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[Fiscal year]	96th term (from April 1, 2021 to March 31, 2022)
[Company name]	DKK Co., Ltd.
[Company name in English]	DKK Co., Ltd.
[Position and name of representative]	Tadatoshi Kondo, President and Representative Director
[Location of Headquarters]	3-3-1 Marunouchi, Chiyoda-Ku, Tokyo
[Phone number]	+81-3-3216-1671 (main line)
[Contact person]	Toshihisa Takayama, Managing Officer and Head of Finance Department
[Location of nearest contact]	3-3-1 Marunouchi, Chiyoda-Ku, Tokyo
[Phone number]	+81-3-3216-1671 (main line)
[Contact person]	Toshihisa Takayama, Managing Officer and Head of Finance Department
[Places where the document will be	Osaka Branch of DKK Co., Ltd.
made available for viewing]	(2-30 Toyotsu-cho, Suita-shi, Osaka)
	Nagoya Branch of DKK Co., Ltd.
	(1-4-13 Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi)
	Tokyo Stock Exchange, Inc.
	(2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part 1. [Company Information]

I. [Company Overview]

1. [Key Performance Indicators]

(1) Consolidated performance indicators, etc.

Term		92nd	93rd	94th	95th	96th
Month of fiscal year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(millions of yen)	43,022	44,757	45,016	41,478	33,968
Ordinary income	(millions of yen)	1,823	2,943	2,774	1,799	448
Net income attributable to shareholders of parent company	(millions of yen)	804	1,524	1,789	1,155	705
Comprehensive income	(millions of yen)	1,696	1,062	1,401	2,219	195
Net assets	(millions of yen)	45,522	45,963	46,309	47,991	46,609
Total assets	(millions of yen)	61,687	62,437	61,208	62,463	56,336
Net assets per share	(yen)	3,648.43	3,680.74	3,760.57	3,908.32	3,938.79
Net income per share	(yen)	65.84	124.78	148.08	96.14	59.51
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	72.3	72.0	73.8	75.2	81.5
Return on equity	(%)	1.8	3.4	4.0	2.5	1.5
Price-to-earnings ratio	(x)	48.0	26.7	16.8	28.3	37.9
Cash flows from business activities	(millions of yen)	2,398	3,177	1,543	1,447	4,166
Cash flows from investing activities	(millions of yen)	(3,610)	(1,120)	(1,261)	(1,402)	2,680
Cash flows from financing activities	(millions of yen)	(1,506)	(626)	(1,069)	(633)	(4,139)
Cash and cash equivalents at end of term	(millions of yen)	10,066	11,494	10,931	10,300	13,140
Number of employees [Average number of temporary employees]	(persons)	1,257 [138]	1,213 [148]	1,344 [164]	1,266 [150]	1,184 [124]

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

2 The Company began to apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020), etc. at the beginning of the current consolidated fiscal year, and the figures for key performance indicators for the current consolidated fiscal year are those after the standard, etc. were applied.

(2) Performance indicators of the filing company

Term		92nd	93rd	94th	95th	96th
Month of fiscal year-end		March 2018	March 2019	March 2020	March 2021	March 2022
Net sales	(millions of yen)	33,572	34,476	35,930	34,308	27,310
Ordinary income	(millions of yen)	1,414	2,221	2,025	1,305	759
Net income	(millions of yen)	888	1,168	1,278	792	1,032
Capital	(millions of yen)	8,774	8,774	8,774	8,774	8,774
Issued shares	(shares)	14,084,845	14,084,845	14,084,845	14,084,845	14,084,845
Net assets	(millions of yen)	35,228	35,360	34,882	36,051	35,343
Total assets	(millions of yen)	47,394	47,637	45,614	47,342	42,574
Net assets per share	(yen)	2,882.98	2,893.91	2,902.73	2,999.65	3,032.73
Dividend per share (including interim dividend per share)	(yen)	45.00 (0.0)	45.00 (0.0)	45.00 (0.0)	45.00 (0.0)	60.00 (0.0)
Net income per share	(yen)	72.67	95.59	105.79	65.96	87.01
Diluted net income per share	(yen)	—	—	—	—	—
Equity ratio	(%)	74.3	74.2	76.5	76.2	83.0
Return on equity	(%)	2.5	3.3	3.6	2.2	2.9
Price-to-earnings ratio	(x)	43.5	34.8	23.6	41.2	25.9
Payout ratio	(%)	61.92	47.08	42.54	68.22	68.96
Number of employees [Average number of temporary employees]	(persons)	569 [99]	563 [116]	582 [136]	591 [117]	590 [89]
Total shareholder yield (TOPIX total return index for comparison)	(%) (%)	116.3 (115.9)	123.9 (110.0)	95.9 (99.6)	105.4 (141.5)	91.1 (144.3)
Highest share price	(yen)	3,435 (589)	3,590	3,905	2,999	2,835
Lowest share price	(yen)	2,715 (514)	2,179	1,921	2,226	2,180

Notes: 1 No figures are provided for “diluted net income per share” as there are no dilutive shares.
2 The highest and lowest share price figures are those recorded on the first section of the Tokyo Stock Exchange.
3 DKK Co., Ltd. implemented a one-for-five reverse stock split on October 1, 2017. 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.
4 The Company began to apply the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020), etc. at the beginning of the current fiscal year, and the figures for key performance indicators for the current consolidated fiscal year are those after the standard, etc. were applied.

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.). (presently a consolidated subsidiary)
Oct. 1961	Listed on the second section of the Tokyo Stock Exchange.
Jan. 1965	Built Hamamatsu Plant in Hamamatsu, Shizuoka Prefecture to expand the contract high-frequency heat treating service.
Mar. 1965	Sold land in Shinagawa Ward, Tokyo to the Tokyo metropolitan government. Transferred operations of the Telecommunication Division to the Kawagoe Plant in Oi (currently known as Fujimino), Saitama Prefecture and renamed Kawagoe Plant to Kawagoe Office.
June 1967	Built Suzuka Plant in Suzuka, Mie Prefecture, to expand the contract high-frequency heat treating service in the Chukyo region.
July 1968	Built Atsugi Plant in Aikawa, Aiko District, Kanagawa Prefecture to expand the manufacture of applied high-frequency devices and contract heat treating service.
Dec. 1970	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). (presently a consolidated subsidiary)
Oct. 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)
Feb. 1972	Built Kanuma Plant in Kanuma, Tochigi Prefecture, moved the antenna production division at the Kawagoe Office to the Kanuma Plant, and began manufacturing antennas, including microwave antennas, as a plant specialized in antenna production.
June 1973	Made Sanei Kinzoku Kogyo KK, a manufacturer of parabolic antenna-related equipment in Kita Ward, Tokyo, an affiliate (presently a consolidated subsidiary).(presently a consolidated subsidiary)
Feb. 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)

Nov. 1990 Moved company shares to the first section of the Tokyo Stock Exchange.

Apr. 1991 Established Shiga Plant in Minakuchi (currently known as Koka), Koka District, Shiga Prefecture. Established Denko Techno Heat Co., Ltd., 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)

Aug. 2004 Built Kariya Plant in Kariya, Aichi Prefecture to expand the contract high-frequency heat treating service.

Apr. 2010 Merged Denko Metallurgical Technologies Co., Ltd. with Koshuha Co., Ltd. by acquisition.

Feb. 2011 Transferred the manufacturing division of the Kanuma Plant to Denko Tech 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)

Oct. 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)

Sept. 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)

Jan. 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)

Mar. 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.

Aug. 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.

Oct. 2021 Established Future Research Center in Yokohama, Kanagawa Prefecture to pursue research and development activities aimed at developing new business areas that will drive the Company’s future.

Apr. 2022 The Company’s stock listing shifted from the Tokyo Stock Exchange’s First Section to the Prime market of the same exchange as the exchange introduced market restructuring.

3. [Description of Business Operations]

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

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

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

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

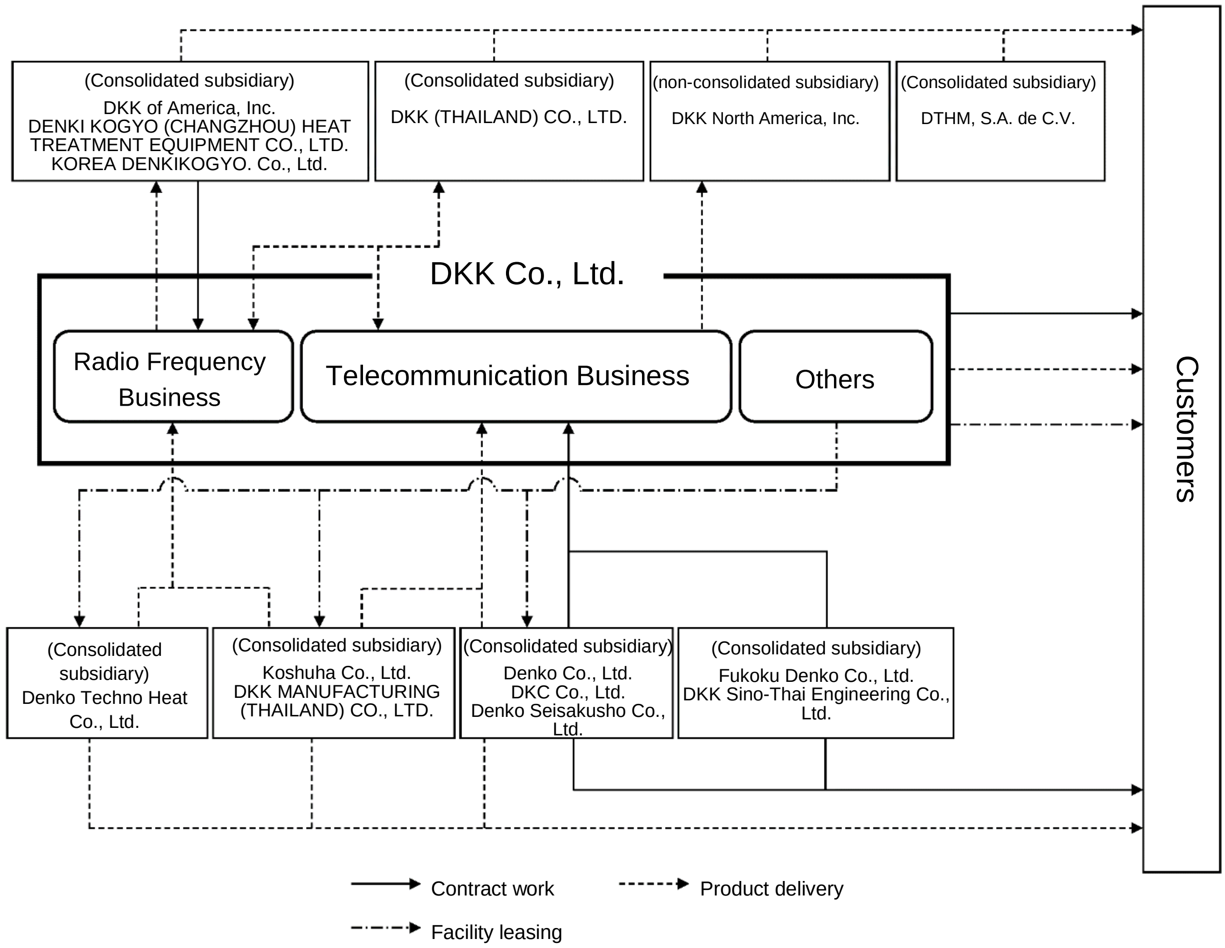
Denko Co., Ltd. (consolidated subsidiary)	Manufactures and sells steel structures, etc. and performs plating work. Also does part of the Company’s construction of antennas, steel towers, etc. and plating work on steel towers, steel building frameworks, etc.
Denko Seisakusho Co., Ltd. (consolidated subsidiary)	Processes metals and machinery parts. Also does part of the Company’s manufacture and processing of antennas and telecommunication equipment.
DKC Co., Ltd. (consolidated subsidiary)	Performs construction work of telecommunication facilities for the Company.
Fukoku Denko Co., Ltd. (consolidated subsidiary)	Performs part of design and manufacture of the Company’s wired and wireless telecommunication equipment.
DKK Sino-Thai Engineering Co., Ltd. (consolidated subsidiary)	Undertakes construction of telecommunication facilities overseas for the Company.
Koshuha Co., Ltd. (consolidated subsidiary)	Manufactures electric machineries, devices, etc. for the Company.
DKK MANUFACTURING (THAILAND) CO., LTD. (consolidated subsidiary)	Manufactures antennas, telecommunication equipment, etc. for the Company.
DKK (THAILAND) CO., LTD. (consolidated subsidiary)	Sells antennas, telecommunication equipment, etc. of the Company.
DKK North America, Inc. (non-consolidated subsidiary)	Sells antennas, telecommunication equipment, etc. of the Company.

Radio Frequency Business: 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.

Other Businesses: 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.


(Consolidated subsidiary)
DKK of America, Inc.
DENKI KOGYO (CHANGZHOU) HEAT TREATMENT EQUIPMENT CO., LTD.
KOREA DENKIKOGYO. Co., Ltd.
(Consolidated subsidiary)
DKK (THAILAND) CO., LTD.
(non-consolidated subsidiary)
DKK North America, Inc.
(Consolidated subsidiary)
DTHM, S.A. de C.V.
DKK Co., Ltd.
Radio Frequency Business
Telecommunication Business
Others
Customers
(Consolidated subsidiary)
Denko Techno Heat Co., Ltd.
(Consolidated subsidiary)
Koshuha Co., Ltd.
DKK MANUFACTURING (THAILAND) CO., LTD.
(Consolidated subsidiary)
Denko Co., Ltd.
DKC Co., Ltd.
Denko Seisakusho Co., Ltd.
(Consolidated subsidiary)
Fukoku Denko Co., Ltd.
DKK Sino-Thai Engineering Co., Ltd.
Contract work
Product delivery
Facility leasing

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

Name	Location	Capital (millions of yen)	Principal business	Voting power (%)	Description of relationship
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: none
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 180,000	Radio Frequency Business	100 (60)	Mainly provides contract high-frequency heat treating service. Concurrent directorships: none
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: none

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 “Voting power (%)” column indicate indirect ownership and is included in respective main figures.

5. [Status of Employees]

(1) Status at consolidated companies

(As of March 31, 2022)

Segment	Number of employees
Telecommunication Business	808 (103)
Radio Frequency Business	315 (19)
Overall (common)	61 (2)
Total	1,184 (124)

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, 2022)

Number of employees	Average age	Average number of years of service	Average annual salary (in thousands of yen)
590 (89)	45.4	15.9	6,089

Segment	Number of employees
Telecommunication Business	420 (85)
Radio Frequency Business	109 (2)
Overall (common)	61 (2)
Total	590 (89)

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 301 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.

Furthermore, the Group established a Sustainability Basic Policy in November 2021, which lays out its policy to contribute to realizing a sustainable society through corporate activity and its responsibility toward our society and stakeholders. We are engaging in corporate activity (sustainability management) based on this policy.

(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 on equity (ROE) of 5% by the fiscal year ending March 2025 and, from there, will work to improve it further.

Furthermore, the Group has named five material issues for its sustainability management from a medium- to long-term perspective, namely, "Workplace culture and work style reforms," "Strengthening corporate governance," "Contribution to social infrastructure development," "Promote environmental management," and "Creation of new businesses." It aims to contribute to the sustainable growth of society and maintain and improve its corporate value by setting key performance indicators to evaluate efforts to address them, as described below, and ensure steady execution. We will regularly review and update the priority initiatives and KPIs through discussion at the Sustainability Committee, the Executive Committee and the Board of Directors.

The applicable scope of each KPI/medium- to long-term target is indicated with the following symbols:

○: DKK nonconsolidated ◎: DKK and domestic group companies ■: All DKK group companies (including overseas companies)

Workplace culture and work style reforms

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals Note: We aim to continue working every year on the items for which no target fiscal year is indicated.	
Respect of employee human rights (including those of partner companies)	• Conduct human rights training to raise awareness about respect for human rights	Employees attending human rights training sessions: 100%	◎
Eradication of harassment	• Awareness-raising to eradicate harassment • Monitoring through employee satisfaction survey	Employees attending harassment training sessions: 100%	◎
Hiring diverse human resources; promoting women's empowerment	• Develop a structure for diversity and inclusion promotion	Ratio of female managers: At least 15%(FY2025)	○
		Ratio of employees with disabilities: Adhere to legal requirements	◎
		Establish system to employ ages up to 70 (FY2025)	○
Productivity improvement using digital transformation (DX)	• Improve productivity through digitalization of work processes and smartification of plants	Reduction in average total working hours in a year: Over 1,800 hours (FY2025) Less than 1,800 hours (FY2030)	◎

Strengthening corporate governance

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals Note: We aim to continue working every year on the items for which no target fiscal year is indicated.	
Management prioritizing compliance	・Promote compliance programs ・Strengthen operation of compliance training programs	Compliance education sessions for officers and division chiefs: At least once every year	◎
		Attendance at compliance training sessions: 100%	◎
Promotion of communication with stakeholders	• Enhance/expand disclosed documents; early disclosure of English versions of the documents • Enhance/expand communication between investors and management team	Participation of director and outside directors in dialogue with investors	○
Maintain transparency of management	• Conduct Board of Directors effectiveness evaluation • Improve Board of Directors effectiveness	Board of Directors effectiveness evaluation: Once every year	○
		Rate of Directors' attendance at Board meetings in a year: At least 80%	◎
Enhancing information security	• Obtain ISO 27001 certification • Conduct security training	DKK and group companies in Japan obtain ISO 27001 certification (FY2025)	◎

		Attendance rate of security training sessions: 100%	◎

Contribution to social infrastructure development

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals Note: We aim to continue working every year on the items for which no target fiscal year is indicated.	
Construction of stronger information infrastructure	• Strengthen delivery of carrier 5G- and local 5G-related products • Appropriate update and maintenance of systems and equipment	Sales from communication equipment update/maintenance deals, local governments disaster-prevention function reinforcement deals, induction heating equipment for safety device system components, etc.: at least 15% FY2020 ratio (FY2025)	◎
Secure safety through promotion of disaster-prevention business	• Enhance/expand disaster-prevention information provision systems by updating disaster-prevention systems • Reinforce disaster-prevention functions by providing our systems, including information cameras, water level gauges, etc.		
Reinforce safety of car society	• Boost sale of induction-heating equipment for automotive safety system components		
Secure safety and quality	• Improve technology for processing quality • Assess risks regarding quality and safety; carry out risk mitigation activities	Percentage of our engineers holding government certification related to business evaluation application: at least 70% (FY2025)	○
		Introduce advanced safety vehicles (ASVs) to company-owned cars: Begin ASV introduction (FY2030)	◎

Promote environmental management

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals Note: We aim to continue working every year on the items for which no target fiscal year is indicated.	
Promote carbon neutral	• Raise environmental awareness across the Company through environmental education • Promote efforts to reduce greenhouse gas emissions • Enhance power-saving features of products • Install solar panels at our facilities • Buy power generated using renewable energy sources, etc.	Amount of Scope 1, 2 greenhouse gas emissions: Reduction of at least 30% vs. FY2019 level (FY2030)	■
		Amount of Scope 3 greenhouse gas emissions: Reduction of at least 15% vs. FY2019 level (FY2030)	■
		Promotion of renewable energy usage: Not quantitative target set (Items followed)*	◎
Promotion of realizing circular society	• Promote efforts to control generation of waste; waste recycling through separation into types • Promote three Rs through coordinated efforts in supply chains	Ratio of total emissions recycled into resources: At least 50% (FY2030)	◎
		Amount of waste discharged (t): Not quantitative target set (Items followed)*	◎
Expansion of environmental products	• Work out DKK Group green purchasing guidelines; promote green purchasing • Develop environmental products; promote sales expansion activities	Develop products that reduce environmental impacts by 10%: At least 16 equipment types (FY2030)	○

* We are examining impacts and compiling basic data for followed items. Current period is for assessing impacts and we have not set quantitative targets.
Targets will be set after the impact assessment is completed.

