidated fiscal year has been reclassified as 6,688 million yen in “Tools, furniture, and fixtures.”

(Consolidated statement of income)

“Dividends income of life insurance,” which was included in “Others” under “Non-operating income” in the previous consolidated fiscal year, is shown as a separate line item starting in the current consolidated fiscal year as its amount exceeded 10% of the total amount of non-operating income. We rearranged the financial statements of the previous consolidated fiscal year to reflect this change in presentation.

As a result, the 26 million yen shown in “Others” under “Non-operating income” on the consolidated statement of income in the previous consolidated fiscal year is reclassified as 26 million yen in “Dividends income of life insurance.”

“Foreign exchange losses” appeared as a line item under “Non-operating expenses” in the previous consolidated 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 62 million yen in “Foreign exchange losses” under “Non-operating expenses” in the consolidated statement of income in the previous consolidated fiscal year is now reclassified as “Others.”

(Additional information)

(Allowances for retirement bonuses for directors and corporate auditors)

Previously, some of the consolidated subsidiaries booked necessary amount under internal rules to provide for the payment of retirement bonuses for directors. However, abolition of the retirement bonus system for directors was decided as a proposal on severance payment associated with such abolition was approved at extraordinary general meetings of shareholders of the respective companies held on February 15, 2021. Because of this, “Allowances for retirement bonuses for directors and corporate auditors” were reduced and 56 million yen in the due amount of severance payments is included in “Others” under “Fixed liabilities.”

(Share-based compensation scheme for directors)

The Company and some of its consolidated subsidiaries have a share-based compensation scheme (the “Scheme” hereafter) for their 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.

(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 and those of some of its consolidated subsidiaries. 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 60,019 shares worth 167 million yen in book value at the end of the previous consolidated fiscal year and 57,551 shares worth 160 million yen in book value at the end of the current consolidated fiscal year.

(Impacts of COVID-19 pandemic on accounting estimates)

Spread of COVID-19 has caused a significant impact on order-taking activities in the industries in which the Group operates, including especially the automotive industry whose slump has affected the radio frequency business. Although it is difficult to predict when the pandemic may run its course with certainty, the Company, based on the information collected from internal and external information sources, assumes that the trend will remain for a certain period and is working to make accounting estimates, including collectability of impairment losses on non-current assets and deferred tax assets. We note that if COVID-19 pandemic further spreads or remains for longer, it may affect the Group's earnings and financial position.

(Notes on consolidated balance sheet)

*1: Breakdown of other inventories

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Products	1,515 million yen	1,104 million yen
Work in process	1,855 million yen	1,804 million yen
Raw materials and supplies	1,755 million yen	1,601 million yen
Total	5,125 million yen	4,511 million yen

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

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Investment securities (stocks)	53 million yen	53 million yen

*3: Debt guarantees

The Company guarantees bank loans taken out by employees, etc., as listed below.

	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Bank loans payable by employees, etc.	0 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, 2020)	Current consolidated fiscal year (March 31, 2021)
Total amount of specified commitment line contracts	7,000 million yen	14,000 million yen
Amount executed by the end of the current consolidated fiscal year	- million yen	- million yen
Difference	7,000 million yen	14,000 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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
44 million yen	34 million yen

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

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Employees' salaries and allowances	2,717 million yen	2,538 million yen
Provision for bonuses	168 million yen	206 million yen
Provision for directors' bonuses	10 million yen	36 million yen
Retirement benefit expenses	133 million yen	149 million yen
Provision for directors' retirement benefits	11 million yen	0 million yen
Allowances for share-based compensation for directors	25 million yen	26 million yen
Research and development expenses	810 million yen	1,266 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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
1,521 million yen	2,064 million yen

*5: Losses on business liquidation

Previous 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.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

There are no matters to be noted.

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Valuation difference on available-for-sale securities:		
Amount booked	(803 million) yen	1,439 million yen
Reclassification adjustments	(22)	(165)
Before tax effect	(826)	1,273
Amount of tax effect	253	(390)
Valuation difference on available-for-sale securities	(573)	883
Deferred gains or losses on hedges:		
Amount booked	4	62
Reclassification adjustments	(12)	(5)
Before tax effect	(8)	57
Amount of tax effect	1	(17)
Deferred gains or losses on hedges	(6)	39
Foreign currency translation adjustment:		
Amount booked	171	(188)
Reclassification adjustments	—	—
Before tax effect	171	(188)
Amount of tax effect	—	—
Foreign currency translation adjustment	171	(188)
Remeasurements of defined benefit plans, net of tax:		
Amount booked	21	463
Reclassification adjustments	(28)	80
Before tax effect	(6)	543
Amount of tax effect	1	(166)
Remeasurements of defined benefit plans, net of tax	(4)	377
Total other comprehensive income	(412)	1,111

