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[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of submission]	June 30, 2023
[Fiscal year]	97th term (from April 1, 2022 to March 31, 2023)
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Part 1. [Company Information]

I. [Company Overview]

1. [Key Performance Indicators]

(1) Consolidated performance indicators, etc.

Term		93rd	94th	95th	96th	97th
Month of fiscal year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(millions of yen)	44,757	45,016	41,478	33,968	31,817
Ordinary income (loss)	(millions of yen)	2,943	2,774	1,799	448	(1,219)
Net income (loss) attributable to shareholders of parent	(millions of yen)	1,524	1,789	1,155	705	(1,181)
Comprehensive income	(millions of yen)	1,062	1,401	2,219	195	(841)
Net assets	(millions of yen)	45,963	46,309	47,991	46,609	41,801
Total assets	(millions of yen)	62,437	61,208	62,463	56,336	55,134
Net assets per share	(yen)	3,680.74	3,760.57	3,908.32	3,938.79	3,942.82
Net income (loss) per share	(yen)	124.78	148.08	96.14	59.51	(107.75)
Diluted net income per share	(yen)	-	-	-	-	-
Equity ratio	(%)	72.0	73.8	75.2	81.5	74.8
Return on equity	(%)	3.4	4.0	2.5	1.5	-
Price-to-earnings ratio	(x)	26.7	16.8	28.3	37.9	-
Cash flows from business activities	(millions of yen)	3,177	1,543	1,447	4,166	(870)
Cash flows from investing activities	(millions of yen)	(1,120)	(1,261)	(1,402)	2,680	497
Cash flows from financing activities	(millions of yen)	(626)	(1,069)	(633)	(4,139)	976
Cash and cash equivalents at end of term	(millions of yen)	11,494	10,931	10,300	13,140	14,253
Number of employees [Average number of temporary employees]	(persons)	1,213 〔148〕	1,344 〔164〕	1,266 〔150〕	1,184 〔124〕	1,157 〔119〕

Notes:
1. No figures are provided for “diluted net income per share” before the 96th term as there were no dilutive shares. Also, no figures are provided for “diluted net income per share” for the 97th term as it was net loss per share and there were no dilutive shares.
2. No figures are provided for “return on equity” and “price-to-earnings ratio” for the 97th term as the Company posted net loss attributable to shareholders of parent and net loss per share.
3. 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 96th term, and the figures for key performance indicators for the 96th term onwards are those after the standard, etc. were applied.

(2) Performance indicators of the filing company

Term		93rd	94th	95th	96th	97th
Month of fiscal year-end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(millions of yen)	34,476	35,930	34,308	27,310	25,254
Ordinary income (loss)	(millions of yen)	2,221	2,025	1,305	759	(452)
Net income (loss)	(millions of yen)	1,168	1,278	792	1,032	(277)
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	12,100,000
Net assets	(millions of yen)	35,360	34,882	36,051	35,343	31,060
Total assets	(millions of yen)	47,637	45,614	47,342	42,574	42,252
Net assets per share	(yen)	2,893.91	2,902.73	2,999.65	3,032.73	2,969.04
Dividend per share (including interim dividend per share)	(yen)	45.00 (0.00)	45.00 (0.00)	45.00 (0.00)	60.00 (0.00)	60.00 (30.00)
Net income (loss) per share	(yen)	95.59	105.79	65.96	87.01	(25.32)
Diluted net income per share	(yen)	-	-	-	-	-
Equity ratio	(%)	74.2	76.5	76.2	83.0	73.5
Return on equity	(%)	3.3	3.6	2.2	2.9	-
Price-to-earnings ratio	(x)	34.8	23.6	41.2	25.9	-
Payout ratio	(%)	47.08	42.54	68.22	68.96	-
Number of employees [Average number of temporary employees]	(persons)	563 [116]	582 [136]	591 [117]	590 [89]	609 [90]
Total shareholder yield (TOPIX total return index for comparison)	(%) (%)	106.8 (95.0)	81.8 (85.9)	90.2 (122.1)	77.5 (124.6)	78.8 (131.8)
Highest share price	(yen)	3,590	3,905	2,999	2,835	2,643
Lowest share price	(yen)	2,179	1,921	2,226	2,180	1,863

Notes:
1. No figures are provided for “diluted net income per share” before the 96th term as there were no dilutive shares. Also, no figures are provided for “diluted net income per share” for the 97th term as it was net loss per share and there were no dilutive shares.
2. No figures are provided for “return on equity,” “price-to-earnings ratio,” and “payout ratio” for the 97th term as the Company posted net loss and net loss per share.
3. Highest share price and lowest share price were prices recorded on the First Section of the Tokyo Stock Exchange before April 4, 2022, and those recorded on the Prime Market of the Tokyo Stock Exchange after April 4, 2022.
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 96th term, and the figures for key performance indicators for the 96th term onwards 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 contract-based 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	Its shares 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-based 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-based 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-based heat treating service.
Dec. 1970	Made Fukoku Tsushin Kogyo KK (presently Fukoku Denko Co., Ltd.), a Fukuoka builder and seller of telecommunication equipment, an affiliate. (presently a consolidated subsidiary)
Oct. 1971	Made Fuji Kogyo KK (presently Denko Co., Ltd.), a company in Noda, Chiba Prefecture, 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)
Feb. 1974	Established 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 constructs 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.
April 1991	Established Shiga Plant in Minakuchi (currently known as Koka), Koka District, Shiga Prefecture. Established Denko Techno Heat Co., Ltd., a company in the Shiga Plant specialized in contract-based high-frequency heat treating service. (presently a consolidated subsidiary)
June 1996	Merged Denko Tekko KK and Fuji Kogyo KK, both consolidated subsidiaries of the Company, and renamed to Denko Co., Ltd.
Mar. 1998	Established Denko Metallurgical Technologies Co., Ltd., a company within 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-based high-frequency heat treating service.
Apr. 2010	Merged Denko Metallurgical Technologies Co., Ltd. with Koshuha Co., Ltd. through 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. through 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 contract-based 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.
Apr. 2023	Merged DKK Co., Ltd., the surviving entity, with DKC Co., Ltd. (presently a consolidated subsidiary) and Koshuha Co., Ltd. (presently a consolidated subsidiary), the extinguishing entities, through acquisition. (The coil-related business and contract-based heat treating service business of Koshuha Co., Ltd. was transferred to Denko Techno Heat Co., Ltd. [presently a consolidated subsidiary].)

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 working closely together with Group companies.

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

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

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

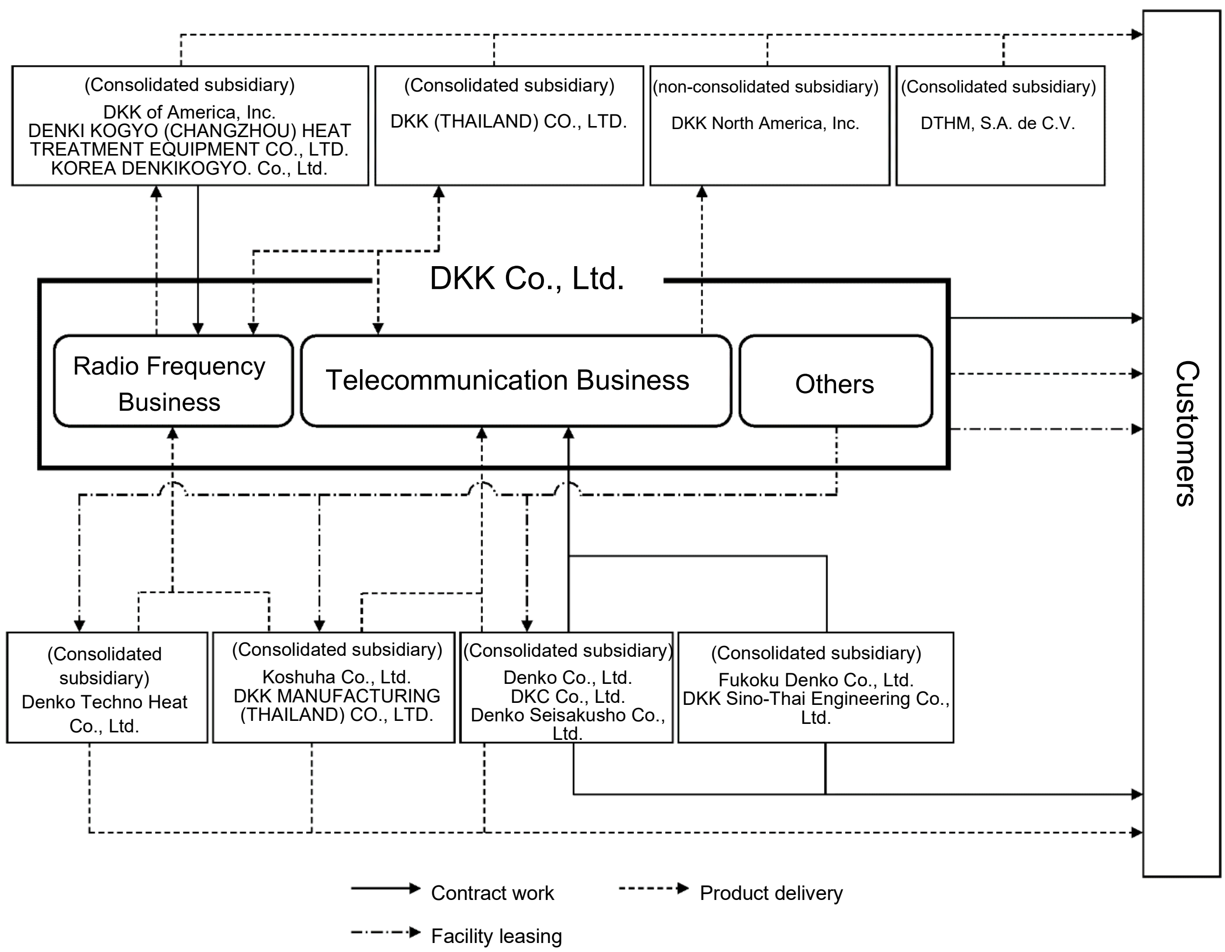
Radio Frequency Division: The Company manufactures and sells high-frequency induction heating equipment and provides contract-based high-frequency heat treating service. The below describes the relationships with the affiliate companies.

Denko Techno Heat Co., Ltd. (consolidated subsidiary)	Mainly provides contract-based 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-based 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-based high-frequency heat treating service.
KOREA DENKIKOGYO. Co., Ltd. (consolidated subsidiary)	Mainly manufactures high-frequency induction heating equipment, etc. and sells components and equipment.

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

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



4. [Status of Subsidiaries and Affiliates]

Consolidated subsidiaries

Name	Location	Capital (millions of yen)	Principal business	Voting power (%)	Description of relationship
Denko Co., Ltd.	Kawagoe, Saitama Prefecture	70	Telecommunication Business	100	Undertakes manufacture of antennas, steel towers, and steel building frameworks and plating work on them for the Company. Rents the Company's land, buildings, etc. Concurrent directorships: none
Denko Seisakusho Co., Ltd.	Kanuma, Tochigi Prefecture	92	Telecommunication Business	100	Manufactures and processes antennas, telecommunication equipment, etc. for the Company. Rents the Company's land, buildings, etc. Concurrent directorships: none
DKC Co., Ltd. (Note 5)	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. (Note 3, 6)	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-based high-frequency heat treating service. Rents the Company's land, buildings, etc. Concurrent directorships: none
Koshuha Co., Ltd. (Note 5)	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-based high-frequency heat treating service. Rents the Company's land, buildings, etc. Concurrent directorships: none
DKK of America,Inc.	Indiana, U.S.	Thousands of dollars 300	Radio Frequency Business	100	Undertakes maintenance service for and supports sales of high-frequency induction heating equipment as well as manufactures and repairs heating coils. Concurrent directorships: none
DENKI KOGYO (CHANGZHOU) HEAT TREATMENT EQUIPMENT CO., LTD.	Jiangsu Province, China	Millions of yuan 6	Radio Frequency Business	70	Repairs and manufactures heating coils used in the Company's high-frequency induction heating equipment and sells components and equipment. Concurrent directorships: none
DKK MANUFACTURING (THAILAND) CO., LTD. (Note 6)	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. Loans: Yes Concurrent directorships: none

Name	Location	Capital (millions of yen)	Principal business	Voting power (%)	Description of relationship
DKK (THAILAND) CO., LTD. (Note 3)	Bangkok, Thailand	Millions of baht 8	Telecommunication Business Radio Frequency Business	49	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-based 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 "Percentage of votes" column indicate indirect ownership and is included in respective main figures.
5. Effective on April 1, 2023, the Company as the surviving entity merged with DKC Co., Ltd., the extinguishing entity, through acquisition and at the same time carried out an absorption-type split of Koshuha Co., Ltd. as the extinguishing entity, in which it transferred the coil-related business and contract-based heat treating service business of Koshuha Co., Ltd. to Denko Techno Heat Co., Ltd. As of the same day, the Company as the surviving entity merged with Koshuha Co., Ltd., the extinguishing entity, through acquisition.
6. The Board of Directors Meeting of the Company held on March 24, 2023, passed a resolution to liquidate DKK Sino-Thai Engineering Co., Ltd. and DKK MANUFACTURING (THAILAND) CO., LTD. and the companies are currently undergoing the liquidation process.

5. [Status of Employees]

(1) Status at consolidated companies

(As of March 31, 2023)

Segment	Number of employees (persons)
Telecommunication Business	759 (98)
Radio Frequency Business	332 (18)
Overall (common)	66 (3)
Total	1,157 (119)

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, 2023)

Number of employees (persons)	Average age	Average number of years of service	Average annual salary (in thousands of yen)
609 (90)	45.5	15.7	5,976

Segment	Number of employees (persons)
Telecommunication Business	422 (84)
Radio Frequency Business	121 (4)
Overall (common)	66 (3)
Total	609 (90)

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

(3) Situation of the labor union

The labor union of the company filing the consolidated financial statements was formed on March 17, 1957 and currently has 313 members. The organization belongs to the Japanese Association of Metal, Machinery, and Manufacturing Workers (JAM), a member organization the Japanese Trade Union Confederation (JTUC-Rengo). Labor unions of consolidated subsidiaries are formed by Denko Co., Ltd. and Fukoku Denko Co., Ltd.

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

(4) Ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and wage differences between male and female employees

Filing company

Current fiscal year					Supplementary explanation
Ratio of female employees in managerial positions (%) (Note 1)	Ratio of male employees taking childcare leave (%) (Note 2)	Wage differences between male and female employees (%) (Note 1)			
		All employees	Full-time employees	Part-time and fixed-term employees	
6.8	40.0	75.6	73.2	76.9	-

Notes: 1. Calculated based on the stipulations of the Act on the Promotion of Women's Active Engagement in Professional Life (Act No. 64 of 2015).
2. Calculated the utilization ratio of childcare leave, etc. as specified by Article 71-4, Item 1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991) in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991).

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 the current 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," 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.

The DKK Group formulated the Medium- and Long-Term Management Strategy in March 2021 and stipulated its policy to contribute to the realization of a sustainable society through corporate activities as well as its responsibility to the society and stakeholders as the Basic Policy on Sustainability in November 2021. Based on these, it listed five material issues of "Workplace culture and work style reforms," "Enhancing corporate governance," "Contribution to social infrastructure development," "Promoting environmental management," and "Creation of new businesses" and has been working on corporate activities that improve the sustainability of the DKK Group's businesses (sustainability management).

Taking these into consideration, the Group in May 2022 formulated the Medium-Term Business Plan: DKK-Plan 2025, a three-year plan starting from fiscal year ended March 2023. It set forth "Improve corporate value through promotion of sustainability management" as the basic policy of the plan and has been implementing business activities toward realization of sustainable growth through solution of social issues.

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

In the Medium-Term Business Plan: DKK-Plan 2025, the Group is promoting related initiatives for achieving KPIs corresponding to the five material issues of "Workplace culture and work style reforms," "Enhancing corporate governance," "Contribution to social infrastructure development," "Promoting environmental management," and "Creation of new businesses" towards the goal of improving corporate value through promotion of sustainability management. See "II. [Business Overview], 2. [Basic Idea and Initiatives Regarding Sustainability]" for detailed information.

We will regularly review and update the material issues and KPIs through discussions at the Sustainability Committee, the Executive Committee, and the Board of Directors.

(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 strengthening of corporate governance.

Under our medium- to long-term management strategy 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."

To realize DKK Group's ideal in the Medium- and Long-Term Management Strategy, the Group will strive to build a firm business foundation for it to continue to develop and grow permanently by implementing the key measures of "Strengthening of our financial foundation," "Optimization of business portfolio," and "Early realization of new business creation" through the Medium-Term Business Plan: DKK-Plan 2025 for three years through the fiscal year ending March 2025, which it positions as the time period to build a foundation for growth. See the Company's website for detailed information.

(i) Creation of new businesses

- Material issues to realize sustainability management: “Promoting environmental management” and “Creation of new businesses”

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 various wireless communication technologies including local 5G as a way to take advantage of our wireless technologies to develop new areas. Future wireless technologies led by local 5G have 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 are actively working on initiatives targeting nonautomotive areas to capture emerging demand. By finding new uses for high-frequency induction heating technology, we are determined to develop new markets, including the food and industrial waste processing industries, and contribute to promotion of environmental management required of us.

(ii) Further expansion of existing businesses

- Material issues to realize sustainability management: “Contribution to social infrastructure development”

Under the “Further expansion of existing businesses” strategy, we position expansion of the existing social infrastructure-related businesses as an important theme. With the mobile communications-, fixed wireless-, broadcasting-, and radio frequency-related fields at the center, we are driving forward this initiative with an eye on expanding the business into the peripheral areas. Going forward, we are driving forward related initiatives for social contribution and expansion of corporate value by investing management resources through capital expenditures and M&A investment in a timely and appropriate manner, while expanding our stable revenue base through continuous launch of products featuring new technologies.

(iii) Strengthening of business foundation

- Material issues to realize sustainability management: “Workplace culture and work style reforms,” “Enhancing corporate governance,” “Contribution to social infrastructure development,” “Promoting environmental management” and “Creation of new 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. In such a business environment, the DKK Group recognizes that it is necessary to utilize its own capital to the maximum extent for “Strengthening of our financial foundation,” in addition to research and development with focus on future times. As part of the capital policy to achieve this, the Group has been promoting initiatives with an eye on the future through appropriate investment of its management resources to promote its human resource, financial, and investment strategies. Moreover, “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.

(4) Management environment

During the fiscal year under review, the Japanese economy has been recovering gradually led by corporate earnings and consumer spending following the easing of the COVID-19 related restrictions. However, the future of the Japanese economy still remains uncertain owing to supply restrictions stemming from the confusion in the global supply chain against the background of emerging geopolitical risks, surging resource prices, and production adjustments caused by slowing foreign economies among other factors.

In the telecommunications industry in which the Group operates, demand for 5G infrastructure has been stagnant or deferred due to revision of capital investment plans by customers in the mobile communication-related segment. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use has been showing a recovery trend. In the broadcasting-related segment, however, demand from broadcasters for facility replacement and maintenance continued to decrease. 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 still remains slow. There have been delays in construction schedule and delivery due to the prolonged delivery time of parts in all business fields. Along with these, cost increase factors such as higher prices of energy and parts as well as expenses to tackle the weaker yen and parts supply shortage had significant impact on the Company's financial results.

(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 continues 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, the Group gradually started seeing the impact of new products and services, including those based on synergies between the Company's technology in collaboration with other companies, in the solutions business and new radio frequency areas business, which are new business fields, and will strive to work on steady expansion of these businesses. Among the existing businesses, in the mobile communication-related segment, the Group is eyeing recovery in demand for various mobile communication base station antennas, which are the Company's strengths, towards recovery in quality of the 5G area and has been working to capture the demand along with newly developed wireless devices. At the same time, it will work to capture demand for maintenance of mobile communication steel towers. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use targeting local governments is expected to recover and the Group will strive to capture the demand, while closely monitoring the trend of defense-related budget. In the broadcasting-related segment, we will steadily capture demand for replacement and maintenance of broadcasting equipment. 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 also actively make efforts in areas other than the automotive segment. Moreover, in the contract-based heat treating service segment, production adjustment in the automobile industry is expected to be gradually resolved and the Group will work to capture related demand. In both business fields, 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.

Further, the DKK Group advocates sustainability management and under the Basic Policy on Sustainability, it set forth five material issues of "Workplace culture and work style reforms," "Enhancing corporate governance," "Contribution to social infrastructure development," "Promoting environmental management," and "Creation of new businesses."

The Group has set forth "Improve corporate value through promotion of sustainability management" as the basic policy also in the Medium-Term Business Plan: DKK-Plan 2025 it formulated in May 2022. It will continue with the key management policy for the fiscal year ended March 2023 as its policy for the fiscal year ending March 2024 (the next fiscal year), and drive forward the initiatives addressing material issues and will implement business activities for realization of sustainable growth through solution of social issues.

(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," "Enhancing corporate governance," "Contribution to social infrastructure development," "Promoting 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 2024])
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”

<Material inadequacies to be disclosed>
As described in “3. Matters regarding assessment results” of the Internal Control Report submitted by the Group to the Director-General of the Kanto Finance Bureau on June 30, 2023, the Group revised the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP),” as it identified the following errors in the account settlement operations for the current consolidated fiscal year, due to which it took time to finalize the financial results.
These are inadequacies in internal control over the account closing and financial reporting processes and have significant impact on financial reporting, and therefore the Group judged that they would fall under material inadequacies to be disclosed.

(Material inadequacies in the account closing and financial reporting processes to be disclosed)

(i) Errors in accounting practices upon liquidation of an overseas consolidated subsidiary
(a) Overstatement of allowance for doubtful accounts
The Company had recorded an allowance for doubtful accounts for the loan it has provided to an overseas consolidated subsidiary, which was slated for liquidation. The amount of the allowance was overstated due to an incorrect recognition of the situation by the Company, as the provision of allowance was not necessary when considering the subsidiary’s financial conditions even when taking into account the liquidation. As part of the control activity to mitigate this risk, the Company had been checking key matters on a worksheet for allowance for doubtful accounts. However, the worksheet did not have any description regarding how to calculate the recoverable amount from an overseas consolidated subsidiary which is to be liquidated.