Creation of new businesses

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals Note: We aim to continue working every year on the items for which no target fiscal year is indicated.	
Using wireless and radio frequency technologies in new areas	• Participate in academic societies, study groups and other groups for the purpose of creating new market / new product candidates • Develop a system in which ideas that can lead to new businesses are collected and shared • New hires for new business development	Increase of joint development, collaborating companies and M&A instances: • At least five new projects initiated each year (FY2025) • Total of at least five projects executed (FY2030)	○
Entry into service business	• Develop application programs that can be used for service business • Develop organizational structure for service business • Accelerate service expansion through collaboration with other companies		

(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 by undertaking initiatives for continuous improvement in corporate governance.

Under our medium- to long-term management strategy, as 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 businesses" 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. In terms of new businesses, we will work to develop new business areas in which we can take advantage of the wireless communication technology, which is our strength, with a focus on local 5G and including adoption of other wireless technologies as a way to take advantage of our wireless technologies to develop new markets. 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. In the radio frequency business, we will actively work on initiatives targeting nonautomotive areas to capture emerging demand. By finding new uses for high-frequency induction heating technology, we aim to develop new markets, including the industrial waste processing industry, and contribute to promoting environmental management.

In terms of "Further expansion of existing business," expansion of existing business areas related to social infrastructure is an important theme. We aim to expand business in peripheral areas of the businesses 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 contributing to society and increasing our corporate value by channeling management resources while making appropriate capital investment.

We will also work on "Strengthening of our financial foundation" to support the growth strategies in these businesses. The information communication-related industries, including telecommunication, 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 stepping up forward-looking research and development work, 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 of our financial 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 remain committed to efforts to strengthen corporate governance, including efforts to maintain soundness, effectiveness and transparency of the Board of Directors, promotion of a compliance program aimed at realizing compliance management, and reduction in cross-held shares. Note that specific efforts for these measures made in the current consolidated fiscal year are described in the Corporate Governance Report posted on our website in May 2022.

In addition, we established "DKK-Plan2025," a medium-term business plan, in May 2022 in order to clearly state the goals and what to focus on and promote for the three years from fiscal year ending March 2023, as part of the effort to realize the vision of the Medium- and Long-Term Management Strategy above. DKK-Plan2025 has the basic policy of "Improve corporate value through promotion of sustainability management" and lays out the priority measures of "Strengthening of our financial foundation," "Optimizing business portfolio," and "Realizing new business creation early." In order to realize the Company's ideal ("Pioneering the Future") of sustainable growth through solution of social issues, we have positioned the three years to the fiscal year ending March 2025 as a period for "laying the foundation for growth." We will work to build a solid business foundation under DKK-Plan2025 to allow the Group to develop and grow permanently. See the Company's website for detailed information.

(4) Management environment

During the fiscal year under review, the Japanese economy has shown signs of recovery from the impact of the COVID-19 pandemic. Corporate earnings recovered as economic activity returned in Japan and overseas. As corporate revenues recovered, signs of recovery are seen also in capital expenditures and the employment environment. Consumer spending are also returning. On the other hand, an impact on corporate earnings from spikes in oil prices and material costs have emerged. The future of the Japanese economy thus still remains uncertain.

In the telecommunications industry in which the Group operates, signs have emerged indicating demand for 5G-use antennas may increase in earnest in the mobile communication-related segment. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use has decreased sharply. In the broadcasting-related segment, demand from broadcasters for facility replacement and maintenance has decreased. In the applied high-frequency devices industry, some signs of recovery have emerged for demand for capital expenditures in the automotive segment, but the recovery remains slow.

As stated above, the business environment surrounding the Group remains uncertain amid an adverse situation created by a rapidly changing business environment, a tougher price-cutting competition and the COVID-19 pandemic, as well as a prolonged semiconductor shortage, a weaker yen and a spike in material prices.

(5) Issues the Company needs to address

Key issues for the Group include the vulnerability of its business format to customers' capital expenditure trends, as well as responses to the business environment affected by, among other things, delays in launches of new businesses due to a slow growth of local 5G use, a spike in material prices, and significant fluctuations in foreign exchange rates. The Group aims to address these by working to realize efforts for new businesses early, optimize selling prices, reduce costs, and reform the manufacturing structure, among other things.

In such an environment, we aim to maximize corporate value by optimizing the business portfolio, and introduce new segmentations of Solutions Business and New Radio Frequency Areas to add to the existing businesses to be grown into core businesses in the future.

In terms of existing businesses, we will work to expand market shares, improve profitability, make social contribution and improve corporate value. In the mobile communication-related segment, we aim to take advantage of the newly developed wireless equipment to capture demand for 5G-use antennas, which is expected to remain steady. In addition, we will work to capture demand for maintenance work on mobile communication steel towers. In the fixed wireless communication-related segment, demand pushbacks are expected for administrative radio systems for disaster prevention use amid the impact from the pandemic, but demand is expected to recover over a medium term. We will continue to put effort into capturing demand. In the broadcasting-related segment, we aim to steadily work to capture demand for updating or maintaining broadcasting equipment, even though customer enthusiasm for making capital expenditures remains unlikely to return to levels before the previous consolidated fiscal year as in the fixed wireless communication-related segment. 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. In both areas of business, we will work to expand business areas by accurately grasping needs in the market and developing emerging demand, in anticipation of the next generation, under a coordinated effort across the Group.

The Group has established the Sustainability Basic Policy and named five material issues ("Workplace culture and work style reforms," "Strengthening corporate governance," "Contribution to social infrastructure development," "Promote environmental management" and "Creation of new businesses") to promote sustainability management. For the next fiscal year, we have established five key management policies, namely, "Boost corporate power by realizing workplace cultural reforms," "Maximize profits of the Group as a whole with strong determination," "Promote work process reforms without being constrained by existing methods," "Be thorough in ensuring compliance and managing risks" and "Realize social contribution and development/growth by actively practicing environmental management," to promote sustainability-oriented management. We will engage in business activities under the basic policy of DKK-Plan2025, namely, "Improve corporate value through promotion of sustainability management."

(Management philosophy)

- Providing outstanding products to society and contribute to society
- Being a forward-looking company with a fighting spirit, seeking to capture the 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
- Striving to help improve living of employees, developing and growing the company under the spirit of "one company, one family"

(Material issues to realize sustainability management)

Material issues: "Workplace culture and work style reforms," "Strengthening corporate governance," "Contribution to social infrastructure development," "Promote environmental management" and "Creation of new businesses"

(Vision and strategies of Medium- and Long-Term Management Strategy)

Vision: Realize our ideal of “Pioneering the future”

Strategies: “Creation of new business,” “Further expansion of existing business,” and “Strengthening of our financial foundation”

(Basic policy and priority measures of Medium-Term Business Plan)

Basic policy: “Improve corporate value through promotion of sustainability management”

Priority measures: “Strengthening of our financial foundation,” “Optimizing business portfolio,” and “Realizing new business creation early”

(Key management policies for next fiscal year (fiscal year ending March 2023))

Overall goal: “Improve corporate value through promotion of sustainability management”

Policies: “Boost corporate power by realizing workplace cultural reforms,” “Maximize profits of the Group as a whole with strong determination,” “Promote work process reforms without being constrained by existing methods,” “Be thorough in ensuring compliance and managing risks” and “Realize social contribution and development/growth by actively practicing environmental management”

We conducted an internal investigation in response to whistleblowing in the current fiscal year. An outline of the whistleblowing incident and results of the investigation are posted on the Company’s website (https://www.denkikogyo.co.jp/). The investigation found inadequacies in the operation of internal control systems.

Our Board of Directors took the above matter seriously and worked out the measures mainly to enhance governance systems and monitoring functions to prevent recurrence, as described below, and has carried them out.

(i) Establishment and execution of compliance program
(ii) Establishment of Nomination Committee
(iii) Launch of Executive Committee
(iv) Strengthening of secretarial divisions’ function
(v) Reforms of Administrative Supervisory Division’s organizational structure
(vi) Compliance training for officers, etc.

We will continue to work diligently to improve and strengthen corporate governance and coordinate efforts across the entire company to restore trust.

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 for construction contracts, equipment installment work, etc.

For some of the Group’s construction contracts, equipment installment work, if control over goods or services is transferred to the customer over a certain period of time, revenue is recognized over the period as the performance obligation to transfer the said goods or services to the customer is fulfilled. We are working to manage costs appropriately through measures including review of estimated total cost and planned periods for individual 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 total 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. In accordance with a policy to reduce cross-held shares, the Group has adhered to the basic policy of not holding such shares unless there is a viable purpose of holding.

(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 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, technological innovations 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, in addition to responding to technological innovations in a timely manner.

(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. In terms of purchasing, there is risk that the Group's earnings and financial position may be affected if we fail to meet requirements of these business operators due to a problem arising from excessive reliance on a specific business partner. 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. Regarding its supply system, the Group is working to grasp production situations of business partners and situations of material procurement, etc. and build alternative business partners as necessary.

(ii) Product defects, disasters/accidents at plants

The Group is working to make sure quality control 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

Spread of COVID-19 is still affecting the Group and has caused a significant impact on order-taking activities in the industries in which the Group operates. If the impact remains in the telecommunication business going forward, 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, and inappropriate release of information by employees using social media, 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.

(vii) Risk of misconduct, unlawful acts, etc.

The Group is doing its utmost to prevent misconduct, unlawful acts, etc. by executives or employees. If an incident involving misconduct, unlawful act, etc. nevertheless occurs, it may impact the Group's earnings and financial position, depending on its content or size. In order to avoid risks posed by misconduct, unlawful acts, etc., the Company introduced a compliance program and has worked to enhance and strengthen it. It is also working to avoid these risks and minimize potential impacts through audits and compliance education.

(viii) Securing human resources

If we fail to secure sufficient number of human resources possessing sufficient knowledge and technology, especially in technological divisions, or if the optimum employee age makeup is lost, making it difficult to maintain appropriate staff assignments, it may affect the Group's earnings or financial position. The Group is working to secure necessary human resources and skills by using temporary staff and hiring mid-career personnel, as well as educating employees.

(ix) M&A

One of the Group's strategies is M&A. If the business does not proceed as planned after an M&A, it may affect the Group's earnings or financial position. The Group's policy is to go along the basic policy on M&A.

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 decreased 6.126 billion yen from a year earlier to 56.336 billion yen.

Current assets decreased by 4.432 billion yen from a year earlier to 40.989 billion yen. The main factors were an 8.068 billion yen decrease in accounts receivable including notes receivable, despite a 1.157 billion yen increase in inventories and a 2.170 billion yen increase in deposits paid included in "Others."

Non-current assets decreased 1.694 billion yen from a year earlier to 15.347 billion yen. The main factors included a decrease of 1.559 billion yen in investment securities.

Current liabilities decreased 3.866 billion yen from a year earlier to 6.330 billion yen. The main factors included a 3.034 billion yen decrease in trade payables including notes payable, a 0.391 billion yen decrease in income taxes payable, and 0.238 billion yen decrease in accrued consumption taxes included in "Others."

Fixed liabilities decreased 0.878 billion yen from a year earlier to 3.397 billion yen.
The main factors included a 0.154 billion yen decrease in long-term loans payable and a 0.355 billion yen decrease in long-term accounts payable included in "Others."

Net assets decreased 1.381 billion yen from a year earlier to 46.609 billion yen. The main factors were a 0.197 billion yen increase in retained earnings, a 0.851 billion yen decrease by purchase of treasury stock, a 0.397 billion yen decrease in valuation difference on available-for-sale securities, and a 0.312 billion yen decrease in non-controlling interests.

b. Operating results

During the fiscal year under review, the Japanese economy has shown signs of recovery from the impact of the COVID-19 pandemic. Corporate earnings recovered as economic activity returned in Japan and overseas. As corporate revenues recovered, signs of recovery are seen also in capital expenditures and the employment environment. Consumer spending are also returning. On the other hand, an impact on corporate earnings from spikes in oil prices and material costs have emerged. The future of the Japanese economy thus still remains uncertain.

In the telecommunications industry in which the Group operates, signs have emerged indicating demand for 5G-use antennas may increase in earnest in the mobile communication-related segment. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use has decreased sharply. In the broadcasting-related segment, demand from broadcasters for facility replacement and maintenance has decreased. In the applied high-frequency devices industry, some signs of recovery have emerged for demand for capital expenditures in the automotive segment, but the recovery remains slow.

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, the amount of orders received decreased 3.9% year-on-year to 35.052 billion yen while net sales fell 18.1% from a year earlier to 33.968 billion yen.

In terms of profit, operating income decreased 96.6% year-on-year to 0.053 billion yen, ordinary income dropped 75.1% from a year earlier to 0.448 billion yen, and net income attributable to shareholders of the parent decreased 38.9% year-on-year to 0.705 billion yen.

The Company began to apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020), etc. at the beginning of the current consolidated fiscal year in accordance with the transitional handling. For detailed information, see "V. [Financial Information], 1. [Consolidated Financial Statements, Etc.], (1) Consolidated financial statements, Notes, (Changes in accounting policies), (Application of Accounting Standard for Revenue Recognition, etc.)."

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, there have been signs that demand from mobile carriers' capital expenditures for antennas that support frequency bands allotted to 5G may grow in earnest, but supply shortage of components and other impacts of the COVID-19 pandemic have dampened demand. In the fixed wireless communication-related segment, demand from administrative radio systems for disaster prevention use driven by local-government moves to enhance or digitize anti-disaster systems has sharply decreased as it has been postponed due to the impact from the COVID-19 pandemic, etc. In the broadcasting-related segment, demand for update and maintenance on equipment from broadcasters has decreased or been postponed. 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, but cost pressure from factors such as a spike in material prices and spending on measures to address supply shortage of components have made a significant impact on the earnings of the current fiscal year.

As a result, the amount of orders received decreased 9.2% year-on-year to 26.682 billion yen, while net sales came to 25.926 billion yen, down 23.7% from a year earlier. Segment income (operating income) decreased 48.1% from a year earlier to 2.010 billion yen.

(Radio Frequency Business)

In this business, the mainstay high-frequency induction heating equipment segment experienced a sharp fall in demand due to the COVID-19 pandemic but after a subsequent demand recovery in overseas markets, signs of recovery has emerged for the demand driven by capital expenditures in the automotive industry. For the heat-treatment processing services, there have been signs of recovery from the impact of the COVID-19 pandemic, but the impact of the worldwide semiconductor shortage on the overall industry appears to remain for a long term and the impacts of automakers' production adjustment have been felt. 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. In this business, just as in the telecommunication business, spikes in material costs, etc. has resulted in cost pressure.

As a result, the amount of orders received increased 17.7% year-on-year to 8.370 billion yen while net sales rose 7.1% from a year earlier to 7.959 billion yen. Segment income (operating income) increased 21.5% from a year earlier to 1.058 billion yen.

(Other Businesses)

Other businesses include facility-leasing business which leases land, offices, etc. to subsidiaries and electric power sales business. Net sales of the business increased 0.1% from a year earlier to 330 million yen. Segment income (operating income) increased 6.0% from a year earlier to 0.167 billion yen.

(ii) Cash flows

Cash and cash equivalents ("Funds" hereafter) increased 2.840 billion yen year-on-year to 13.140 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 4.166 billion yen, compared with 1.447 billion yen obtained a year earlier. This is mainly as a result of the increase factors, including a change in notes and accounts receivable-trade of 8.076 billion yen, exceeding the decrease factors, including a change in inventories of 1.375 billion yen and a change in notes and accounts payable-trade of 3.059 billion yen.

(Cash flows from investing activities)

Funds obtained as a result of investing activities came to 2.680 billion yen, compared with 1.402 billion yen used a year earlier. This is attributed mainly to increase factors, including 2.948 billion yen earned from a net increase in time deposits and 1.233 billion yen earned from sale of investment securities, partially offset by decrease factors, including 1.408 billion yen spent on the acquisition of property, plant, and equipment and intangible assets.

(Cash flows from financing activities)

Funds used as a result of financing activities came to 4.139 billion yen, compared with 0.633 billion yen used a year earlier. This is attributable mainly to decrease factors including 1.049 billion yen spend on the purchase of treasury stock, a decrease of 2.170 billion yen in deposits for purchase of treasury stock, and 0.543 billion yen spent on the payout of dividends.

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

a. Production results

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

Segment	Output (millions of yen)	Year-on-year change (%)
Telecommunication Business	12,692	(10.0)
Radio Frequency Business	8,055	9.8
Total	20,748	(3.2)

Notes: 1 Amounts are based on sales prices; intersegment transactions have been offset.