(Notes on consolidated statement of changes in equity)

Previous 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	45.00	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	45.00	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.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

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)	2,067,876	908	2,588	2,066,196

Notes: 1 The Company sold 372,000 shares of treasury stock (before reverse stock split) to Sumitomo Mitsui Trust Bank, Ltd. (Custody Bank of Japan, 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 57,551 shares of the Company (after reverse stock split) held in the Trust Account at the end of the current consolidated fiscal year. Japan Trustee Services Bank, Ltd. changed the trade name to Custody Bank of Japan, Ltd. on July 27, 2020 because of a merger.

2 Breakdown of the increase is as follows.

Increase due to purchase of shares less than one unit: 908 shares

3 Breakdown of the decrease is as follows.

Issuance of treasury stocks to retiring directors under share-based compensation scheme: 2,468 shares

Decrease due to sale of shares less than one unit: 120 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 26, 2020 General Meeting of Shareholders	Common stock	543	45.00	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 Custody Bank of Japan, Ltd., which was set up at the time the share-based compensation scheme for directors was introduced.
Japan Trustee Services Bank, Ltd. changed the trade name to Custody Bank of Japan, Ltd. on July 27, 2020 because of a merger.

(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 29, 2021 General Meeting of Shareholders	Common stock	Retained earnings	543	45.00	March 31, 2021	June 30, 2020

Note: The total amount of payouts includes 2 million yen in dividends for the Company's shares held in the trust account at Custody Bank of Japan, Ltd., which was set up at the time the share-based compensation scheme for directors was introduced.
Japan Trustee Services Bank, Ltd. changed the trade name to Custody Bank of Japan, Ltd. on July 27, 2020 because of a merger.

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Cash and deposit account	18,644 million yen	18,995 million yen
Time deposits with a deposit period exceeding three months	(7,712 million) yen	(8,694 million) yen
Cash and cash equivalents	10,931 million yen	10,300 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 customers 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.

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. six 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, 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 parentheses.

Note: 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 Within 5 years	Over 5 years Within 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 Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 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

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

The amounts on the consolidated balance sheet, their fair values, and differences between them as of March 31, 2021 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	18,995	18,995	—
(2) Notes receivable, accounts receivable from completed construction contracts, and others	20,836		
Allowance for doubtful accounts (*1)	(3)		
	20,832	20,832	—
(3) Investment securities			
Bonds held to maturity	1,566	1,561	(5)
Other securities	5,303	5,303	—
Total assets	46,698	46,693	(5)
(1) Notes payable, accounts payable for construction contracts, and others	6,950	6,950	—
(2) Short-term loans payable	280	280	—
(3) Long-term loans payable to be repaid within a year	6	6	(0)
(4) Income taxes payable	613	613	—
(5) Long-term loans payable	433	433	(0)
(6) Lease obligations (*2)	157	155	(1)
Total liabilities	8,442	8,439	(2)
Derivatives (*3)	6	6	—

*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 parentheses.

Note: 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, (4) 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.

(3) Long-term loans payable to be repaid within a year, (5) Long-term loans payable, (6) 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	101
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 Within 5 years	Over 5 years Within 10 years	Over 10 years
Cash and deposits	18,995	—	—	—
Notes receivable, accounts receivable from completed construction contracts, and others	20,836	—	—	—
Investment securities				
Bonds planned to be held until maturity (corporate bonds)	—	700	850	—
Total	39,831	700	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 Within 2 years	Over 2 years Within 3 years	Over 3 years Within 4 years	Over 4 years Within 5 years	Over 5 years
Long-term loans payable	6	175	71	77	71	38
Lease obligations	62	46	27	16	4	0
Total	68	221	98	94	76	39

(Notes on securities)

1 Bonds held to maturity

Previous 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)

Current consolidated fiscal year (March 31, 2021)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet	Fair value	Difference
Bonds whose fair values exceed amounts on the consolidated balance sheet	450	450	0
Bonds whose fair values do not exceed amounts on the consolidated balance sheet	1,116	1,111	(5)
Total	1,566	1,561	(5)

2 Other securities

Previous consolidated fiscal year (March 31, 2020)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet at end of the current consolidated 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

Current consolidated fiscal year (March 31, 2021)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet at end of the current consolidated fiscal year	Acquisition costs	Difference
Those whose values on consolidated balance sheet exceed acquisition costs			
Stocks	3,558	1,609	1,948
Subtotal	3,558	1,609	1,948
Those whose values on consolidated balance sheet do not exceed acquisition costs			
Stocks	1,594	1,730	(136)
Others	150	155	(4)
Subtotal	1,744	1,885	(140)
Total	5,303	3,495	1,807

3 Other securities sold

Previous 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	—

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

Class	Sales price (millions of yen)	Total gains on sale (millions of yen)	Total losses on sale (millions of yen)
Stocks	364	165	—
Total	364	165	—

4 Securities that were written down

Previous 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.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

Loss on valuation of investment securities of 318 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. If the value has dropped at least 30% but less than 50%, we consider recoverability of each issue and write down the amount judged to require writing down.