(b) Errors in accounting practices upon recording of impairment loss on non-current assets
In the process of judging recognition of impairment loss on non-current assets at the overseas consolidated subsidiary slated for liquidation, there was an error also in the amount of impairment loss on the non-current assets due to lack of specialized knowledge regarding calculation of local net realizable value as well as insufficient verification, which also caused delays in the account closing schedule. As part of the control activity to mitigate this risk, the Company had been checking key matters on a worksheet for impairment loss on non-current assets. However, the worksheet did not have any description regarding matters to be implemented when proceeding to the judgment process for recognition of impairment loss at an overseas consolidated subsidiary slated for liquidation.

The Company assesses that both (a) and (b) occurred because it did not have checklists assuming an environment of company liquidation and also because of the inadequate functioning of the Company’s monitoring process.

(ii) Errors in accounting practices upon recording of impairment loss on non-current assets at the Company and a Japanese consolidated subsidiary

In the process of judging recognition of impairment loss on non-current assets at the Company and a Japanese consolidated subsidiary, the contents of the business plan required for calculation of undiscounted future cash flows and the adequacy of net realizable value were not sufficiently verified. As a result, there was an error in the amount of impairment loss on non-current assets at the Japanese consolidated subsidiary, while the Company did not have to record an impairment loss. As the Company had to secure time to discuss these, it resulted in a delay in the account closing schedule.

As part of the control activity to mitigate this risk, the Company had been utilizing a worksheet for impairment of non-current assets and verifying the account closing documents provided by Japanese consolidated subsidiaries against a checklist upon consolidated account closing. However, the worksheet and checklist did not have descriptions regarding cases when it proceeded to the judgment process for recognition of impairment loss.

The Company assesses that it occurred because of the inadequate functioning of the monitoring process to ensure that these processes are operated in accordance with the accounting standards.

(iii) Errors regarding consumption tax at the Company

In some of the Company's long-term construction work projects which need to use an older tax rate, it was necessary to make adjustments due to the specifications of the system, but some of the said adjustments were insufficient. In order to mitigate this risk, the Company needed a control activity that calculates the theoretical value of the amount of consumption tax and checks the figures, but it was not in place.

The Company assesses that it occurred because the Company did not appropriately put in place a verification item for appropriately identifying omissions in adjustment by checking the figures using the appropriate tax rate.

The Company has appropriately reflected the corrections, made necessary by the material inadequacies disclosed, in its non-consolidated and consolidated financial statements.

The above facts were found out after the end of the current consolidated fiscal year, and the Company could not correct the said material inadequacies disclosed by the end of the said consolidated fiscal year.

The Company recognizes the importance of internal control over financial reporting. To remedy the material inadequacies to be disclosed, it will strengthen the development and operation of internal control through implementation of the following and other measures to prevent recurrence in the Group and ensure reliability in its financial reporting.

(Measures for preventing recurrence)

(i) Strengthening of the verification function in the account closing and financial reporting processes

- Develop a system for receiving advice from external specialists regarding appropriate accounting practices under special circumstances such as liquidation of a consolidated subsidiary as well as in the fields for which the Group has insufficient internal human resources.
- Update checklists to exhaustively cover the check items in accordance with the accounting standards for recognition of impairment loss on non-current assets.
- Establish a process that takes the relevant consumption tax rate into account to check the figures

(ii) Establishment of structure for implementing timely and appropriate accounting practices including increasing personnel

- Increase opportunities to participate in external workshops and other training occasions for employees engaged in and in charge of accounting to improve their knowledge
- Develop a structure that enables employees in charge of accounting who are engaged in monitoring to receive advice from external specialists as needed to improve their knowledge

2. [Basic Idea and Initiatives Regarding Sustainability]

The Group established a vision to realize “Pioneering the Future” by 2030 and a Medium- and Long-Term Management Strategy, which is our growth strategy. In addition, we advocate a Sustainability Basic Policy based on the Medium- and Long-Term Management Strategy, set material issues for the DKK Group to tackle, have worked to achieve key performance indicators, and aim to improve corporate value over the medium to long term.

On May 20, 2022, the Group formulated the medium-term business plan, DKK-Plan 2025, to clarify the goals, focal points, and matters to be promoted during the three years starting the fiscal year ended March 2023 to achieve the vision of the Medium- and Long-Term Management Strategy. It set forth the basic policy of “Improving corporate value through the promotion of sustainability management” and aims to realize sustainable growth by solving social issues.

The basic idea and initiatives regarding sustainability of the DKK Group is as follows.

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.

(1) Governance

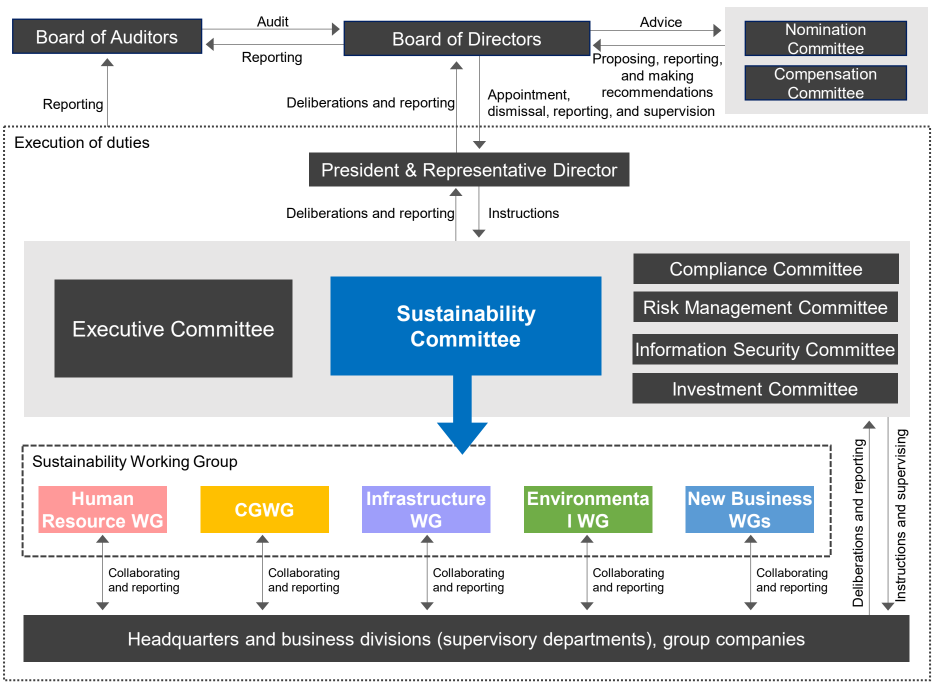
The DKK Group formulated the Basic Policy on Sustainability as a policy for contributing to the society and the realization of a sustainable society and engages in corporate activities based on the policy. The Company also established the Sustainability Committee, led by the president and representative director, and composed of in-house directors, managing officers, etc. to promote sustainability management. The Sustainability Committee identifies sustainability issues, sets forth policies and KPIs related to social issues such as diversity, labor environment, and human rights as well as environmental problems related to climate change and other factors, and deliberates on and discusses the progress in priority initiatives.

To promote sustainability management, it has set forth five material issues, which should be addressed with priority by the DKK Group’s business and its stakeholders, and have created priority initiatives for each of the five material issues.

The Company has been continuously working on the individual material issues by establishing cross-divisional working groups (WG) that include directors for each material issue and setting forth priority initiatives and KPIs, which are targets.

The Sustainability Committee discusses the initiatives implemented by WG, which are then reported to the Board of Directors.

<DKK Group sustainability governance structure>



(2) Strategy

To promote sustainability management, the DKK Group is continuously implementing initiatives related to the identified material issues based on the Basic Policy on Sustainability and has been working to contribute to the growth of sustainable society and improve corporate value. The Company set forth the material issues for promotion of sustainability management of “Workplace culture and work style reforms,” “Enhancing corporate governance,” “Contribution to social infrastructure development,” “Promoting environmental management” and “Creation of new businesses.”

The following are the risks and opportunities of the identified material issues concerning the DKK Group’s business and financial performance as well as the priority initiatives.

Materiality	Risks	Opportunities	Priority initiatives
Workplace culture and work style reforms	• Deterioration of corporate value due to reputation risk, etc. caused by issues related to human rights and harassment • Deterioration of corporate power due to decline in employee engagement • Decline in competitiveness due to lack of human resources with technical abilities and expertise	• Improvement of corporate power through improvement in workplace culture and motivation as well as growth through improvement in business efficiency • Improvement of labor productivity • Improvement of ability to address changes in business style through enhancement of human resources	• Respect of employee human rights (including those of partner companies) • Eradication of harassment • Hiring diverse human resources; promoting women’s empowerment • Productivity improvement using digital transformation (DX)
Enhancing corporate governance	• Decline in social trust due to insufficient compliance, etc. • Business continuation risks and damage due to corporate governance malfunctioning	• Ensuring effectiveness, soundness and transparency • Appropriate response to changes such as legal revisions, etc. • Establishment and strengthening of business foundation • Winning trust of stakeholders	• Compliance-focused management • Promotion of communication with stakeholders • Ensuring transparency of management • Enhancing information security
Contribution to social infrastructure development	• Decline in competitiveness and convenience due to sluggishness in improving information communication infrastructure • Social infrastructure shutdown due to more frequent and intensified weather disasters such as typhoon and torrential rain caused by extreme weather • Delay in production due to supply chain disruption	• Improvement of information communication infrastructure and contribution to society through improvement in safety of car society, expansion of business opportunities • Contribution to disaster prevention and mitigation society through upgrade of existing products and services • Improvement in trust of society and customers	• Construction of stronger information infrastructure • Secure safety through promotion of disaster prevention busines • Reinforce safety of car society • Secure safety and quality
Promoting environmental management	• Intensifying natural disasters due to extreme weather • Impact on orders and sales from the Company’s attitude towards environment	• Increase in demand for low-carbon products and environmentally friendly products • Increase in business opportunities from environmental issues, renewable energy, etc.	• Promote carbon neutral • Promotion of realizing circular society • Expansion of environmental products
Creation of new businesses	• Loss of demand opportunities in new businesses and fields • Worsening of business performance due to shrinking demand of existing businesses • Loss of talented employees	• Continued growth through development of new markets and new customers • Expansion of demand through widening of business scope and diversification of customers • Business model reform through offering of solution-type services	• Using wireless and radio frequency technologies in new areas • Entry into service business

(Climate change)

We carried out scenario analysis of the impact of climate change on DKK Group’s business and performance. We used the 2°C and 4°C scenarios set by the Intergovernmental Panel on Climate Change (IPCC) and the International Energy Agency (IEA) to assess the impact* on the business on three levels—low, medium and high. The scope of the analysis is the entire DKK Group with the timeframe of the analysis as 2030 for transition risks and 2050 for physical risks.

DKK Group will continue to analyze the identified risks and opportunities in the 1.5°C scenario, determine their financial impact, and come up with countermeasures for the risks and opportunities.

* We qualitatively judged the impact in accordance with the company-wide risk management process by comprehensively considering the likelihood and the level of impact on our business activities.

High: Probability is more than medium, has a major impact on the business, and may force the company to change its business plans and structures.

Medium: Probability is medium, has an impact on the business, and may require the company to review its business plans or structures.

Low: Probability is low, has a limited impact on the business, and may not require the company to make any changes to its business plans or structures.

	Category	Global situation	Scenario	Business segment	Item	Impact
Risks	Policies and regulations	Introduction of carbon tax by countries	2°C	All businesses	• Tax burden increases as a result of delays in reduction of GHG emissions as stipulated by government targets.	Medium
Risks	Technology	Spread of next-generation high-speed communication	2°C	Mobile Communications	• A decline in demand for the existing business due to new technologies including 6G	**High**
Risks	Technology	Spread of next-generation automobiles	2°C	Induction heating, contract-based processing	• A decline in existing demand for high-frequency hardening due to spread of EVs	**High**
Risks	Market trend	Surging prices of crude oil and raw materials	2°C	All businesses	• Prices of crude oil and raw materials surge due to restrictions on CO_2 emissions and material costs increase	**High**
Risks	Market trend	Non-achievement of grid parity	2°C	All businesses	• Electricity costs increase due to introduction of electricity generated using renewable energy such as solar power	**High**
Risks	Reputation	Increased demands for decarbonization from business partners	2°C	All businesses	• Delays in implementation of environmental measures sought by business partners lead to a decline in our business opportunities because of business partners' supplier preferences	**High**
Risks	Physical risks (acute)	Increase in occurrences of extreme weather	4°C	All businesses	• Supply chain disruption makes it difficult to obtain key raw materials resulting in production delays and cost increases	Medium
Risks	Physical risks (chronic)	Increase in energy use due to temperature increase	4°C	All businesses	• Cost of electricity used for air conditioning, etc. increases due to increase in temperature	Medium

	Category	Global situation	Scenario	Business segment	Item	Impact
Opportunities	Energy sources	Spread of renewable energy-related technologies	2°C	Other (telecommunications)	• Increased demand for installation of solar power generation, maintenance work, and base structure sales • Increased demand for LED aviation obstacle lights for wind power generation facilities, navigation aid lights, and maintenance and monitoring systems	Low
Opportunities	Market	Spread of smart cities and next-generation high-speed communication	2°C	Mobile communications	• Increased demand for business related to 5G, local 5G, and 6G	**High**
Opportunities	Market	Spread of next-generation automobiles	2°C	Induction heating, contract-based processing	• Capturing business opportunities for high-frequency induction heating for EVs, such as motor shaft • Increased demand related to EV charging stations	Medium
Opportunities	Resource efficiency	Increased demand for decarbonization of value chains	2°C	New fields	• Capturing business opportunities for various high-frequency induction heating related to waste, food, etc.	**High**
Opportunities	Goods and services	Intensification of extreme weather	4°C	Other (telecommunications), solutions, fixed-line communication	• Increased demand for methanol fuel cells and diesel fuel cells • Increased demand for disaster prevention-related products such as disaster prevention radio systems, high altitude monitoring cameras, and disaster prevention information network	Medium
Opportunities	Resilience	Increases in extreme weather and infectious disease risks	4°C	All businesses	• Building stable supply chains through measures such as discussion of BCP measures with suppliers	Low

Segments	Main business
Mobile Communications	Mobile phone base station antennas, construction work and steel towers, radio equipment, etc.
Fixed-Line Communications	Disaster-prevention radio systems for government offices and fire-fighting wireless systems, telecommunication antennas and equipment for defense use, etc.
Broadcasting	Transmitter station equipment for TV and radio broadcasting, maintenance, etc.
Solutions	Network-related business, including services (local 5G, etc.)
Other (telecommunications)	Steel structure manufacturing and plating, aviation obstacle lights, LED lights, renewable energy-related, etc.

Induction Heating	Manufacture and maintenance of high-frequency induction heating equipment for automotive components
Contract-Based Processing	Contract-based heat treating service for automotive components, etc.
New Fields	Applied high-frequency business for environment- and food-related use; businesses targeting other new areas

(Policies for development of human resources and company environment)

The DKK Group’s policies regarding human resource development including ensuring diversity as well as development of company environment are as follows.

(i) Human resource development policy

“Striving to help improve living of employees, developing and growing the company under the spirit of ‘one company, one family’” is DKK Group’s management philosophy. It believes the source of corporate growth is human resources, and respecting personal character and individuality, developing an open workplace environment, and proactively offering occasions for education would lead to “fighting spirit” and “productivity improvement,” which are the driving force of a company. The Group also believes that there will be no future development or growth without continued human resource development, and is implementing the following human resource priority initiatives toward realization of the Medium- and Long-Term Management Strategy.

* We, at the DKK Group, believe that people are one of the most important factors, or treasure, which form the foundation of a company, and therefore describe them in Japanese as “人財 (human assets)” rather than “人材 (human resources).”

(Priority initiatives for human resource development)

Priority initiatives	Implementation items
1. Promotion of human resource development	i) Drafting of a new personnel system to facilitate new career advancement
	ii) Development of in-house human resources and enhancement of capabilities
2. Hiring of diverse human resources and their success	i) Promoting nurturing of female managers • Implementation of female employee utilization program
	ii) Mid-career recruitment of human resources with experience • Mid-career recruitment in line with development of new businesses and strengthening of business foundation
	iii) Drafting of an employment system to employ people up to the age of 70 for senior employees to play an active role
	iv) Employment of people with disabilities
3. Development of an open workplace environment	i) Improvement of work-life balance • Introduction of birthday leave and days on which taking paid leave is encouraged
	ii) Identification of issues through engagement surveys and implementation of remedial measures
	iii) Implementation of education on harassment for all employees

(ii) Development policy of company environment

The DKK Group believes that it is necessary to develop a workplace environment where employees feel secure and can work energetically for the Group to grow continuously. The Group lists “Workplace culture and work style reforms” as one of its material issues and promotes sustainability activities, emphasizing on development of an open workplace environment where individual employees respect each other and can demonstrate their abilities to the maximum extent. Moreover, it also focuses on maintenance and improvement of occupational health and safety, and strives to prevent industrial accidents and health hazards caused by overwork in order for employees and their families to maintain affluent and happy lives.

(Priority initiatives for development of company environment)

Priority initiatives	Implementation items
1. Development of open workplace environment	(i) Exchange of opinions between employees and directors
	(ii) Discussion meetings featuring officers
	(iii) Workplace environment questionnaire survey
	(iv) Labor-management meetings
	(v) Declaration on development of harassment-free workplace environment
	(iv) Addressing employees using the honorific “san”
2. Workstyle reform	(i) Promotion of proposal activities
	(ii) Introduction of various special leaves • Birthday leave, voluntary work leave
	(iii) Establishment of days on which taking paid leave is encouraged
	(iv) Development of internal IT environment • Addition of Wi-Fi spots, promotion of shift to laptops
3. Prevention of industrial accidents	(i) Safety and health convention
	(ii) Promotion of safety patrol activities
	(iii) Introduction of vehicle operation management system
4. Prevention of overwork	(i) Working hour study group
	(ii) No overtime day, turning off lights
	(iii) Stress-level test

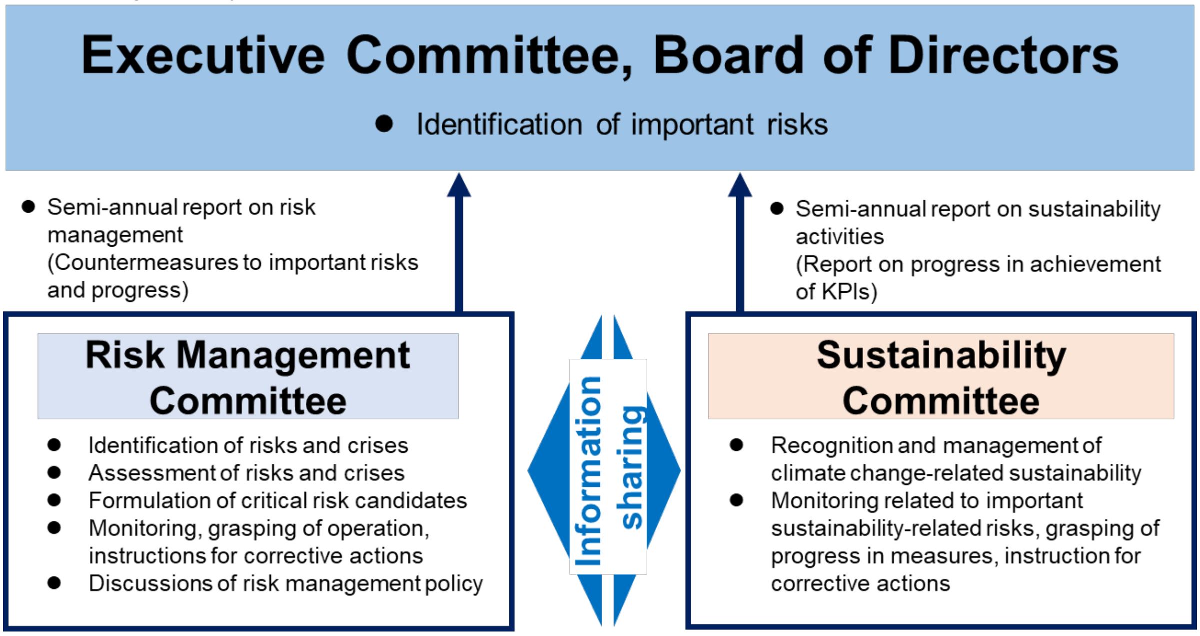
(3) Risk Management Committee

To identify sustainability-related risks such as social and environmental issues, the DKK Group, with the Sustainability Committee taking the lead, identified and assessed risks with large impact on the society and the Company’s business after taking into account the changes in the internal and external environment and set them as material issues. As for sustainability-related risks, the Sustainability Committee monitors the initiatives regarding material issues and reports to the Board of Directors on a regular basis. The Group will continue to respond to the risks from a long-term perspective through measures such as review of business strategies as necessary corresponding to the progress and business environment.

The Group also has in place the Risk Management Committee as a framework for group-wide corporate risk management. The Risk Management Committee identifies risks and emergencies of the Group, evaluates them, identifies and monitors key risks, grasps the operation status, and gives instructions for corrective actions. It reports countermeasures to the identified key risks and their progress to the Board of Directors on a regular basis. See “II. [Business Overview], 3. [Risk Factors]” for detailed information.

The corporate risk management by the Risk Management Committee collects information regarding sustainability-related risks across the Group and strengthens its management. It shares such information and ensures that the Board of Directors grasps, manages, and mitigates its frequency and impact in a comprehensive manner.

<Risk management system>



(4) Metrics and targets

The DKK Group lists five material issues from a medium- to long-term perspective, sets forth key performance indicators, or KPIs, as described below, to assess achievements, and ensures steady progress, thereby contributing to sustainable growth of the society and maintaining and improving its corporate value. The Group is reviewing and updating the priority initiatives and KPIs through discussion at the Sustainability Committee and the Board of Directors.

The Company posts the results of KPIs (medium- to long-term targets) and their progress on its website.
https://denkikogyo.co.jp/sustainability/data/

<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)	• Conducting 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 surveys	Employees attending harassment training sessions: 100%
Hiring diverse human resources; promoting women's empowerment	• Development of a structure for diversity and inclusion promotion	Ratio of female managers: At least 15%
		Ratio of employees with disabilities: Adhere to legal requirements
		Establish system to employ ages up to 70
Productivity improvement using digital transformation (DX)	• Improvement of productivity through digitalization of work processes and introduction of smart factory	Reduction in average total working hours per year: 1,800 hours level (FY2024) Bellow 1,800 hours (FY2030)

<Enhancing corporate governance>

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals
Compliance-focused management	• Promotion of compliance programs • Strengthening of implementation 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	• Enhancement/expansion of disclosed documents; early disclosure of English versions of the documents • Enhancement/expansion of communication between investors and management team	Participation of director and outside directors in dialogue with investors
Ensuring transparency of management	• Implementation of Board of Directors effectiveness evaluation • Improvement of 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%
Enhancement of information security	• Obtaining ISO 27001 certification • Implementing security training	Obtaining ISO27001 Attendance rate of security training sessions:100%

*The Company changed the target of the KPI “Annual attendance rate of directors at Board of Directors Meetings in a year: 80% or higher” to 100% in FY2023 (fiscal year ending March 31, 2024).