2 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	26,682	(9.2)	8,815	5.9
Radio Frequency Business	8,370	17.7	2,766	14.4
Total	35,052	(3.9)	11,582	7.8

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	13,183	(33.3)
	Equipment and materials sales	12,725	(10.2)
	Subtotal	25,908	(23.7)
Radio Frequency Business		7,959	7.1
Other Businesses		100	(4.0)
Total		33,968	(18.1)

Notes: 1 Intersegment transactions have been offset.

2 The “Other Businesses” segment, which is not included in reportable segments, includes facility-leasing and electric power sales businesses.

3 Breakdown of sales results by major counterparties and ratio of sales result to total sales

Counterparty	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)		Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)	
	Net sales (millions of yen)	Ratio (%)	Net sales (millions of yen)	Ratio (%)
NTT DOCOMO, INC.	4,221	10.2	4,874	14.4

Non-consolidated operating results are provided below for reference.

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, 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
Current fiscal year (from April 1, 2021 to March 31, 2022)	Construction work	5,467	11,607	17,075	11,784	5,290	1.4	73	11,482
	Equipment and materials sales	1,732	11,461	13,193	10,422	2,771	49.1	1,361	10,618
	Total	7,199	23,069	30,268	22,207	8,061	17.8	1,435	22,101

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 in 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

4 A gap has resulted for the carryover from previous term due to changes in the accounting policies. For detailed information, see “V. [Financial Information], 1. [Consolidated Financial Statements, Etc.], (1) Consolidated financial statements, Notes, (Changes in accounting policies), (Application of Accounting Standard for Revenue Recognition, etc.).”

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, 2020 to March 31, 2021)	23.8	76.2	100
Current fiscal year (from April 1, 2021 to March 31, 2022)	29.1	70.9	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, 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
Current fiscal year (from April 1, 2021 to March 31, 2022)	Construction work	See Note 1.	4,263	7,521	11,784
	Equipment and materials sales	See Note 2.	147	10,274	10,422
	Total		4,411	17,795	22,207

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
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

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 and wireless equipment
SoftBank Corp.	Delivery of base station antennas
Unnan municipality	Project to service digital 280MHz radio broadcast system
Takasago municipality	Digitalization project on administrative radio broadcast systems for disaster prevention use

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

Previous fiscal year	NTT DOCOMO, INC.	4,221 million yen	14.4%
Previous fiscal year	KDDI CORPORATION	3,517 million yen	12.0%
Current fiscal year	NTT DOCOMO, INC.	4,874 million yen	22.0%
Current fiscal year	KDDI CORPORATION	2,283 million yen	10.3%

d. Backlog (as of March 31, 2022)

Category	Public (millions of yen)	Private (millions of yen)	Total (millions of yen)
Construction work	3,500	1,789	5,290
Equipment and materials sales	331	2,439	2,771
Total	3,832	4,229	8,061

Below table shows key projects included in the order backlog.

Customer	Project description	Target completion date
Kumamoto Defense Branch	Transmitting Station Ebino (3) Steel tower branch wire update work	December 2024
Yaeyama General Area Association of Municipalities	Yaeyama district radio relay station functional enhancement project	March 2023
City of Hiroshima	Administrative radio systems for disaster prevention use communication equipment update project	November 2023
SOLCOM Co., Ltd.	City of Nagato fiberoptic network development project development work	April 2022
OTV CO., LTD.	Head office 500KVA emergency generator update work	March 2023

Radio Frequency Business

a. Production results

Category	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
	Amount (millions of yen)	Amount (millions of yen)
Contract high-frequency hardening service	72	83
High-frequency induction heating equipment	4,474	4,615
Total	4,547	4,698

Note: The yen amounts are selling prices.

b. Results of orders received

Category	Two fiscal years prior	Previous fiscal year (from April 1, 2020 to March 31, 2021)		Current fiscal year (from April 1, 2021 to March 31, 2022)	
	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	—	72	—	83	—
High-frequency induction heating equipment	1,950	4,219	1,608	5,574	2,431
Total	1,950	4,292	1,608	5,658	2,431

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, 2020 to March 31, 2021)		Current fiscal year (from April 1, 2021 to March 31, 2022)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Contract high-frequency hardening service	72	1.6	83	1.7
High-frequency induction heating equipment	4,560	98.4	4,689	98.3
Total	4,633	100	4,772	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	1,437 million yen	31.0%
	Toyota Tsusho Corporation	563 million yen	12.2%
Current fiscal year	TOYOTSU MACHINERY CORPORATION	1,156 million yen	24.2%

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, 2020 to March 31, 2021)		Current fiscal year (from April 1, 2021 to March 31, 2022)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Facility-leasing business	230	69.7	237	71.7
Electric power sales business	100	30.3	93	28.3
Total	330	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 33.968 billion yen, down 18.1% from a year earlier, and operating income totaling 0.053 billion yen, down 96.6% 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 by segment, in the telecommunication business segment, there have been signs that demand from mobile carriers' capital expenditures for antennas that support frequency bands allotted to 5G may grow in earnest in the mobile communication-related segment, but component supply shortage and other impacts of the COVID-19 pandemic have dampened demand. In the fixed wireless communication-related segment, demand from administrative radio systems for disaster prevention use driven by local-government moves to enhance or digitize anti-disaster systems has sharply decreased as it has been postponed due to the impact from the COVID-19 pandemic, etc. In the broadcasting-related segment, demand for update and maintenance on equipment from broadcasters has decreased or been postponed. 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. However, both revenue and profit decreased from a year earlier in the current consolidated fiscal year. On the other hand, in the radio frequency business, the mainstay high-frequency induction heating equipment segment experienced a sharp fall in demand due to the COVID-19 pandemic but after a subsequent demand recovery in overseas markets, signs of recovery has emerged for the demand driven by capital expenditures in the automotive industry. For the heat-treatment processing services, there have been signs of recovery from the impact of the COVID-19 pandemic, but the impact of the worldwide semiconductor shortage on the overall industry appears to remain for a long term and the impacts of automakers' production adjustment have been felt. 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.

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."

Operating income decreased 96.6% year-on-year to 0.053 billion yen, but ordinary income decreased 75.1% from a year earlier to 0.448 billion yen as the non-operating balance improved partly because foreign exchange gains were booked. Net income attributable to shareholders of the parent company decreased 38.9% from a year earlier to 0.705 billion yen partly because gain on sales 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 regards the future outlook, although there have been some signs of recovery in the domestic economy, future remains uncertain as the adverse situation amid the COVID-19 pandemic remains and the impact of prolonged semiconductor shortage, a weaker yen and a spike in material prices remains. In terms of the environment surrounding the Group, demand for 5G-use antennas is expected to remain steady in the mobile communication-related segment. As such, we aim to actively work to capture demand, taking advantage of the newly developed wireless equipment. We also plan to work to capture demand for maintenance on mobile communication steel towers. In the fixed wireless communication-related segment, demand pushbacks are expected for administrative radio systems for disaster prevention use amid the impact from the pandemic, but demand is expected to recover over a medium term. We thus will continue to put effort into capturing demand. In the broadcasting-related segment, we will work to capture demand for update and maintenance on broadcasting equipment from broadcasters. In terms of new businesses, we will actively put effort into developing new markets using our wireless technology, in addition to efforts demand development for LED aviation obstacle lights, thermal camera systems, etc. 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.

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

In the Group's cash flow in the current consolidated fiscal year, the balance of cash and cash equivalents at the end of the current consolidated fiscal year increased 2.840 billion yen from a year earlier to 13.140 billion yen as funds totaling 4.166 billion yen from business activities and 2.680 billion yen from investing activities were gained while 4.139 billion yen was used in financing activities. The balance of cash and deposits, including time deposits whose maturity is over three months, decreased 0.109 billion yen from the end of the previous consolidated fiscal year to 18.886 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.

The Company worked out "Capital Allocation." In the future, it will carry out investments aimed at realizing growth strategies in addition to shareholder returns and human resource investment by raising the levels of fund procurement using leverage, along with asset it owns and funds gained in operating cash flows.

(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 for construction contracts, equipment installment work, etc.)

Of the accounting estimates used for revenue recognition for construction contracts, equipment installment contracts, etc. 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 and the Future Research Center set up in October 2021, 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 and expanded efforts on 5G in the mobile communication-related segment. We are conducting development of multifrequency antennas which support both existing and 5G frequency bands, radio equipment compliant with the O-RAN interface specifications for 5G open networks, mobile communication antennas targeted at overseas markets, and 5G wireless repeaters, as well as research and development related to antennas using the metamaterials technology and communication area design using reflectors. In addition, we are working on system development projects to take advantage of the knowledge gained through radio wave propagation and transmission tests using local 5G experimental test stations and research and development projects that support the Company's comprehensive 5G solutions, using commercial 5G stations set up at our plants. To address Beyond 5G and 6G, we are conducting research and development on new antenna technologies for communication systems that use 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, devices for administrative radio systems for disaster prevention use, 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 LED aviation obstacle lights and new navigation aid lights, development of system solutions including monitoring systems using thermal cameras. 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, and antennas using new materials to address scenery protection in collaboration 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 the induction heating technology targeting a broad range of industries, a carburizing processing technology using high frequencies, and a new technology using superheated steam.

In the current consolidated fiscal year, the Company spent a total of 1,940 million yen on research and development.

Research and development activities by segment are as follows.

(Telecommunication Business)

Research and development costs totaled 1,710 million yen in the current consolidated fiscal year.

- Mobile communication-, broadcasting-, and fixed wireless communication-related segments
  (1) Development of 5G equipment-related development and beyond 5G technology
  (2) Development of new antenna technologies
  (3) Development of mobile communication antenna systems targeting domestic market
  (4) Development of mobile communication antenna systems targeting overseas markets
  (5) Development of broadcasting and communication antennas
  (6) Development of antenna systems for specialized machinery projects
- Facility-related segment
  (1) Research and development on low frequency communication
- New areas
  (1) Development of system solutions
  (2) Development of 280MHz administrative radio systems for disaster prevention use

(Radio Frequency Business)

Research and development costs totaled 229 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 uses for superheated steam equipment
  (4) Development of high-frequency oscillators

III. [Facilities]

1. [Outline of Capital Expenditures]

In the current consolidated fiscal year, capital expenditures totaled 1,083 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 779 million yen, used mainly for updating aging equipment and measuring instruments.

(Radio Frequency Business)
In the current consolidated fiscal year, capital expenditures totaled 192 million yen mainly for updating aging equipment.

(Other Businesses)
In the current consolidated fiscal year, capital expenditures totaled 13 million yen mainly for updating buildings leased to consolidated subsidiaries and aging equipment used in solar power sales business.

(Common across companies)
In the current consolidated fiscal year, capital expenditures totaled 97 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, 2022)

Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees
		Buildings and structures	Machinery, equipment, and vehicles	Land (area in sq. meters)	Lease assets	Others	Total	
Kawagoe Office (Fujimino, Saitama Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	66	3	14 (18,489.51)	1	22	108	44 (24)
Kawagoe Plant (Kawagoe, Saitama Prefecture)	Facility for design, manufacture, and construction of as well as plating work on telecommunication facilities and steel building frameworks	187	0	60 (48,944.97) <125.49>	―	13	262	9 (2)
Kanuma Plant (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	756	46	43 (20,248.03) <215.50>	17	824	1,689	153 (7)

(2) Domestic subsidiaries

(As of March 31, 2022)

Company	Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees
			Buildings and structures	Machinery, equipment, and vehicles	Land (area in sq. meters)	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	24	223	— (-)	—	44	292	58 (2)
Denko Seisakusho Co., Ltd.	Headquarters (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	54	81	370 (11,991.00)	—	9	515	72 (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, 2022)

Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees
		Buildings and structures	Machinery, equipment, and vehicles	Land (area in sq. meters)	Lease assets	Others	Total	
Atsugi Plant (Aikawa, Aiko District, Kanagawa Prefecture)	Manufacturing facility for high-frequency hardening service and applied high-frequency devices	335	49	1,189 (35,969.54) <312.17>	9	23	1,607	86 (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 (shares) (March 31, 2022)	As of the date of submission (shares) (June 30, 2022)	Name of listed or authorized financial instruments exchange	Remarks
Common stock	14,084,845	14,084,845	Tokyo Stock Exchange First section (as of fiscal year-end) Prime market (as of date of submission)	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 See Note.	(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, 2022)

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)	—	23	27	99	89	8	4,608	4,854	—
Number of shares held (unit)	—	43,624	5,440	8,965	28,967	35	53,293	140,324	52,445
Percentage of shares held	—	31.09	3.88	6.39	20.64	0.02	37.98	100.00	—

Note: 23,500 units of the treasury stocks totaling 2,350,037 are included in “Individuals, etc.,” while the remaining 37 shares are included in “Status of shares less than one unit.”

(6) [Status of major shareholders]

(As of March 31, 2022)

Name	Location	Number of shares held (thousands of shares)	Percentage of total number of shares held relative to the total outstanding shares
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3, Hamamatsucho, Minato-ku, Tokyo	1,480	12.61
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	834	7.11
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	444	3.78
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)	441	3.76
Sumitomo Mitsui Trust Bank, Ltd.	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	372	3.17
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	360	3.06
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	352	3.00
Nomura Securities Co., Ltd.	1-13-1, Nihonbashi, Chuo-ku, Tokyo	329	2.80
DKK Client Stock Ownership	3-3-1, Marunouchi, Chiyoda-Ku, Tokyo	325	2.77
OASIS JAPAN STRATEGIC FUND LTD.-CLIENT ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	MAPLES CORPORATE SERVICES LTD, PO BOX 309, UGLAND HOUSE SOUTH CHURCH STREET, GEORGE TOWN, GRAND CAYMAN KY1-1104, CAYMAN ISLANDS (6-27-30, Shinjuku, Shinjuku-ku, Tokyo)	308	2.62
Total	-	5,247	44.72

Notes: 1 Numbers of shares related to trust services included in the above number of shares held are as follows.
The Master Trust Bank of Japan, Ltd. (trust account): 745 thousand shares
Custody Bank of Japan, Ltd. (trust account): 602 thousand shares

2 A statement of changes to a statement of large-volume holdings that was made available for public viewing on July 21, 2021 indicates Sumitomo Mitsui Trust Bank, Ltd. and its joint holders were holding the following shares as of July 15, 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 actual number of shares held as of March 31, 2022. 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	283	2.01
Nikko Asset Management Co., Ltd.	9-7-1, Akasaka, Minato-ku, Tokyo	147	1.05

3 A statement of changes to a statement of large-volume holdings that was made available for public viewing on October 28, 2021 indicated Oasis Management Company Limited held the following shares as of October 21, 2021. However, the said party is not included in the status of major shareholders shown above because the Company was not able to confirm the actual number of shares held as of March 31, 2022.

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 (%)
Oasis Management Company Limited	c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, CAYMAN ISLANDS	1,050	7.45

4 A statement of changes to a statement of large-volume holdings that was made available for public viewing on April 7, 2022 indicates Nomura Securities Co., Ltd. and its joint holders were holding the following shares as of March 31, 2022. However, the said parties are not included in the status of major shareholders shown above because the Company was not able to confirm the actual number of shares held as of March 31, 2022.

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 Securities Co., Ltd.	1-13-1, Nihonbashi, Chuo-ku, Tokyo	328	2.33
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	121	0.87
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	491	3.49

(7) [Status of voting rights]

(i) [Issued shares]

(As of March 31, 2022)

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 2,350,000	—	—
Shares with full voting rights (others)	Common stock 11,682,400	116,824	—
Shares less than one unit	Common stock 52,445	—	—
Issued shares	14,084,845	—	—
Total number of voting rights	—	116,824	—

Notes: 1 Common stock in the “Shares with full voting rights (treasury stocks, etc.)” does not include the Company’s shares totaling 80 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 37 shares held by the Company.

(ii) [Treasury stock, etc.]

(As of March 31, 2022)

Holder name	Location	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	2,350,000	―	2,350,000	16.68
Total	―	2,350,000	―	2,350,000	16.68

(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 80,632 (74,400 at the time the Trust was established and 50,000 at the time of addition to the account).

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

80,632 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	131,700	299
Total number and value of remaining shares subject to resolution	3,300	0
Percentage of shares yet to be acquired at the end of current fiscal year	2.4	0.0
Treasury stock acquired during the period	—	—
Percentage of shares yet to be acquired at the day of filing	2.4	0.0

Category	Number of shares	Total value (millions of yen)
Status of resolution of the Board of Directors meeting held on November 10, 2021 (Period of share acquisition: November 11, 2021)	120,000	305
Treasury stock acquired before current fiscal year	—	—
Treasury stock acquired in current fiscal year	120,000	305
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	—	—
Percentage of shares yet to be acquired at the day of filing	—	—

Note: Acquisition through the Tokyo Stock Exchange’s off-auction own share repurchase system (ToSTNeT-3).

Category	Number of shares	Total value (millions of yen)
Status of resolution of the Board of Directors meeting held on February 10, 2022 (Period of share acquisition: February 14, 2022 to December 31, 2022)	1,100,000	2,500
Treasury stock acquired before current fiscal year	—	—
Treasury stock acquired in current fiscal year	139,300	328
Total number and value of remaining shares subject to resolution	960,700	2,171
Percentage of shares yet to be acquired at the end of current fiscal year	87.3	86.8
Treasury stock acquired during the period	234,500	569
Percentage of shares yet to be acquired at the day of filing	66.0	64.0

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, 2022 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	392	0
Treasury stock acquired during the period	–	–

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, 2022 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)	–	–	–	–
Other (disposal of treasury stock through private offering)	50,000	114	–	–
Number of treasury stocks held	2,350,037	–	2,584,537	–

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, 2022 to the date when the annual securities report was submitted.

2 The “Other (disposal of treasury stock through private offering)” in the current fiscal year is a disposal through private offering to Sumitomo Mitsui Trust Bank, Ltd. (trust account) (retrustee: Custody Bank of Japan, Ltd. (trust account)) conducted on August 27, 2021 in association with the addition to trust of the share-based compensation scheme.

3 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, 2022 to the date when the annual securities report was submitted.

4 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 improving efficiency of shareholders' equity and 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. As regards our dividend policy, we adopted in November 2021 a policy to bolster shareholder returns in which we link payouts to the earnings of the current fiscal year with a target payout ratio of 40% on a consolidated basis while aiming to not allow the dividend on equity ratio (DOE) on a consolidated basis to fall below 1.5%.