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Balance of retirement benefit liabilities at beginning of fiscal year	5,420 million yen	5,274 million yen
Service costs	225	225
Interest costs	16	15
Actuarial differences booked	(39)	16
Retirement benefits paid	(348)	(477)
Balance of retirement benefit liabilities at end of fiscal year	5,274	5,054

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Balance of pension assets at beginning of fiscal year	3,378 million yen	3,224 million yen
Expected return on pension assets	10	9
Actuarial differences booked	(17)	480
Contribution from business owner	93	94
Retirement benefits paid	(241)	(288)
Balance of pension assets at end of fiscal year	3,224	3,520

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Balance of liabilities for retirement benefits at beginning of fiscal year	889 million yen	930 million yen
Retirement benefit expenses	125	(19)
Retirement benefits paid	(65)	(101)
Amount of contribution to plans	(19)	(18)
Balance of liabilities for retirement benefits at end of fiscal year	930	790

(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, 2020)	Current consolidated fiscal year (March 31, 2021)
Funded retirement benefit obligations	4,221 million yen	4,252 million yen
Pension assets	(4,429)	(4,833)
	(207)	(580)
Unfunded retirement benefit obligations	3,188	2,905
Net amount of liabilities and assets on consolidated balance sheet	2,980	2,324
Net defined benefit liability	3,270	2,905
Net defined benefit assets	(289)	(580)
Net amount of liabilities and assets on consolidated balance sheet	2,980	2,324

(5) Amounts of retirement benefit expenses and their components

	Previous consolidated fiscal year (from April 1, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Service costs	225 million yen	225 million yen
Interest costs	16	15
Expected return on pension assets	(10)	(9)
Amortization of actuarial differences	(28)	80
Retirement benefit expenses calculated using the simplified method	125	(19)
Retirement benefit expenses related to defined benefit plans	329	291

(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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Actuarial differences	6	(543)
Total	6	(543)

(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, 2020)	Current consolidated fiscal year (March 31, 2021)
Unrecognized actuarial differences	(34)	(578)
Total	(34)	(578)

(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, 2020)	Current consolidated fiscal year (March 31, 2021)
Bonds	42%	39%
Stocks	23	27
Insurance assets (general account)	32	29
Others	3	5
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, 2020)	Current consolidated fiscal year (March 31, 2021)
Discount rate	0.3%	0.3%
Expected long-term rate of return	0.3%	0.3%
Expected rate of pay hike	2.6%	2.3%

3 Defined contribution plans

The amount of required contribution to defined contribution plans from the Company and domestic consolidated subsidiaries is 44 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, 2020)	Current consolidated fiscal year (March 31, 2021)
(Deferred tax assets)		
Allowance for employees' bonuses	148 million yen	193 million yen
Net defined benefit liability	911 million yen	775 million yen
Allowances for retirement bonuses for directors and corporate auditors	26 million yen	- million yen
Allowances for share-based remuneration for directors and corporate auditors	25 million yen	40 million yen
Loss on valuation of investment securities	46 million yen	140 million yen
Losses on valuation of golf club membership	63 million yen	42 million yen
Impairment losses	58 million yen	57 million yen
Valuation difference on available-for-sale securities	176 million yen	43 million yen
Losses carried forward	227 million yen	185 million yen
Others	503 million yen	549 million yen
Deferred tax assets subtotal	2,187 million yen	2,027 million yen
Valuation allowance	(589 million) yen	(624 million) yen
Total deferred tax assets	1,597 million yen	1,403 million yen
(Deferred tax liabilities)		
Reserve for advanced depreciation of non-current assets	(2 million) yen	(1 million) yen