<Contribution to social infrastructure development>

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals
Construction of stronger information infrastructure	• Strengthening 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 busines	• Enhancement/expansion of disaster-prevention information provision systems by updating disaster-prevention systems • Reinforcement of disaster-prevention functions through provision and promotion of DKK systems such as information cameras and water gages	
Reinforce safety of car society	• Sales expansion of induction heating equipment for parts used in automobile safety system	
Secure safety and quality	• Improvement of technology for processing quality • Assessment of risks regarding quality and safety; implementation of risk mitigation activities	Percentage of our engineers holding government certification related to business evaluation application: at least 70% (FY2025) Conversion of company-owned cars to advanced safety vehicles (ASVs): 100% (FY2030)

<Promoting environmental management>

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals
Promote carbon neutral	• Raising environmental awareness across the Company through environmental education • Promotion of efforts to reduce greenhouse gas emissions • Enhancement of power-saving features of products • Installation of solar panels at our facilities • Purchase of power generated using renewable energy sources, etc.	Scope 1 & 2 greenhouse gas emissions:At least a 30% reduction from FY 2019 levels (FY2030) Scope 3 greenhouse gas emissions:At least a 15% reduction from FY 2019 levels (FY2030) Promoting use of renewable energy: No quantitative target(follow-up item)*1
Promotion of realizing circular society	• Promotion of efforts to control generation of waste; waste recycling through separation into types • Promotion of three Rs through coordinated efforts in supply chains	Ratio of total emissions recycled into resources: At least 50% *2 Waste emissions (t): No quantitative target (follow-up item)*1
Expansion of environmental products	• Formulation of DKK Group green purchasing guidelines; promotion of green purchasing • Development of environmental products; promote sales expansion activities	Develop products that reduce environmental impact by 10%: more than 16 items(FY2030)

*1 We are examining the impacts and compiling the basic data for items to be followed up. Current period is for assessing impacts and we have not set quantitative targets.
*2 The Company changed the target of the KPI “Percentage of total emissions recycled: 50% or higher” to 96% in FY2023 (fiscal year ending March 31, 2024).

<Creation of new businesses>

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals
Using wireless and radio frequency technologies in new areas	• Participation in academic societies, study groups and other groups for the purpose of creating new market / new product candidates • Development of 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	• Development of application programs that can be used for service business • Development of organizational structure for service business • Acceleration of service expansion through collaboration with other companies	

(Climate change)

The DKK Group has been working on “Promoting environmental management,” which is one of its material issues. It has been setting forth quantitative targets for each of promotion of carbon neutrality, promotion of sound material-cycle society, and expansion of environmental products and has been working on concreate measures.

To promote carbon neutrality, the DKK Group will continue to strive to grasp the emissions status and improve accuracy, and work as one to achieve the targets of reducing 30% or more of Scope 1 and 2 GHG emissions by 2030 compared with FY2019 levels and 15% or more of Scope 3 emissions, including formulation of the Group strategies regarding climate changes.

The Company posts the results of GHG emissions on its website.
https://denkikogyo.co.jp/sustainability/data/

(Policies for development of human resources and company environment)

The DKK Group sets forth 2025 as the target fiscal year for achieving various indicators of its policies regarding human resource development including ensuring diversity as well as development of company environment described in the above “(2) Strategy.”

The Group offers education and training addressing the issues in each field for existing employees based on the human resource development policy and has been implementing recruitment with focus on diversity based on the policy regarding development of company environment for acquiring new human resources.

We, as a corporation, aims to take responsibility for nurturing each of DKK Group employees so that they become valuable human resources who can contribute to the realization of a sustainable society.

The outcome of the policies for development of human resources and company environment is described in "Part 1. [Company Information], 5. Status of Employees, (4) Ratio of female employees in managerial positions, ratio of male employees taking childcare leave, and wage differences between male and female employees."

3. [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.

The DKK Group has set the Risk Management Committee as a group-wide corporate risk management structure, which identifies and evaluates risks and emergencies according to the level of impact on future financial results, etc. and probability of occurrence, and then identifies key risks, grasps the operation status, and gives instructions for corrective actions. Moreover, the countermeasures for the identified key risks and their progress are reported to the Board of Directors on a regular basis.

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.

(Key risks identified by Risk Management Committee)

(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 a risk that the Group's earnings and financial position may be affected if it fails to meet requirements of these business operators due to problems 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) 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.

(iii) Impact of viral infectious disease

If the emergence and spread of a viral infectious disease result in infection of a large number of employees and stagnation of the society as a whole, causing impact on the business such as restrictions on operations or worsening of business performance, the Group's earnings and financial position may be significantly affected. The Group has been striving to respond to such risks by introducing necessary facilities and frameworks for employees to work from home in addition to ensuring their health management.

(iv) 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.

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

The Group is doing its utmost to prevent misconduct, unlawful acts, etc. by officers 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.

(vi) Securing human resources

If we fail to secure sufficient number of human resources possessing ample knowledge and skills, especially in technological divisions, or if the optimum employee age makeup is lost, making it difficult to maintain appropriate staff assignments, we would not be able to expect improvement in competitiveness or corporate value and 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.

(vii) M&A

One of the Group's strategies is M&A. If the business does not proceed as planned after an M&A and we fail to achieve the expected performance or fail to gain returns that measure up to the investment, it may affect the Group's earnings or financial position. The Group's policy is to go along the basic policy on M&A.

(viii) Technology innovation making existing technologies obsolete

Spread of EVs, decline in demand for antennas due to popularization of wireless devices with built-in antenna, communication technology innovation after 5G/Beyond 5G, and shift to higher radio frequency for realization of high speed, large capacity communication would increase costs and restrict operations as they would make our facilities obsolete and requiring upgrade, which may affect the business activities and financial standings of the DKK Group. The Group strives to respond to such possibilities by being part of external organizations and participating in various seminars to collect information to respond to technology trends and innovation in the market.

(Risks other than above)

(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 the 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.

(vii) 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.

(viii) 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.

(ix) 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.

(x) 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 and regulations as a result of factors such as wrong interpretation of laws and regulations. The Group works to make sure internal controls are maintained and laws and regulations are complied with.

4. [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 1.202 billion yen from a year earlier to 55.134 billion yen.

Current assets decreased by 0.327 billion yen from a year earlier to 40.662 billion yen. The main factors were a 0.270 billion yen decrease in inventories and a 2.051 billion yen decline in deposits paid, despite a 0.873 billion yen increase in cash and deposits and a 1.188 billion yen increase in accounts receivable including notes receivable.

Non-current assets decreased 0.875 billion yen from a year earlier to 14.472 billion yen. The main factors were a 0.378 billion yen decrease in property, plant, and equipment and a 0.916 billion yen decline in investment securities, despite a 0.106 billion yen rise in deferred tax assets and a 0.219 billion yen rise in net defined benefit assets.

Current liabilities increased 2.837 billion yen from a year earlier to 9.168 billion yen. The main factors included a 0.129 billion yen increase in trade payables including notes payable, a 2.120 billion yen increase in short-term loans payable, and a 0.405 billion yen increase in contract liabilities.

Fixed liabilities increased 0.767 billion yen from a year earlier to 4.164 billion yen. The main factors included a 0.981 billion yen increase in long-term loans payable, despite a 0.213 billion yen decrease in net defined benefit liability.

Net assets decreased 4.807 billion yen from a year earlier to 41.801 billion yen. The main factors included a 7.008 billion yen decline in retained earnings, despite an increase in net assets as treasury stock declined by 2.042 billion yen due to purchase and retirement of treasury stock.

b. Operating results

During the fiscal year under review, the Japanese economy has been recovering gradually led by corporate earnings and consumer spending following the easing of the COVID-19 related restrictions. However, the future of the Japanese economy still remains uncertain owing to supply restrictions stemming from the confusion in the global supply chain against the background of emerging geopolitical risks, surging resource prices, and production adjustments caused by slowing foreign economies among other factors.

In the telecommunications industry in which the Group operates, demand for 5G infrastructure has been stagnant or deferred due to revision of capital investment plans by customers in the mobile communication-related segment. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use has been showing a recovery trend. In the broadcasting-related segment, however, demand from broadcasters for facility replacement and maintenance continued to decrease. 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 still remains slow. There have been delays in construction schedule and delivery due to the prolonged delivery time of parts in all business fields. Along with these, cost increase factors such as higher prices of energy and parts as well as expenses to tackle the weaker yen and parts supply shortage had significant impact on the Company's financial results.

As a result, the amount of orders received decreased 8.2% year-on-year to 32.172 billion yen while net sales fell 6.3% from a year earlier to 31.817 billion yen.

In terms of profit, the Group recorded operating loss of 1.510 billion yen compared with operating income of 0.053 billion yen a year earlier, ordinary loss of 1.219 billion yen compared with ordinary income of 0.448 billion yen a year earlier, and net loss attributable to shareholders of the parent of 1.181 billion yen compared with net income attributable to shareholders of the parent of 0.705 billion yen a year earlier.

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

(Telecommunication Business)

In the mobile communication-related segment of this business, demand has declined significantly as mobile carriers have been holding back on capital investment in general and demand for 5G-related capital investment has been stagnant or is getting deferred. In the fixed wireless communication-related segment, demand from administrative radio systems for disaster prevention use driven by local-government moves to enhance and digitize disaster prevention systems has been showing signs of recovery thanks to the extension of the period of the disaster prevention and mitigation bonds among other factors. In the broadcasting-related segment, demand for update and maintenance of digital broadcasting equipment from broadcasters continues to be deferred. In the solution segment, the Group has been working on creating demand by identifying applications for using local 5G-related products through participation in demonstration experiments by the central and local governments. In other segments, the Group has been proactively developing demand for products with low environmental burden such as LED aviation obstacle lights and fuel cells in addition to capturing continuous demand for outdoor steel building frameworks. Amid such a business environment, we have actively worked to capture demand and improve productivity in these business segments, but the impact of prolonged delivery time of parts and a spike in material prices had a significant impact on the earnings in the current fiscal year.

As a result, the amount of orders received decreased 16.4% year-on-year to 22.293 billion yen, while net sales came to 22.613 billion yen, down 12.8% from a year earlier. Segment income (operating income) decreased 97.5% from a year earlier to 0.050 billion yen.

(Radio Frequency Business)

In this business, capital investment demand in the automobile-related field is showing a recovery trend from the impact of the global semiconductor shortage in the mainstay high-frequency induction heating equipment segment, while the impact of prolonged delivery time for parts, etc. still continues. The contract-based heat-treatment processing services have been recovering from the impact of the COVID-19 pandemic, though it still continues to be affected by the stagnation in demand caused by production adjustments at automobile manufacturers and the cost increase factor from soaring energy costs. In the new radio frequency areas-related segment, the Group has been implementing initiatives with various organizations and companies to drive forward creation of demand for treatment of food products and waste using superheated steam equipment. Under such a business environment, the radio frequency business, like in the telecommunication business, is also experiencing delays in parts delivery due to prolonged delivery time and cost increase factors such as the spike in material prices. In response, the Group has been working on expansion of profits through improvement of productivity and revision of selling prices.

As a result, the amount of orders received increased 18.0% year-on-year to 9.879 billion yen while net sales rose 14.7% from a year earlier to 9.131 billion yen. Segment income (operating income) increased 7.1% from a year earlier to 1.132 billion yen.

(Others)

Other businesses include facility leasing business which leases land, offices, etc. to subsidiaries and electric power sales business. Net sales of the business declined 10.5% from a year earlier to 0.296 billion yen. Segment income (operating income) decreased 16.7% from a year earlier to 0.139 billion yen.

(ii) Cash flows

Cash and cash equivalents (“Funds” hereafter) increased 1.112 billion yen year-on-year to 14.253 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 used as a result of business activities came to 0.870 billion yen, compared with 4.166 billion yen obtained a year earlier. This is mainly as a result of the decrease factors, including recording of 1.190 billion yen in net loss before income taxes and a change in notes and accounts receivable-trade of 1.109 billon yen, exceeding the increase factors, including recording of 1.232 billion yen in depreciation.

(Cash flows from investing activities)

Funds obtained as a result of investing activities came to 0.497 billion yen, compared with 2.680 billion yen obtained a year earlier. This is attributed mainly to increase factors, including proceeds of 0.278 billion yen earned from a net increase in time deposits, proceeds of 1.108 billion yen earned from sale of investment securities, proceeds of 0.603 billion yen from redemption of investment securities, partially offset by decrease factors, including 0.768 billion yen spent on the acquisition of property, plant, and equipment and intangible assets as well as 0.734 billion yen spent on the purchase of investment securities.

(Cash flows from financing activities)

Funds obtained as a result of financing activities came to 0.976 billion yen, compared with 4.139 billion yen used a year earlier. This is attributable mainly to increase factors including 2.120 billion yen of net change in short-term loans payable, proceeds of 1.030 million yen from long-term loans payable, 2.051 billion yen in deposits for purchase of treasury stock, which exceeded decrease factors such as 2.800 billion yen spent on the purchase of treasury stock and 1.030 billion yen spent on the payout of dividends.

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

a. Production results

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	9,962	(21.5)
Radio Frequency Business	8,608	6.9
Total	18,571	(10.5)

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

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	22,293	(16.4)	8,530	(3.2)
Radio Frequency Business	9,879	18.0	3,513	27.0
Total	32,172	(8.2)	12,044	4.0

c. Sales results

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	13,037	(1.1)
	Equipment and materials sales	9,540	(25.0)
	Subtotal	22,578	(12.9)
Radio Frequency Business		9,131	14.7
Other Businesses		107	6.7
Total		31,817	(6.3)

Notes: 1 Intersegment transactions have been offset.

2 The “Others” segment, which is not included in reportable segments, includes equipment 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, 2021 to March 31, 2022)		Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)	
	Net sales (millions of yen)	Ratio (%)	Net sales (millions of yen)	Ratio (%)
NTT DOCOMO, INC.	4,874	14.4	-	-

Note: The information regarding NTT DOCOMO, INC. for the current consolidated fiscal year is omitted as the said ratio is less than 10%.

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)	Of which, works completed (%, millions of yen)		
Previous 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
Current fiscal year (from April 1, 2022 to March 31, 2023)	Construction work	5,290	11,669	16,959	12,116	4,843	0.7	31	12,073
	Equipment and materials sales	2,771	6,859	9,631	6,991	2,639	58.4	1,540	7,170
	Total	8,061	18,529	26,590	19,107	7,482	21.0	1,572	19,244

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 the current fiscal year.

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 Works completed current term = net sales of current term + work carried over to next term - work carried over from previous term

b. Breakdown of orders received by method

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

Fiscal year	Non-competitive orders (%)	Competitive orders (%)	Total (%)
Previous fiscal year (from April 1, 2021 to March 31, 2022)	29.1	70.9	100
Current fiscal year (from April 1, 2022 to March 31, 2023)	20.0	80.0	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, 2021 to March 31, 2022)	Construction work	(Note 1)	4,263	7,521	11,784
	Equipment and materials sales	(Note 2)	147	10,274	10,422
	Total		4,411	17,795	22,207
Current fiscal year (from April 1, 2022 to March 31, 2023)	Construction work	(Note 1)	6,197	5,918	12,116
	Equipment and materials sales	(Note 2)	338	6,653	6,991
	Total		6,536	12,571	19,107

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 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

Key projects contributing to sales in the current fiscal year

Customer	Project description
NTT DOCOMO, INC.	Delivery of base station antennas and wireless equipment
KDDI CORPORATION	Delivery of base station antennas and wireless repeaters
SOLCOM Co., Ltd.	City of Nagato fiberoptic network development project development work
NBK Corporation	Delivery and installation of medium wave antennas in Tonga
10th Regional Coast Guard Headquarters, Japan Coast Guard	Restoration work of the lighthouse in Gajajima island

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.	4,874 million yen	22.0%
Previous fiscal year	KDDI CORPORATION	2,283 million yen	10.3%
Current fiscal year	NTT DOCOMO, INC.	2,307 million yen	12.1%
Current fiscal year	KDDI CORPORATION	2,156 million yen	11.3%

d. Backlog (as of March 31, 2023)

Category	Public (millions of yen)	Private (millions of yen)	Total (millions of yen)
Construction work	3,034	1,808	4,843
Equipment and materials sales	144	2,494	2,639
Total	3,179	4,303	7,482

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	October 2023
Hiroshima City	Administrative radio systems for disaster prevention use communication equipment update project	November 2023
Kumamoto Defense Branch	Transmitting Station Ebino (4) Steel tower branch wire update work	March 2026
Okuizumo Town	Project to service administrative radio systems for disaster prevention use	August 2023

Radio Frequency Business

a. Production results

Category	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
	Amount (millions of yen)	Amount (millions of yen)
Contract-based high-frequency hardening service	83	85
High-frequency induction heating equipment	4,615	5,763
Total	4,698	5,849

Note: The yen amounts are selling prices.

b. Results of orders received

Category	Two fiscal years ago	Previous fiscal year (from April 1, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
	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-based high-frequency hardening service	-	83	-	85	-
High-frequency induction heating equipment	1,608	5,574	2,431	5,309	1,976
Total	1,608	5,658	2,431	5,395	1,976

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, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Contract-based high-frequency hardening service	83	1.7	85	1.5
High-frequency induction heating equipment	4,689	98.3	5,765	98.5
Total	4,772	100	5,850	100

Notes: 1 Volume is not shown due to difficulty caused by a wide variety of sales 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	1,156 million yen	24.2%
Current fiscal year	TOYOTSU MACHINERY CORPORATION	1,468 million yen	25.1%
Current fiscal year	Toyota Tsusho Corporation	719 million yen	12.3%

3 The amount combining the current 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, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
Facility-leasing business	237	71.7	195	66.1
Electric power sales business	93	28.3	100	33.9
Total	330	100	296	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], 4. [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 in the current consolidated fiscal year, net sales totaled 31.817 billion yen, down 6.3% from a year earlier, and it recorded operating loss totaling 1.510 billion yen, compared with 0.053 billion yen in operating income a year earlier. It had ordinary loss of 1.219 billion yen, compared with 0.448 billion yen in ordinary profit a year earlier, and net loss attributable to shareholders of parent company of 1.181 billion yen, compared with net income attributable to shareholders of parent company of 0.705 billion yen a year earlier.

Factors that may give significant impact on the Group's operating results include changes in external environment and industry and customer trends, which may prevent us from achieving targets, as stated in "II. [Business Overview], 3. [Risk Factors]."

In terms of our understanding, analysis, and discussion of operating results by segment, in the telecommunication business segment, demand has declined significantly as mobile carriers have been holding back on capital investment in general and demand for 5G-related capital investment has been stagnant or is getting deferred. In the fixed wireless communication-related segment, demand from administrative radio systems for disaster prevention use driven by local-government moves to enhance and digitize disaster prevention systems has been showing signs of recovery thanks to the extension of the period of the disaster prevention and mitigation bonds among other factors. In the broadcasting-related segment, demand for update and maintenance of digital broadcasting equipment from broadcasters continues to be deferred. In the solution segment, the Group has been working on creating demand by identifying applications for using local 5G-related products through participation in demonstration experiments by the central and local governments. In other segments, the Group has been proactively developing demand for products with low environmental burden such as LED aviation obstacle lights and fuel cells in addition to capturing continuous demand for outdoor steel building frameworks. Amid such a business environment, we have actively worked to capture demand and improve productivity in these business segments, but the impact of prolonged delivery time of parts and a spike in material prices had a significant impact on the earnings in the current fiscal year.

In the radio frequency business, capital investment demand in the automobile-related field saw a recovery trend from the impact of global semiconductor shortage in the mainstay high-frequency induction heating equipment segment, while the impact of prolonged delivery time for parts, etc. still continues. The contract-based heat-treatment processing services have been recovering from the impact of the COVID-19 pandemic, though it still continues to be affected by the stagnation in demand caused by production adjustments at automobile manufacturers and the cost increase factor from soaring energy costs. In the new radio frequency areas-related segment, the Group has been implementing initiatives with various organizations and companies to drive forward creation of demand for treatment of food products and waste using superheated steam equipment. Under such a business environment, the radio frequency business, like in the telecommunication business, is also experiencing delays in parts delivery due to prolonged delivery time and cost increase factors such as the spike in material prices. In response, the Group has been working on expansion of profits through improvement of productivity and revision of selling prices.

For details of net sales and operating profit, see "II. [Business Overview], 4. [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."

The Group posted operating loss of 1.510 billion yen (operating income of 0.053 billion yen a year earlier). It had ordinary loss of 1.219 billion yen (ordinary income of 0.448 billion yen a year earlier), as non-operating expenses increased from a year earlier due to arrangement costs for a commitment line contract signed in September 2022 and borrowings, while there was non-operating income from recording of foreign exchange gains. The Group posted net loss attributable to shareholders of parent company of 1.181 billion yen, compared with net income attributable to shareholders of parent company of 0.705 billion yen. This was mainly due to deterioration of profitability at some business bases of a domestic subsidiary engaged in contract-based high-frequency heat treating service caused by the worsened business environment, and also because the Group recognized impairment loss on non-current assets of a subsidiary in Thailand, which manufactures antennas and telecommunication equipment, whose liquidation was resolved to improve profitability through reorganization of the Group's production bases for antennas, etc. by reducing the book value of the assets to a recoverable amount.

Under such circumstances, the Company strives to operate business while trying to respond quickly to changes in the management environment, seeks to ensure continuity of the business and stable revenue, and ensures 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], (1) The Company's basic management policy, (2) Target key performance indicators (KPIs), and (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, the environment surrounding the Group is expected to remain tough given the intensification of the business environment and price competition in addition to the impact of soaring raw material and other prices.

In such an environment, as described in "II. [Business Overview], 1. [Management Policies, Management Environment, and Pressing Issues], (5) Issues the Company needs to address," the Group gradually started seeing the impact of new products and services, including those based on synergies between the Company's technology in collaboration with other companies, in the solutions business and new radio frequency areas business, which are new business fields, and will strive to work on steady expansion of these businesses.