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 60 yen per share for the fiscal year-end dividend, as targeted at the time the dividend policy was changed. Furthermore, the Company bought back shares as a measure to enhance shareholder returns and improve capital efficiency in accordance with "Capital Allocation" disclosed in February 2022. In terms of treasury shares the Company buys back, we have worked out a policy of actively seeking to cancel the portion that exceed what we deem necessary while continuing to consider ways to use them for the purpose of expanding the scope of our business areas and acquiring technologies. We plan to continue holding the portion representing about 10% of the total number of outstanding shares and cancel the rest.

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, 2022	Resolution of General Meeting of Shareholders	704	60

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 regularly 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 the Group's risk management, in order to realize appropriate risk management for the Group as a whole, the Company enhances a solid risk management system for the Company as a whole by setting up a Risk Management Committee to raise risk management awareness of all officers and employees and maintaining a structure that can respond to unexpected material crises in a swift and accurate manner.

(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.

(Board of Directors)

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.

Furthermore, the Company has established Nomination Committee and Compensation Committee, in which chairperson is elected from among independent outside directors, who represent the majority in each, as advisory bodies to the Board. These provide new functions for enhancing and strengthening the management and governance systems 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)

(Board of Auditors)

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 Yuka Matsuda (Outside Auditor)

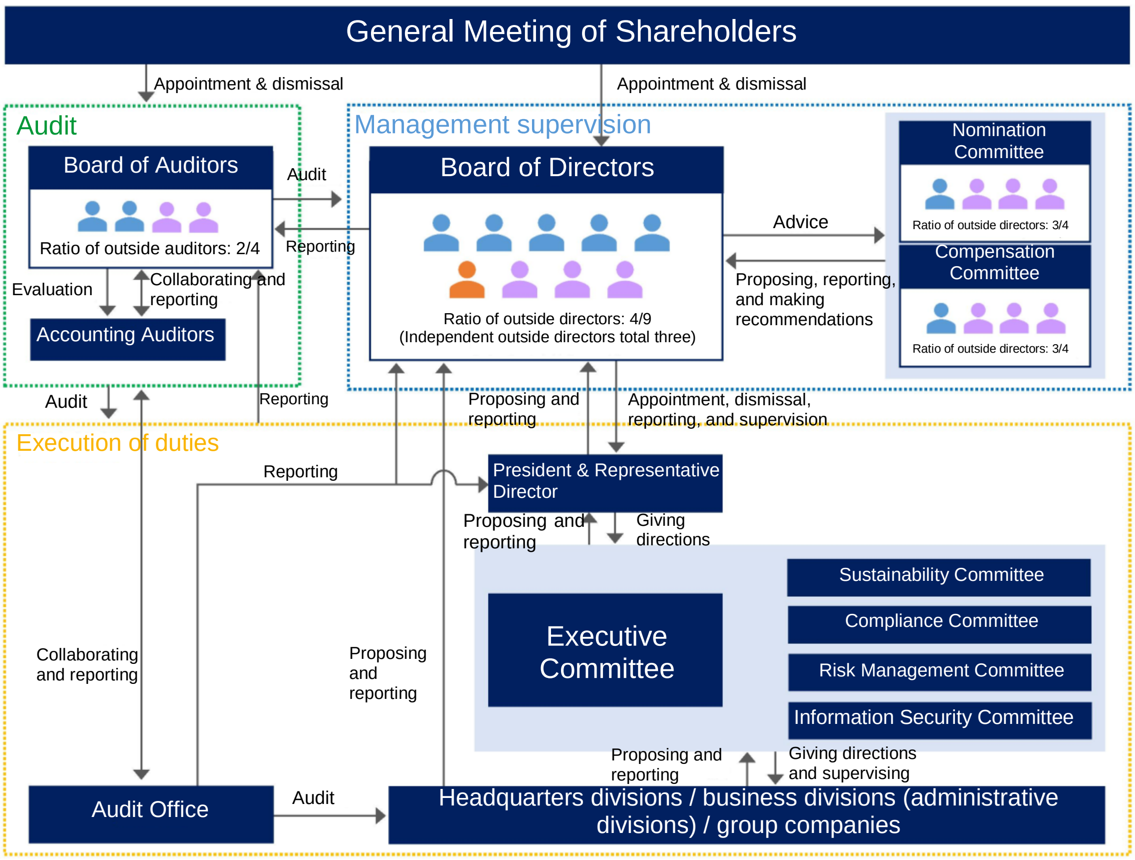
(Compliance Committee)

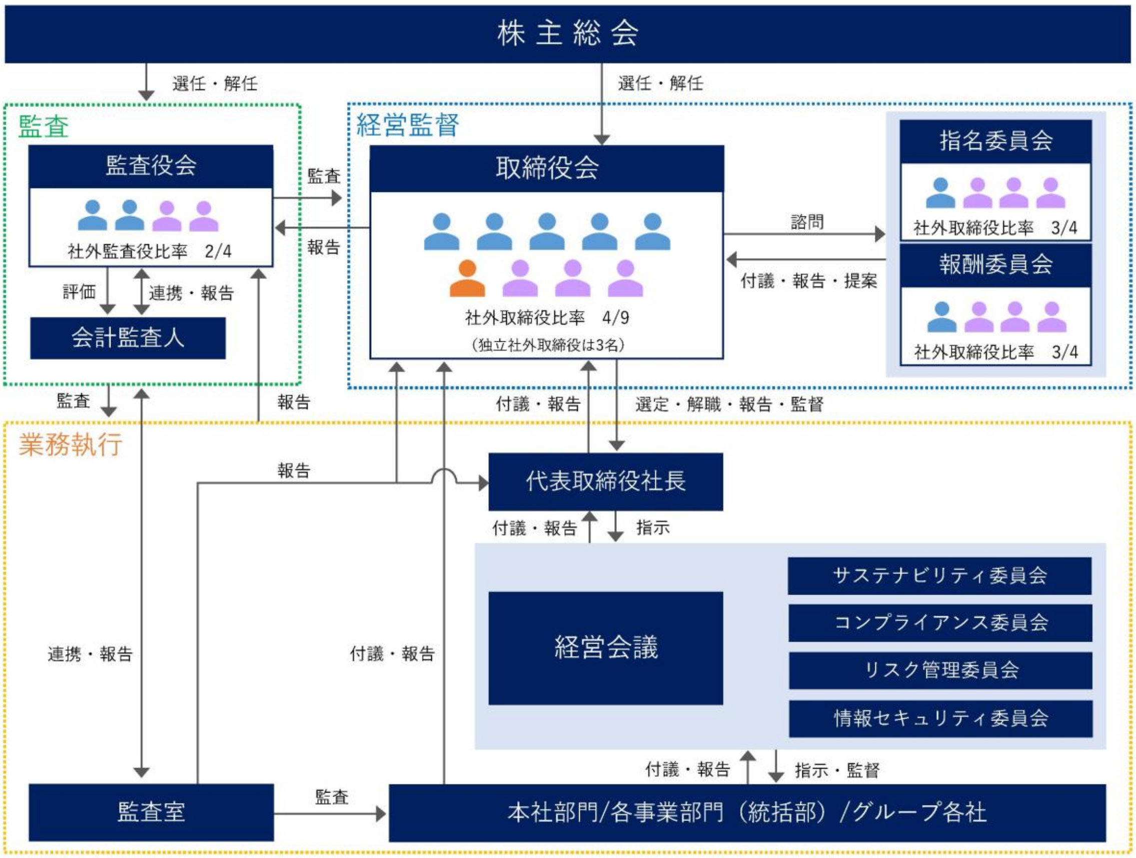
We have developed a compliance program aimed at raising awareness for compliance among all executives and employees, including directors and managing officers, enhancing a mutual deterrent function and eradicating harassment. We aim to improve compliance levels for the Company as a whole by promoting this program.

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), Tsuyoshi Shimoda (Director and Managing Officer), Takashi Asai (Director and Managing Officer), Mitumasa Ninomiya, Toshihisa Takayama, Hiroyuki Tanaka, and Takahiro Tomioka

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 a 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, violation of laws, etc. according to the nature of their operations. It shall have administrative divisions collect and organize this information for 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 formats and administrative divisions shall provide overall supervision.
- Administrative divisions shall create manuals on risk management, internal rules, etc. and disseminate information about them, as necessary, and review and maintain them appropriately, as necessary. If damage is or is expected to be incurred, the head of each supervisory division that has recognized the risk shall immediately report the situation to the administrative 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.
- Administrative divisions 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.

<Overview of officers' liability insurance contract>

The Company has entered into an officers' liability insurance contract with an insurance company as stipulated in Article 430-3, Paragraph (1) of the Companies Act. The contract covers all directors and corporate auditors of the Company and its subsidiaries, and these insured parties do not pay premiums. This insurance contract will cover legal damages, litigation expenses, etc. borne by the insured parties in the event that a claim for damages is made against an insured party owing to actions performed by the insured party based on his or her position.

<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 stipulated a basic policy on how individuals responsible for deciding policy on financial affairs and business operation ought to be. At the 80th General Meeting of Shareholders on June 29, 2006, it introduced the policy on potential attempts to buy large amounts of the Company’s shares and has maintained it for the purpose of maximizing either the Company’s corporate value or our shareholders’ shared benefits. More recently, the policy was approved, with some changes, by the shareholders at the 95th General Meeting of Shareholders on June 29, 2021 (the policy reflecting the changes to be referred to as the “Plan” hereafter).

Since a new management system was inaugurated on June 29, 2021, we have taken measures that contribute to improving governance, such as reforming of corporate culture and strengthening of compliance systems, which have paid off. In addition, we worked out a medium-term business plan and fleshed out medium-term strategies for improving corporate value. We have carried out measures to help achieve medium- to long-term growth, under the new management system, but aim to go beyond them and introduce further measures for growth.

Although the Plan was scheduled to expire on June 30, 2024, the Board of Directors resolved at a meeting on May 12, 2022 to abolish the Plan on that date before the expiration of the effective period, as measures to improve corporate value were carried out and after considering comprehensive factors, including recent trends of defensive measures against acquisition and opinions of shareholders, including Japanese and foreign institutional investors.

The Company aims to work to maximize either the Company’s corporate value or shared benefits of shareholders even after the Plan was abolished.

The abolished details, etc. (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 the view above, 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 (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 specific 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 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 in which the Company can request additional information from Large-Scale Purchasers as Large-Scale Purchase information, which is aimed at preventing arbitrary operation by the Company’s Board of Directors from delaying procedures.

Another is a stipulation requiring that the Corporate Value Committee be comprised only of outside directors and outside auditors (including their substitutes) who are independent from the management team which performs duties of 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 for sustainable growth, including effectiveness evaluation of the Board of Directors, establishment of Nomination Committee, 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 defensive measures against acquisition under the Plan, the Company set up a Corporate Value Committee comprised of at least three members selected from among the Company’s outside directors and outside auditors (including their substitutes) independent from the management team directly involved in the Company's operation 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)" 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: 11, female: 2 (percentage of female officers: 15.4%)

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 Apr. 2016 July 2018 July 2019 June 2020 Apr. 2021	Joins the Company Head of North America Promotion Division of Overseas Business Promotion Supervisory Division of the Company Managing Officer, Full-time Deputy Head of Overseas Business Supervisory Division of the Company Managing Officer, Head of Equipment Supervisory Division of the Company Director, Managing Officer, Head of Wireless R&D Center, and Head of Equipment Supervisory Division of the Company President and Representative Director of the Company (current)	See Note 2.	5
Director and Senior Executive Managing Officer	Kazuhiro Ito	March 14, 1962	Apr. 1985 Apr. 2009 July 2015 June 2016 June 2018 Apr. 2019 June 2019 June 2020 Apr. 2021	Joins the Company Radio Frequency Sales Manager of Sales Supervisory Division II of the Company Managing Officer and Sales Manager of Radio Frequency Supervisory Division of the Company Director, Managing Officer, and Head of Radio Frequency Supervisory Division of the Company Director, Managing Director, and Head of Radio Frequency Supervisory Division of the Company Director, Senior Executive Managing Officer, and Head of Radio Frequency Supervisory Division of the Company Director and Senior Executive Managing Officer of the Company Director and Managing Executive Officer of the Company Director and Senior Executive Managing Officer of the Company (current)	See Note 2.	7

Official title	Name	Date of birth	Work history		Term	Number of shares held (thousands of shares)
Director and Managing Officer Head of Crisis Management Office	Tsuyoshi Shimoda	April 12, 1964	Apr. 1988 Apr. 2010 July 2011 July 2012 June 2013 Apr. 2017 Dec. 2017 Apr. 2019 July 2019 Apr. 2021 Apr. 2022	Joins the Company Technical Manager of Equipment Supervisory Division of the Company Deputy Supervisory Head of Equipment Supervisory Division of the Company Managing Officer and Deputy Supervisory Head of Equipment Supervisory Division of the Company Director, Managing Officer, and Head of Equipment Supervisory Division of the Company Director, Managing Officer, Head of Equipment Supervisory Division, and 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 Director, Managing Officer and Head of Crisis Management Office (current)	See Note 2.	5

Official title	Name	Date of birth	Work history		Term	Number of shares held (thousands of shares)
Director and Managing Officer Head of President's Office	Takashi Asai	May 1, 1972	Apr. 1995 Apr. 2016 Apr. 2017 Apr. 2019 Apr. 2020 May 2020 Apr. 2021 June 2021 July 2021 Apr. 2022	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, 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 Secretarial Section of the Company Director, Managing Officer and Head of President's Office of the Company (current)	See Note 2.	2

Official title	Name	Date of birth	Work history	Term	Number of shares held (thousands of shares)
Director and Managing Officer Head of R&D Supervisory Center	Toshiro Kawahara	March 9, 1967	Apr. 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 Aug. 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 Apr. 2021 Head of Wireless R&D Center of the Company June 2021 Director, Managing Officer, Head of Wireless R&D Center of the Company April 2022 Director, Managing Officer, Head of R&D Supervisory Center of the Company (current)	See Note 2.	1
Directors	Hidehiro Tsukano	March 21, 1958	Apr. 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 June 2021 Director of the Company (current) July 2021 Head of IOWN Integrated Innovation Center of NIPPON TELEGRAPH AND TELEPHONE CORPORATION (current)	See Note 2.	—

Official title	Name	Date of birth	Work history		Term	Number of shares held (thousands of shares)
Directors	Jean-Francois Minier	November 20, 1970	Sept. 1992	Equity derivatives trader of Indosuez W.I. Carr Securities Ltd.	See Note 2.	—
			Mar. 1995	Vice President and equity derivatives trader of Morgan Stanley		
			Feb. 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		
			Mar. 2009	In charge of Japanese company development of AVISA Partners Representative Director and Chairman of Intime		
			Apr. 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		
			Nov. 2016	Non-Executive Director and Head of Corporate Development, North East Asia, of First Names Group Corporate Projects Director, Asia of United Company RUSAL		
			Jan. 2019	Special Advisor to CEO of Les Rois Mages		
			Apr. 2020	Managing Director of Kroll, LLC.		
			June 2021	Director of the Company (current)		
			Dec. 2021	Representative Director of LES ROIS MAGES JAPON CO., LTD. (current)		
Directors	Ryoko Takeda	July 5, 1970	Apr. 1998	Registered as lawyer; joins Nishimura & Partners (presently Nishimura & Asahi)	See Note 2.	—
			Dec. 2014	Special Counsel of City-Yuwa Partners (current)		
			Feb. 2016	Certified as Certified Fraud Examiner (CFE)		
			Oct. 2016	Bar examiner and examiner for the preliminary bar examination (responsible for administrative acts)		
			June 2021	Director of the Company (current)		
Directors	Atsushi Takahashi	October 13, 1976	Oct. 2000	Joins Tohmatsu & Co. (presently Deloitte Touche Tohmatsu LLC)	See Note 2.	—
			June 2004	Registered as certified public accountant		
			July 2014	Partner of Deloitte Touche Tohmatsu LLC		
			Aug. 2020	Representative member of Partners SG Audit Corporation (current)		
			June 2021	Director of the Company (current)		

Official title	Name	Date of birth	Work history		Term	Number of shares held (thousands of shares)
Corporate standing auditors	Toshio Akahane	May 12, 1957	Mar. 1976	Joins Maritime Self-Defense Force	See Note 4.	4
			Aug. 2007	Chief of Planning Section, Systems Planning Department, Maritime Self-Defense Force		
			Mar. 2011	Director of Auditors Office, Maritime Staff Office		
			June 2013	Joins the Company		
			Aug. 2013	Head of Ebino Techno Center, Facility Supervisory Division of the Company		
			Apr. 2015	Head of Ebino Techno Center, Facility Engineering Supervisory Division of the Company		
			Apr. 2017	Head of Myanmar Office for Overseas Business Supervisory Division of the Company		
			Apr. 2019	Head of Business Administration Department of the Company		
			June 2020	Corporate Standing Auditor of the Company (current)		
Corporate standing auditors	Nobuo Funabashi	July 11, 1958	Nov. 1983	Joins the Company	See Note 5.	4
			Aug. 2007	Government Sector Sales Manager of Sales Supervisory Division II of the Company		
			Apr. 2009	Head of Tokyo Branch of Branch Supervisory Division of the Company		
			July 2013	Managing Officer, Head of Branch Supervisory Division, and Head of Tokyo Branch of the Company		
			Apr. 2016	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		
			June 2018	Councilor of Human Resources Department of Administrative Supervisory Division (seconded to Zephyr Corporation) of the Company		
			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)		

Official title	Name	Date of birth	Work history		Term	Number of shares held (thousands of shares)
Auditors	Hiroshi Matsubayashi	June 28, 1960	Apr. 1983 June 2007 Apr. 2014 Sept. 2014 Apr. 2016 Apr. 2017 June 2019 June 2021	Joins The Nippon Fire & Marine Insurance Co., Ltd. Manager of Shiga Branch, NIPPONKOA Insurance Co., Ltd. Executive Officer and General Manager of Corporate Sales Department No. 4 of NIPPONKOA Insurance Co., Ltd. Managing Executive Officer and General Manager of Corporate Sales Department No. 4 of Sompo Japan Nipponkoa Insurance Service Co., Ltd. Managing Executive Officer and General Manager of Kansai Division No. 2 of Sompo Japan Nipponkoa Insurance Service Co., Ltd. Managing Executive Officer, General Manager of Kanagawa Division, and General Manager of Shizuoka Division of Sompo Japan Nipponkoa Insurance Service Co., Ltd. Managing Director of Sompo Japan Nipponkoa Welfare Foundation (presently Sompo Welfare Foundation) (current) Corporate Auditor of the Company (current)	See Note 5.	―
Auditors	Yuka Matsuda	September 19, 1960	Apr. 1985 Oct. 1991 Oct. 1992 Apr. 1995 Apr. 1999 July 2002 July 2014 July 2021 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 Director of PwC Tax Japan Corporate Auditor of the Company (current) Representative of Yuka Matsuda CPA and Public Tax Accountant Office (current)	See Note 6.	―
Total						31

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 2022 to the conclusion of the General Meeting of Shareholders relating to the fiscal year ending March 2023.