Reserve for special depreciation	(21 million) yen	- million yen
Valuation difference on available-for-sale securities	(340 million) yen	(596 million) yen
Others	(133 million) yen	(189 million) yen
Total deferred tax liabilities	(497 million) yen	(788 million) yen
Net amount of deferred tax assets	1,100 million yen	615 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, 2020)	Current consolidated fiscal year March 31, 2021
Statutory effective tax rate	30.6%	30.6%
(Adjustments)		
Items excluded from deductible expenses, including entertainment expenses	1.3%	1.1%
Allowance for directors' bonuses	0.2%	0.7%
Items excluded from gross profits, including dividend income	(0.5)%	(0.6)%
Inhabitant taxes on per capita basis	1.6%	2.4%
Change in valuation allowance	(3.4)%	2.1%
Difference in tax rates from domestic consolidated subsidiaries	1.0%	1.5%
Difference in tax rates from overseas consolidated subsidiaries	(1.0)%	0.4%
Tax credit	(1.2)%	(5.7)%
Others	(0.2)%	0.3%
Actual effective tax rate for income taxes after application of tax effect accounting	28.4%	32.7%

(Change in method of presentation)

"Difference in tax rates from domestic consolidated subsidiaries," which was included in "Others" in the previous consolidated fiscal year, is shown as a separate line item from the current consolidated fiscal year as its importance has increased. We rearranged the notes of the previous consolidated fiscal year to reflect this change in presentation.

As a result, the 0.8% shown in "Others" in the notes in the previous consolidated fiscal year is now reclassified as 1.0% in "Difference in tax rates from domestic consolidated" and (0.2)% in "Others."

(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, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment			Others See Note 1.	Total	Adjustments See Note 2.	Amount indicated on consolidated financial statements (See Note 3.)
	Telecommunication 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.

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment			Others See Note 1.	Total	Adjustments See Note 2.	Amount indicated on consolidated financial statements (See Note 3.)
	Telecommunication Business	Radio Frequency Business	Total				
Net sales							
Sales to external customers	33,942	7,430	41,372	105	41,478	—	41,478
Intersegment sales or transfers	20	—	20	225	245	(245)	—
Total	33,962	7,430	41,392	330	41,723	(245)	41,478
Segment income	3,876	870	4,747	158	4,905	(3,321)	1,583
Segment assets	31,068	11,432	42,501	776	43,277	19,186	62,463
Other items							
Depreciation	898	327	1,225	71	1,297	25	1,322
Increase in property, plant, and equipment and intangible assets	961	152	1,114	—	1,114	276	1,390

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, 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

Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)

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
38,147	2,265	528	210	326	41,478

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.	4,221	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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net assets per share	3,760.57 yen	3,908.32 yen
Net income per share	148.08 yen	96.14 yen

Note: 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, 2019 to March 31, 2020)	Current consolidated fiscal year (from April 1, 2020 to March 31, 2021)
Net income attributable to shareholders of parent (millions of yen)	1,789	1,155
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to shareholders of parent pertaining to common stock (millions of yen)	1,789	1,155
Average number of common shares during the period	12,081,924	12,018,103

3 We included the Company’s shares held in the trust account of Custody Bank of Japan, 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 (64,491shares in the previous consolidated fiscal year and 58,374 shares in the current consolidated fiscal year).

Japan Trustee Services Bank, Ltd. changed the trade name to Custody Bank of Japan, Ltd. on July 27, 2020 because of a merger.

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

Item	Previous consolidated fiscal year (March 31, 2020)	Current consolidated fiscal year (March 31, 2021)
Total net assets (millions of yen)	46,309	47,991
Amount deducted from total net assets (millions of yen)	1,119	1,018
(Including non-controlling interests of:)	(1,119)	(1,018)
Net assets related to common stock at end of fiscal year (millions of yen)	45,190	46,972
Number of common shares at end of fiscal year used in calculating net assets per share	12,016,969	12,018,649

5 We included the Company’s shares held in the trust account of Custody Bank of Japan, Ltd. as trust assets for the share-based compensation scheme for directors in the treasury stock deducted in the calculation of the number of shares at the end of the fiscal year in calculating net income per share (60,019 shares in the previous consolidated fiscal year and 57,551 shares in the current consolidated fiscal year).

Japan Trustee Services Bank, Ltd. changed the trade name to Custody Bank of Japan, Ltd. on July 27, 2020 because of a merger.

(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	404	280	0.7	—
Long-term loans payable to be repaid within a year	—	6	4.2	—
Lease obligations to be repaid within a year	62	62	—	—
Long-term loans payable (excluding those to be repaid within a year)	349	433	2.9	2022–2027
Lease obligations (excluding those to be repaid within a year)	118	95	—	2022–2026
Total	935	878	—	—

Note: 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	175	71	77	71
Lease obligations	46	27	16	4
Total	221	98	94	76

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)	6,664	15,646	26,686	41,478
Quarterly net income (loss) before taxes	(millions of yen)	(435)	(643)	402	1,647
Quarterly net income (loss) attributable to shareholders of parent	(millions of yen)	(364)	(469)	323	1,155
Quarterly net income (loss) per share	(yen)	(30.31)	(39.09)	26.95	96.14