Among the existing businesses, in the mobile communication-related segment, the Group is eyeing recovery in demand for various mobile communication base station antennas, which are the Company's strengths, towards recovery in quality of the 5G area and has been working to capture the demand along with newly developed wireless devices. At the same time, it will work to capture demand for maintenance of mobile communication steel towers. In the fixed wireless communication-related segment, demand for administrative radio systems for disaster prevention use targeting local governments is expected to recover and the Group will strive to capture the demand, while closely monitoring the trend of defense-related budget. In the broadcasting-related segment, we will steadily capture demand for replacement and maintenance of broadcasting equipment. 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 expand into areas other than the automotive segment. Production adjustment in the contract-based heat treating service business field is expected to gradually be resolved and we will work on capturing demand.

In both business fields, 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.

(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 1.112 billion yen from a year earlier to 14.253 billion yen as funds totaling 0.870 billion yen was used in business activities while 0.497 billion yen from investing activities and 0.976 billion yen from financing activities were gained. The balance of cash and deposits, including time deposits whose maturity is over three months, increased 0.873 billion yen from the end of the previous consolidated fiscal year to 19.759 billion yen.

For analysis of cash flows, see "II. [Business Overview], 4. [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 formulated "Capital Allocation," which advocates making 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. As part of this initiative, the Company signed a total of 11.0 billion yen commitment line agreement with main financial institutions, with which it has transactions, in September 2022 and then arranged syndicated loans worth 2.2 billion yen. It also took long-term loans worth 1.0 billion yen from Nippon Life Insurance Company.

(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.

(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)

Of the accounting estimates used for impairment of non-current assets 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)."

(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.

5. [Important Contracts]

(Acquisition of consolidated subsidiaries)

The Company at the Board of Directors meeting held on January 27, 2023 passed a resolution to acquire its wholly owned subsidiaries DKC Co., Ltd. and Koshuha Co., Ltd. and carried out the said acquisition as of April 1, 2023.

For details, see "V. [Financial Information], 2. [Non-consolidated Financial Statements, Etc.], (1) Consolidated financial statements, Notes, (Significant events after balance-sheet date)."

6. [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 development and research 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 (a headquarters organization set up in August 2019) and the Future Research Center (a headquarters organization established in October 2021) at R&D Supervisory Center started in April 2022, 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 domestic and overseas markets, and 5G wireless repeaters as well as research and development related to antennas and reflectors using the metamaterials technology and communication area design using such antennas and reflectors and to antennas for wireless electric power transmission. 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 driving forward research and development that supports the Company's comprehensive 5G solutions through promotion of system development for smart factory utilizing 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 including terahertz band. In the broadcasting-related segment, we are developing antennas for TV broadcasting including 8K broadcast and FM stations. 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 through integrated efforts of manufacturing and sales. In developing new businesses, our divisions coordinated efforts on the development of LED aviation obstacle lights and 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 and technology 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 and a new technology using superheated steam.

In the current consolidated fiscal year, the Company spent a total of 1,444 million yen on research and development.

Research and development activities by segment are as follows.

(Telecommunication Business)

Research and development costs totaled 1,247 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 overseas markets
  (4) Development of broadcasting and communication antennas
  (5) Development of antenna systems for specialized machinery projects
- Facility-related segment
  (1) Development of VLF antennas
- New areas
  (1) Development of system solutions
  (2) Development of a system for judging optimum timing for collecting pollen

(Radio Frequency Business)

Research and development costs totaled 197 million yen in the current consolidated fiscal year.

- Induction heating-related segment
  (1) Development and improvement of functions of high-frequency facilities
  (2) Development of new technologies for expanding new markets
  (3) Development of an induction heating coil production method using metal 3D printers

III. [Facilities]

1. [Outline of Capital Expenditures]

In the current consolidated fiscal year, capital expenditures totaled 1,059 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 402 million yen, used mainly for updating aging equipment and measuring instruments.

(Radio Frequency Business)
In the current consolidated fiscal year, capital expenditures totaled 509 million yen mainly for introduction of new production facilities.

(Others)
In the current consolidated fiscal year, capital expenditures totaled 9 million yen mainly for updating aged facilities at buildings leased to consolidated subsidiaries.

(Common across companies)
In the current consolidated fiscal year, capital expenditures totaled 137 million yen mainly for updating the core system at the headquarters of the filing company.

2. [Main Facilities]

(Telecommunication Business)
(1) Filing company

(As of March 31, 2023)

Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees (persons)
		Buildings and structures	Machinery, equipment, and vehicles	Land (area in sq. meters)	Lease assets	Other	Total	
Kawagoe Office (Fujimino, Saitama Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	60	2	14 (18,489.51)	0	21	98	48 (23)
Kawagoe Plant (Kawagoe, Saitama Prefecture)	Facility for design, manufacture, and construction of as well as plating work on telecommunication facilities and steel building frameworks	169	7	60 (48,944.97) <125.49>	-	9	247	9 (2)
Kanuma Plant (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	758	36	43 (20,248.03) <215.50>	20	570	1,429	154 (7)

(2) Domestic subsidiaries

(As of March 31, 2023)

Company	Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees (persons)
			Buildings and structures	Machinery, equipment, and vehicles	Land (area in sq. meters)	Lease assets	Other	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	21	193	- (-)	-	36	252	59 (0)
Denko Seisakusho Co., Ltd.	Headquarters (Kanuma, Tochigi Prefecture)	Facility for design, manufacture, and construction of telecommunication facilities	48	60	370 (11,991.00)	-	9	488	68 (8)

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, 2023)

Plant/office (location)	Description of facility	Book value (millions of yen)						Number of employees (persons)
		Buildings and structures	Machinery, equipment, and vehicles	Land (area in sq. meters)	Lease assets	Other	Total	
Atsugi Plant (Aikawa, Aiko District, Kanagawa Prefecture)	Manufacturing facility for high-frequency hardening service and applied high-frequency devices	306	36	1,189 (35,969.54) <312.17>	5	21	1,559	96 (5)

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]

Plans for new construction and retirement of important facilities as of the end of the current consolidated fiscal year are as follows.

(1) New construction of important facilities

There are no matters to be noted.

(2) Retirement, sale, etc. of important facilities

Company	Plant/office (location)	Segment	Description of facility	Book value as of end of term (millions of yen)	Planned timing of sale
DKK MANUFACTURING (THAILAND) CO.,LTD.	Ayutthaya, Thailand	Telecommunication Business Radio Frequency Business	Land, buildings	187	FY2023

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, 2023)	As of the date of submission (shares) (June 30, 2023)	Name of listed or authorized financial instruments exchange	Remarks
Common stock	12,100,000	12,100,000	Prime Market, Tokyo Stock Exchange	Number of shares constituting one unit: 100
Total	12,100,000	12,100,000	-	-

(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	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)
(November 30, 2022) Notes:	(1,984,845)	12,100,000	-	8,774	-	9,677

Notes: The Company, based on a resolution by the Board of Directors meeting held on November 11, 2022, retired 1,984,845 shares in treasury stock effective November 30, 2022. As a result, the total number of issued shares declined to 12,100,000 as of the end of the current fiscal year.

(5) [Status of shareholders]

(As of March 31, 2023)

Category	Status of shares (Number of shares consisting one unit: 100)								Status of shares below unit (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)	-	20	26	90	102	9	4,423	4,670	-
Number of shares held (unit)	-	32,357	4,502	8,447	28,229	36	46,910	120,481	51,900
Percentage of shares held (%)	-	26.86	3.74	7.01	23.43	0.03	38.93	100.00	-

Note: 15,591 units of the treasury stocks totaling 1,559,109 shares are included in "Individuals, etc.," while the remaining nine shares are included in "Status of shares less than one unit."

(6) [Status of major shareholders]

(As of March 31, 2023)

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	1,158	10.98
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	444	4.21
Custody Bank of Japan, Ltd. (trust account)	1-8-12, Harumi, Chuo-ku, Tokyo	417	3.96
BNP PARIBAS LUXEMBOURG/2S/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)	415	3.93
Sumitomo Mitsui Trust Bank, Ltd.	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	372	3.53
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	352	3.34
DKK Client Stock Ownership	3-3-1, Marunouchi, Chiyoda-Ku, Tokyo	342	3.25
OASIS JAPAN STRATEGIC FUND LTD.(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	2.92
DKK Employee Stock Ownership	3-3-1, Marunouchi, Chiyoda-Ku, Tokyo	261	2.47
GOLDMAN SACHS INTERNATIONAL(Standing proxy: Goldman Sachs Japan Co., Ltd.)	PLUMTREE COURT, 25 SHOE LANE, LONDON EC4A 4AU, U.K.(6-10-1, Roppongi, Minato-ku, Tokyo)	230	2.18
Total	—	4,302	40.81

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): 538 thousand shares
Custody Bank of Japan, Ltd. (trust account): 215 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, 2023.
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, 2023.
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 February 6, 2023 indicates Mitsubishi UFJ Financial Group, Inc. and its joint holders were holding the following shares as of January 30, 2023. 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, 2023.
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 (%)
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	282	2.33
Mitsubishi UFJ Trust and Banking Corporation	1-4-5, Marunouchi, Chiyoda-Ku, Tokyo	132	1.09
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	1-12-1, Yurakucho, Chiyoda-Ku, Tokyo	47	0.39

5 A statement of changes to a statement of large-volume holdings that was made available for public viewing on March 20, 2023 indicates Nomura Securities Co., Ltd. and its joint holders were holding the following shares as of March 15, 2023. 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, 2023.

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	76	0.64
Nomura International plc	1 Angel Lane, London EC4R 3AB, United Kingdom	142	1.18
Nomura Asset Management Co., Ltd.	2-2-1, Toyosu, Koto-ku, Tokyo	245	2.03

(7) [Status of voting rights]

(i) [Issued shares]

(As of March 31, 2023)

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 1,559,100	-	-
Shares with full voting rights (others)	Common stock 10,489,000	104,890	-
Shares less than one unit	Common stock 51,900	-	-
Issued shares	12,100,000	-	-
Total number of voting rights	-	104,890	-

Notes: 1 Common stock in the “Shares with full voting rights (treasury stocks, etc.)” does not include the Company’s shares totaling 79 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 nine shares held by the Company.

(ii) [Treasury stock, etc.]

(As of March 31, 2023)

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	1,559,100	-	1,559,100	12.89
Total	-	1,559,100	-	1,559,100	12.89

Notes: Common stock in the “Number of shares held in own name” does not include the Company’s shares totaling 79 thousand shares held by the employee stock ownership plan (ESOP) trust account for officers that the Company introduced.

(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 79,367 (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

79,367 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 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	139,300	328
Treasury stock acquired in current fiscal year	895,100	2,171
Total number and value of remaining shares subject to resolution	65,600	0
Percentage of shares yet to be acquired at the end of current fiscal year (%)	6.0	0.0
Treasury stock acquired during the period	-	-
Percentage of shares yet to be acquired at the day of filing (%)	6.0	0.0

Category	Number of shares	Total value (millions of yen)
Status of resolution of the Board of Directors meeting held on February 10, 2023 (Period of share acquisition: February 13, 2023 to January 31, 2024)	1,300,000	2,500
Treasury stock acquired before current fiscal year	-	-
Treasury stock acquired in current fiscal year	298,500	628
Total number and value of remaining shares subject to resolution	1,001,500	1,871
Percentage of shares yet to be acquired at the end of current fiscal year (%)	77.0	74.9
Treasury stock acquired during the period	202,500	453
Percentage of shares yet to be acquired at the day of filing (%)	61.5	56.7

Notes: 1 The above Board of Directors meeting passed a resolution to acquire treasury stock through the Tokyo Stock Exchange’s off-auction own share repurchase system (ToSTNeT-3) as well as on the market of the said exchange.

2 “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, 2023 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	414	0
Treasury stock acquired during the period	43	0

Note: The “Treasury stock acquired during the period” row does not include the number of shares acquired under the below-unit share purchase program in a period from June 1, 2023 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	1,984,845	4,838	-	-
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)	97	0	-	-
Number of treasury stocks held	1,559,109	-	1,761,652	-

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, 2023 to the date when the annual securities report was submitted.

2 The number of treasury stocks held during the share-acquisition period does not reflect below-unit shares purchased or sold in a period from June 1, 2023 to the date when the annual securities report was submitted.

3 The number of treasury stock held in the current fiscal year and the share-acquisition period does not include the Company’s shares held in the account of the employee stock ownership plan (ESOP) trust for officers.

3. [Dividend Policy]

The Company has a basic dividend policy in which it considers 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 stipulates in its Articles of Incorporation that the Company may, by a resolution of the Board of Directors, carry out matters such as paying dividends of surplus in accordance with Article 459, Paragraph 1 of the Companies Act.

In the current fiscal year, the Company decided to pay an interim dividend of 30 yen per share and a year-end dividend of 30 yen per share for an annual dividend of 60 yen per share in accordance with the forecast announced in November 2022 as part of its efforts to enhance shareholder returns.

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

Based on the Capital Allocation it disclosed in February 2022, the Company has been buying back and retiring its shares as a measure to strengthen shareholder returns and improve capital efficiency. Going forward, while continuing to discuss utilization of the shares it buys back for expansion of business domains and acquisition of technologies, the Company will strive to strengthen shareholder returns based on the policy to retire the treasury shares that exceed what we deem necessary.

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)
November 11, 2022	Resolution of Board of Directors meeting	330	30
June 29, 2023	Resolution of General Meeting of Shareholders	316	30

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 increase 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" (the "Group Corporate Conduct Charter" hereinafter) and strive to raise employee awareness about the charter for the entire group. The Group Corporate Conduct Charter is a specific policy on corporate conduct to ensure the Company complies with laws and regulations 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 laws and regulations 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, which identifies and assesses risks and emergencies of the Group, monitors and grasps the operating status, and gives instructions for corrective actions 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 increase corporate value by ensuring transparency and soundness of operation. We believe the structure is fully functioning in terms of monitoring the Company's business operation and is optimal for its governance.

(Board of Directors)

The Board of Directors, comprised of nine members including four outside directors, provides oversight on execution of duties with the aim 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 laws and regulations and important matters regarding the operation of the Company, analyzes monthly operating results, takes necessary measures, assesses the outcomes, and conducts deliberations from the viewpoint of compliance with laws and regulations and articles of incorporation and appropriateness of operations.

In the 97th term, the Board of Directors deliberated on matters stipulated by laws and regulations and the articles of incorporation, matters delegated by the resolution at the General Meeting of Shareholders as well as fiscal year budget, financial results, Medium-Term Business Plan, reorganization of the Group, compliance program, rules that are established, revised, or abolished by the Board of Directors, and received reports on the status of business execution among other matters.

(Nomination Committee)

The Nomination Committee consists of a total of four members including the representative director and president as well as independent outside directors and is headed by an independent director.

The committee was established as a voluntary advisory body to the Board of Directors to strengthen independence and objectivity of the functioning of the Board pertaining to nomination of representative directors, directors, auditors, and managing officers so as to contribute to continued improvement in medium- to long-term corporate value. The committee offers the outcome of its discussions as advices and recommendations to the Board of Directors.

In the 97th term, the Nomination Committee discussed nomination of representative directors, directors, auditors, and managing officers, selected and identified skills required of director candidates, analyzed and evaluated the effectiveness of the Board of Directors, and succession plan among other matters.

(Compensation Committee)

The Compensation Committee consists of a total of four members including the representative director and president as well as independent outside directors and is headed by an independent director.

The committee was established as a voluntary advisory body to the Board of Directors to set forth the compensation of individual directors at appropriate levels based on the duties of each, so as to realize a compensation system linked to shareholder returns, in order to promote sharing of profit awareness with shareholders and contribute to sustained improvement in medium- to long-term corporate value. The committee offers the outcome of its discussions as advices and recommendations to the Board of Directors.

In the 97th term, the Compensation Committee discussed compensation for individual directors (including the ratios of basic compensation and performance-linked compensation), introduction of malus and clawback provisions, and enhancement of performance-linked compensation.

(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 and regulations, articles of incorporation, etc. through daily audit activities, including attendance at the Board of Directors meetings, etc.

Chair and members of the above meeting bodies (as of the date of filing)

◎: chair, ○: members

Official title	Name	Board of Directors		Nomination Committee		Compensation Committee		Board of Auditors	
		Number of meetings: 17		Number of meetings: 4		Number of meetings: 5		Number of meetings: 15	
		Members	Attendance rate	Members	Attendance rate	Members	Attendance rate	Members	Attendance rate
President & Representative Director	Tadatoshi Kondo	◎	100%	○	100%	○	100%	-	-
Director and Senior Executive Managing Officer	Kazuhiro Ito*1	-	100%	-	-	-	-	-	-
Director and Managing Executive Officer	Takashi Asai	○	100%	-	-	-	-	-	-
Director and Managing Officer	Tsuyoshi Shimoda	○	100%	-	-	-	-	-	-
Director and Managing Officer	Toshiro Kawahara	○	100%	-	-	-	-	-	-
Director and Managing Officer	Hiroharu Fugo*2	○	-	-	-	-	-	-	-
Outside Director	Hidehiro Tsukano	○	100%	-	-	-	-	-	-
Outside Director (independent)	Jean-Francois Minier	○	100%	○	100%	◎	100%	-	-
Outside Director (independent)	Ryoko Takeda	○	100%	◎	100%	○	100%	-	-
Outside Director (independent)	Atsushi Takahashi	○	100%	○	100%	○	100%	-	-
Auditor	Toshio Akahane	○	100%	-	-	-	-	◎	100%
Auditor	Nobuo Funabashi	○	100%	-	-	-	-	○	100%
Outside Auditor (independent)	Hiroshi Matsubayashi	○	100%	-	-	-	-	○	100%
Outside Auditor (independent)	Yuka Matsuda	○	100%	-	-	-	-	○	100%

Number of meetings and attendance rate are for the fiscal year ended March 2023.

*1 Kazuhiro Ito retired as director as of the end of the 97th General Meeting of Shareholders held on June 29, 2023.

*2 Hiroharu Fugo was appointed as a director at the 97th General Meeting of Shareholders held on June 29, 2023.

Other voluntary committees are described as follows.

(Executive Committee)

The committee deliberates on and coordinates the basic policy and basic plan of management execution as well as other important management-related matters and deliberates and considers important operation-related matters that should be submitted to the Board of Directors. The Executive Committee consists of in-house directors and managing officers and has a structure ensuring sufficient deliberation of important matters by allowing involved employees to attend the meeting as necessary.

The committee members included the following individuals, as of the date of filing:

Tadatoshi Kondo (President and Representative Director), Takashi Asai (Director and Managing Executive Officer), Tsuyoshi Shimoda (Director and Managing Officer), Toshiro Kawahara (Director and Managing Officer), Hiroharu Fugo (Director and Managing Officer), Kazuhiro Ito (Senior Executive Managing Officer), Mitumasa Ninomiya (Managing Officer), Toshihisa Takayama (Managing Officer), Junji Ishikawa (Managing Officer), Nozomu Matsunaga (Managing Officer), Keiji Nagamoto (Managing Officer), Yoshiaki Tsuchisawa (Managing Officer)

*Chaired by Tadatoshi Kondo (President and Representative Director)

(Sustainability Committee)

The Company has set forth the Basic Policy on Sustainability as its policy for contributing to the realization of a sustainable society through its corporate activities and as its responsibility to the society and stakeholders. For promotion of sustainability management based on the basic policy, the Company will contribute to the realization of a sustainable society and drive forward initiatives for addressing its material issues for achieving medium- to long-term corporate value and sustainable growth of the DKK Group.

The Sustainability Committee consists primarily of in-house directors and executive officers as well as heads of involved divisions.

The committee members included the following individuals, as of the date of filing:

Tadatoshi Kondo (President and Representative Director), Takashi Asai (Director and Managing Executive Officer), Tsuyoshi Shimoda (Director and Managing Officer), Toshiro Kawahara (Director and Managing Officer), Hiroharu Fugo (Director and Managing Officer), Kazuhiro Ito (Senior Executive Managing Officer), Mitumasa Ninomiya (Managing Officer), Toshihisa Takayama (Managing Officer), Junji Ishikawa (Managing Officer), Nozomi Matsunaga (Managing Officer), Keiji Nagamoto (Managing Officer), Yoshiaki Tsuchisawa (Managing Officer), Takahiro Tomioka (Head of General Affairs Department), Hiroyuki Tanaka (Head of Human Resources Department and Information Systems Division)

*Chaired by Tadatoshi Kondo (President and Representative Director)

(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.

The Compliance Committee consists primarily of in-house directors as well as heads of involved divisions.

The committee members included the following individuals, as of the date of filing:

Tadatoshi Kondo (President and Representative Director), Takashi Asai (Director and Managing Executive Officer), Tsuyoshi Shimoda (Director and Managing Officer), Toshiro Kawahara (Director and Managing Officer), Hiroharu Fugo (Director and Managing Officer), Kazuhiro Ito (Senior Executive Managing Officer), Mitumasa Ninomiya (Managing Officer and Head of Audit Office), Toshihisa Takayama (Managing Officer and Head of Finance Department), Hiroyuki Tanaka (Head of Human Resources Department and Information Systems Division)

*Chaired by Tadatoshi Kondo (President and Representative Director)

(Risk Management Committee)

The Risk Management Committee plays the role of and assumes responsibilities as the decision-making organization pertaining to risk management in order to establish the operation and management of company-wide risk management based on the document body that includes the Risk Management Structure and Risk Management Rules regarding loss risk management of the Group and facilitates effective functioning of risk management.

The Risk Management Committee consists of president and representative director, officers in charge of risk management, and heads of involved divisions.

The committee members included the following individuals, as of the date of filing:

Tadatoshi Kondo (President and Representative Director), Takashi Asai (Director and Managing Executive Officer and Head of President's Office), Tsuyoshi Shimoda (Director and Managing Officer and Head of Crisis Management Office [in charge of risk management]), Toshiro Kawahara (Director and Managing Officer and Head of R&D Supervisory Center), Hiroharu Fugo (Director and Managing Officer and Head of Radio Frequency Supervisory Division), Kazuhiro Ito (Senior Executive Managing Officer), Toshihisa Takayama (Managing Officer and Head of Finance Department), Junji Ishikawa (Managing Officer and Head of Sales Supervisory Division), Keiji Nagamoto (Managing Officer and Construction Supervisory Division), Toshiaki Tsuchisawa (Managing Officer and Head of Equipment Supervisory Division), Takahiro Tomioka (Head of General Affairs Department), Hiroyuki Tanaka (Head of Human Resources Department and Information Systems Division), Toshiro Shimohigashi (Head of Facility Business Promotion Office)

*Chaired by Tadatoshi Kondo (President and Representative Director)

(Information Security Committee)

The committee deliberates on and considers initiatives, etc. to enable an organization with effective functioning pertaining to the three principles of information management of confidentiality, integrity, and availability with respect to responses to leakage of important trade secrets, customer information, and employees' personal information, management of accurate and up-to-date information, and keeping the Company's information infrastructure, etc. available at all times.