3 Auditors Hiroshi Matsubayashi and Yuka Matsuda 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 The term of Corporate Auditor Yuka Matsuda is from July 1, 2021 to the conclusion of the General Meeting of Shareholders relating to the fiscal year ending March 2025.

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)
Ryuichi Hirai	July 22, 1950	Apr. 1973	Joins Nihon Cement Co., Ltd. (currently Taiheiyo Cement Corporation)	See Note.	―
		Apr. 2004	Overseas Company Vice President and General Manager, Marketing & Trading Department, Overseas Company of Taiheiyo Cement Corporation		
		Apr. 2006	Advisor, Overseas Company Vice President, and General Manager, Marketing & Trading Department, Overseas Company of Taiheiyo Cement Corporation		
		Apr. 2008	Managing Executive Officer and Overseas Company President of Taiheiyo Cement Corporation		
		June 2008	Director, Managing Executive Officer and Overseas Company President of Taiheiyo Cement Corporation		
		June 2010	Director, Managing Executive Officer, and Senior General Manager, International Business Division of Taiheiyo Cement Corporation		
		Apr. 2012	Representative Director, Senior Executive Officer, and Senior General Manager, International Business Division of Taiheiyo Cement Corporation		
		Apr. 2013	Director of Taiheiyo Cement Corporation		
		June 2013	Counselor of Taiheiyo Cement Corporation		
		Oct. 2018	Deputy Representative Director of DIRECTFORCE (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 Yuka Matsuda 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 expertise 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 net sales. While Ryoko Takeda is a Special Counsel of City-Yuwa Partners and the Company uses City-Yuwa’s counsel service, the deal with the law firm does not affect her independence as the total amount of the fees the Company paid to the law firm in the current fiscal year is minimal compared to the Company’s 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 four 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. Yuka Matsuda 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 at regular intervals and whenever 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 20 Board of Auditors meetings. Auditor Tsuchiya attended eight of eight meetings, Auditor Tamiya seven of eight meetings, Auditor Kobayashi eight of nine meetings, Auditor Akahane 20 of 20 meetings, Auditor Funabashi 12 of 12 meetings, Auditor Matsubayashi 12 of 12 meetings, and Auditor Matsuda 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.

As the incident reported using the whistleblowing system in April 2021 was alleged to be an incident that may fall under Article 382 of the Companies Act, an investigative audit was performed, led by the Board of Auditors in accordance with the authority specified in the provisions of Article 381 of the same Act. For the investigation, an independent external law firm was enlisted to offer investigative assistance, including legal advice, to complement the legal interpretation of the Board of Auditors.

As the investigation found defects in some aspects of the operation of the internal control systems, recommendations regarding measures to prevent recurrence were made on issues including reforms of the corporate culture and governance systems, improvement in the awareness about compliance through management prioritizing compliance, and control systems for entertainment expenses.

Improvement measures were taken in a timely and appropriate manner on the defects that have been discovered. As stated in “II. [Business Overview], 1. [Management Policies, Management Environment, and Pressing Issues], (5) Issues the Company needs to address,” it was confirmed that preventive measures had been taken.

(ii) Status of internal audits

As for the Company’s internal audit structure, the Audit Office (comprised of four members) leads internal audits to examine the execution of duties, as well as audits of Group companies. In accordance with internal audit rules, internal audits 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 accounting auditors exchange information and views between them, such as 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

11 years

c. Certified public accountants who performed audits

Kenji Morita

Yoshie Moritake

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

d. Composition of assistants involved in audit work

Assistants involved in the Company's accounting audit are composed of 8 certified public accountants and 17 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	46	7	69	–
Consolidated subsidiaries	–	–	–	–
Total	46	7	69	–

Notes: 1 In addition to the above, there is 7 million yen in additional fees for audits conducted in the previous consolidated fiscal year for the current consolidated fiscal year.

2 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) 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	–	–	–	3
Total	–	0	–	4

Note: Non-audit services at the Company and its consolidated subsidiaries are tax advisory services and transfer pricing taxation documentation services.

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 July 29, 2021.

B. Outline of policy

a. Basic policy

The basic policy on compensation, etc. of the Company's directors call for the use of a scheme that functions sufficiently as an incentive to work toward sustainable improvement in corporate value over a medium to long term and is linked with shareholder interests to promote sharing of awareness about interests with shareholders to realize the Company's ideal of "Pioneering the Future" in accordance with the March 26, 2021 Medium- and Long-Term Management Strategy. The policy also calls for compensation for each director to be set at reasonable levels based on the duties of each. Specifically, it calls for compensation, etc. for directors to be comprised of basic compensation as fixed compensation, bonuses (performance-linked compensation, etc.), and share-based compensation (non-cash compensation, etc.), while compensation, etc. for outside directors, who perform supervisory functions on the management, shall comprise only basic compensation 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. The "levels at other companies" are the levels at companies of similar sizes in Japan, which are determined using compensation survey data by specialized external agencies.

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 the Company 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 the degree 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 1.2 billion yen in estimated net income attributable to shareholders of the Company. The outcome was 0.705 billion yen, and the Board of Directors resolved not to pay bonuses to directors or auditors for the 96th 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. and, to incentivize them to put effort into achieving medium- to long-term goals, non-cash compensation, etc. is larger, taking into account levels at other companies. The Compensation Committee discusses specific ratios for each type of compensation and offers advice and recommendations to the Board of Directors.

f. Matters regarding the method for deciding details of compensation for each director and important matters regarding decisions

The Company seeks the Compensation Committee's opinion about compensation proposals that specify the amount of compensation for each individual and include the amount, timing or conditions of payment, and ratios of basic compensation, performance-linked compensation, etc., non-cash compensation, etc. and other portions worked out based on the above policy within the scope approved by the General Meeting of Shareholders. The Board of Directors makes the decision, respecting the committee's advice and recommendations.

The Compensation Committee is comprised of up to four members, including multiple outside directors appointed through the Board of Directors' resolution and a representative director. A committee chairperson is elected from among independent outside directors. The Compensation Committee offers advice and recommendations to the Board of Directors. The content is specified to be on 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)	174	161	—	13	8
Auditors (excluding outside auditors)	28	28	—	—	3
Outside directors and auditors	69	69	—	—	11

(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)

In accordance with the policy to reduce cross-held shares, 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	Total amount on balance sheet (millions of yen)
Unlisted stocks	20	101
Stocks other than unlisted stocks	17	3,637

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

	Number of issues	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	Total amount of sales value pertaining to decreases in number of shares (millions of yen)
Unlisted stocks	—	—
Stocks other than unlisted stocks	6	1,354

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

Specified investment stocks

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
Sompo Holdings, Inc.	181,874	181,874	The company has insurance deals with the company and holds this stock for the purpose of enhancing business risk management. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two 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 (Note 2)
	978	771		
Mitsubishi UFJ Financial Group, Inc.	484,970	484,970	The bank, which is a key transacting financial institution, provides us with sales information and information useful for our overseas operations. We hold the shares to facilitate and stabilize financing activities. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two 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 (Note 2)
	368	286		
Sumitomo Mitsui Financial Group, Inc.	85,646	85,646	The bank, which is a key transacting financial institution, provides us with sales information and information useful for our overseas operations. We hold the shares to facilitate and stabilize financing activities. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two 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 (Note 2)
	334	343		

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 of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company’s shares
Nippon Television Holdings, Inc.	231,900 295	231,900 337	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 (Note 2)

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 of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
EXEO Group, Inc.	127,900	127,900	The telecommunication business has order-taking and -placing transactions for base station antennas, etc. with this company. We hold the shares to facilitate business activity in the mobile communication-related segment. Although it is difficult to quantify benefits of holding the shares in light of the above 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 (Note 1)
	289	373		
Sumitomo Mitsui Trust Holdings, Inc.	65,651	65,651	The bank, which is a key transacting financial institution, provides us with sales information and information useful for our overseas operations. We hold the shares to facilitate and stabilize stock transfer agent services and financing activities. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two 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 (Note 2)
	262	253		
Asahi Broadcasting Group Holdings Corporation	322,700	393,700	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
	230	286		

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 of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
NIPPON DENSETSU KOGYO CO., LTD.	136,900	136,900	The telecommunication business has order-taking and -placing transactions for base station antennas, etc. with this company. We hold the shares to facilitate business activity in the mobile communication-related segment. Although it is difficult to quantify benefits of holding the shares in light of the above 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
	216	265		
NIPPON CONCRETE INDUSTRIES CO., LTD.	529,700	529,700	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
	154	218		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
FUJI CORPORATION	54,900	312,000	We hold the shares to facilitate exchange of information with the company, including information on future product development and industry trends. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of Directors at two 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
	122	884		
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
	93	132		
Hibiya Engineering, Ltd.	47,500	95,000	The telecommunication business has transactions related to aviation obstacle lights, etc. We hold the shares to facilitate business activity in aviation obstacle lights-related areas. Although it is difficult to quantify benefits of holding the shares in light of the above purpose, each year, we report to the Board of 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
	87	184		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
NAKAYO, INC.	61,000	61,000	We hold the shares to facilitate exchange of information with the company, including information on future product development and industry trends. Although it is difficult to quantify benefits of holding the shares in light of the above 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
	69	93		
IKEGAMI TSUSHINKI CO., LTD.	70,300	70,300	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
	44	62		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
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
	40	41		
Origin Co., Ltd.	32,000	32,000	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 and purpose of holding them, etc., upon which the Board deliberates the benefits.	Yes
	38	46		
UNIVANCE CORPORATION	21,400	21,400	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
	10	9		

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
	Number of shares	Number of shares		
	Amount on balance sheet (millions of yen)	Amount on balance sheet (millions of yen)		
Neturen Co., Ltd.	—	501,800	All shares were sold after we examined the benefits of holding.	No
	—	305		
NEC Corporation	—	25,000	All shares were sold after we examined the benefits of holding.	No
	—	163		
The Aichi Bank, Ltd.	—	27,900	All shares were sold after we examined the benefits of holding.	Yes
	—	84		

Notes: 1 Kyowa Exeo Corporation changed its trade name to EXEO Group, Inc. on October 1, 2021.
2 Sompo Holdings, Inc., Mitsubishi UFJ Financial Group, Inc., Sumitomo Mitsui Financial Group, Inc., Nippon Television Holdings, Inc., and Sumitomo Mitsui Trust Holdings, Inc. hold the Company's shares 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 performed audits on the consolidated financial statements for the consolidated fiscal year (from April 1, 2021 to March 31, 2022) and the non-consolidated financial statements for the non-consolidated fiscal year (from April 1, 2021 to March 31, 2022), 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, 2021)	Current consolidated fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	18,995	18,886
Notes receivable-trade	663	440
Electronically recorded monetary claims-operating	1,135	878
Accounts receivable from completed construction contracts	12,002	5,127
Accounts receivable-trade	7,034	4,489
Contract assets	―	1,832
Costs on uncompleted construction contracts	339	117
Other inventories	*1 4,511	*1 5,890
Others	742	3,328
Allowance for doubtful accounts	(3)	(2)
Total current assets	45,421	40,989
Non-current assets		
Property, plant, and equipment		
Buildings and structures	11,046	11,061
Machinery, equipment, and vehicles	9,502	9,540
Tools, furniture, and fixtures	7,187	7,510
Land	2,241	2,241
Lease assets	293	237
Construction in progress	44	186
Accumulated depreciation	(23,181)	(23,869)
Total property, plant, and equipment	7,134	6,907
Intangible assets	575	648
Investments and other assets		
Investment securities	*2 7,025	*2 5,465
Long-term loans receivable	3	2
Net defined benefit assets	580	611
Deferred tax assets	615	780
Others	1,155	980
Allowance for doubtful accounts	(47)	(49)
Total investments and other assets	9,332	7,791
Total non-current assets	17,042	15,347
Total assets	62,463	56,336

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts, and others	6,950	3,916
Short-term loans payable	*4 280	*4 80
Long-term loans payable to be repaid within a year	6	180
Lease obligations	62	53
Income taxes payable	613	221
Advances received on uncompleted construction contracts	51	—
Contract liabilities	—	323
Allowance for warranties on completed construction contracts	37	26
Allowance for product warranties	77	173
Allowance for employees' bonuses	612	621
Allowance for directors' bonuses	36	6
Allowances for losses on construction contracts	34	47
Others	1,432	680
Total current liabilities	10,196	6,330
Fixed liabilities		
Long-term loans payable	433	279
Lease obligations	95	67
Allowance for product warranties	—	29
Allowances for share-based remuneration for directors and corporate auditors	102	52
Net defined benefit liability	2,905	2,840
Asset retirement obligations	49	49
Others	689	78
Total fixed liabilities	4,275	3,397
Total liabilities	14,472	9,727
Net assets		
Shareholders' equity		
Capital	8,774	8,774
Capital surplus	9,731	9,723
Retained earnings	31,830	32,028
Treasury stock	(5,088)	(5,940)
Total shareholders' equity	45,248	44,586
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,270	873
Deferred gains or losses on hedges	11	37
Foreign currency translation adjustment	40	87
Remeasurements of defined benefit plans	401	318
Total accumulated other comprehensive income	1,724	1,317
Non-controlling interests	1,018	705
Total net assets	47,991	46,609
Total liabilities and net assets	62,463	56,336

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net sales		
Sales of completed construction contracts	19,775	13,183
Net sales of goods	21,597	20,684
Sales in other business	*1 105	*1 100
Total net sales	41,478	33,968
Cost of sales		
Cost of sales of completed construction contracts	16,391	10,746
Cost of finished goods sold	*2, *4 17,309	*2, *4 16,976
Cost of sales in other business	*1 49	*1 47
Total cost of sales	33,750	27,770
Gross profit		
Gross profit on completed construction contracts	3,383	2,436
Gross profit on finished goods	4,288	3,708
Gross profit on other business	*1 55	*1 52
Total gross profit	7,727	6,198
Selling, general, and administrative expenses	*3, *4 6,143	*3, *4 6,145
Operating income	1,583	53
Non-operating income		
Interest income	4	3
Interest on securities	7	6
Dividend income	164	172
Foreign exchange gains	—	147
Others	148	155
Total non-operating income	325	484
Non-operating expenses		
Interest expenses	28	26
Commitment fee	59	49
Others	21	13
Total non-operating expenses	109	89
Ordinary income	1,799	448
Extraordinary income		
Gain on sales of investment securities	165	589
Total extraordinary income	165	589

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Extraordinary losses		
Loss on valuation of investment securities	318	170
Total extraordinary losses	318	170
Net income before income taxes	1,647	867
Income taxes-current	630	242
Income taxes-deferred	(91)	21
Total income taxes	539	264
Net income	1,108	602
Loss attributable to non-controlling interests	(47)	(103)
Net income attributable to shareholders of parent company	1,155	705

[Consolidated statement of comprehensive income]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net income	1,108	602
Other comprehensive income		
Valuation difference on available-for-sale securities	883	(397)
Deferred gains or losses on hedges	39	25
Foreign currency translation adjustment	(188)	47
Remeasurements of defined benefit plans, net of tax	377	(83)
Total other comprehensive income	*1 1,111	*1 (406)
Comprehensive income	2,219	195
(Breakdown)		
Comprehensive income attributable to shareholders of parent	2,320	298
Comprehensive income attributable to non-controlling interests	(100)	(102)

(iii) [Consolidated statement of changes in equity]

Previous 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
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
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

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(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	31,830	(5,088)	45,248
Cumulative effect of change in accounting policy			35		35
Balance at beginning of current year after change in accounting policy is applied	8,774	9,731	31,865	(5,088)	45,283
Changes of items during term					
Dividends of surplus			(543)		(543)
Net income attributable to shareholders of parent company			705		705
Purchase of treasury stock				(1,049)	(1,049)
Disposal of treasury stock		(8)		197	189
Net changes of items other than shareholders' equity					
Total changes of items during term	—	(8)	162	(851)	(697)
Balance at end of current term	8,774	9,723	32,028	(5,940)	44,586

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current term	1,270	11	40	401	1,724	1,018	47,991
Cumulative effect of change in accounting policy							35
Balance at beginning of current year after change in accounting policy is applied	1,270	11	40	401	1,724	1,018	48,026
Changes of items during term							
Dividends of surplus							(543)
Net income attributable to shareholders of parent company							705
Purchase of treasury stock							(1,049)
Disposal of treasury stock							189
Net changes of items other than shareholders' equity	(397)	25	47	(83)	(407)	(312)	(719)
Total changes of items during term	(397)	25	47	(83)	(407)	(312)	(1,417)
Balance at end of current term	873	37	87	318	1,317	705	46,609

(iv) [Consolidated statement of cash flows]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Cash flows from business activities		
Net income before income taxes	1,647	867
Depreciation	1,322	1,381
Increase (decrease) in allowance for employees' bonuses	145	8
Increase (decrease) in allowances for directors' bonuses	26	(30)
Increase (decrease) in net defined benefit liability	52	(240)
Increase (decrease) in allowances for retirement bonuses for directors and corporate auditors	(78)	—
Increase (decrease) in allowances for share-based remuneration to officers for directors and corporate auditors	19	24
Increase (decrease) in allowances for doubtful accounts	(15)	0
Increase (decrease) in allowances for loss on construction contracts	(10)	12
Increase (decrease) in allowances for product warranties	(134)	96
Interest and dividend income	(177)	(182)
Interest expenses	28	26
Foreign exchange losses (gains)	(7)	(92)
Loss (gain) on sales of investment securities	(165)	(589)
Loss (gain) on valuation of investment securities	318	170
Decrease (increase) in notes and accounts receivable-trade	(1,378)	8,076
Decrease (increase) in costs on uncompleted construction contracts	83	221
Decrease (increase) in inventories	578	(1,375)
Decrease (increase) in other assets	(263)	251
Increase (decrease) in notes and accounts payable-trade	(228)	(3,059)
Increase (decrease) in advances received on uncompleted construction contracts	(342)	(16)
Increase (decrease) in accrued consumption taxes	(36)	(331)
Increase (decrease) in other liabilities	219	(612)
Others	32	54
Subtotal	1,635	4,661
Interest and dividend income received	180	180
Interest expenses paid	(28)	(36)
Income taxes paid	(339)	(639)
Cash flows from business activities	1,447	4,166

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net cash flows from investing activities		
Payments into time deposits	(33,211)	(27,849)
Proceeds from withdrawal of time deposits	32,211	30,797
Expenses for purchase of property, plant, and equipment and intangible assets	(1,187)	(1,408)
Proceeds from sale of property, plant, and equipment and intangible assets	25	12
Purchase of investment securities	(166)	(659)
Proceeds from sales of investment securities	507	1,233
Proceeds from redemption of investment securities	422	550
Payments of loans receivable	(3)	(0)
Collection of loans receivable	1	1
Others	(1)	4
Net cash flows from investing activities	(1,402)	2,680
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(114)	(200)
Proceeds from long-term loans payable	93	—
Repayment of long-term loans payable	—	(13)
Repayments of lease obligations	(71)	(67)
Proceeds from sales of treasury stock	7	114
Purchase of treasury stock	(2)	(1,049)
Decrease (increase) in deposits for purchase of treasury stock	—	(2,170)
Cash dividends paid	(545)	(543)
Dividends paid to non-controlling interests	—	(209)
Cash flows from financing activities	(633)	(4,139)
Effect of exchange rate change on cash and cash equivalents	(43)	132
Net increase (decrease) in cash and cash equivalents	(630)	2,840
Cash and cash equivalents at beginning of term	10,931	10,300
Cash and cash equivalents at end of term	*1 10,300	*1 13,140

[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

Those other than stocks, etc. not quoted in the market

The fair value method (all valuation gains or losses reported as component of net assets; cost of securities sold calculated under moving average method) is used.