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income (loss) per share	(yen)	(30.31)	(8.78)	66.03	69.19

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

(1) [Financial statements]

(i) [Balance sheet]

(Millions of yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Assets		
Current assets		
Cash and deposits	10,880	10,523
Notes receivable-trade	167	231
Electronically recorded monetary claims-operating	943	961
Accounts receivable from completed construction contracts	8,621	10,760
Accounts receivable-trade	*1 6,103	*1 5,838
Products	1,483	1,058
Costs on uncompleted construction contracts	307	316
Work in process	1,107	1,215
Raw materials and supplies	796	888
Short-term loans receivable from subsidiaries and affiliates	266	283
Prepaid expenses	137	128
Others	208	341
Allowance for doubtful accounts	—	(1)
Total current assets	31,022	32,546
Non-current assets		
Property, plant, and equipment		
Buildings	8,096	8,298
Accumulated depreciation	(6,401)	(6,538)
Buildings, net	1,694	1,760
Structures	1,063	1,062
Accumulated depreciation	(931)	(949)
Structures, net	131	113
Machinery and equipment	1,517	1,508
Accumulated depreciation	(1,150)	(1,164)
Machinery and equipment, net	366	343
Vehicles	72	67
Accumulated depreciation	(71)	(66)
Vehicles, net	1	1
Tools, furniture, and fixtures	5,857	6,351
Accumulated depreciation	(5,096)	(5,475)
Tools, furniture, and fixtures (net amount)	761	875
Land	1,772	1,772
Lease assets	149	150
Accumulated depreciation	(85)	(96)
Lease assets, net	64	54
Construction in progress	279	23
Total property, plant, and equipment	5,071	4,945
Intangible assets		
Software	185	524
Others	19	19
Total intangible assets	205	544

(Millions of yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
Investments and other assets		
Investment securities	6,435	6,749
Stocks of subsidiaries and affiliates	877	877
Long-term loans to employees	1	1
Long-term prepaid expenses	67	77
Prepaid pension cost	229	185
Deferred tax assets	779	459
Others	980	993
Allowance for doubtful accounts	(54)	(37)
Total investments and other assets	9,315	9,306
Total non-current assets	14,592	14,796
Total assets	45,614	47,342
Liabilities		
Current liabilities		
Notes payable-trade	1,139	1,041
Electronically recorded obligations-operating	1,358	1,048
Accounts payable for construction contracts	*1 2,130	*1 2,567
Accounts payable-trade	*1 1,229	*1 1,549
Lease obligations	19	19
Accounts payable-other	443	665
Income taxes payable	118	485
Accrued consumption taxes	144	117
Advances received on uncompleted construction contracts	523	44
Advances received	2	17
Deposits received	42	61
Allowance for warranties on completed construction contracts	39	31
Allowance for product warranties	120	39
Allowance for employees' bonuses	319	426
Allowance for directors' bonuses	—	19
Allowances for losses on construction contracts	23	4
Notes payable-facilities	44	4
Electronically recorded obligations-non-operating	24	21
Others	17	4
Total current liabilities	7,743	8,170
Fixed liabilities		
Long-term loans payable	130	130
Lease obligations	51	40
Provision for retirement benefits	2,314	2,298
Allowances for share-based remuneration for directors and corporate auditors	83	102
Asset retirement obligations	49	49
Others	360	500
Total fixed liabilities	2,989	3,120
Total liabilities	10,732	11,291

(Millions of yen)

	Previous fiscal year (March 31, 2020)	Current fiscal year (March 31, 2021)
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	48	－
Reserve for dividends	30	30
Reserve for directors' retirement allowance	108	108
Reserve for advanced depreciation of non-current assets	4	4
General reserve	12,271	12,671
Retained earnings brought forward	7,428	7,326
Total retained earnings	21,118	21,367
Treasury stock	(5,093)	(5,088)
Total shareholders' equity	34,531	34,785
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	372	1,254
Deferred gains or losses on hedges	(21)	11
Total valuation and translation adjustments	350	1,266
Total net assets	34,882	36,051
Total liabilities and net assets	45,614	47,342

(ii) [Statement of income]