The Information Security Committee consists primarily of the officer in charge of the information system division and heads of each division.

The committee members included the following individuals, as of the date of filing:

Tsuyoshi Shimoda (Director and Managing Officer [in charge of the Information System Department]), Takashi Asai (Director and Managing Executive Officer and Head of President's Office), Toshiro Kawahara (Director and Managing Officer and Head of R&D Supervisory Center), Hiroharu Fugo (Director and Managing Officer and Head of Radio Frequency Supervisory Division), Mitumasa Ninomiya (Managing Officer and Head of Audit Office), Toshihisa Takayama (Managing Officer and Head of Finance Department), Junji Ishikawa (Managing Officer and Head of Sales Supervisory Division), Keiji Nagamoto (Managing Officer and Construction Supervisory Division), Toshiaki Tsuchisawa (Managing Officer and Head of Equipment Supervisory Division), Takahiro Tomioka (Head of General Affairs Department), Hiroyuki Tanaka (Head of Human Resources Department and Information Systems Division), Takashi Mukai (Head of Wireless R&D Center)

*Chaired by Tsuyoshi Shimoda (Director and Managing Officer [in charge of the Information System Department])

(Investment Committee)

The committee drafts, researches, and considers the Company's M&A-related projects and deliberates matters to be submitted to the Executive Committee and Board of Directors.

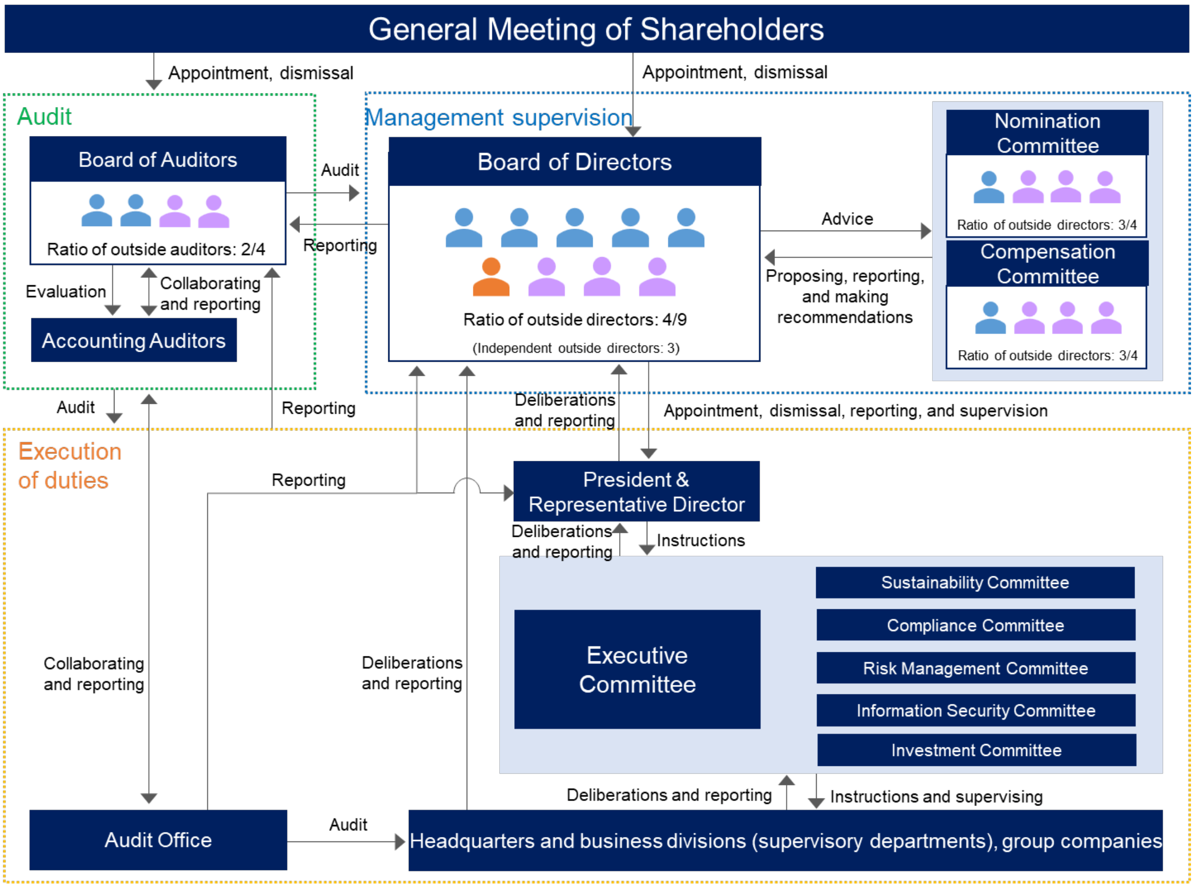
The Investment Committee consists primarily of the business planning division and heads of involved divisions. It ensures thorough deliberations by allowing other involved parties to participate in its meeting as necessary.

The committee members included the following individuals, as of the date of filing:

Takashi Asai (Director and Managing Executive Officer and Head of President's Office), Toshihisa Takayama (Managing Officer and Head of Finance Department), Junji Ishikawa (Managing Officer and Head of Sales Supervisory Division), Yuichi Hasegawa (Head of Business Planning Department), Toru Toyama (Head of Sales Planning Department), Takahiro Tomioka (Head of General Affairs Department)

*Chaired by Takashi Asai (Director and Managing Executive Officer and Head of President's Office)

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 laws and regulations 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 Group 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 operation 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. Further, the Company set forth "Enhancing corporate governance" as one of the material issues for promotion of sustainability management and has been working on the issue by setting up KPIs for compliance education.

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

- The Company shall establish a Group Corporate Conduct Charter, inform directors and employees of the Group about it, and place compliance with laws and regulations and 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 the 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 and 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 laws and regulations, 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 and regulations, 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 and regulations, 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 establish the Risk Management Committee in accordance with the Risk Management Rules in order to take necessary measures including avoidance and mitigation of various risks associated with the Group's business operation.
- The Risk Management Committee shall play the role of a decision-making body pertaining to the Group's risk management and take responsibilities thereof, and reports the details of measures addressing the risks and their operation status to the Board of Directors.
- In the structure developed under the Risk Management Committee, divisions corresponding to the fields of individual risks shall analyze and evaluate anticipated risks, take measures against them, and monitor their operation status, etc. and each division implements risk management based on instructions of the responsible divisions.
- For Group companies, supervisory divisions that are operational units shall administer Group companies appropriately according to their operational formats and implement risk management at Group companies by working closely together.

(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 formulated every three years in principle and the key management policies created every year, as well as the policy management created by each division/department based on them, shall act 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. in order to enhance 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 laws and regulations 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 Group 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 laws and regulations 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 Company stipulates in the articles of incorporation 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 459, Paragraph 1 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.

<Dividends of surplus, etc.>

The articles of incorporation stipulate that the Company may pay out dividends, etc. by a resolution of the Board of Directors for the purpose of enabling flexible implementation of capital and financial policies, pursuant to provisions of Article 459, Paragraph 1 of the Companies Act.

This is intended at enabling reversal of reserve by a resolution of the Board of Directors, and the Company shall pay interim dividends by a resolution by the Board of Directors and year-end dividends by a resolution by the General Meeting of Shareholders.

<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.

(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 (hundreds 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)	(Note 2)	78
Director and Managing Executive 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 June 2023	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 Director, Managing Officer and Head of President's Office of the Company (current)	(Note 2)	34

Official title	Name	Date of birth	Work history		Term	Number of shares held (hundreds 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)	(Note 2)	58

Official title	Name	Date of birth	Work history		Term	Number of shares held (hundreds of shares)
Director and Managing Officer Head of R&D Supervisory Center	Toshiro Kawahara	March 9, 1967	April 1991	Joins Nippon Telegraph and Telephone Corporation	(Note 2)	24
			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		
			Apr. 2022	Director, Managing Officer, Head of R&D Supervisory Center of the Company (current)		
Director and Managing Officer Head of Radio Frequency Supervisory Division	Hiroharu Fugo	March 24, 1967	Apr. 1991	Joins the Company	(Note 2)	2
			Apr. 2015	Design Manager and Development Manager of Radio Frequency Supervisory Division of the Company		
			July 2016	Full-time Deputy Head of Radio Frequency Supervisory Division, Design Manager, and Development Manager of the Company		
			July 2017	Managing Officer, Deputy Head of Radio Frequency Supervisory Division, Design Manager, and Full-time Development Manager of the Company		
			July 2019	Managing Officer, Head of Radio Frequency Supervisory Division, Sales Manager, Design Manager, and Full-time Development Manager of the Company		
			Apr. 2022	Managing Officer, Head of Radio Frequency Supervisory Division, and Head of Business Promotion Division of the Company		
			Apr. 2023	Managing Officer, Head of Radio Frequency Supervisory Division, and Head of Business Promotion Division, and Development Manager of the Company		
			June 2023	Director, Managing Officer, and Head of Radio Frequency Supervisory Division of the Company (current)		

Official title	Name	Date of birth	Work history		Term	Number of shares held (hundreds of shares)
Director	Hidehiro Tsukano	March 21, 1958	Apr. 1981	Joins Fujitsu Limited	(Note 2)	-
			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 2020	Outside Director, Kyoritsu Holdings Corporation (current)		
			Dec. 2020	Advisor, Tsukishima Kikai Co., Ltd.		
			June 2021	Outside Corporate Auditor, Tsukishima Kikai Co., Ltd. (current) Director of the Company (current)		
			July 2021	Head of IOWN Integrated Innovation Center of Nippon Telegraph and Telephone Corporation (current)		
			June 2023	President and Chief Executive Officer of NTT Innovative Devices Corporation (current) Officer in charge of Research and Development of Nippon Telegraph and Telephone Corporation (current)		

Official title	Name	Date of birth	Work history		Term	Number of shares held (hundreds of shares)
Director	Jean-Francois Minier	November 20, 1970	Sept. 1992	Equity derivatives trader of Indosuez W.I. Carr Securities Ltd.	(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 plc		
			Mar. 2017	Executive Trustee of UENO GAKUEN (current)		
			Jan. 2019	Special Advisor to CEO of Les Rois Mages		
			Apr. 2020	Outside Audit & Supervisory Board Member of Amuseum Parks Inc. (current) Managing Director of Kroll, LLC.		
			June 2021	Director of the Company (current)		
			Nov. 2021	Senior Advisor of Kroll, LLC.		
			Dec. 2021	Representative Director of LES ROIS MAGES JAPON CO., LTD. (current)		
			May 2022	Regional Director of APAC of Audere International (current)		

Official title	Name	Date of birth	Work history		Term	Number of shares held (hundreds of shares)
Director	Ryoko Takeda	July 5, 1970	Apr. 1998	Registered as lawyer; joins Nishimura & Partners (presently Nishimura & Asahi)	(Note 2)	-
			Dec. 2014	Special Counsel of City-Yuwa Partners		
			Feb. 2016	Certified as Certified Fraud Examiner (CFE)		
			Oct. 2016	Bar examiner and examiner for the preliminary bar examination (responsible for administrative acts)		
			June 2017	Councilor of International Civil and Commercial Law Centre Foundation (current)		
			June 2020	External Audit & Supervisory Board Member of ALCONIX CORPORATION (current)		
			June 2021	Director of the Company (current)		
			June 2022	Outside Director (Audit & Supervisory Committee Member) of Japan Airport Terminal Co., Ltd. (current)		
			Nov. 2022	Bar examiner and examiner for the preliminary bar examination (responsible for tax acts) (current)		
			Jan. 2023	Partner Attorney, CITY-YUWA PARTNERS (current)		
			March 2023	Outside Director, Komazawa University (current)		
Director	Atsushi Takahashi	October 13, 1976	Oct. 2000	Joins Tohmatsu & Co. (presently Deloitte Touche Tohmatsu LLC)	(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		
			Apr. 2021	Outside Audit & Supervisory Board Member of INGS Co., Ltd. (current)		
			June 2021	Director of the Company (current)		
			Sept. 2021	Outside Director of ATSUMARU Inc. (current)		
			Dec. 2022	Chief Executive Officer and Partner of Partners General LLC (current)		

Official title	Name	Date of birth	Work history		Term	Number of shares held (hundreds of shares)
Standing corporate auditor	Toshio Akahane	May 12, 1957	Mar. 1976 Aug. 2007 Mar. 2011 June 2013 Aug. 2013 Apr. 2015 Apr. 2017 Apr. 2019 June 2020	Joins Maritime Self-Defense Force Chief of Planning Section, Systems Planning Department, Maritime Self-Defense Force Director of Auditors Office, Maritime Staff Office Joins the Company Head of Ebino Techno Center, Facility Supervisory Division of the Company Head of Ebino Techno Center, Facility Engineering Supervisory Division of the Company Head of Myanmar Office for Overseas Business Supervisory Division of the Company Head of Business Administration Department of the Company Standing Corporate Auditor of the Company (current)	(Note 4)	48
Standing corporate auditor	Nobuo Funabashi	July 11, 1958	Nov. 1983 Aug. 2007 Apr. 2009 July 2013 Apr. 2016 June 2018 Apr. 2020 June 2021	Joins the Company Government Sector Sales Manager of Sales Supervisory Division II of the Company Head of Tokyo Branch of Branch Supervisory Division of the Company Managing Officer, Head of Branch Supervisory Division, and Head of Tokyo Branch of the Company Head of Overseas Business Promotion Supervisory Division, Deputy Supervisory Head of Branch Supervisory Division, and Project Promotion Manager of Overseas Business Promotion Supervisory Division of the Company Councilor of Human Resources Department of Administrative Supervisory Division (seconded to Zephyr Corporation) of the Company Councilor of Human Resources Department of Administrative Supervisory Division (seconded to Denko Techno Heat Co., Ltd.) of the Company Standing Corporate Auditor of the Company (current)	(Note 5)	47

Official title	Name	Date of birth	Work history		Term	Number of shares held (hundreds of shares)
Auditor	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. 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) Part-time Corporate Auditor, Toyo Carmax Corporation (current) Advisor, Groon House Co., Ltd. Outside Director, Joyo Total Service Co., Ltd. (current) Corporate Auditor of the Company (current)	(Note 5)	-
Auditor	Yuka Matsuda	September 19, 1960	Apr. 1985 Oct. 1991 Oct. 1992 Apr. 1995 Apr. 1999 July 2002 July 2014 July 2021 June 2022 July 2022 March 2023	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) Outside Auditor, Mitsubishi Steel Mfg. Co., Ltd. (current) Supervisory board member, Nochu JAML REIT Investment Corporation (current) Outside Director, Dentsu Group Inc. (Audit Committee Member) (current)	(Note 6)	-
Total						291

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 pertaining to the fiscal year ended March 2023 to the conclusion of the General Meeting of Shareholders pertaining to the fiscal year ending March 2024.

3 Auditors Hiroshi Matsubayashi and Yuka Matsuda are outside auditors.

4 The term of Standing Corporate Auditor Toshio Akahane is from the conclusion of the General Meeting of Shareholders pertaining to the fiscal year ended March 2020 to the conclusion of the General Meeting of Shareholders pertaining to the fiscal year ending March 2024.

5 The term of Standing Corporate Auditors Nobuo Funabashi and Corporate Auditor Hiroshi Matsubayashi is from the conclusion of the General Meeting of Shareholders pertaining to the fiscal year ended March 2021 to the conclusion of the General Meeting of Shareholders pertaining 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 pertaining 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 laws and regulations. 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 (hundreds of shares)
Ryuichi Hirai	July 22, 1950	Apr. 1973	Joins Nihon Cement Co., Ltd. (presently Taiheiyo Cement Corporation)	Notes:	4
		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		
		May 2015	Outside Director of SWCC SHOWA HOLDINGS CO., LTD. (presently SWCC 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. Outside director 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. He is also serving as an officer in charge of Research and Development of Nippon Telegraph and Telephone Corporation, head of IOWN Integrated Innovation Center of Nippon Telegraph and Telephone Corporation, and president and Chief Executive Officer of NTT Innovative Devices Corporation. The Company has business deals with Nippon Telegraph and Telephone Corporation but they represent only a fraction of the Company's net sales. However, the Company does not designate him as an independent officer in view of the possibility of business deals in its business segments in the future. While Ryoko Takeda is a Partner 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 15 Board of Auditors meetings and all corporate auditors attended all meetings. The meetings were held partly using methods such as phone and the internet from the perspective of preventing infection of COVID-19.

The matters discussed by the Board of Auditors in the current fiscal year are as follows.

Category	Key matters
Matters for resolution and discussion	Policy, plan, and division of audit, a proposal to appoint a substitute corporate auditor, a proposal to appoint, dismiss, etc. accounting auditors, compensation, etc. for accounting auditors, summary of corporate auditors' annual activities, evaluation of effectiveness of the Board of Auditors, audit reports, appointment of the chair of the Board of Auditors, appointment of standing corporate auditors, appointment of a specified company auditor, operation of the Board of Auditors, compensation for corporate auditors
Matters for reporting, etc.	Audit status of standing corporate auditors, contents of important meetings, viewing and confirmation of contents of important circulated memos, etc., status of internal audit, status of audit by accounting auditors, details of accidents, scandals, etc. and response status (when it occurs), details of whistleblowing cases and response status (when it is reported), status of concurrent positions of corporate auditors

c. Main activities of corporate auditors

The details of activities of corporate auditors in the current fiscal year are shown in the table below.

All corporate auditors participated in all Board of Directors meetings, audited management of the meetings, contents of resolutions, etc., and expressed their opinions as necessary. Standing corporate auditors participated in important meetings, viewed materials, expressed opinions as necessary, and reported the content to the Board of Auditors. The auditors carried out audit of the headquarters and key plants and offices by visiting them to confirm involved documents and interview involved employees while confirming the spread of COVID-19 infections. They audited affiliates located overseas, which are difficult for them to visit, by confirming involved documents, etc., conducting questionnaire surveys, and asking questions, etc. via internet, etc.

In three-way audits, the corporate auditors worked together with the internal audit divisions, received reports on implementation status and results of in-house audit, and exchanged opinions.

In collaboration with accounting auditors, the corporate auditors received reports on the audit plan and its implementation status and results and exchanged opinions. At the same time, they were briefed on key audit matters (KAM) and held discussions taking into consideration the Company's business risks and the situation in the current fiscal year.

Item	Auditor	
	Standing	Outside
Attendance of Board of Directors meetings	○	○
Regular meetings with representative director	○	○
Regular meetings with outside directors	○	○
Participation in important meetings, viewing of materials, etc. (Executive Committee meetings, sales strategy meetings, Compliance Committee meetings, R&D meetings, financial results report meetings of affiliated companies)	○	△
Viewing and confirmation of important circulated memos	○	△
Audit of the headquarters, main plants and offices, and affiliated companies	○	△

Collaboration with in-house audit divisions (regular meetings, etc.)	○	○
Liaison meetings with auditors of affiliated companies	○	○
Collaboration with accounting auditors (communications regarding audit plans, discussions regarding KAM, audit by accounting auditors, etc.)	○	○
Effectiveness evaluation of Board of Auditors	○	○

* The following symbols are used for the main activities engaged in by the standing and outside auditors, respectively.
○: Participated
△: Received reports at Board of Auditors meetings

(ii) Status of internal audits

A. Organization, members, and procedures

In the Company's internal audit, the Audit Office carries out operational audit primarily of administrative divisions, sales divisions, manufacturing divisions, and research and development divisions of the Company and Group companies in accordance with the Internal Audit Rules and audit plan as well as internal control audit of financial reporting based on the Financial Instruments and Exchange Act. The head of Audit Office sends audit reports to divisions that execute duties, ask them to respond to the matters pointed out in the report and take corrective measures, and confirms the status. The number of employees engaged in audit is four as of March 31, 2023.

B. Mutual collaboration between internal audit divisions, corporate auditors, and accounting auditors

a. Collaboration between internal audit divisions and corporate auditors

The head of Audit Office reports internal audit results every time to corporate auditors and shares audit plan and results with them. In the 97th term, they exchanged opinions nine times.

b. Collaboration between internal audit divisions and accounting auditors

The head of Audit Office holds meeting with accounting auditors as necessary and exchanges opinions with them.

C. Initiatives for ensuring effectiveness of internal control

Internal audit results are reported to the president & representative director, corporate auditors, and the Board of Auditors. The matters pointed out in audit and the correction status are put together and the head of Audit Office reports it to the Board of Directors every quarter in an effort to improve internal control system.

(iii) Status of accounting audits

a. Name of audit corporation

Deloitte Touche Tohmatsu LLC

b. Period audits were conducted

12 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 7 certified public accountants and 27 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 corporation, 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 corporation, 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 accounting 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	69	-	66	-
Consolidated subsidiaries	-	-	-	-
Total	69	-	66	-

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	-	4	-	0

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 decides the policy regarding officers' compensation, composition of compensation, and the amounts of compensation in the manner described below.

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 (KPI) levels to raise directors' consciousness about improving performance each fiscal year. With this as the basic policy, we select consolidated operating income and 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 upon considering the track record of bonuses paid to employees. The Board of Directors may resolve not to pay bonuses in some cases. For the current fiscal year, the target for performance-linked compensation was set at 0.750 billion yen in both estimated consolidated operating income and net income attributable to shareholders of the Company. However, in the consolidated financial results for the full year, the Group recorded 1.510 billion yen in operating loss and 1.181 billion yen in loss attributable to shareholders of parent company, following which the Board of Directors resolved not to pay bonuses to directors or auditors for the 97th 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.

As for the approximate ratio between types of compensation, the ratio of basic compensation to performance-linked compensation, etc. is set at 70 to 30.

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.

g. Policy for forfeiture or return of share-based compensation (non-cash compensation, etc.) for directors

If the Board of Directors judges that a director of the Company has committed a serious misconduct or other unlawful acts, the Compensation Committee, after consulting with the Board of Directors, deliberates on whether to forfeit all or part of the director's right to receive share-based compensation or seek the director to return all or part of the cash equivalent to the share-based compensation and reports the result of the deliberation to the Board of Directors.

Based on the recommendation by the Compensation Committee, the Board of Directors decides whether to forfeit all or part of the director's right to receive share-based compensation or seek the director to return all or part of cash equivalent to the share-based compensation. This policy came into effect on February 1, 2023, and cash equivalent to the share-based compensation became subject to this policy thereafter.