Stocks, etc. not quoted in the market

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

The Company recognizes revenues at the time the control of the promised goods or services is judged to have been transferred to the customer in the amount it expects to receive in exchange for the goods or services.

The content of key performance obligation and the ordinary timing of recognizing revenues in the key businesses are as described in the "Notes (Revenue recognition)" to the consolidated financial statements.

(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.

(Significant accounting estimates)

Revenue recognition for construction contracts, equipment installment work, etc. ("Construction Contracts, etc." hereafter)

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

(Millions of yen)

	Previous consolidated fiscal year	Current consolidated fiscal year
Net sales of Construction Contracts, etc. related to performance obligation that is fulfilled over a certain period of time	3,517	2,432

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

For some of the Group's Construction Contracts, etc., we in the past applied the percentage-of-completion method if their achievement is recognized to have certainty regarding the progress. We have changed to a method in which, if control over goods or services is transferred to the customer over a certain period of time, revenue is recognized over the certain period as the performance obligation to transfer the said goods or services to the customer is fulfilled. Measurement of progress regarding fulfillment of performance obligation is carried out based on the ratio of the cost materialized by the last date of each reporting period to the total of expected costs.

We revise the assumptions used in estimating total costs whenever necessary. When there is any change, we book its impact 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 (changes in designs, natural disasters, etc.), which may have a significant impact on amounts to be recognized on the consolidated financial statements pertaining to the next consolidated fiscal year.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020) at the beginning of the current consolidated fiscal year. It now recognizes revenues at the time the control of the promised goods or services has been transferred to the customer in the amount it expects to receive in exchange for the goods or services.

As a result, for some of the Group’s Construction Contracts, etc., we in the past applied the percentage-of-completion method if their achievement is recognized to have certainty regarding the progress. We have changed to a method in which, if control over goods or services is transferred to the customer over a certain period of time, revenue is recognized over the certain period as the performance obligation to transfer the said goods or services to the customer is fulfilled. Measurement of progress regarding fulfillment of performance obligation is carried out based on the ratio of the cost materialized by the last date of each reporting period to the total of expected costs.

The application of the Accounting Standard for Revenue Recognition follows the transitional handling specified in the proviso to Paragraph 84 of the Standard. The amount of cumulative impact, worked out by retrospectively applying the new accounting policy to the periods before the beginning of the current consolidated fiscal year, is added to or subtracted from the retained earnings at the beginning of the current consolidated fiscal year, and the new accounting policy begins to be applied from the beginning balance for the fiscal year. In addition, the method specified in note (1) for Paragraph 86 of the Accounting Standard for Revenue Recognition is applied, and account processing is carried out for the contract changes made before the beginning of the current consolidated fiscal year in accordance with contract terms after all contract changes are reflected, and the amount of cumulative impact from this is added to or subtracted from the retained earnings at the beginning of the current consolidated fiscal year.

“Notes receivable, accounts receivable from completed construction contracts, and others,” which appeared under “Current assets” in the consolidated balance sheet for the previous consolidated fiscal year, is included in “Notes receivable-trade,” “Electronically recorded monetary claims-operating,” “Accounts receivable from completed construction contracts,” “Accounts receivable-trade,” and “Contract assets,” beginning in the current consolidated fiscal year, while “Advances received on uncompleted construction contracts” and “Other Businesses,” which appeared under “Current liabilities,” are included in “Contract liabilities” and “Other Businesses,” beginning in the current consolidated fiscal year. The Company did not introduce reclassification using the new presentation method in the previous consolidated fiscal year in accordance with the transitional handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition.

As a result, net sales decreased 55 million yen, cost of sales decreased 37 million yen, and operating income, ordinary income and net income before income taxes each declined 18 million yen at the end of the current consolidated fiscal year. Furthermore, the initial balance of retained balance for the current fiscal year increased by 35 million yen.

The impact on the per-share information is shown in the corresponding part.

The “Revenue recognition” notes for the previous consolidated fiscal year are omitted in accordance with the transitional handling specified in Paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30 issued on July 4, 2019), etc. at the beginning of the current consolidated fiscal year, and plans to apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional handling specified by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10 issued on July 4, 2019) into the future. Note that this does not have any impact on the consolidated financial statements.

We decided to add notes about matters regarding level-by-level breakdown of fair value of financial instruments in the “Notes on financial instruments.” However, these notes do not include content pertaining to the previous consolidated fiscal year in accordance with the transitional handling specified in Paragraph 7-4 of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments (ASBJ Guidance No. 19 released July 4, 2019).

(Accounting standards that were not used, etc.)

- Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 released June 17, 2021, Accounting Standards Board of Japan)

(1) Overview

The Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, Accounting Standards Board of Japan) was revised on June 17, 2021. When it was announced on July 4, 2019, the guidance said that, as reviewing "fair value measurement of investment trusts" with relevant parties was believed to take a certain period and notes on fair values of "investments in partnerships, etc. for which an amount equivalent to the interest is carried on the balance sheet in the net amount" would require a certain review, these reviews would be conducted over about a year after the release of the Accounting Standard for Fair Value Measurement. Now the revised guidance was released.

(2) Planned date of application

To be applied from the beginning of the year ending March 2023.

(3) Impact of applying the accounting standard

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

(Change in method of presentation)

(Consolidated balance sheet)

"Notes receivable-trade," "Electronically recorded monetary claims-operating," "Accounts receivable from completed construction contracts," and "Accounts receivable-trade," which were included in "Notes receivable, accounts receivable from completed construction contracts, and others" under "Current assets" in the previous consolidated fiscal year. They are shown as separate items beginning in the current consolidated fiscal year to enhance clarity of disclosure. We rearranged the financial statements of the previous consolidated fiscal year to reflect this change in presentation.

As a result, the 20,836 million yen indicated as "Notes receivable, accounts receivable from completed construction contracts, and others" under "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year has been reclassified into 663 million yen in "Notes receivable-trade," 1,135 million yen in "Electronically recorded monetary claims-operating," 12,002 million yen in "Accounts receivable from completed construction contracts" and 7,034 million yen in "Accounts receivable-trade."

(Consolidated statement of income)

"Dividend income of life insurance" appeared as a line item under "Non-operating income" 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 33 million yen shown in "Dividends income of life insurance" under "Non-operating income" on the consolidated statement of income in the previous consolidated fiscal year is reclassified into "Others."

(Additional information)

(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 57,551 shares worth 160 million yen in book value at the end of the previous consolidated fiscal year and 80,632 shares worth 199 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 is still affecting the Group and has caused a significant impact on order-taking activities in the industries in which the Group operates. Although it is difficult to predict how the pandemic may develop going forward or when it may run its course with certainty, the Company, based on the information collected from internal and external 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, 2021)	Current consolidated fiscal year (March 31, 2022)
Products	1,104 million yen	2,328 million yen
Work in process	1,804 million yen	1,834 million yen
Raw materials and supplies	1,601 million yen	1,728 million yen
Total	4,511 million yen	5,890 million yen

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Investment securities (stocks)	53 million yen	53 million yen

*3: Debt guarantees

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

	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Bank loans payable by DKK North America, Inc.	- million yen	36 million yen
Bank loans payable by employees, etc.	0 million yen	0 million yen
Total	0 million yen	36 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, 2021)	Current consolidated fiscal year (March 31, 2022)
Total amount of specified commitment line contracts	14,000 million yen	7,000 million yen
Amount executed by the end of the current consolidated fiscal year	- million yen	- million yen
Difference	14,000 million yen	7,000 million yen

(Notes on consolidated statement of income)

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

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

Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
34 million yen	47 million yen

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

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Employees' salaries and allowances	2,538 million yen	2,759 million yen
Provision for bonuses	206 million yen	209 million yen
Provision for directors' bonuses	36 million yen	6 million yen
Retirement benefit expenses	149 million yen	73 million yen
Provision for directors' retirement benefits	0 million yen	- million yen
Allowances for share-based compensation for directors	26 million yen	24 million yen
Research and development expenses	1,266 million yen	1,149 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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
2,064 million yen	1,940 million yen

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Valuation difference on available-for-sale securities:		
Amount booked	1,439 million yen	16 million yen
Reclassification adjustments	(165)	(589)
Before tax effect	1,273	(572)
Amount of tax effect	(390)	175
Valuation difference on available-for-sale securities	883	(397)
Deferred gains or losses on hedges:		
Amount booked	62	95
Reclassification adjustments	(5)	(58)
Before tax effect	57	37
Amount of tax effect	(17)	(11)
Deferred gains or losses on hedges	39	25
Foreign currency translation adjustment:		
Amount booked	(188)	47
Reclassification adjustments	—	—
Before tax effect	(188)	47
Amount of tax effect	—	—
Foreign currency translation adjustment	(188)	47
Remeasurements of defined benefit plans, net of tax:		
Amount booked	463	27
Reclassification adjustments	80	(146)
Before tax effect	543	(119)
Amount of tax effect	(166)	36
Remeasurements of defined benefit plans, net of tax	377	(83)
Total other comprehensive income	1,111	(406)

(Notes on consolidated statement of changes in equity)

Previous 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 (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 (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.

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

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 (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 (shares)	2,066,196	441,392	76,919	2,430,669

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 80,632 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 May 14, 2021 Board of Directors meeting: 131,700 shares
Acquisition of treasury stock under resolution at November 10, 2021 Board of Directors meeting: 120,000 shares
Acquisition of treasury stock under resolution at February 10, 2022 Board of Directors meeting: 139,300 shares
Acquisition of treasury stock under share-based compensation scheme: 50,000 shares
Increase due to purchase of shares less than one unit: 392 shares

3 Breakdown of the decrease is as follows.

Disposal of treasury stock under share-based compensation scheme: 50,000 shares
Issuance of treasury stock to retiring directors under share-based compensation scheme: 26,919 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 29, 2021 General Meeting of Shareholders	Common stock	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.

(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, 2022 General Meeting of Shareholders	Common stock	Retained earnings	704	60.00	March 31, 2022	June 30, 2022

Note: The total amount of payouts includes 4 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.

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Cash and deposit account	18,995 million yen	18,886 million yen
Time deposits with a deposit period exceeding three months	(8,694 million) yen	(5,745 million) yen
Cash and cash equivalents	10,300 million yen	13,140 million yen

(Notes on leasing transactions)

(Lessee side)

Finance lease transactions

Finance lease transactions without transfer of ownership

(i) Lease assets

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

Intangible assets: software

(ii) Depreciation method of lease assets

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

(Notes on financial instruments)

1 Matters regarding status of financial instruments

(1) Policy on financial instruments

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

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

Notes receivable, accounts receivable from completed construction contracts, and others, which are operating receivables, are exposed to customers' credit risk. To address these risks, we manage due dates and balances for each customer and monitor credit statuses of key customers at regular intervals in accordance with the Group's credit management rules. Some of these risks involve foreign currency denominated items exposed to risk of currency fluctuations, and those reaching specified amounts are hedged using forward exchange contracts.

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 five 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

Since various factors of fluctuation are accounted for in estimating fair values of financial instruments, 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, 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.

(Millions of yen)

	Amount indicated on consolidated balance sheet	Fair value	Difference
(1) Investment securities*2			
Bonds held to maturity	1,566	1,561	(5)
Other securities	5,303	5,303	—
Total assets	6,870	6,865	(5)
(1) Long-term loans payable (including those payable to be repaid within a year)	440	439	(0)
(2) Lease obligations*3	157	155	(1)
Total liabilities	598	595	(2)
Derivatives*4	6	6	—

*1: "Cash and deposits," "Notes receivable-trade," "Electronically recorded monetary claims-operating," "Accounts receivable from completed construction contracts," "Accounts receivable-trade," "Notes payable, accounts payable for construction contracts, and others," "Short-term loans payable," and "Income taxes payable" are omitted because they are cash and their fair value approximates their book value as they are settled in a short term.

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

(Millions of yen)

Category	Amount indicated on consolidated balance sheet
Unlisted stocks	155

These are not included in "(1) Investment securities" under "Assets" as they do not have market prices and it is very difficult to determine fair values.

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

*4: Net debts and credits accrued on derivatives are shown in net amounts.

Notes: 1 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-trade	663	—	—	—
Electronically recorded monetary claims-operating	1,135	—	—	—
Accounts receivable from completed construction contracts	12,002	—	—	—
Accounts receivable-trade	7,034	—	—	—
Investment securities				
Bonds planned to be held until maturity (corporate bonds)	—	700	850	—
Total	39,831	700	850	—

2 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

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

The amounts on the consolidated balance sheet, their fair values, and differences between them as of March 31, 2022 are as follows.

(Millions of yen)

	Amount indicated on consolidated balance sheet	Fair value	Difference
(1) Investment securities*2			
Bonds held to maturity	1,459	1,449	(10)
Other securities	3,850	3,850	—
Total assets	5,310	5,299	(10)
(1) Long-term loans payable (including those payable to be repaid within a year)	459	459	(0)
(2) Lease obligations*3	121	119	(1)
Total liabilities	581	579	(1)
Derivatives*4	54	54	—

*1: “Cash and deposits,” “Notes receivable-trade,” “Electronically recorded monetary claims-operating,” “Accounts receivable from completed construction contracts,” “Accounts receivable-trade,” “Notes payable, accounts payable for construction contracts, and others,” “Short-term loans payable,” and “Income taxes payable” are omitted because they are cash and their fair value approximates their book value as they are settled in a short term.

*2: Stocks, etc. not quoted in the market are not included in “(1) Investment securities.” The amount of the financial instruments indicated on the consolidated balance sheet is as follows.

(Millions of yen)

Category	Amount indicated on consolidated balance sheet
Unlisted stocks	155

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

*4: Net debts and credits accrued on derivatives are shown in net amounts.

Notes: 1 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	18,886	–	–	–
Notes receivable-trade	440	–	–	–
Electronically recorded monetary claims-operating	878	–	–	–
Accounts receivable from completed construction contracts	5,127	–	–	–
Accounts receivable-trade	4,489	–	–	–
Investment securities				
Bonds planned to be held until maturity (corporate bonds)	300	400	750	–
Total	30,122	400	750	–

2 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	180	78	86	71	35	7
Lease obligations	53	34	22	9	1	–
Total	233	112	108	81	37	7

3 Matters regarding level-by-level breakdown of fair value measurements of financial instruments

Fair value measurements of financial instruments are classified into the three levels according to the degrees of observability of the input used in measuring fair values and its importance, as described below.

Level 1 fair value: Fair value measured using the (unadjusted) market price in the market in which the equivalent assets or debts are actively traded

Level 2 fair value: Fair value measured using directly or indirectly observable inputs excluding those falling under Level 1

Level 3 fair value: Fair value measured using important, unobservable inputs

If multiple inputs that can have a significant impact on the measurement of fair values are used, of the levels that these inputs respectively fall under, the fair value is classified into the level with lowest level of priority in the measurement of fair value.

(1) Financial instruments carried in consolidated balance sheet at fair value

Current consolidated fiscal year (March 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	3,850	—	—	3,850
Derivatives	—	54	—	54
Total assets	3,850	54	—	3,904

(2) Financial instruments other than those carried in consolidated balance sheet at fair value

Current consolidated fiscal year (March 31, 2022)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Bonds held to maturity	—	1,449	—	1,449
Total assets	—	1,449	—	1,449
Long-term loans payable (including those payable to be repaid within a year)	—	459	—	459
Lease obligations	—	119	—	119
Total liabilities	—	579	—	579

Note: Explanation of valuation technique used to measure fair value and inputs used to measure fair value

Investment securities

Listed shares are evaluated using their market quotation. As listed shares are traded in active markets, their fair value is classified into Level 1 fair value. On the other hand, the bonds the Company intends to hold until their maturity have low trading frequency in the market and are not regarded as market prices in an active market. Therefore, their fair value is classified into Level 2 fair value.

Derivatives

Fair value of forward exchange contracts are measured by the discounted cash flow method using observable inputs, including interest rates and exchange rates, and are classified into Level 2 fair value.

Long-term loans payable (including those payable to be repaid within a year) and lease obligations

Fair value of these are calculated by the discounted cash flow method based on the combined total of principal and interest, the remaining life of the debt and the interest rate reflecting the credit risk and are classified into Level 2 fair value.