(Millions of yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Net sales		
Sales of completed construction contracts	16,152	17,653
Net sales of goods	19,450	16,324
Sales in other business	*1 326	*1 330
Total net sales	35,930	34,308
Cost of sales		
Cost of sales of completed construction contracts	*2, *3 13,665	*3 14,753
Cost of finished goods sold	*2, *3, *4 15,831	*2, *3, *4 13,480
Cost of sales in other business	*1 177	*1 172
Total cost of sales	29,674	28,405
Gross profit		
Gross profit on completed construction contracts	2,487	2,900
Gross profit on finished goods	3,618	2,844
Gross profit on other business	*1 149	*1 158
Total gross profit	6,255	5,903
Selling, general, and administrative expenses		
Directors' compensation	223	243
Employees' salaries and allowances	1,684	1,548
Provision for bonuses	131	161
Provision for directors' bonuses	—	19
Retirement benefit expenses	83	123
Allowances for share-based compensation for directors	25	15
Legal welfare expenses	262	254
Welfare expenses	30	30
Repair and maintenance	2	2
Stationery expenses	49	49
Correspondence and transportation expenses	371	168
Power utilities expenses	11	11
Advertising expenses	67	163
Provision of allowances for doubtful accounts	15	1
Entertainment expenses	95	46
Contribution	0	0
Rents	259	256
Depreciation	46	46
Taxes and dues	189	195
Insurance expenses	53	53
Miscellaneous expenses	375	208
Research and development expenses	624	1,180
Total selling, general, and administrative expenses	*4 4,606	*4 4,780
Operating income	1,648	1,122

(Millions of yen)

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Non-operating income		
Interest income	9	6
Interest on securities	8	7
Dividend income	*3 384	161
Dividend income of life insurance	25	32
Others	73	73
Total non-operating income	501	281
Non-operating expenses		
Interest expenses	9	9
Foreign exchange losses	56	24
Commitment fee	50	59
Others	8	4
Total non-operating expenses	125	98
Ordinary income	2,025	1,305
Extraordinary income		
Gain on sales of investment securities	80	165
Total extraordinary income	80	165
Extraordinary losses		
Loss on valuation of investment securities	172	318
Losses on business liquidation	*5 149	—
Total extraordinary losses	322	318
Income before income taxes	1,783	1,153
Income taxes-current	157	444
Income taxes-deferred	347	(84)
Total income taxes	505	360
Net income	1,278	792

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

Category	Note number	Previous fiscal year (from April 1, 2019 to March 31, 2020) Amount (millions of yen)	Constituent ratio (%)	Current fiscal year (from April 1, 2020 to March 31, 2021) Amount (millions of yen)	Constituent ratio (%)
I. Materials cost		4,966	36.4	6,003	40.7
II. Labor cost		247	1.8	286	1.9
(including cost of outsourced labor of:)		(247)	(1.8)	(286)	(1.9)
III. Outsourcing costs		5,730	41.9	5,803	39.4
IV. Expenses		2,720	19.9	2,658	18.0
(including personnel expenses of:)		(1,613)	(11.8)	(1,639)	(11.1)
Total		13,665	100	14,753	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, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity											
		Capital surplus			Retained earnings							
						Other retained earnings						
	Capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal 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	Total retained earnings
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

Current fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity											
		Capital surplus			Retained earnings							
						Other retained earnings						
	Capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal 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	Total retained earnings
Balance at beginning of current term	8,774	9,677	53	9,731	1,227	48	30	108	4	12,271	7,428	21,118
Changes of items during term												
Dividends of surplus				—							(543)	(543)
Net income				—							792	792
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	(101)	249
Balance at end of current term	8,774	9,677	53	9,731	1,227	—	30	108	4	12,671	7,326	21,367

	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	(5,093)	34,531	372	(21)	350	34,882
Changes of items during term						
Dividends of surplus		(543)			—	(543)
Net income		792			—	792
Reversal of reserve for special depreciation		—			—	—
Provisions of general reserve		—			—	—
Reversal of reserve for advanced depreciation of non-current assets		—			—	—
Purchase of treasury stock	(2)	(2)			—	(2)
Disposal of treasury stock	7	7			—	7
Net changes of items other than shareholders' equity		—	882	32	915	915
Total changes of items during term	4	254	882	32	915	1,169
Balance at end of current term	(5,088)	34,785	1,254	11	1,266	36,051

[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 matters that form basis for preparation of non-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.

(Significant accounting estimates)

Revenue recognition using percentage-of-completion method

(1) Amount booked on non-consolidated financial statements of current fiscal year

Net sales: 3,504 million yen

(2) Information regarding details of significant accounting estimates pertaining to recognized items

The calculation method, etc. of the amount in (1) are the same as the details of "Notes (Significant accounting estimates) Revenue recognition using percentage-of-completion method."

(Change in method of presentation)

(Application of Accounting Standard for Disclosure of Accounting Estimates)

We began applying the Accounting Standard for Disclosure of Accounting Estimates (ASBJ Statement No. 31 issued on March 31, 2020) to the financial statements pertaining to the end of the current fiscal year and added notes on significant accounting estimates to the financial statements.