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. Policy for deciding the details of corporate auditors' compensation, etc.

Auditors' compensation consists of basic compensation alone that is not linked to the Company's performance from the perspective of placing importance on their independence and objectivity with respect to management. The individual amounts of auditors' compensation are decided in discussions among corporate auditors within the scope of the compensation amount resolved by the General Meeting of Shareholders.

E. 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 one outside director) as of the end of the said General Meeting of Shareholders.

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 General Meeting of Shareholders.

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 General Meeting of Shareholders. A resolution of final 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	
Director (excluding outside directors)	130	115	-	14	5
Auditor (excluding outside auditors)	29	29	-	-	2
Outside directors and auditors	64	64	-	-	6

(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 (Issue)	Total amount on balance sheet (millions of yen)
Unlisted stocks	18	101
Stocks other than unlisted stocks	12	2,878

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

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

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

	Number of issues (Issue)	Total amount of sales value pertaining to decreases in number of shares (millions of yen)
Unlisted stocks	2	-
Stocks other than unlisted stocks	6	920

Note: The decline in unlisted stocks was caused by liquidation, etc. of a company that issued the concerned stock and therefore there is no sales value.

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, outline of business alliance, etc., 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 transactions 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)
	955	978		
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)
	453	334		
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)
	298	262		

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, outline of business alliance, etc., quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
Nippon Television Holdings, Inc.	231,900 264	231,900 295	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)
EXEO Group, Inc.	96,000 230	127,900 289	The telecommunication business has order-taking and -placing transactions for base station antennas, etc. with the 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
NIPPON DENSETSU KOGYO CO., LTD.	136,900 216	136,900 216	The telecommunication business has order-taking and -placing transactions for base station antennas, etc. with the 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

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, outline of business alliance, etc., quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
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
	135	154		
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
	122	93		
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
	72	69		

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, outline of business alliance, etc., quantitative benefits of holding, and reason of increases in shares	Situation of holding the Company's shares
IKEGAMI TSUSHINKI CO., LTD.	70,300 44	70,300 44	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
Riken Corporation	16,500 42	16,500 40	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
Origin Co., Ltd.	32,000 41	32,000 38	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
Mitsubishi UFJ Financial Group, Inc.	- -	484,970 368	All shares were sold after we examined the benefits of holding.	No (Note)

Issue	Current fiscal year	Previous fiscal year	Purpose of holding, outline of business alliance, etc., 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)		
Asahi Broadcasting Group Holdings Corporation	-	322,700	All shares were sold after we examined the benefits of holding.	Yes
	-	230		
FUJI CORPORATION	-	54,900	All shares were sold after we examined the benefits of holding.	No
	-	122		
Hibiya Engineering, Ltd.	-	47,500	All shares were sold after we examined the benefits of holding.	No
	-	87		
UNIVANCE CORPORATION	-	21,400	All shares were sold after we examined the benefits of holding.	No
	-	10		

Note: Sompo Holdings, Inc., Sumitomo Mitsui Financial Group, Inc., Sumitomo Mitsui Trust Holdings, Inc., Nippon Television Holdings, Inc., and Mitsubishi UFJ Financial Group, 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 with the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976) and recorded in accordance with the Ordinance for Enforcement of the Construction Business Act (Ordinance of the Ministry of Construction No. 14 of 1949).

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

2 Audit certificate

The Company had Deloitte Touche Tohmatsu LLC performed audits on the consolidated financial statements for the consolidated fiscal year (from April 1, 2022 to March 31, 2023) and the non-consolidated financial statements for the non-consolidated fiscal year (from April 1, 2022 to March 31, 2023), 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, 2022)	Current consolidated fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	18,886	19,759
Notes receivable-trade	440	419
Electronically recorded monetary claims-operating	878	1,537
Accounts receivable from completed construction contracts	5,127	5,108
Accounts receivable-trade	4,489	3,175
Contract assets	1,832	3,715
Costs on uncompleted construction contracts	117	17
Other inventories	*1 5,890	*1 5,720
Other Businesses	3,328	1,211
Allowance for doubtful accounts	(2)	(2)
Total current assets	40,989	40,662
Non-current assets		
Property, plant, and equipment		
Buildings and structures	11,061	11,179
Machinery, equipment, and vehicles	9,540	9,799
Tools, furniture, and fixtures	7,510	7,475
Land	2,241	2,251
Lease assets	237	268
Construction in progress	186	169
Accumulated depreciation	(23,869)	(24,614)
Total property, plant, and equipment	6,907	6,529
Intangible assets	648	598
Investments and other assets		
Investment securities	*2 5,465	*2 4,549
Long-term loans receivable	2	1
Net defined benefit assets	611	831
Deferred tax assets	780	886
Other	980	1,123
Allowance for doubtful accounts	(49)	(47)
Total investments and other assets	7,791	7,344
Total non-current assets	15,347	14,472
Total assets	56,336	55,134

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts, and others	3,916	4,045
Short-term loans payable	*4 80	*4 2,200
Long-term loans payable to be repaid within a year	180	90
Lease obligations	53	48
Income taxes payable	221	116
Contract liabilities	323	728
Allowance for warranties on completed construction contracts	26	18
Allowance for product warranties	173	83
Allowance for employees’ bonuses	621	662
Allowance for directors’ bonuses	6	9
Allowances for losses on construction contracts	47	6
Provision for loss on liquidation of subsidiaries and associates	-	76
Other	680	1,079
Total current liabilities	6,330	9,168
Fixed liabilities		
Long-term loans payable	279	1,260
Lease obligations	67	75
Allowance for product warranties	29	18
Allowances for share-based remuneration for directors and corporate auditors	52	75
Net defined benefit liability	2,840	2,626
Asset retirement obligations	49	49
Other	78	58
Total fixed liabilities	3,397	4,164
Total liabilities	9,727	13,332
Net assets		
Shareholders’ equity		
Capital	8,774	8,774
Capital surplus	9,723	9,693
Retained earnings	32,028	25,019
Treasury stock	(5,940)	(3,897)
Total shareholders’ equity	44,586	39,589
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	873	736
Deferred gains or losses on hedges	37	2
Foreign currency translation adjustment	87	494
Remeasurements of defined benefit plans	318	424
Total accumulated other comprehensive income	1,317	1,658
Non-controlling interests	705	553
Total net assets	46,609	41,801
Total liabilities and net assets	56,336	55,134

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Net sales		
Sales of completed construction contracts	13,183	13,037
Net sales of goods	20,684	18,672
Sales in other business	*1 100	*1 107
Total net sales	33,968	31,817
Cost of sales		
Cost of sales of completed construction contracts	10,746	11,412
Cost of finished goods sold	*2, *4 16,976	*2, *4 16,275
Cost of sales in other business	*1 47	*1 44
Total cost of sales	27,770	27,732
Gross profit		
Gross profit on completed construction contracts	2,436	1,625
Gross profit on finished goods	3,708	2,397
Gross profit on other business	*1 52	*1 62
Total gross profit	6,198	4,084
Selling, general, and administrative expenses	*3, *4 6,145	*3, *4 5,595
Operating profit (loss)	53	(1,510)
Non-operating income		
Interest income	3	22
Interest on securities	6	14
Dividend income	172	156
Foreign exchange gains	147	231
Other	155	112
Total non-operating income	484	537
Non-operating expenses		
Interest expenses	26	33
Commitment fee	49	144
Loss on investments in investment partnerships	-	36
Other	13	31
Total non-operating expenses	89	246
Ordinary income (loss)	448	(1,219)
Extraordinary income		
Gain on sales of investment securities	589	476
Total extraordinary income	589	476

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Extraordinary losses		
Loss on valuation of investment securities	170	121
Impairment losses	-	*5 251
Provision for loss on liquidation of subsidiaries and associates	-	76
Total extraordinary losses	170	448
Profit (loss) before income taxes	867	(1,190)
Income taxes-current	242	130
Income taxes-deferred	21	(55)
Total income taxes	264	74
Net income (loss)	602	(1,265)
Loss attributable to non-controlling interests	(103)	(84)
Net income (loss) attributable to shareholders of parent	705	(1,181)

[Consolidated statement of comprehensive income]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Net income (loss)	602	(1,265)
Other comprehensive income		
Valuation difference on available-for-sale securities	(397)	(136)
Deferred gains or losses on hedges	25	(35)
Foreign currency translation adjustment	47	489
Remeasurements of defined benefit plans, net of tax	(83)	106
Total other comprehensive income	*1 (406)	*1 424
Comprehensive income	195	(841)
(Breakdown)		
Comprehensive income attributable to shareholders of parent	298	(836)
Comprehensive income attributable to non-controlling interests	(102)	(4)

(iii) [Consolidated statement of changes in equity]

Previous 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

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Capital	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current term	8,774	9,723	32,028	(5,940)	44,586
Changes of items during term					
Dividends of surplus			(1,034)		(1,034)
Loss attributable to shareholders of parent company			(1,181)		(1,181)
Purchase of treasury stock				(2,800)	(2,800)
Retirement of treasury stock		(45)	(4,793)	4,838	-
Disposal of treasury stock			(0)	3	3
Change in ownership interest of parent due to transactions with non-controlling interests		16			16
Net changes of items other than shareholders' equity					
Total changes of items during term	-	(29)	(7,008)	2,042	(4,996)
Balance at end of current term	8,774	9,693	25,019	(3,897)	39,589

	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	873	37	87	318	1,317	705	46,609
Changes of items during term							
Dividends of surplus							(1,034)
Loss attributable to shareholders of parent company							(1,181)
Purchase of treasury stock							(2,800)
Retirement of treasury stock							-
Disposal of treasury stock							3
Change in ownership interest of parent due to transactions with non-controlling interests							16
Net changes of items other than shareholders' equity	(136)	(35)	406	106	340	(152)	188
Total changes of items during term	(136)	(35)	406	106	340	(152)	(4,807)
Balance at end of current term	736	2	494	424	1,658	553	41,801

(iv) [Consolidated statement of cash flows]

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Cash flows from business activities		
Profit (loss) before income taxes	867	(1,190)
Depreciation	1,381	1,232
Impairment losses	-	251
Increase (decrease) in allowance for employees' bonuses	8	41
Increase (decrease) in allowances for directors' bonuses	(30)	3
Increase (decrease) in net defined benefit liability	(240)	(131)
Increase (decrease) in allowances for share-based remuneration to officers for directors and corporate auditors	24	26
Increase (decrease) in allowances for doubtful accounts	0	(1)
Increase (decrease) in allowances for loss on construction contracts	12	(40)
Increase (decrease) in allowances for product warranties	96	(71)
Increase (decrease) in provision for loss on liquidation of subsidiaries and associates	-	76
Interest and dividend income	(182)	(193)
Interest expenses	26	33
Foreign exchange losses (gains)	(92)	(230)
Loss (gain) on sales of investment securities	(589)	(476)
Loss (gain) on valuation of investment securities	170	121
Decrease (increase) in notes and accounts receivable-trade	8,076	(1,109)
Decrease (increase) in costs on uncompleted construction contracts	221	105
Decrease (increase) in inventories	(1,375)	220
Decrease (increase) in other assets	251	(247)
Increase (decrease) in notes and accounts payable-trade	(3,059)	83
Increase (decrease) in contract liabilities	15	401
Increase (decrease) in accrued consumption taxes	(331)	235
Increase (decrease) in other liabilities	(645)	71
Other	54	35
Subtotal	4,661	(753)
Interest and dividend income received	180	195
Interest expenses paid	(36)	(65)
Income taxes paid	(639)	(246)
Net cash provided by (used in) operating activities	4,166	(870)

(Millions of yen)

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Cash flows from investing activities		
Payments into time deposits	(27,849)	(18,520)
Proceeds from withdrawal of time deposits	30,797	18,799
Expenses for purchase of property, plant, and equipment and intangible assets	(1,408)	(768)
Proceeds from sale of property, plant, and equipment and intangible assets	12	11
Purchase of investment securities	(659)	(734)
Proceeds from sales of investment securities	1,233	1,108
Proceeds from redemption of investment securities	550	603
Payments of loans receivable	(0)	(0)
Collection of loans receivable	1	1
Other	4	(2)
Net cash provided by (used in) investing activities	2,680	497
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(200)	2,120
Proceeds from long-term loans payable	-	1,030
Repayment of long-term loans payable	(13)	(188)
Repayments of lease obligations	(67)	(69)
Proceeds from sales of treasury stock	114	0
Purchase of treasury stock	(1,049)	(2,800)
Decrease (increase) in deposits for purchase of treasury stock	(2,170)	2,051
Cash dividends paid	(543)	(1,030)
Dividends paid to non-controlling interests	(209)	(175)
Proceeds from sale of shares of subsidiaries not resulting in change in scope of consolidation	-	40
Net cash provided by (used in) financing activities	(4,139)	976
Effect of exchange rate change on cash and cash equivalents	132	508
Net increase (decrease) in cash and cash equivalents	2,840	1,112
Cash and cash equivalents at beginning of term	10,300	13,140
Cash and cash equivalents at end of term	*1 13,140	*1 14,253

[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. As for investment in limited liability investment and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the Company uses the most recent financial statements available as of the settlement date stipulated in the partnership agreement as the basis for the financial statements and incorporates the net amount of the Company's interest in the partnership.

(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.

(viii) Provision for loss on liquidation of subsidiaries and associates

It was recorded at an amount of loss expected in the future to prepare for a future loss resulting from liquidation of subsidiaries and associates. The Board of Directors Meeting of the Company held on March 24, 2023, passed a resolution to liquidate DKK Sino-Thai Engineering Co., Ltd. and DKK MANUFACTURING (THAILAND) CO., LTD.

(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 were converted to yen amounts using the spot exchange rates at the end of their 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 using a circular-based 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	2,432	3,526

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

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. 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.

(Impairment losses on non-current assets)

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

Property, plant, and equipment	6,529 million yen
Intangible assets	598 million yen
Impairment losses	251 million yen

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

The Group, as a rule, groups its assets for business use on the basis of business divisions for which profit and loss are continuously grasped.

Regarding determination of signs of impairment, the Company considers that there is an indication of impairment in cases such as when the operating income of an individually grouped asset or asset group has declined continuously or is expected to decline continuously, or when the market value of a non-current asset has declined significantly.

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.

The recoverable amount in such cases is measured using the net realizable value or its value in use.

While there were signs of impairment at the end of the current consolidated fiscal year in the asset group of business divisions engaged in manufacturing of antennas, telecommunication equipment, etc. (property, plant, and equipment of 1,916 million yen and intangible assets of 143 million yen) at the Company and some of its consolidated subsidiaries, the Group did not book impairment loss as the total amount of the undiscounted future cash flows based on the business plan exceeded the book value of the Group’s non-current assets. The estimate of undiscounted future cash flows is based on the business plan, and the business plan is prepared based on the sales forecast and other factors taking into account past results as well as the business environment, and trends in customer demand. Further, considering factors such as the demand outlook in the markets related to various businesses, we have made certain assumptions as needed in the business plan.

We proceed carefully in detecting signs of impairment and recognizing or measuring impairment losses, but there is risk that additional 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.

(Changes in accounting policies)

(Implementation Guidance on Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 released June 17, 2021) at the beginning of the current consolidated fiscal year, and decided to apply the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional handling specified by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. Note that this does not have any impact on the consolidated financial statements.

(Accounting standards that were not used, etc.)

- Accounting Standard for Current Income Taxes (ASBJ Statement No. 27 issued on October 28, 2022, Accounting Standards Board of Japan)
- Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25 issued on October 28, 2022, Accounting Standards Board of Japan)
- Implementation Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28 issued on October 28, 2022, Accounting Standards Board of Japan)

(1) Overview

Partial Revision, etc. to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28; “ASBJ Statement No. 28, etc.” hereafter) was announced in February 2018, completing the transfer of the practical guidelines related to tax effect accounting of Japanese Institute of Certified Public Accountants to the Accounting Standards Board of Japan, and during the deliberations it was decided to further discuss the following two points after the announcement of ASBJ Statement No. 28, etc. Those two points were discussed and announced.

- Recording category of tax expenses (tax on other comprehensive income)
- Tax effect pertaining to a sale of shares of a subsidiary, etc. (shares of a subsidiary or affiliate) when group taxation system is applicable

(2) Planned date of application

To be applied from the beginning of the year ending March 2025.

(3) Impact of applying the accounting standard

Amounts of potential impact of the application of the Accounting Standard for Current Income Taxes, etc. on consolidated financial statements is currently being assessed.

(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 80,632 shares worth 199 million yen in book value at the end of the previous consolidated fiscal year and 79,367 shares worth 196 million yen in book value at the end of the current consolidated fiscal year.

(Notes on consolidated balance sheet)

*1: Breakdown of other inventories

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Products	2,328 million yen	2,082 million yen
Work in process	1,834 million yen	2,128 million yen
Raw materials and supplies	1,728 million yen	1,510 million yen
Total	5,890 million yen	5,720 million yen

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

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Investment securities (stocks)	53 million yen	534 million yen

*3: Debt guarantees

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

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Bank loans payable by DKK North America, Inc.	36 million yen	- million yen
Bank loans payable by employees, etc.	0 million yen	- million yen
Total	36 million yen	- million yen

*4. The Company is in specified commitment line contracts (loan commitment agreements) with its transacting financial institutions to strengthen business foundation, maintain flexibility and safety for funding needs for growth investment and further stability of financial foundation.

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Total amount of specified commitment line contracts	7,000 million yen	11,000 million yen
Amount executed by the end of the current consolidated fiscal year	- million yen	2,200 million yen
Difference	7,000 million yen	8,800 million yen

(Notes on consolidated statement of income)

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

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

Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
47 million yen	6 million yen

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

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Employees' salaries and allowances	2,759 million yen	2,516 million yen
Provision for bonuses	209 million yen	209 million yen
Provision for directors’ bonuses	6 million yen	9 million yen
Retirement benefit expenses	73 million yen	61 million yen
Allowances for share-based compensation for directors	24 million yen	26 million yen
Research and development expenses	1,149 million yen	929 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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
1,940 million yen	1,444 million yen

*5: Impairment losses

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

There are no matters to be noted.

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

The Group records impairment losses for the following asset groups.

Usage	Location	Type	Impairment losses
Contract-based high-frequency heat treating service	Hamamatsu, Shizuoka Prefecture	Machinery, etc.	124 million yen
Contract-based high-frequency heat treating service	Koka, Shiga Prefecture	Machinery, etc.	89 million yen
Manufacture of various antennas, telecommunication equipment, etc.	Ayutthaya, Thailand	Machinery, etc.	16 million yen
		Buildings	20 million yen

The Group, as a rule, groups its assets for business use on the basis of business divisions for which profit and loss are continuously grasped.

Given the continuous loss from business activities at some business bases of a domestic subsidiary engaged in contract-based high-frequency heat treating service due to deterioration in profitability caused by worsening of business environment, the Group reduced the book value of its machinery, equipment, etc. to a recoverable amount and booked the amount of such reduction as an impairment loss (214 million yen).

The Group resolved to liquidate a manufacturing base for antennas and telecommunication equipment in Thailand in order to improve profitability of a local subsidiary engaged in manufacture of various antennas and telecommunication equipment through reorganization of the Group’s antenna manufacturing bases. Subsequently, the Group reduced the book value of the machinery, equipment, etc. to a recoverable amount

and booked the amount of such reduction as an impairment loss (36 million yen).
The value of the machinery, equipment, etc. of the subsidiary engaged in contract-based high-frequency heat treating service is measured in recoverable amount based on its value in use and was set as a memorandum value, as it is not expected to generate future cash flows.

The recoverable amount of the machinery, equipment, etc. of the subsidiary in Thailand was measured at net realizable value and was evaluated in estimated disposal value.

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Valuation difference on available-for-sale securities:		
Amount booked	(153 million) yen	158 million yen
Reclassification adjustments	(419)	(355)
Before tax effect	(572)	(197)
Amount of tax effect	175	60
Valuation difference on available-for-sale securities	(397)	(136)
Deferred gains or losses on hedges:		
Amount booked	95	18
Reclassification adjustments	(58)	(68)
Before tax effect	37	(50)
Amount of tax effect	(11)	15
Deferred gains or losses on hedges	25	(35)
Foreign currency translation adjustment:		
Amount booked	47	489
Reclassification adjustments	-	-
Before tax effect	47	489
Amount of tax effect	-	-
Foreign currency translation adjustment	47	489
Remeasurements of defined benefit plans, net of tax:		
Amount booked	27	308
Reclassification adjustments	(146)	(155)
Before tax effect	(119)	153
Amount of tax effect	36	(46)
Remeasurements of defined benefit plans, net of tax	(83)	106
Total other comprehensive income	(406)	424

(Notes on consolidated statement of changes in equity)

Previous 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 (unit: shares)	14,084,845	-	-	14,084,845

2 Matters regarding treasury stock

Class of shares	At beginning of current consolidated fiscal year	Increase	Decrease	At end of current consolidated fiscal year
Common stock (unit: shares)	2,066,196	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 number 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, 2021

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.

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

1 Matters regarding issued shares

Class of shares	At beginning of current consolidated fiscal year	Increase	Decrease	At end of current consolidated fiscal year
Common stock (unit: shares)	14,084,845	-	1,984,845	12,100,000

Notes: Breakdown of the decrease is as follows.

Decrease due to retirement of treasury stock: 1,984,845 shares

2 Matters regarding treasury stock

Class of shares	At beginning of current consolidated fiscal year	Increase	Decrease	At end of current consolidated fiscal year
Common stock (unit: shares)	2,430,669	1,194,014	1,986,207	1,638,476

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 number of treasury stocks include 79,367 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 February 10, 2022 Board of Directors meeting: 895,100 shares

Acquisition of treasury stock under resolution at February 10, 2023 Board of Directors meeting: 298,500 shares

Increase due to purchase of shares less than one unit: 414 shares

3 Breakdown of the decrease is as follows.

Decrease due to retirement of treasury stock: 1,984,845 shares

Issuance of treasury stock to retiring directors under share-based compensation scheme: 1,265 shares

Decrease due to sale of shares less than one unit: 97 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, 2022 General Meeting of Shareholders (Note 1)	Common stock	704	60.00	March 31, 2022	June 30, 2022
November 11, 2022 Board of Directors (Note 2)	Common stock	330	30.00	September 30, 2022	December 5, 2022

Notes: 1 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.

2 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, 2023 General Meeting of Shareholders	Common stock	Retained earnings	316	30.00	March 31, 2023	June 30, 2023

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.