(Notes on securities)

1 Bonds held to maturity

Previous 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)

Current consolidated fiscal year (March 31, 2022)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet	Fair value	Difference
Bonds whose fair values exceed amounts on the consolidated balance sheet	—	—	—
Bonds whose fair values do not exceed amounts on the consolidated balance sheet	1,459	1,449	(10)
Total	1,459	1,449	(10)

2 Other securities

Previous consolidated fiscal year (March 31, 2021)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet at end of the 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

Current consolidated fiscal year (March 31, 2022)

(Millions of yen)

Category	Amount indicated on consolidated balance sheet at end of the consolidated fiscal year	Acquisition costs	Difference
Those whose values on consolidated balance sheet exceed acquisition costs			
Stocks	2,684	1,233	1,451
Subtotal	2,684	1,233	1,451
Those whose values on consolidated balance sheet do not exceed acquisition costs			
Stocks	962	1,172	(210)
Others	204	210	(5)
Subtotal	1,166	1,382	(216)
Total	3,850	2,616	1,234

3 Other securities sold

Previous 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	—

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

Class	Sales price (millions of yen)	Total gains on sale (millions of yen)	Total losses on sale (millions of yen)
Stocks	1,354	589	—
Total	1,354	589	—

4 Securities that were written down

Previous 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.

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

Loss on valuation of investment securities of 170 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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Balance of retirement benefit liabilities at beginning of fiscal year	5,274 million yen	5,054 million yen
Service costs	225	220
Interest costs	15	15
Actuarial differences booked	16	86
Retirement benefits paid	(477)	(317)
Balance of retirement benefit liabilities at end of fiscal year	5,054	5,059

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Balance of pension assets at beginning of fiscal year	3,224 million yen	3,520 million yen
Expected return on pension assets	9	10
Actuarial differences booked	480	113
Contribution from business owner	94	92
Retirement benefits paid	(288)	(213)
Balance of pension assets at end of fiscal year	3,520	3,523

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Balance of liabilities for retirement benefits at beginning of fiscal year	930 million yen	790 million yen
Retirement benefit expenses	(19)	31
Retirement benefits paid	(101)	(111)
Amount of contribution to plans	(18)	(18)
Balance of liabilities for retirement benefits at end of fiscal year	790	692

(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, 2021)	Current consolidated fiscal year (March 31, 2022)
Funded retirement benefit obligations	4,252 million yen	4,244 million yen
Pension assets	(4,833)	(4,856)
	(580)	(611)
Unfunded retirement benefit obligations	2,905	2,840
Net amount of liabilities and assets on consolidated balance sheet	2,324	2,228
Net defined benefit liability	2,905	2,840
Net defined benefit assets	(580)	(611)
Net amount of liabilities and assets on consolidated balance sheet	2,324	2,228

(5) Amounts of retirement benefit expenses and their components

	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Service costs	225 million yen	220 million yen
Interest costs	15	15
Expected return on pension assets	(9)	(10)
Amortization of actuarial differences	80	(146)
Retirement benefit expenses calculated using the simplified method	(19)	31
Retirement benefit expenses related to defined benefit plans	291	109

(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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Actuarial differences	(543 million) yen	119 million yen
Total	(543)	119

(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, 2021)	Current consolidated fiscal year (March 31, 2022)
Unrecognized actuarial differences	(578 million) yen	(458 million) yen
Total	(578)	(458)

(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, 2021)	Current consolidated fiscal year (March 31, 2022)
Bonds	39%	38%
Stocks	27	28
Insurance assets (general account)	29	28
Others	5	6
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, 2021)	Current consolidated fiscal year (March 31, 2022)
Discount rate	0.3%	0.3%
Expected long-term rate of return	0.3%	0.3%
Expected rate of pay hike	2.3%	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 43 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, 2021)	Current consolidated fiscal year (March 31, 2022)
(Deferred tax assets)		
Allowance for employees' bonuses	193 million yen	196 million yen
Net defined benefit liability	775 million yen	830 million yen
Allowances for share-based remuneration for directors and corporate auditors	40 million yen	24 million yen
Loss on valuation of investment securities	140 million yen	104 million yen
Losses on valuation of golf club membership	42 million yen	34 million yen
Impairment losses	57 million yen	55 million yen
Valuation difference on available-for-sale securities	43 million yen	66 million yen
Losses carried forward	185 million yen	357 million yen
Others	549 million yen	440 million yen
Deferred tax assets subtotal	2,027 million yen	2,110 million yen
Valuation allowance	(624 million) yen	(636 million) yen
Total deferred tax assets	1,403 million yen	1,474 million yen
(Deferred tax liabilities)		
Reserve for advanced depreciation of non-current assets	(1 million) yen	(1 million) yen
Valuation difference on available-for-sale securities	(596 million) yen	(444 million) yen
Others	(189 million) yen	(247 million) yen
Total deferred tax liabilities	(788 million) yen	(693 million) yen
Net amount of deferred tax assets	615 million yen	780 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, 2021)	Current consolidated fiscal year (March 31, 2022)
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	1.1%	
Allowance for directors' bonuses	0.7%	
Items excluded from gross profits, including dividend income	(0.6)%	
Inhabitant taxes on per capita basis	2.4%	
Change in valuation allowance	2.1%	
Difference in tax rates from domestic consolidated subsidiaries	1.5%	
Difference in tax rates from overseas consolidated subsidiaries	0.4%	
Tax credit	(5.7)%	
Others	0.3%	
Actual effective tax rate for income taxes after application of tax effect accounting	32.7%	

(Revenue recognition)

(1) Information on disaggregation of revenue from contracts with customers

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment		Total	Other Businesses	Total
	Telecommunication Business	Radio Frequency Business			
Construction work	13,183	—	13,183	—	13,183
Equipment and materials sales, etc.	12,725	7,959	20,684	—	20,684
Power sales revenue, etc.	—	—	—	100	100
Sales to external customers	25,908	7,959	33,867	100	33,968

(2) Information that forms the basis for understanding revenues

The Company recognizes revenues in relation to contracts with customers in the amount it expects to receive in exchange for promised goods or services at the time their control is transferred to the customer in accordance with the five-step approach as described below.

Step 1: Identify contract with customer

Step 2: Identify performance obligations under contract

Step 3: Calculate transaction prices

Step 4: Allocate transaction prices to performance obligations under contract

Step 5: Recognize revenues at the time the performance obligations are fulfilled or as their fulfillment progresses.

In recognizing revenues, the Company identifies performance obligations based on contracts with customers regarding Construction Contracts, etc., equipment and materials sales, etc. and power sales revenue, etc. in the telecommunication business, the radio frequency business and the other businesses, which are the Group’s core business segments, and judges that the Group’s performance obligations are fulfilled and recognizes revenues normally at the timing described below.

(i) Revenues related to Construction Contracts, etc.

Revenues related to Construction Contracts, etc. mainly include Construction Contracts, etc. in telecommunication business, etc. and equipment installment work in radio frequency business and are recognized over a certain period as performance obligations are fulfilled. Measurement of progress regarding fulfillment of performance obligation is carried out based on the ratio of the cost materialized by the last date of each reporting period to the total of expected costs. As the price for the transaction is paid to us within one year after the delivery, no significant financing component is included.

(ii) Revenues related to sale of products

Revenues related to sale of products mainly include equipment and materials sales, etc. in telecommunication business and radio frequency business. Performance obligations are judged at the time of delivery to be fulfilled when the customer has gained control of the product and the revenue at that point is recognized. Note that revenues are recognized at the time of shipment for sale of some products as the period from the product’s shipment to the transfer of its control to the customer is a normal period. As the price for the transaction is paid to us within one year after the delivery, no significant financing component is included.

(3) Information used to understand the amount of revenues in the current consolidated fiscal year, and the next consolidated fiscal year and beyond

(i) Balances of contract assets and contract liabilities, etc.

(Millions of yen)

	Current consolidated fiscal year
Receivables arising from contracts with customers (balance at beginning of fiscal year)	17,615
Receivables arising from contracts with customers (balance at end of fiscal year)	10,936
Contract assets (balance at beginning of fiscal year)	3,601
Contract assets (balance at end of fiscal year)	1,832
Contract liabilities (balance at beginning of fiscal year)	381
Contract liabilities (balance at end of fiscal year)	323

Contract assets pertain to prices related to incomplete Construction Contracts, etc. for which revenues are recognized for Construction Contracts, etc. Such assets are switched to receivables arising from contracts with customers at the time the rights to the prices becomes unconditional.

Contract liabilities are prices received from customers before the performance of obligations based on the contract. These are switched to revenues as the fulfillment of performance obligations progresses or at the time obligations are performed.

Increase or decrease in contract assets arose mainly from revenue recognition (increase in contract assets) and a switch to operating receivables (decrease in contract assets).

Of the revenues recognized for the current consolidated fiscal year, the amount included in the balance of contract liabilities at the beginning of the fiscal year is 282 million yen. The revenues recognized from the performance obligations that were fulfilled in the past period in the current fiscal year totals 98 million yen.

(ii) Transaction prices allocated to remaining performance obligations

The combined total of transaction prices allocated to remaining performance obligations and the period in which revenue recognition is expected are as follows.

Practical expedient is applied for those whose contracts are for an initial expected period of up to one year. They are not included in the amounts below.

(Millions of yen)

	Within 1 year	Over 1 year	Total
Current consolidated fiscal year	4,585	1,112	5,698

(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, 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 facility 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, 2021 to March 31, 2022)

(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	25,908	7,959	33,867	100	33,968	—	33,968
Intersegment sales or transfers	18	—	18	229	248	(248)	—
Total	25,926	7,959	33,885	330	34,216	(248)	33,968
Segment income	2,010	1,058	3,068	167	3,235	(3,182)	53
Segment assets	23,922	11,593	35,516	719	36,235	20,101	56,336
Other items							
Depreciation	954	309	1,264	66	1,330	50	1,381
Increase in property, plant, and equipment and intangible assets	779	192	972	13	986	97	1,083

Notes: 1 The “Others” segment, which is not included in reportable segments, includes facility leasing and electric power sales businesses.

2 Details of adjustments are as follows.

(1) Adjustment to segment income of (3,182 million) yen includes (116 million) yen in eliminations of intersegment transactions and (3,066 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, 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

Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)

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
31,026	1,772	876	24	269	33,968

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.	4,874	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, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net assets per share	3,908.32 yen	3,938.79 yen
Net income per share	96.14 yen	59.51 yen

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

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

Item	Previous consolidated fiscal year (from April 1, 2020 to March 31, 2021)	Current consolidated fiscal year (from April 1, 2021 to March 31, 2022)
Net income attributable to shareholders of parent (millions of yen)	1,155	705
Amount not attributable to common shareholders (millions of yen)	—	—
Net income attributable to shareholders of parent pertaining to common stock (millions of yen)	1,155	705
Average number of common shares during the period	12,018,103	11,861,833

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 (58,374 shares in the previous consolidated fiscal year and 72,808 shares in the current consolidated fiscal year).

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

Item	Previous consolidated fiscal year (March 31, 2021)	Current consolidated fiscal year (March 31, 2022)
Total net assets (millions of yen)	47,991	46,609
Amount deducted from total net assets (millions of yen)	1,018	705
(Including non-controlling interests of:)	(1,018)	(705)
Net assets related to common stock at end of fiscal year (millions of yen)	46,972	45,903
Number of common shares at end of fiscal year used in calculating net assets per share	12,018,649	11,654,176

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 (57,551 shares in the previous consolidated fiscal year and 80,632 shares in the current consolidated fiscal year).

6 As stated in “Changes in accounting policies,” the Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29 issued on March 31, 2020), etc. and follows the transitional handling specified in the proviso to Paragraph 84 of the “Accounting Standard for Revenue Recognition.” As a result, net assets per share decreased by 1.10 yen and net income per share decreased by 1.09 yen in the current consolidated fiscal year.

(Significant events after balance-sheet date)

There are no matters to be noted.

(v) [Consolidated supplementary schedules]

[Schedule of corporate bonds]

There are no matters to be noted.

[Schedule of borrowings, etc.]

Category	Balance at beginning of current term (millions of yen)	Balance at end of current term (millions of yen)	Average interest rate (%)	Due date
Short-term loans payable	280	80	0.9	—
Long-term loans payable to be repaid within a year	6	180	1.7	—
Lease obligations to be repaid within a year	62	53	—	—
Long-term loans payable (excluding those to be repaid within a year)	433	279	3.7	2023-2027
Lease obligations (excluding those to be repaid within a year)	95	67	—	2023-2025
Total	878	661	—	—

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	78	86	71	35
Lease obligations	34	22	9	1
Total	112	108	81	37

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)	6,649	14,870	23,639	33,968
Quarterly net income (loss) before taxes	(millions of yen)	(330)	(147)	252	867
Quarterly net income (loss) attributable to shareholders of parent	(millions of yen)	(126)	18	312	705
Quarterly net income (loss) per share	(yen)	(10.57)	1.52	26.24	59.51

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income (loss) per share	(yen)	(10.57)	12.16	24.85	33.54

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

(1) [Financial statements]

(i) [Balance sheet]

(Millions of yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Assets		
Current assets		
Cash and deposits	10,523	10,167
Deposits paid	—	2,170
Notes receivable-trade	231	208
Electronically recorded monetary claims-operating	961	627
Accounts receivable from completed construction contracts	10,760	4,410
Accounts receivable-trade	*1 5,838	*1 3,721
Contract assets	—	1,907
Products	1,058	2,316
Costs on uncompleted construction contracts	316	57
Work in process	1,215	1,297
Raw materials and supplies	888	897
Short-term loans receivable from subsidiaries and affiliates	283	295
Prepaid expenses	128	180
Consumption taxes refund receivable	—	127
Others	341	582
Allowance for doubtful accounts	(1)	(1)
Total current assets	32,546	28,967
Non-current assets		
Property, plant, and equipment		
Buildings	8,298	8,336
Accumulated depreciation	(6,538)	(6,670)
Buildings, net	1,760	1,665
Structures	1,062	1,096
Accumulated depreciation	(949)	(969)
Structures, net	113	127
Machinery and equipment	1,508	1,508
Accumulated depreciation	(1,164)	(1,218)
Machinery and equipment, net	343	289
Vehicles	67	58
Accumulated depreciation	(66)	(58)
Vehicles, net	1	0
Tools, furniture, and fixtures	6,351	6,678
Accumulated depreciation	(5,475)	(5,823)
Tools, furniture, and fixtures (net amount)	875	855
Land	1,772	1,772
Lease assets	150	143
Accumulated depreciation	(96)	(93)
Lease assets, net	54	49
Construction in progress	23	31
Total property, plant, and equipment	4,945	4,792
Intangible assets		
Software	524	595
Others	19	19
Total intangible assets	544	614

(Millions of yen)

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
Investments and other assets		
Investment securities	6,749	5,236
Stocks of subsidiaries and affiliates	877	1,268
Long-term loans to employees	1	1
Long-term prepaid expenses	77	50
Prepaid pension cost	185	202
Deferred tax assets	459	620
Others	993	860
Allowance for doubtful accounts	(37)	(40)
Total investments and other assets	9,306	8,199
Total non-current assets	14,796	13,607
Total assets	47,342	42,574
Liabilities		
Current liabilities		
Notes payable-trade	1,041	322
Electronically recorded obligations-operating	1,048	472
Accounts payable for construction contracts	*1 2,567	*1 1,268
Accounts payable-trade	*1 1,549	*1 1,139
Long-term loans payable to be repaid within a year	—	130
Lease obligations	19	21
Accounts payable-other	665	404
Income taxes payable	485	170
Accrued consumption taxes	117	—
Advances received on uncompleted construction contracts	44	—
Advances received	17	—
Contract liabilities	—	247
Deposits received	61	39
Allowance for warranties on completed construction contracts	31	21
Allowance for product warranties	39	171
Allowance for employees’ bonuses	426	431
Allowance for directors’ bonuses	19	—
Allowances for losses on construction contracts	4	0
Notes payable-facilities	4	0
Electronically recorded obligations-non-operating	21	11
Others	4	4
Total current liabilities	8,170	4,856
Fixed liabilities		
Long-term loans payable	130	—
Lease obligations	40	33
Allowance for product warranties	—	29
Provision for retirement benefits	2,298	2,196
Allowances for share-based remuneration for directors and corporate auditors	102	52
Asset retirement obligations	49	49
Others	500	12
Total fixed liabilities	3,120	2,373
Total liabilities	11,291	7,230

(Millions of yen)

	Previous fiscal year March 31, 2021	Current fiscal year (March 31, 2022)
Net assets		
Shareholders' equity		
Capital	8,774	8,774
Capital surplus		
Legal capital surplus	9,677	9,677
Other capital surplus	53	45
Total capital surplus	9,731	9,723
Retained earnings		
Legal retained earnings	1,227	1,227
Other retained earnings		
Reserve for dividends	30	30
Reserve for directors' retirement allowance	108	108
Reserve for advanced depreciation of non-current assets	4	4
General reserve	12,671	12,671
Retained earnings brought forward	7,326	7,849
Total retained earnings	21,367	21,889
Treasury stock	(5,088)	(5,940)
Total shareholders' equity	34,785	34,447
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,254	858
Deferred gains or losses on hedges	11	37
Total valuation and translation adjustments	1,266	896
Total net assets	36,051	35,343
Total liabilities and net assets	47,342	42,574

(ii) [Statement of income]

(Millions of yen)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Net sales		
Sales of completed construction contracts	17,653	11,784
Net sales of goods	16,324	15,195
Sales in other business	*1 330	*1 330
Total net sales	34,308	27,310
Cost of sales		
Cost of sales of completed construction contracts	*3 14,753	*3 9,717
Cost of finished goods sold	*2, *3, *4 13,480	*2, *3, *4 12,637
Cost of sales in other business	*1 172	*1 163
Total cost of sales	28,405	22,517
Gross profit		
Gross profit on completed construction contracts	2,900	2,066
Gross profit on finished goods	2,844	2,557
Gross profit on other business	*1 158	*1 167
Total gross profit	5,903	4,792
Selling, general, and administrative expenses		
Directors' compensation	243	246
Employees' salaries and allowances	1,548	1,628
Provision for bonuses	161	163
Provision for directors' bonuses	19	—
Retirement benefit expenses	123	34
Allowances for share-based compensation for directors	15	13
Legal welfare expenses	254	255
Welfare expenses	30	34
Repair and maintenance	2	1
Stationery expenses	49	40
Correspondence and transportation expenses	168	152
Power utilities expenses	11	9
Advertising expenses	163	93
Provision of allowances for doubtful accounts	1	1
Entertainment expenses	46	17
Contribution	0	49
Rents	256	262
Depreciation	46	38
Taxes and dues	195	178
Insurance expenses	53	64
Miscellaneous expenses	208	310
Research and development expenses	1,180	1,056
Total selling, general, and administrative expenses	*4 4,780	*4 4,653
Operating income	1,122	139