Note, however, these notes do not include content pertaining to the previous fiscal year in accordance with the transitional handling specified in paragraph 11 of the standard.

(Statement of income)

"Dividends income of life insurance," which was included in "Others" under "Non-operating income" in the previous fiscal year, is shown as a separate line item starting in the current fiscal year as its amount exceeded 10% of the total amount of non-operating income. We rearranged the non-consolidated financial statements of the previous fiscal year to reflect this change in presentation.

As a result, the 25 million yen shown in "Others" under "Non-operating income" on the non-consolidated statement of income in the previous fiscal year is reclassified as 25 million yen in "Dividends income of life insurance."

(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 60,019 shares worth 167 million yen in book value in the previous fiscal year and 57,551 shares worth 160 million yen in book value at the end of the current fiscal year.

(Impacts of COVID-19 pandemic on accounting estimates)

Spread of COVID-19 has caused a significant impact on order-taking activities in the industries in which the Company operates, including especially the automotive industry whose slump has affected the radio frequency business. Although it is difficult to predict when the pandemic may run its course with certainty, the Company, based on the information collected from internal and external information sources, assumes that the trend will remain for a certain period and is working to make accounting estimates, including collectability of impairment losses on non-current assets and deferred tax assets. We note that if COVID-19 pandemic further spreads or remains for longer, it may affect the Company's earnings and financial position.

(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, 2020)	Current fiscal year (March 31, 2021)
Accounts receivable-trade	350 million yen	187 million yen
Accounts payable for construction contracts	417 million yen	588 million yen
Accounts payable-trade	434 million yen	369 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, 2020)	Current fiscal year (March 31, 2021)
DKK MANUFACTURING (THAILAND) CO., LTD. Bank loans payable	83 million yen	- million yen
Debt guarantees by KOREA DENKIKOGYO. Co., Ltd.	59 million yen	6 million yen
Bank loans payable by employees, etc.	0 million yen	0 million yen
Total	143 million yen	7 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, 2020)	Current fiscal year (March 31, 2021)
Total amount of specified commitment line contracts	7,000 million yen	14,000 million yen
Amount executed by end of the current fiscal year	- million yen	- million yen
Difference	7,000 million yen	14,000 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, 2019 to March 31, 2020)	Current fiscal year from April 1, 2020 to March 31, 2021
23 million yen	4 million yen

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

	Previous fiscal year (from April 1, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
Purchase amount	6,057 million yen	5,909 million yen
Dividend income	183 million yen	- 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, 2019 to March 31, 2020)	Current fiscal year (from April 1, 2020 to March 31, 2021)
1,487 million yen	2,019 million yen

*5: Losses on business liquidation

Previous 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.

Current fiscal year (from April 1, 2020 to March 31, 2021)

There are no matters to be noted.

(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, 2020	March 31, 2021
Shares of subsidiaries	877	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, 2020)	Current fiscal year (March 31, 2021)
(Deferred tax assets)		
Allowance for doubtful accounts	6 million yen	2 million yen
Allowance for employees' bonuses	97 million yen	130 million yen
Provision for retirement benefits	638 million yen	647 million yen
Allowances for share-based remuneration for directors and corporate auditors	25 million yen	28 million yen
Loss on valuation of investment securities	46 million yen	140 million yen
Losses on valuation of golf club membership	59 million yen	38 million yen
Impairment losses	55 million yen	54 million yen
Valuation difference on available-for-sale securities	175 million yen	42 million yen
Others	366 million yen	371 million yen
Deferred tax assets subtotal	1,472 million yen	1,457 million yen
Valuation allowance	(327 million) yen	(389 million) yen
Total deferred tax assets	1,144 million yen	1,067 million yen
(Deferred tax liabilities)		
Reserve for advanced depreciation of non-current assets	(2 million) yen	(1 million) yen
Reserve for special depreciation	(21 million) yen	- million yen
Valuation difference on available-for-sale securities	(340 million) yen	(596 million) yen
Others	(1 million) yen	(9 million) yen
Total deferred tax liabilities	(365 million) yen	(607 million) yen
Net amount of deferred tax assets	779 million yen	459 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, 2020)	Current fiscal year (March 31, 2021)
Statutory effective tax rate	30.6%	Notes are omitted because the difference between the statutory effective tax rate and actual effective tax rate for income taxes after application of tax effect accounting is no greater than 5% of the statutory effective tax rate.
(Adjustments)		
Items excluded from deductible expenses, including entertainment expenses	1.6%	
Items excluded from gross profits, including dividend income	(3.8)%	
Inhabitant taxes on per capita basis	2.1%	
Change in valuation allowance	(0.9)%	
Tax credit	(1.5)%	
Others	0.1%	
Actual effective tax rate for income taxes after application of tax effect accounting	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 Issued shares	Amount on balance sheet (millions of yen)
Investment securities	Other securities	FUJI CORPORATION	312,000	884
		Sompo Holdings, Inc.	181,874	771
		KYOWA EXEO CORPORATION	127,900	373
		Sumitomo Mitsui Financial Group, Inc.	85,646	343
		Nippon Television Holdings, Inc.	231,900	337
		Neturen Co., Ltd.	501,800	305
		Mitsubishi UFJ Financial Group, Inc.	484,970	286
		Asahi Broadcasting Group Holdings Corporation	393,700	286
		NIPPON DENSETSU KOGYO CO., LTD.	136,900	265
		Sumitomo Mitsui Trust Holdings, Inc.	65,651	253
		NIPPON CONCRETE INDUSTRIES CO., LTD.	529,700	218
		Hibiya Engineering, Ltd.	95,000	184
		NEC Corporation	25,000	163
		TOKYO TEKKO CO., LTD.	70,000	132
		NAKAYO, INC.	61,000	93
		Others (25 issues)	244,579	344
Total			3,547,620	5,244