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Cash and deposit account	18,886 million yen	19,759 million yen
Time deposits with a deposit period exceeding three months	(5,745 million) yen	(5,505 million) yen
Cash and cash equivalents	13,140 million yen	14,253 million yen

(Notes on leasing transactions)

(Lessee side)

Finance lease transactions

Finance lease transactions without transfer of ownership

(i) Lease assets

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

Intangible assets: software

(ii) Depreciation method of lease assets

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

(Notes on financial instruments)

1 Matters regarding status of financial instruments

(1) Policy on financial instruments

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

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

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

Investment securities are exposed to the risk of market fluctuation. They are mainly bonds held to maturity and stocks. We grasp their fair values and financial conditions of the issuers quarterly for listed stocks.

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 as well as strengthening of financial foundation and investment growth, 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. five 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, 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: 1Amounts of monetary claims and securities that have maturities expected to be redeemed after the consolidated fiscal year-end

(Millions of yen)

	Within 1 year	Over 1 year and up to 5 years	Over 5 years and up to 10 years	Over 10 years
Cash and deposits	18,886	-	-	-
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 and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
Long-term loans payable	180	78	86	71	35	7
Lease obligations	53	34	22	9	1	-
Total	233	112	108	81	37	7

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

The amounts on the consolidated balance sheet, their fair values, and differences between them as of March 31, 2023 are as follows.

(Millions of yen)

	Amount indicated on consolidated balance sheet	Fair value	Difference
(1) Investment securities*2			
Bonds held to maturity	854	823	(30)
Other securities	3,037	3,037	-
Total assets	3,891	3,860	(30)
(1) Long-term loans payable (including those payable to be repaid within a year)	1,351	1,363	11
(2) Lease obligations*3	124	120	(3)
Total liabilities	1,475	1,483	8
Derivatives*4	3	3	-

*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 handling stipulated by Paragraph 24-16 of the Implementation Guidance on Accounting Standard for Fair Value Measurement is applied to investments in partnerships and therefore notes on the matters stipulated by Paragraph 4 (1) of the Implementation Guidance on Disclosures about Fair Value of Financial Instruments are not provided. 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	635
Investments in partnerships	22
Total	657

*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 and up to 5 years	Over 5 years and up to 10 years	Over 10 years
Cash and deposits	19,759	-	-	-
Notes receivable-trade	419	-	-	-
Electronically recorded monetary claims-operating	1,537	-	-	-
Accounts receivable from completed construction contracts	5,108	-	-	-
Accounts receivable-trade	3,175	-	-	-
Investment securities Bonds planned to be held until maturity (corporate bonds)	-	400	450	-
Total	30,000	400	450	-

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 and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years
Long-term loans payable	90	98	1,112	41	8	-
Lease obligations	48	36	22	11	5	-
Total	139	135	1,134	52	13	-

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

Previous 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

Current consolidated fiscal year (March 31, 2023)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Other securities	3,037	-	-	3,037
Derivatives	-	3	-	3
Total assets	3,037	3	-	3,040

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

Previous 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

Current consolidated fiscal year (March 31, 2023)

Category	Fair value (millions of yen)			
	Level 1	Level 2	Level 3	Total
Investment securities				
Bonds held to maturity	-	823	-	823
Total assets	-	823	-	823
Long-term loans payable (including those payable to be repaid within a year)	-	1,363	-	1,363
Lease obligations	-	120	-	120
Total liabilities	-	1,483	-	1,483

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 prices presented by the financial institutions, and is 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, 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)

Current consolidated fiscal year (March 31, 2023)

(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	854	823	(30)
Total	854	823	(30)

2 Other securities

Previous 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)
Other	204	210	(5)
Subtotal	1,166	1,382	(216)
Total	3,850	2,616	1,234

Current consolidated fiscal year (March 31, 2023)

(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	2,132	952	1,179
Subtotal	2,132	952	1,179
Those whose values on consolidated balance sheet do not exceed acquisition costs			
Stocks	755	888	(133)
Other	149	157	(8)
Subtotal	904	1,046	(141)
Total	3,037	1,999	1,037

3 Other securities sold

Previous 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	-

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

Class	Sales price (millions of yen)	Total gains on sale (millions of yen)	Total losses on sale (millions of yen)
Stocks	920	476	-
Total	920	476	-

4 Securities that were written down

Previous 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.

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

Loss on valuation of investment securities of 121 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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Balance of retirement benefit liabilities at beginning of fiscal year	5,054 million yen	5,059 million yen
Service costs	220	236
Interest costs	15	15
Actuarial differences booked	86	(258)
Retirement benefits paid	(317)	(338)
Balance of retirement benefit liabilities at end of fiscal year	5,059	4,713

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Balance of pension assets at beginning of fiscal year	3,520 million yen	3,523 million yen
Expected return on pension assets	10	10
Actuarial differences booked	113	50
Contribution from business owner	92	92
Retirement benefits paid	(213)	(218)
Balance of pension assets at end of fiscal year	3,523	3,458

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Balance of liabilities for retirement benefits at beginning of fiscal year	790 million yen	692 million yen
Retirement benefit expenses	31	(13)
Retirement benefits paid	(111)	(121)
Amount of contribution to plans	(18)	(17)
Balance of liabilities for retirement benefits at end of fiscal year	692	539

(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, 2022)	Current consolidated fiscal year (March 31, 2023)
Funded retirement benefit obligations	4,244 million yen	3,917 million yen
Pension assets	(4,856)	(4,748)
	(611)	(831)
Unfunded retirement benefit obligations	2,840	2,626
Net amount of liabilities and assets on consolidated balance sheet	2,228	1,794
Net defined benefit liability	2,840	2,626
Net defined benefit assets	(611)	(831)
Net amount of liabilities and assets on consolidated balance sheet	2,228	1,794

(5) Amounts of retirement benefit expenses and their components

	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Service costs	220 million yen	236 million yen
Interest costs	15	15
Expected return on pension assets	(10)	(10)
Amortization of actuarial differences	(146)	(155)
Retirement benefit expenses calculated using the simplified method	31	(13)
Retirement benefit expenses related to defined benefit plans	109	71

(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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Actuarial differences	119 million yen	(153 million) yen
Total	119	(153)

(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, 2022)	Current consolidated fiscal year (March 31, 2023)
Unrecognized actuarial differences	(458 million) yen	(612 million) yen
Total	(458)	(612)

(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, 2022)	Current consolidated fiscal year (March 31, 2023)
Bonds	38%	38%
Stocks	28	32
Insurance assets (general account)	28	28
Other	6	2
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, 2022)	Current consolidated fiscal year (March 31, 2023)
Discount rate	0.3%	0.8%
Expected long-term rate of return	0.3%	0.3%
Expected rate of pay hike	2.3%	2.3%

Note: The discount rate calculated at the beginning of the current consolidated fiscal year was 0.3%. However, as a result of reconsideration of the discount rate at the end of the fiscal year, we changed it to 0.8% judging that the change in the discount rate would give significant impact on the amount of retirement benefit liabilities.

3 Defined contribution plans

The amount of required contribution to defined contribution plans from the Company and domestic consolidated subsidiaries is 43 million yen in the previous consolidated fiscal year and 45 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, 2022)	Current consolidated fiscal year (March 31, 2023)
(Deferred tax assets)		
Allowance for employees' bonuses	196 million yen	210 million yen
Net defined benefit liability	830 million yen	719 million yen
Loss on valuation of inventories	127 million yen	209 million yen
Allowances for share-based remuneration for directors and corporate auditors	24 million yen	27 million yen
Loss on valuation of investment securities	67 million yen	101 million yen
Loss on valuation of shares of subsidiaries and associates	37 million yen	113 million yen
Losses on valuation of golf club membership	34 million yen	34 million yen
Impairment losses	55 million yen	144 million yen
Valuation difference on available-for-sale securities	1 million yen	1 million yen
Losses carried forward (Note 2)	357 million yen	635 million yen
Other	313 million yen	339 million yen
Deferred tax assets subtotal	2,045 million yen	2,537 million yen
Valuation allowance for net operating losses carried forward (Note 2)	(315 million) yen	(471 million) yen
Valuation allowance for the sum of deductible temporary differences, etc.	(320 million) yen	(633 million) yen
Valuation allowance subtotal (Note 1)	(636 million) yen	(1,104 million) yen
Total deferred tax assets	1,408 million yen	1,433 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	(378 million) yen	(318 million) yen
Other	(247 million) yen	(226 million) yen
Total deferred tax liabilities	(628 million) yen	(547 million) yen
Net amount of deferred tax assets	780 million yen	886 million yen

Notes:1 Valuation allowance increased 468 million yen. The increase is primarily attributable to the fact that the Company recognized valuation allowances for impairment loss at a consolidated subsidiary and an increase in losses carried forward.

2 The amount of net operating losses carried forward and corresponding deferred tax assets by due period

Previous consolidated fiscal year (March 31, 2022)

The information is omitted due to immateriality of the amount.

Current consolidated fiscal year (March 31, 2023)

(Millions of yen)

	Within 1 year	Over 1 year and up to 2 years	Over 2 years and up to 3 years	Over 3 years and up to 4 years	Over 4 years and up to 5 years	Over 5 years	Total
Net operating losses carried forward (a)	5	2	31	228	58	308	635
Valuation allowance	(5)	(2)	(31)	(215)	(58)	(156)	(471)
Deferred tax assets	-	-	-	12	-	151	(b) 164

(a) The net operating losses carried forward represent the amounts after they are multiplied by the effective statutory tax rate.

(b) Deferred tax assets of 164 million yen were recognized for the balance of net operating losses carried forward of 635 million yen(amount multiplied by the effective statutory tax rate). After estimating the future taxable income, the deferred tax assets relating to net operating losses carried forward are assessed as recoverable.

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

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 in the previous consolidated fiscal year.

Notes are omitted as the Company recorded net loss before income taxes for the current consolidated fiscal year.

(Revenue recognition)

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

Previous 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.	-	-	-	93	93
Revenue from contracts with customers	25,908	7,959	33,867	93	33,961
Other revenue	-	-	-	7	7
Sales to external customers	25,908	7,959	33,867	100	33,968

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment		Total	Other Businesses	Total
	Telecommunication Business	Radio Frequency Business			
Construction work	13,037	-	13,037	-	13,037
Equipment and materials sales, etc.	9,540	9,131	18,672	-	18,672
Power sales revenue, etc.	-	-	-	100	100
Revenue from contracts with customers	22,578	9,131	31,710	100	31,810
Other revenue	-	-	-	7	7
Sales to external customers	22,578	9,131	31,710	107	31,817

(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)

	Previous consolidated fiscal year	Current consolidated fiscal year
Receivables arising from contracts with customers (balance at beginning of fiscal year)	17,615	10,936
Receivables arising from contracts with customers (balance at end of fiscal year)	10,936	10,240
Contract assets (balance at beginning of fiscal year)	3,601	1,832
Contract assets (balance at end of fiscal year)	1,832	3,715
Contract liabilities (balance at beginning of fiscal year)	381	323
Contract liabilities (balance at end of fiscal year)	323	728

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 244 million yen. The revenues recognized from the performance obligations that were fulfilled in the past period in the current fiscal year totals 74 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
Previous consolidated fiscal year	4,585	1,112	5,698
Current consolidated fiscal year	4,814	1,023	5,838

(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 shown 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-based 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, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount indicated on consolidated financial statements (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 equipment 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.

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Reportable segment			Other Businesses (Note 1)	Total	Adjustments (Note 2)	Amount indicated on consolidated financial statements (Note 3)
	Telecommunication Business	Radio Frequency Business	Total				
Net sales							
Sales to external customers	22,578	9,131	31,710	107	31,817	-	31,817
Intersegment sales or transfers	34	-	34	188	223	(223)	-
Total	22,613	9,131	31,745	296	32,041	(223)	31,817
Segment income (loss)	50	1,132	1,183	139	1,323	(2,834)	(1,510)
Segment assets	23,854	12,106	35,961	663	36,624	18,509	55,134
Other items							
Depreciation	770	296	1,067	65	1,132	99	1,232
Increase in property, plant, and equipment and intangible assets	402	509	912	9	921	137	1,059

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

2 Details of adjustments are as follows.

(1) Adjustment to segment income of (2,834 million) yen includes (77 million) yen in eliminations of intersegment transactions and (2,757 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 or loss with operating loss in the consolidated statement of income.

[Related information]

Previous 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	Other	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

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

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	Other	Total
28,078	1,780	1,338	43	577	31,817

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

This information is omitted because there were no specific external customers that accounted for 10% or more of the net sales on consolidated statement of income.

[Information on impairment losses on non-current assets by reportable segment]
Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)
There are no matters to be noted.

Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)

(Millions of yen)

	Telecommunication Business	Radio Frequency Business	Other Businesses	Overall, eliminations	Total
Impairment losses	36	214	-	-	251

[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, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Net assets per share	3,938.79 yen	3,942.82 yen
Net income (loss) per share	59.51 yen	(107.75) yen

Note: 1 No figures are provided for diluted net income per share for the current consolidated fiscal year as it was net loss per share and there are no dilutive shares.
2 No figures are provided for diluted net income per share for the previous consolidated fiscal year as there are no dilutive shares.
3 Data used in calculating the net income per share or net loss per share are as follows.

Item	Previous consolidated fiscal year (from April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (from April 1, 2022 to March 31, 2023)
Quarterly net income (loss) attributable to shareholders of parent (millions of yen)	705	(1,181)
Amount not attributable to common shareholders (millions of yen)	-	-
Quarterly net income (loss) attributable to shareholders of parent pertaining common stock (millions of yen)	705	(1,181)
Average number of common shares during the period	11,861,833	10,961,348

4 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 (72,808 shares in the previous consolidated fiscal year and 79,611 shares in the current consolidated fiscal year).

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

Item	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Total net assets (millions of yen)	46,609	41,801
Amount deducted from total net assets (millions of yen)	705	553
(Including non-controlling interests of)	(705)	(553)
Net assets related to common stock at end of fiscal year (millions of yen)	45,903	41,247
Number of common shares at end of fiscal year used in calculating net assets per share	11,654,176	10,461,524

6 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 (80,632 shares in the previous consolidated fiscal year and 79,367 shares 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	80	2,200	0.7	-
Long-term loans payable to be repaid within a year	180	90	3.9	-
Lease obligations to be repaid within a year	53	48	-	-
Long-term loans payable (excluding those to be repaid within a year)	279	1,260	1.0	2024–2027
Lease obligations (excluding those to be repaid within a year)	67	75	-	2024–2028
Total	661	3,675	-	-

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

Category	Over 1 year and up to 2 years (millions of yen)	Over 2 years and up to 3 years (millions of yen)	Over 3 years and up to 4 years (millions of yen)	Over 4 years and up to 5 years (millions of yen)
Long-term loans payable	98	1,112	41	8
Lease obligations	36	22	11	5
Total	135	1,134	52	13

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 in accordance with Article 92-2 of the Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements 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)	5,340	13,185	21,275	31,817
Quarterly net loss before taxes	(millions of yen)	(495)	(800)	(720)	(1,190)
Quarterly loss attributable to shareholders of parent company	(millions of yen)	(430)	(637)	(609)	(1,181)
Quarterly net loss per share	(yen)	(37.69)	(56.69)	(54.99)	(107.75)

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Quarterly net income (loss) per share	(yen)	(37.69)	(18.70)	2.56	(53.95)

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

(1) [Financial statements]

(i) [Balance sheet]

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	10,167	11,707
Deposits paid	2,170	119
Notes receivable-trade	208	62
Electronically recorded monetary claims-operating	627	1,237
Accounts receivable from completed construction contracts	4,410	4,776
Accounts receivable-trade	*1 3,721	*1 2,622
Contract assets	1,907	3,689
Products	2,316	2,032
Costs on uncompleted construction contracts	57	30
Work in process	1,297	1,599
Raw materials and supplies	897	888
Short-term loans receivable from subsidiaries and affiliates	295	-
Prepaid expenses	180	211
Income taxes refund receivable	-	55
Consumption taxes refund receivable	127	-
Other	582	343
Allowance for doubtful accounts	(1)	(1)
Total current assets	28,967	29,376
Non-current assets		
Property, plant, and equipment		
Buildings	8,336	8,353
Accumulated depreciation	(6,670)	(6,782)
Buildings, net	1,665	1,570
Structures	1,096	1,120
Accumulated depreciation	(969)	(987)
Structures, net	127	132
Machinery and equipment	1,508	1,579
Accumulated depreciation	(1,218)	(1,242)
Machinery and equipment, net	289	336
Vehicles	58	56
Accumulated depreciation	(58)	(54)
Vehicles, net	0	1
Tools, furniture, and fixtures	6,678	6,682
Accumulated depreciation	(5,823)	(6,066)
Tools, furniture, and fixtures (net amount)	855	615
Land	1,772	1,772
Lease assets	143	151
Accumulated depreciation	(93)	(111)
Lease assets, net	49	40
Construction in progress	31	32
Total property, plant, and equipment	4,792	4,502
Intangible assets		
Software	595	555
Other	19	18
Total intangible assets	614	574

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Investments and other assets		
Investment securities	5,236	3,891
Stocks of subsidiaries and affiliates	1,268	1,501
Long-term loans receivable from subsidiaries and affiliates	-	313
Long-term loans to employees	1	1
Long-term prepaid expenses	50	67
Prepaid pension cost	202	246
Deferred tax assets	620	826
Other	860	990
Allowance for doubtful accounts	(40)	(38)
Total investments and other assets	8,199	7,800
Total non-current assets	13,607	12,876
Total assets	42,574	42,252
Liabilities		
Current liabilities		
Notes payable-trade	322	-
Electronically recorded obligations-operating	472	916
Accounts payable for construction contracts	*1 1,268	*1 2,076
Accounts payable-trade	*1 1,139	*1 897
Short-term loans payable	-	*3 2,200
Long-term loans payable to be repaid within a year	130	-
Lease obligations	21	19
Accounts payable-other	404	602
Income taxes payable	170	89
Accrued consumption taxes	-	57
Contract liabilities	247	282
Deposits received	39	60
Allowance for warranties on completed construction contracts	21	15
Allowance for product warranties	171	83
Allowance for employees' bonuses	431	479
Allowances for losses on construction contracts	0	1
Notes payable-facilities	0	-
Electronically recorded obligations-non-operating	11	37
Other	4	44
Total current liabilities	4,856	7,865
Fixed liabilities		
Long-term loans payable	-	1,030
Lease obligations	33	25
Allowance for product warranties	29	18
Provision for retirement benefits	2,196	2,114
Allowances for share-based remuneration for directors and corporate auditors	52	75
Asset retirement obligations	49	49
Other	12	12
Total fixed liabilities	2,373	3,326
Total liabilities	7,230	11,192

(Millions of yen)

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Net assets		
Shareholders' equity		
Capital	8,774	8,774
Capital surplus		
Legal capital surplus	9,677	9,677
Other capital surplus	45	-
Total capital surplus	9,723	9,677
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	3
General reserve	12,671	12,671
Retained earnings brought forward	7,849	1,744
Total retained earnings	21,889	15,784
Treasury stock	(5,940)	(3,897)
Total shareholders' equity	34,447	30,338
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	858	722
Deferred gains or losses on hedges	37	-
Total valuation and translation adjustments	896	722
Total net assets	35,343	31,060
Total liabilities and net assets	42,574	42,252

(ii) [Statement of income]

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Net sales		
Sales of completed construction contracts	11,784	12,116
Net sales of goods	15,195	12,842
Sales in other business	*1 330	*1 296
Total net sales	27,310	25,254
Cost of sales		
Cost of sales of completed construction contracts	*3 9,717	*3 10,718
Cost of finished goods sold	*2, *3, *4 12,637	*2, *3, *4 11,288
Cost of sales in other business	*1 163	*1 156
Total cost of sales	22,517	22,162
Gross profit		
Gross profit on completed construction contracts	2,066	1,398
Gross profit on finished goods	2,557	1,553
Gross profit on other business	*1 167	*1 139
Total gross profit	4,792	3,091
Selling, general, and administrative expenses		
Officers' compensation	246	202
Employees' salaries and allowances	1,628	1,513
Provision for bonuses	163	165
Retirement benefit expenses	34	44
Allowances for share-based compensation for directors	13	14
Legal welfare expenses	255	248
Welfare expenses	34	28
Repair and maintenance	1	1
Stationery expenses	40	49
Correspondence and transportation expenses	152	161
Power utilities expenses	9	10
Advertising expenses	93	40
Provision of allowances for doubtful accounts	1	0
Entertainment expenses	17	18
Contribution	49	7
Rents	262	254
Depreciation	38	85
Taxes and dues	178	158
Insurance expenses	64	33
Miscellaneous expenses	310	312
Research and development expenses	1,056	909
Total selling, general, and administrative expenses	*4 4,653	*4 4,263
Operating profit (loss)	139	(1,171)

(Millions of yen)

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Non-operating income		
Interest income	5	6
Interest on securities	6	14
Dividend income	*3 387	*3 582
Foreign exchange gains	165	230
Other	120	101
Total non-operating income	685	935
Non-operating expenses		
Interest expenses	9	18
Commitment fee	49	144
Loss on investments in investment partnerships	-	36
Other Businesses	5	17
Total non-operating expenses	64	216
Ordinary income (loss)	759	(452)
Extraordinary income		
Gain on sales of investment securities	589	476
Total extraordinary income	589	476
Extraordinary losses		
Loss on valuation of investment securities	170	121
Loss on valuation of shares of subsidiaries and associates	-	247
Total extraordinary losses	170	369
Income (loss) before income taxes	1,178	(345)
Income taxes-current	159	61
Income taxes-deferred	(12)	(129)
Total income taxes	146	(67)
Net income (loss)	1,032	(277)

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

		Previous fiscal year (from April 1, 2021 to March 31, 2022)		Current fiscal year (from April 1, 2022 to March 31, 2023)	
Category	Note number	Amount (millions of yen)	Constituent ratio (%)	Amount (millions of yen)	Constituent ratio (%)
I. Materials cost		2,137	22.0	2,499	23.3
II. Labor cost		244	2.5	183	1.7
(including cost of outsourced labor of)		(244)	(2.5)	(183)	(1.7)
III. Outsourcing costs		4,856	50.0	5,062	47.3
IV. Expenses		2,479	25.5	2,972	27.7
(including personnel expenses of)		(1,584)	(16.3)	(1,901)	(17.7)
Total		9,717	100	10,718	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, 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 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 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

Current fiscal year (from April 1, 2022 to March 31, 2023)

(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	45	9,723	1,227	-	30	108	4	12,671	7,849	21,889
Changes of items during term												
Dividends of surplus				-							(1,034)	(1,034)
Net loss				-							(277)	(277)
Reversal of reserve for advanced depreciation of non-current assets				-					(0)		0	-
Purchase of treasury stock				-								-
Retirement of treasury stock			(45)	(45)							(4,793)	(4,793)
Disposal of treasury stock				-							(0)	(0)
Net changes of items other than shareholders' equity				-								-
Total changes of items during term	-	-	(45)	(45)	-	-	-	-	(0)	-	(6,105)	(6,105)
Balance at end of current term	8,774	9,677	-	9,677	1,227	-	30	108	3	12,671	1,744	15,784

	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	(5,940)	34,447	858	37	896	35,343
Changes of items during term						
Dividends of surplus		(1,034)			-	(1,034)
Net loss		(277)			-	(277)
Reversal of reserve for advanced depreciation of non-current assets		-			-	-
Purchase of treasury stock	(2,800)	(2,800)			-	(2,800)
Retirement of treasury stock	4,838	-			-	-
Disposal of treasury stock	3	3			-	3
Net changes of items other than shareholders' equity		-	(136)	(37)	(174)	(174)
Total changes of items during term	2,042	(4,109)	(136)	(37)	(174)	(4,283)
Balance at end of current term	(3,897)	30,338	722	-	722	31,060

[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. As for investment in limited liability investment and similar partnerships (deemed as securities under Article 2, Paragraph 2 of the Financial Instruments and Exchange Act), the Company uses the most recent financial statements available as of the settlement date stipulated in the partnership agreement as the basis for the financial statements and incorporates the net amount of the Company's interest in the partnership.