(Millions of yen)

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Non-operating income		
Interest income	6	5
Interest on securities	7	6
Dividend income	161	*3 387
Foreign exchange gains	—	165
Others	106	120
Total non-operating income	281	685
Non-operating expenses		
Interest expenses	9	9
Commitment fee	59	49
Others	28	5
Total non-operating expenses	98	64
Ordinary income	1,305	759
Extraordinary income		
Gain on sales of investment securities	165	589
Total extraordinary income	165	589
Extraordinary losses		
Loss on valuation of investment securities	318	170
Total extraordinary losses	318	170
Income before income taxes	1,153	1,178
Income taxes-current	444	159
Income taxes-deferred	(84)	(12)
Total income taxes	360	146
Net income	792	1,032

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

Category	Note number	Previous fiscal year (from April 1, 2020 to March 31, 2021) Amount (millions of yen)	Constituent ratio (%)	Current fiscal year (from April 1, 2021 to March 31, 2022) Amount (millions of yen)	Constituent ratio (%)
I. Materials cost		6,003	40.7	2,137	22.0
II. Labor cost		286	1.9	244	2.5
(including cost of outsourced labor of:)		(286)	(1.9)	(244)	(2.5)
III. Outsourcing costs		5,803	39.4	4,856	50.0
IV. Expenses		2,658	18.0	2,479	25.5
(including personnel expenses of:)		(1,639)	(11.1)	(1,584)	(16.3)
Total		14,753	100	9,717	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, 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
Cumulative effect of change in accounting policy				—								—
Balance at beginning of current year after change in accounting policy is applied	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
Cumulative effect of change in accounting policy		—			—	—
Balance at beginning of current year after change in accounting policy is applied	(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

Current fiscal year (from April 1, 2021 to March 31, 2022)

(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	—	30	108	4	12,671	7,326	21,367
Cumulative effect of change in accounting policy				—							33	33
Balance at beginning of current year after change in accounting policy is applied	8,774	9,677	53	9,731	1,227	—	30	108	4	12,671	7,360	21,400
Changes of items during term												
Dividends of surplus				—							(543)	(543)
Net income				—							1,032	1,032
Reversal of reserve for special depreciation				—								—
Provisions of general reserve				—								—
Reversal of reserve for advanced depreciation of non-current assets				—					(0)		0	—
Purchase of treasury stock				—								—
Disposal of treasury stock			(8)	(8)								—
Net changes of items other than shareholders' equity				—								—
Total changes of items during term	—	—	(8)	(8)	—	—	—	—	(0)	—	489	488
Balance at end of current term	8,774	9,677	45	9,723	1,227	—	30	108	4	12,671	7,849	21,889

	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	(5,088)	34,785	1,254	11	1,266	36,051
Cumulative effect of change in accounting policy		33			—	33
Balance at beginning of current year after change in accounting policy is applied	(5,088)	34,818	1,254	11	1,266	36,085
Changes of items during term						
Dividends of surplus		(543)			—	(543)
Net income		1,032			—	1,032
Reversal of reserve for special depreciation		—			—	—
Provisions of general reserve		—			—	—
Reversal of reserve for advanced depreciation of non-current assets		—			—	—
Purchase of treasury stock	(1,049)	(1,049)			—	(1,049)
Disposal of treasury stock	197	189			—	189
Net changes of items other than shareholders' equity		—	(396)	25	(370)	(370)
Total changes of items during term	(851)	(371)	(396)	25	(370)	(741)
Balance at end of current term	(5,940)	34,447	858	37	896	35,343

[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

Those other than stocks, etc. not quoted in the market

The fair value method (all valuation gains or losses reported as component of net assets; cost of securities sold calculated under moving average method) is used.

Stocks, etc. not quoted in the market

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

The Company recognizes revenues at the time the control of the promised goods or services is judged to have been transferred to the customer in the amount it expects to receive in exchange for the goods or services.

Notes about the content of key performance obligation and the ordinary timing of recognizing revenues in the key businesses are omitted as the same content is described in the "Notes (Revenue recognition)" to the consolidated financial statements.

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.

(Significant accounting estimates)

Revenue recognition for construction contracts, equipment installment work, etc. (“Construction Contracts, etc.” hereafter)

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

(Millions of yen)

	Previous fiscal year	Current fiscal year
Net sales of Construction Contracts, etc. related to performance obligation that is fulfilled over a certain period of time	3,504	2,429

(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 for construction contracts and equipment installment work, etc. (“Construction Contracts, etc.,” hereafter)) of the consolidated financial statements.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company began to apply the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020) at the beginning of the current fiscal year. It now recognizes revenues at the time the control of the promised goods or services has been transferred to the customer in the amount it expects to receive in exchange for the goods or services.

As a result, for some of the Company's Construction Contracts, etc., we in the past applied the percentage-of-completion method if their achievement is recognized to have certainty regarding the progress. We have changed to a method in which, if control over goods or services is transferred to the customer over a certain period of time, revenue is recognized over the certain period as the performance obligation to transfer the said goods or services to the customer is fulfilled. Measurement of progress regarding fulfillment of performance obligation is carried out based on the ratio of the cost materialized by the last date of each reporting period to the total of expected costs.

The application of the Accounting Standard for Revenue Recognition, etc. follows the transitional handling specified in the proviso to Paragraph 84 of the standard. The amount of cumulative impact, worked out by retrospectively applying the new accounting policy to the periods before the beginning of the current fiscal year, is added to or subtracted from the retained earnings at the beginning of the current fiscal year, and the new accounting policy begins to be applied from the beginning balance for the fiscal year. In addition, the method specified in note (1) for Paragraph 86 of the Accounting Standard for Revenue Recognition is applied, and account processing is carried out for the contract changes made before the beginning of the current fiscal year in accordance with contract terms after all contract changes are reflected, and the amount of cumulative impact from this is added to or subtracted from the retained earnings at the beginning of the current fiscal year.

"Notes receivable-trade," "Electronically recorded monetary claims-operating," "Accounts receivable from completed construction contracts," and "Accounts receivable-trade," which appeared under "Current assets" in the balance sheet for the previous fiscal year, are included in "Notes receivable-trade," "Electronically recorded monetary claims-operating," "Accounts receivable from completed construction contracts," "Accounts receivable-trade," and "Contract assets" beginning in the current fiscal year, while "Advances received on uncompleted construction contracts" and "Advances received," which appeared under "Current liabilities," are now included in "Contract liabilities." The Company did not introduce reclassification using the new presentation method in the previous fiscal year in accordance with the transitional handling stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition.

As a result, net sales decreased 89 million yen, cost of sales decreased 63 million yen, and operating income, ordinary income and profit before income taxes each declined 25 million yen in the current fiscal year. The initial balance of retained earnings for the current fiscal year increased by 33 million yen.

The "Revenue recognition" notes pertaining to the previous fiscal year are omitted in accordance with the transitional handling specified in paragraph 89-3 of the Accounting Standard for Revenue Recognition.

(Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30 issued on July 4, 2019), etc. at the beginning of the current fiscal year and plans to apply the new accounting policy prescribed by the Accounting Standard for Fair Value Measurement, etc. in accordance with the transitional handling specified by Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10 issued on July 4, 2019) into the future. Note that this does not have any impact on the financial statements.

(Change in method of presentation)

(Statement of income)

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

As a result, the 32 million yen shown in “Dividends income of life insurance” under “Non-operating income” on the non-consolidated statement of income in the previous fiscal year is reclassified into “Others.”

(Additional information)

(Share-based compensation scheme for directors)

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

(1) Overview of transactions

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

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

The Company’s shares remaining in the trust account are recognized as treasury stock under net assets at the book value in the trust account (excluding associated expenses). This treasury stock totaled 57,551 shares worth 160 million yen in book value at the previous fiscal year-end and 80,632 shares worth 199 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 is still affecting the Company and has caused a significant impact on order-taking activities in the industries in which the Company operates. Although it is difficult to predict how the pandemic may develop going forward or when it may run its course with certainty, the Company, based on the information collected from internal and external 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, 2021)	Current fiscal year (March 31, 2022)
Accounts receivable-trade	187 million yen	287 million yen
Accounts payable for construction contracts	588 million yen	163 million yen
Accounts payable-trade	369 million yen	364 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, 2021)	Current fiscal year (March 31, 2022)
Debt guarantees by KOREA DENKIKOGYO. Co., Ltd.	6 million yen	- million yen
Bank loans payable by DKK North America, Inc.	- million yen	36 million yen
Bank loans payable by employees, etc.	0 million yen	0 million yen
Total	7 million yen	36 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, 2021)	Current fiscal year (March 31, 2022)
Total amount of specified commitment line contracts	14,000 million yen	7,000 million yen
Amount executed by end of the current fiscal year	- million yen	- million yen
Difference	14,000 million yen	7,000 million yen

(Notes on statement of income)

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

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

Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
4 million yen	0 million yen

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

	Previous fiscal year (from April 1, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
Purchase amount	5,909 million yen	4,647 million yen
Dividend income	- million yen	218 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, 2020 to March 31, 2021)	Current fiscal year (from April 1, 2021 to March 31, 2022)
2,019 million yen	1,892 million yen

(Notes on securities)

Amount on balance sheet of stocks, etc. not quoted in the market

(Millions of yen)

Category	March 31, 2021	March 31, 2022
Shares of subsidiaries	877	1,268

(Notes on tax effect accounting)

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

	Previous fiscal year (March 31, 2021)	Current fiscal year (March 31, 2022)
(Deferred tax assets)		
Allowance for doubtful accounts	2 million yen	3 million yen
Allowance for employees' bonuses	130 million yen	132 million yen
Provision for retirement benefits	647 million yen	672 million yen
Allowances for share-based remuneration for directors and corporate auditors	28 million yen	10 million yen
Loss on valuation of investment securities	140 million yen	104 million yen
Losses on valuation of golf club membership	38 million yen	30 million yen
Impairment losses	54 million yen	53 million yen
Valuation difference on available-for-sale securities	42 million yen	65 million yen
Others	371 million yen	311 million yen
Deferred tax assets subtotal	1,457 million yen	1,383 million yen
Valuation allowance	(389 million) yen	(234 million) yen
Total deferred tax assets	1,067 million yen	1,148 million yen
(Deferred tax liabilities)		
Reserve for advanced depreciation of non-current assets	(1 million) yen	(1 million) yen
Valuation difference on available-for-sale securities	(596 million) yen	(444 million) yen
Others	(9 million) yen	(82 million) yen
Total deferred tax liabilities	(607 million) yen	(528 million) yen
Net amount of deferred tax assets	459 million yen	620 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, 2021	Current fiscal year (March 31, 2022)
Statutory effective tax rate	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.	30.6%
(Adjustments)		
Items excluded from deductible expenses, including entertainment expenses		0.6%
Items excluded from gross profits, including dividend income		(6.3)%
Inhabitant taxes on per capita basis		3.1%
Withholding tax related to dividends from overseas subsidiaries		1.9%
Change in valuation allowance		(13.2)%
Tax credit		(3.9)%
Others		(0.3)%
Actual effective tax rate for income taxes after application of tax effect accounting		12.4%

(Revenue recognition)

Notes about the information that forms the basis for understanding revenues generated from contracts with customers are omitted as the same content is described in the “Notes (Revenue recognition)” to the consolidated financial statements.

(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	Sompo Holdings, Inc.	181,874	978
		Mitsubishi UFJ Financial Group, Inc.	484,970	368
		Sumitomo Mitsui Financial Group, Inc.	85,646	334
		Nippon Television Holdings, Inc.	231,900	295
		EXEO Group, Inc.	127,900	289
		Sumitomo Mitsui Trust Holdings, Inc.	65,651	262
		Asahi Broadcasting Group Holdings Corporation	322,700	230
		NIPPON DENSETSU KOGYO CO., LTD.	136,900	216
		NIPPON CONCRETE INDUSTRIES CO., LTD.	529,700	154
		FUJI CORPORATION	54,900	122
		TOKYO TEKKO CO., LTD.	70,000	93
		Hibiya Engineering, Ltd.	47,500	87
		NAKAYO, INC.	61,000	69
		IKEGAMI TSUSHINKI CO., LTD.	70,300	44
		Riken Corporation	16,500	40
		Others (22 issues)	129,879	150
Total			2,617,320	3,738

[Bonds]

Issue			Total face value	Amount on balance sheet (millions of yen)
Investment securities	Bonds held to maturity	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	406
		SoftBank Group Corp. 48th series unsecured corporate bonds	300 million yen	303
		SoftBank Group Corp. 5th series unsecured corporate bonds (subordinated)	450 million yen	450
Total			1,450 million yen	1,459

[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	8,298	42	4	8,336	6,670	136	1,665
Structures	1,062	33	―	1,096	969	20	127
Machinery and equipment	1,508	7	7	1,508	1,218	61	289
Vehicles	67	―	9	58	58	0	0
Tools, furniture, and fixtures	6,351	555	227	6,678	5,823	571	855
Land	1,772	―	―	1,772	―	―	1,772
Lease assets	150	14	22	143	93	19	49
Construction in progress	23	647	639	31	―	―	31
Total property, plant, and equipment	19,236	1,301	911	19,626	14,833	809	4,792
Intangible assets							
Software	708	222	62	868	273	89	595
Lease assets	12	―	―	12	12	―	―
Telephone subscription rights	16	―	―	16	―	―	16
Right of using facilities	7	―	―	7	4	0	3
Total intangible assets	744	222	62	905	290	89	614
Long-term prepaid expenses	162	25	0	188	138	52	50

Notes: 1 The main item contributing to the increase in the amount of “tools, furniture, and fixtures” is radio wave measurement devices.

2 Increase in the construction in progress was driven by increases in “Buildings,” “Machinery and equipment,” and “Tools, furniture, and fixtures” shown above, while decrease was driven by transfers to the main non-current assets account.

3 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	39	2	—	0	41
Allowance for warranties on completed construction contracts	31	114	123	0	21
Allowance for product warranties	39	295	126	6	201
Allowance for employees' bonuses	426	431	426	—	431
Allowance for directors' bonuses	19	—	19	—	—
Allowances for losses on construction contracts	4	4	8	—	0
Allowances for share-based remuneration for directors and corporate auditors	102	24	75	—	52

Notes: 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.

(2) [Details of principal assets and liabilities]

This information is omitted as consolidated financial statements are prepared.

(3) [Others]

There are no matters to be noted.

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

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

Notes: 1 The Company releases public notices in the following method. "The Company releases public notices using the electronic public notice. However, if release of an electronic public notice has become impossible due to unavoidable events, such as accidents, it releases it on the Nihon Keizai Shimbun (Nikkei) newspaper. "
The website for the Company's electronic public notice is: https://www.denkikogyo.co.jp/info.html

2 The articles of incorporation stipulate that no rights other than those specified below can be exercised regarding shares less than one unit.

(1) Rights specified in the items of Article 189, Paragraph 2 of the Companies Act.
(2) Right to make requests specified under the provisions of Article 166, Paragraph 1 of the Companies Act.
(3) Right to be granted allotment of shares for subscription or allotment of share options for subscription according to the number of shares held by shareholders.
(4) Right to request the Company sell to the shareholder a number of shares that, together with shares constituting less than one unit held by the shareholder, constitute one unit.

VII. [Additional Information on Filing Company]

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

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

2. [Other Additional Information]

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

(1)	Annual securities report, its attachments, and confirmation letter	Fiscal year: (95th)	From April 1, 2020 to March 31, 2021	June 30, 2020 Submitted to Director-General of the Kanto Finance Bureau
(2)	Internal Control Report	Fiscal year: (95th)	From April 1, 2020 to March 31, 2021	June 30, 2020 Submitted to Director-General of the Kanto Finance Bureau
(3)	Quarterly Report and its Confirmation Letter	First quarter of 96th term	From April 1, 2021 to June 30, 2021	August 13, 2021 Submitted to Director-General of the Kanto Finance Bureau
		Second quarter of 96th term	From July 1, 2021 to September 30, 2021	November 12, 2021 Submitted to Director-General of the Kanto Finance Bureau
		Third quarter of 96th term	From October 1, 2021 to December 31, 2021	February 14, 2022 Submitted to Director-General of the Kanto Finance Bureau

(4) Extraordinary report

Extraordinary report pursuant to Article 19, Paragraph 2, Item (ix)-2 (results of exercise of voting rights at a general shareholders' meeting) of the Cabinet Office Ordinance on Disclosure of Corporate Affairs, Etc.
Submitted to Director-General of the Kanto Finance Bureau on July 1, 2021

(5) Share buyback report

Reporting period (from June 1, 2021 to June 30, 2021): Submitted to Director-General of the Kanto Local Finance Bureau on July 12, 2021
Reporting period (from July 1, 2021 to July 31, 2021): Submitted to Director-General of the Kanto Local Finance Bureau on August 11, 2021
Reporting period (from November 1, 2021 to November 30, 2021): Submitted to Director-General of the Kanto Local Finance Bureau on December 10, 2021
Reporting period (from February 1, 2022 to February 28, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on March 10, 2022
Reporting period (from March 1, 2022 to March 31, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on April 11, 2022
Reporting period (from April 1, 2022 to April 30, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on May 10, 2022
Reporting period (from May 1, 2022 to May 31, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on June 10, 2022

(6) Securities registration statement and its attachments

Securities registration statement regarding disposal of treasury stock through private offering
Submitted to Director-General of the Kanto Finance Bureau on August 11, 2021

(7) Amendment statement for securities registration statement and confirmation letter
Amendment statement for securities registration statement regarding securities registration statement submitted on August 11, 2021
Submitted to Director-General of the Kanto Finance Bureau on August 13, 2021

(8) Amendment report for annual securities report and confirmation letter
Fiscal year (94th term) (from April 1, 2019 to March 31, 2020)
Submitted to Director-General of the Kanto Finance Bureau on June 23, 2021

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

There are no matters to be noted.