[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
		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	409
		SoftBank Group Corp. 48th series unsecured corporate bonds	300 million yen	307
Total			1,450 million yen	1,466

[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	38
Total			46	38

[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	8,096	202	—	8,298	6,538	136	1,760
Structures	1,063	1	1	1,062	949	18	113
Machinery and equipment	1,517	49	57	1,508	1,164	72	343
Vehicles	72	1	6	67	66	1	1
Tools, furniture, and fixtures	5,857	611	117	6,351	5,475	497	875
Land	1,772	—	—	1,772	—	—	1,772
Lease assets	149	9	8	150	96	19	54
Construction in progress	279	609	865	23	—	—	23
Total property, plant, and equipment	18,808	1,484	1,056	19,236	14,290	744	4,945
Intangible assets							
Software	344	414	—	758	233	74	524
Lease assets	12	—	—	12	12	—	—
Telephone subscription rights	16	—	—	16	—	—	16
Right of using facilities	7	—	—	7	4	0	3
Total intangible assets	380	414	—	794	250	74	544
Long-term prepaid expenses	137	67	8	197	120	58	77

Note: 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 Software 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 software at the beginning of current term.

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	54	0	3	11	39
Allowance for warranties on completed construction contracts	39	86	82	12	31
Allowance for product warranties	120	138	176	42	39
Allowance for employees’ bonuses	319	426	319	－	426
Allowance for directors’ bonuses	－	19	－	－	19
Allowances for losses on construction contracts	23	15	21	12	4
Allowances for share-based remuneration for directors and corporate auditors	83	26	6	－	102

Note: 1 The amount of allowance for doubtful accounts in the “Decrease during current term (Others)” column is due to a difference between the estimated and actual amounts.

2 The amount of allowances for warranty on completed construction contracts in the “Decrease during current term (Others)” column is due to the difference between the estimated and actual amounts.

3 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.

4 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.

(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

Note: 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: (94th term)	From April 1, 2019 To March 31, 2020	June 29, 2020 Submitted to Director-General of the Kanto Finance Bureau
(2)	Amendment report for annual securities report and confirmation letter	Fiscal year: (94th term)	From April 1, 2019 To March 31, 2020	June 23, 2021 Submitted to Director-General of the Kanto Finance Bureau
(3)	Internal Control Report	Fiscal year: (94th term)	From April 1, 2019 To March 31, 2020	June 29, 2020 Submitted to Director-General of the Kanto Finance Bureau
(4)	Quarterly Report and its Confirmation Letter	First quarter of 95th term	from April 1, 2020 to June 30, 2020	August 14, 2020 Submitted to Director-General of the Kanto Finance Bureau
		Second quarter of 95th term	from July 1, 2020 to September 30, 2020	November 13, 2020 Submitted to Director-General of the Kanto Finance Bureau
		Third quarter of 95th term	from October 1, 2020 to December 31, 2020	February 12, 2021 Submitted to Director-General of the Kanto Finance Bureau

(5) 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, 2020

Extraordinary report pursuant to provisions of Article 19, Paragraph 2, Item (ix) (changes in representative director) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, Etc.

Submitted to Director-General of the Kanto Finance Bureau on February 12, 2021

(6) Amendment report for extraordinary report

Amendment report pertaining to the extraordinary report (results of exercise of voting rights at a general shareholders' meeting) submitted on July 1, 2020

Submitted to Director-General of the Kanto Finance Bureau on September 29, 2020

(7) Share buyback report

Submitted to Director-General of the Kanto Finance Bureau on June 14, 2021

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

There are no matters to be noted.