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 compensation 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 using a circular-based 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	2,429	3,526

(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.

(Impairment losses on non-current assets)

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

Property, plant, and equipment	4,502 million yen
Intangible assets	574 million yen
Impairment losses	- million yen

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

The Company, as a rule, groups its assets for business use on the basis of business divisions for which profit and loss are continuously grasped.

Regarding determination of signs of impairment, the Company considers that there is an indication of impairment in cases such as when the operating income of an individually grouped asset or asset group has declined continuously or is expected to decline continuously, or when the market value of a non-current asset has declined significantly.

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. The recoverable amount in such cases is measured using the net realizable value or its value in use.

While there were signs of impairment at the end of the current fiscal year in the asset group of business divisions engaged in manufacturing of antennas, telecommunication equipment, etc. (property, plant, and equipment of 1,431 million yen and intangible assets of 141 million yen) at the Company, the Group did not book impairment loss as the total amount of the undiscounted future cash flows based on the business plan exceeded the book value of the Group’s non-current assets. The estimate of undiscounted future cash flows is based on the business plan, and the business plan is prepared based on the sales forecast and other factors taking into account past results as well as the business environment, and trends in customer demand. Further, considering factors such as the demand outlook in the markets related to various businesses, we have made certain assumptions as needed in the business plan.

We proceed carefully in detecting signs of impairment and recognizing or measuring impairment losses, but there is risk that additional 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.

(Changes in accounting policies)

(Implementation Guidance on Accounting Standard for Fair Value Measurement, etc.)

The Company began applying the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 released June 17, 2021) at the beginning of the current fiscal year, and decided to apply the new accounting policy prescribed by the Implementation Guidance on Accounting Standard for Fair Value Measurement in accordance with the transitional handling specified by Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. Note that this does not have any impact on the financial statements.

(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 80,632 shares worth 199 million yen in book value at the previous fiscal year-end and 79,367 shares worth 196 million yen in book value at the end of the current fiscal year.

(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, 2022)	Current fiscal year (March 31, 2023)
Accounts receivable-trade	287 million yen	604 million yen
Accounts payable for construction contracts	163 million yen	546 million yen
Accounts payable-trade	364 million yen	284 million yen

*2. Debt guarantees

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

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Debt guarantees by DKK (THAILAND) CO., LTD.	- million yen	0 million yen
Bank loans payable by DKK North America, Inc.	36 million yen	- million yen
Bank loans payable by employees, etc.	0 million yen	- million yen
Total	36 million yen	0 million yen

*3. The Company is in specified commitment line contracts (loan commitment agreements) with its transacting financial institutions to strengthen business foundation, maintain flexibility and safety for funding needs for growth investment and further stability of financial foundation.

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
Total amount of specified commitment line contracts	7,000 million yen	11,000 million yen
Amount executed by end of the current fiscal year	- million yen	2,200 million yen
Difference	7,000 million yen	8,800 million yen

(Notes on statement of income)

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

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

Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
0 million yen	1 million yen

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

	Previous fiscal year (from April 1, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
Purchase amount	4,647 million yen	4,004 million yen
Dividend income	218 million yen	432 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, 2021 to March 31, 2022)	Current fiscal year (from April 1, 2022 to March 31, 2023)
1,892 million yen	1,412 million yen

(Notes on securities)

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

(Millions of yen)

Category	March 31, 2022	March 31, 2023
Shares of subsidiaries	1,268	1,501

(Notes on tax effect accounting)

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

	Previous fiscal year (March 31, 2022)	Current fiscal year (March 31, 2023)
(Deferred tax assets)		
Allowance for doubtful accounts	3 million yen	2 million yen
Allowance for employees' bonuses	132 million yen	146 million yen
Provision for retirement benefits	672 million yen	647 million yen
Allowances for share-based remuneration for directors and corporate auditors	10 million yen	14 million yen
Loss on valuation of inventories	119 million yen	152 million yen
Loss on valuation of investment securities	66 million yen	101 million yen
Loss on valuation of shares of subsidiaries and associates	37 million yen	113 million yen
Losses on valuation of golf club membership	30 million yen	30 million yen
Impairment losses	53 million yen	52 million yen
Losses carried forward	- million yen	120 million yen
Other	192 million yen	186 million yen
Deferred tax assets subtotal	1,317 million yen	1,568 million yen
Valuation allowance for net operating losses carried forward	- million yen	- million yen
Valuation allowance for the sum of deductible temporary differences, etc.	(234 million) yen	(341 million) yen
Valuation allowance subtotal	(234 million) yen	(341 million) yen
Total deferred tax assets	1,083 million yen	1,226 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	(378 million) yen	(318 million) yen
Other	(82 million) yen	(79 million) yen
Total deferred tax liabilities	(462 million) yen	(400 million) yen
Net amount of deferred tax assets	620 million yen	826 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, 2022)	Current fiscal year (March 31, 2023)
Statutory effective tax rate	30.6%	
(Adjustments)		
Items excluded from deductible expenses, including entertainment expenses	0.6%	Notes are omitted as the Company posted loss before income taxes.
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)%	
Other	(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)

(Acquisition of consolidated subsidiaries)

The Company at the Board of Directors meeting held on January 27, 2023 passed a resolution to acquire its wholly owned subsidiaries DKC Co., Ltd. and Koshuha Co., Ltd. and carried out the said acquisition as of April 1, 2023.

1. Overview of transactions

(1) Name and business of the merged company

• Name of the merged company	DKC Co., Ltd.
Description of business operation	Facility for design and construction of telecommunication facilities
• Name of the merged company	Koshuha Co., Ltd.
Description of business operation	Design and manufacture of high-frequency heat treatment and power source equipment, contract-based high-frequency heat treating service, design and manufacture of vacuum and special furnaces, design and manufacture of power generators, power receiving and distributing boards, etc., and design and manufacture of heating coils

(2) Effective date of merger

April 1, 2023

(3) Legal form of the business combination

The Company, the surviving entity, merged with DKC Co., Ltd. and Koshuha Co., Ltd., which are the extinguishing entities, through acquisition.

(4)Name after the integration

DKK Co., Ltd.

(5) Matters regarding outline of other transactions

This reorganization is aimed at, in addition to improving efficiency and rationalizing the administrative divisions of the Group, strengthening productivity of the construction divisions through concentration of human resources and improving the efficiency of the business, as well as at consolidating the business, reinforcing the sales abilities, and improving the productivity of the radio frequency business. The coil-related business and contract-based heat treating service business of Koshuha were transferred to Denko Techno Heat Co., Ltd., the Company’s subsidiary, in an absorption-type split with Denko Techno Heat as the succeeding company.

2. Overview of accounting practice

The Company plans to treat it as a transaction under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No.21 issued on January 16, 2019) and the Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10 issued on January 16, 2019).

(iv) [Supplementary schedules]

[Schedule of securities]

[Stocks]

Issue			Number of shares	Amount on balance sheet (millions of yen)
Investment securities	Other securities	Sompo Holdings, Inc.	181,874	955
		Sumitomo Mitsui Financial Group, Inc.	85,646	453
		Sumitomo Mitsui Trust Holdings, Inc.	65,651	298
		Nippon Television Holdings, Inc.	231,900	264
		EXEO Group, Inc.	96,000	230
		NIPPON DENSETSU KOGYO CO., LTD.	136,900	216
		NIPPON CONCRETE INDUSTRIES CO., LTD.	529,700	135
		TOKYO TEKKO CO., LTD.	70,000	122
		NAKAYO, INC.	61,000	72
		IKEGAMI TSUSHINKI CO., LTD.	70,300	44
		Others (20 issues)	122,813	185
Total			1,651,784	2,979

[Bonds]

Issue			Total face value	Amount on balance sheet (millions of yen)
Investment securities	Bonds held to maturity	Sumitomo Mitsui Financial Group, Inc. first series unsecured corporate bond	400 million yen	404
		SoftBank Group Corp. 5th series unsecured corporate bonds (subordinated)	450 million yen	450
Total			850 million yen	854

[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	35
		(Investments in partnerships) Rising Japan Equity No.3 Investment LLP	-	22
Total			46	57

[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	8,336	36	20	8,353	6,782	131	1,570
Structures	1,096	25	1	1,120	987	19	132
Machinery and equipment	1,508	100	29	1,579	1,242	52	336
Vehicles	58	1	3	56	54	0	1
Tools, furniture, and fixtures	6,678	193	189	6,682	6,066	431	615
Land	1,772	-	-	1,772	-	-	1,772
Lease assets	143	12	4	151	111	22	40
Construction in progress	31	357	356	32	-	-	32
Total property, plant, and equipment	19,626	726	604	19,748	15,246	658	4,502
Intangible assets							
Software	868	478	375	971	416	143	555
Lease assets	12	-	-	12	12	-	-
Telephone subscription rights	16	-	-	16	-	-	16
Right of using facilities	7	-	-	7	5	0	2
Total intangible assets	905	478	375	1,007	433	143	574
Long-term prepaid expenses	109	62	0	171	103	44	67

Notes: 1 The decline in “Construction in progress” is due to a transfer to a non-current assets account.

2 Update of the core system is the main factor behind the increase in “Software” in the current term.

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 (other) (millions of yen)	Balance at end of current term (millions of yen)
Allowance for doubtful accounts	41	0	1	-	39
Allowance for warranties on completed construction contracts	21	45	51	-	15
Allowance for product warranties	201	142	185	54	102
Allowance for employees' bonuses	431	479	431	-	479
Allowances for losses on construction contracts	0	47	8	38	1
Allowances for share-based remuneration for directors and corporate auditors	52	26	3	-	75

Notes: 1 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 The amount of allowances for losses on construction contracts 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 (Note 1)
Special offers to shareholders	None

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

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: (96th term)	From April 1, 2021 to March 31, 2022	June 30, 2022 Submitted to Director-General of the Kanto Finance Bureau
(2)	Internal Control Report	Fiscal year: (96th term)	From April 1, 2021 to March 31, 2022	June 30, 2022 Submitted to Director-General of the Kanto Finance Bureau
(3)	Quarterly Report and its Confirmation Letter	First quarter of 97th term	From April 1, 2022 to June 30, 2022	August 12, 2022 Submitted to Director-General of the Kanto Finance Bureau
		Second quarter of 97th term	From July 1, 2022 to September 30, 2022	November 14, 2022 Submitted to Director-General of the Kanto Finance Bureau
		Third quarter of 97th term	From October 1, 2022 to December 31, 2022	February 14, 2023 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, 2022

(5) Share buyback report

Reporting period (from June 1, 2022 to June 30, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on July 11, 2022
Reporting period (from July 1, 2022 to July 31, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on August 10, 2022
Reporting period (from August 1, 2022 to August 31, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on September 12, 2022
Reporting period (from September 1, 2022 to September 31, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on October 11, 2022
Reporting period (from October 1, 2022 to October 31, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on November 10, 2022
Reporting period (from November 1, 2022 to November 30, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on December 15, 2022
Reporting period (from December 1, 2022 to December 31, 2022): Submitted to Director-General of the Kanto Local Finance Bureau on January 11, 2023
Reporting period (from February 1, 2023 to February 28, 2023): Submitted to Director-General of the Kanto Local Finance Bureau on March 10, 2023
Reporting period (from March 1, 2023 to March 31, 2023): Submitted to Director-General of the Kanto Local Finance Bureau on April 10, 2023
Reporting period (from April 1, 2023 to April 30, 2023): Submitted to Director-General of the Kanto Local Finance Bureau on May 12, 2023
Reporting period (from May 1, 2023 to May 31, 2023): Submitted to Director-General of the Kanto Local Finance Bureau on June 12, 2023

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

There are no matters to be noted.

[Cover]

[Document being filed]	Internal Control Report
[Legal basis]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of submission]	June 30, 2023
[Company name]	DKK Co., Ltd.
[Company name in English]	DKK Co., Ltd.
[Position and name of representative]	Tadatoshi Kondo, President and Representative Director
[Name and position of chief financial officer]	There are no matters to be noted.
[Location of Headquarters]	3-3-1 Marunouchi, Chiyoda-Ku, Tokyo
[Places where the document will be made available for viewing]	Osaka Branch of DKK Co., Ltd. (2-30, Toyotsu-cho, Suita-shi, Osaka) Nagoya Branch of DKK Co., Ltd. (1-4-13, Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi) Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. [Matters concerning basic framework of internal controls over financial reporting]

President and Representative Director Tadatoshi Kondo is responsible for preparing and operating internal controls over the Company's and its consolidated subsidiaries' financial reporting and has prepared and operated internal controls over financial reporting in accordance with the basic framework of internal controls called for in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" released by the Business Accounting Council.

Internal controls aim to achieve their goals within a reasonable scope through a unified structure in which basic elements of internal controls work together in an organic way. For this reason, internal controls over financial reporting may not completely prevent or detect misstatements of the financial reporting.

2. [Scope of assessment, record date, and matters relating to assessment procedures]

Assessment of internal controls over financial reporting was conducted with March 31, 2023, or the last day of this fiscal year, as the record date in accordance with generally accepted assessment standards for internal controls over financial reporting.

In this assessment, the management first assessed company-level internal controls that would have a material impact on the reliability of overall financial reporting on a consolidated basis, and, based on the results, then selected the operational processes to be assessed. In the process-level control assessment, the management assessed the effectiveness of internal control by analyzing the operational processes thus selected, identifying key controls that would have a material impact on the reliability of the financial reporting, and assessing the preparation and operation of such key controls.

The management determined the scope of assessment of internal controls over financial reporting by selecting the Company and consolidated subsidiaries based on the materiality of their potential impacts on the reliability of financial reporting. The materiality of potential impacts on the reliability of financial reporting was determined by taking into consideration both quantitative and qualitative aspects and the management reasonably determined the scope of assessment of process-level controls based on the results of the company-level control assessment conducted on the Company and its six consolidated subsidiaries. Seven of our consolidated subsidiaries were excluded from the scope of this assessment as they were judged to have insignificant impact from the viewpoint of materiality of amounts and quality.

For the purpose of determining the scope of process-level control assessment, net sales of operational locations in the previous consolidated fiscal year (after eliminating transactions between consolidated companies) were added together in a descending order of the figure for each, and one operational location that contributed approximately two-thirds to the consolidated net sales in the previous consolidated fiscal year was selected as the "significant business location." In the significant business location thus selected, operational processes related to the accounts that are closely associated with the Company's business objectives, including net sales, accounts receivable from completed construction contracts, accounts receivable-trade, contract assets, and inventories, were included in the scope of assessment. Furthermore, regardless of the significant business location selected, the management set a scope that includes other operational locations by adding assessment of certain operational processes related to significant accounts involving estimates and forecasts where occurrence of material misstatement is highly likely and operational processes that involve businesses or services that conduct high-risk transactions, in view of the degree of potential impact they may have on financial reporting.

3. [Matters regarding assessment results]

The implementation of the above assessment procedure found that the internal control-related matter pertaining to financial reporting described below significantly affected the financial reporting and the Company judged that it falls under the material inadequacies to be disclosed. The management, therefore, judged that internal controls of the Company and its consolidated subsidiaries over their financial reporting were not effective as of the end of the current fiscal year.

In the process of the account settlement operations for the current consolidated fiscal year, it became clear that the Company and its consolidated subsidiaries made the following errors and the Company revised “Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (Under Japanese GAAP).”

These are inadequacies in internal control over the account closing and financial reporting processes and have significant impact on financial reporting, and therefore the Group judged that they would fall under material inadequacies to be disclosed.

(Material inadequacy to be disclosed in the account closing and financial reporting process)

1. Errors in accounting practices upon liquidation of an overseas consolidated subsidiary

1) Overstatement of allowance for doubtful accounts

The Company had recorded an allowance for doubtful accounts for the loan it has provided to an overseas consolidated subsidiary, which was slated for liquidation. The amount of the allowance was overstated due to an incorrect recognition of the situation by the Company, as the provision of allowance was not necessary when considering the subsidiary’s financial conditions even when taking into account the liquidation. As part of the control activity to mitigate this risk, the Company had been checking key matters on a worksheet for allowance for doubtful accounts. However, the worksheet did not have any description regarding how to calculate the recoverable amount from an overseas consolidated subsidiary which is to be liquidated.

2) Errors in accounting practices upon recording of impairment loss on non-current assets

In the process of judging recognition of impairment loss on non-current assets at the overseas consolidated subsidiary slated for liquidation, there was an error also in the amount of impairment loss on the non-current assets due to lack of specialized knowledge regarding calculation of local net realizable value as well as insufficient verification, which also caused delays in the account closing schedule. As part of the control activity to mitigate this risk, the Company had been checking key matters on a worksheet for impairment loss on non-current assets. However, the worksheet did not have any description regarding matters to be implemented when proceeding to the judgment process for recognition of impairment loss at an overseas consolidated subsidiary slated for liquidation.

The Company assesses that both 1) and 2) occurred as it did not have checklists assuming an environment of company liquidation and also because of the inadequate functioning of the Company’s monitoring process.

2. Errors in accounting practices upon recording of impairment loss on non-current assets at the Company and a Japanese consolidated subsidiary

In the process of judging recognition of impairment loss on non-current assets at the Company and a Japanese consolidated subsidiary, the contents of the business plan required for calculation of undiscounted future cash flows and the adequacy of net realizable value were not sufficiently verified. As a result, there was an error in the amount of impairment loss on non-current assets at the Japanese consolidated subsidiary, while the Company did not have to record an impairment loss. As the Company had to secure time to discuss these, it resulted in a delay in the account closing schedule.

As part of the control activity to mitigate this risk, the Company had been utilizing a worksheet for impairment of non-current assets and verifying the account closing documents provided by Japanese consolidated subsidiaries against a checklist upon consolidated account closing. However, the worksheet and checklist did not have descriptions regarding cases when it proceeded to the judgment process for recognition of impairment loss.

The Company assesses that it occurred because of the inadequate functioning of the monitoring process to ensure that these processes are operated in accordance with the accounting standards.

3. Errors regarding consumption tax at the Company

In some of the Company’s long-term construction work projects which need to use an older tax rate, it was necessary to make adjustments due to the specifications of the system, but some of the said adjustments were insufficient. In order to mitigate this risk, the Company needed a control activity that calculates the theoretical value of the amount of consumption tax and checks the figures, but it was not in place.

The Company assesses that it occurred because the Company did not appropriately put in place a verification item for appropriately identifying omissions in adjustment by checking the figures using the appropriate tax rate.

The Company has appropriately reflected the corrections, made necessary by the material inadequacies disclosed, in its non-consolidated and consolidated financial statements.

The above facts were found out after the end of the current consolidated fiscal year, and the Company could not correct the said material inadequacies disclosed by the end of the said fiscal year.

The Company recognizes the importance of internal control over the financial reporting. To correct the material inadequacies to be disclosed, it will strengthen development and operation of internal control through implementation of the following and other measures to prevent recurrence at the Company and its consolidated subsidiaries and ensure reliability in its financial reporting.

(Measures for preventing recurrence)

1) Strengthening of the verification function in the account closing and financial reporting process

- Develop a system for receiving advice from external specialists regarding appropriate accounting practices under special circumstances such as liquidation of a consolidated subsidiary as well as in the fields for which the Group has insufficient internal human resources.
- Update checklists to exhaustively cover the check items in accordance with the accounting standards for recognition of impairment loss on non-current assets.
- Establish a process that takes the relevant consumption tax rate into account to check the figures

2) Improvement of structure for implementing timely and appropriate accounting practices including increasing personnel

- Increase opportunities to participate in external workshops and other training occasions for employees engaged in and in charge of accounting to improve their knowledge
- Develop a structure that enables employees in charge of accounting who are engaged in monitoring to receive advice from external specialists as needed to improve their knowledge

4. [Supplementary information]

There are no matters to be noted.

5. [Notable matters]

There are no special matters to be noted.

[Cover]

[Document being filed]	Confirmation Document
[Legal basis]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Submitted to]	Director-General of the Kanto Local Finance Bureau
[Date of submission]	June 30, 2023
[Company name]	DKK Co., Ltd.
[Company name in English]	DKK Co., Ltd.
[Position and name of representative]	Tadatoshi Kondo, President and Representative Director
[Name and position of chief financial officer]	There are no matters to be noted.
[Location of Headquarters]	3-3-1 Marunouchi, Chiyoda-Ku, Tokyo
[Places where the document will be made available for viewing]	Osaka Branch of DKK Co., Ltd.
	(2-30, Toyotsu-cho, Suita-shi, Osaka)
	Nagoya Branch of DKK Co., Ltd.
	(1-4-13, Higashi-Sakura, Higashi-ku, Nagoya-shi, Aichi)
	Tokyo Stock Exchange, Inc.
	(2-1, Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. [Matters regarding appropriateness of content of annual securities report]

The Company's President and Representative Director Tadatoshi Kondo confirmed that the content of the Company's annual securities report for the 97th term (from April 1, 2022 to March 31, 2023) was prepared appropriately in accordance with provisions in the Financial Instruments and Exchange Act.

2. [Notable matters]

There are no special matters to be noted.