



# First Half Results for the Fiscal Year Ending March 31, 2022

December 1, 2021

DKK Co., Ltd.

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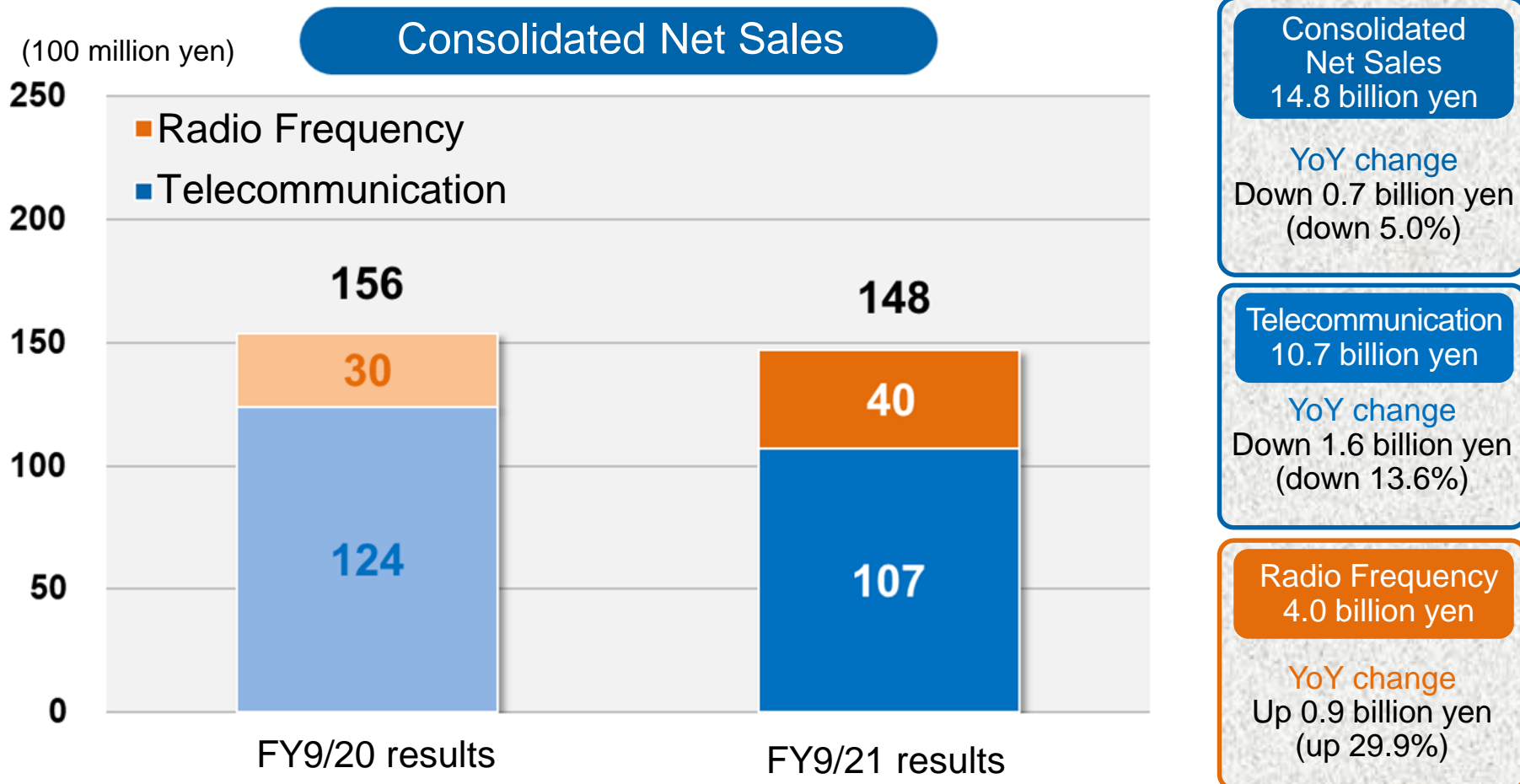
5. Toward Higher Corporate Value

# 1. FIRST HALF HIGHLIGHTS

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# Consolidated Net Sales

- Consolidated net sales fell 5% year on year.
- Net sales for Telecommunication Business decreased 13.6% affected by the impact of the COVID-19 pandemic and as demand fell temporarily for the Fixed Wireless segment.
- Net sales increased 29.9% for Radio Frequency Business as demand from the automotive industry recovered mainly in the overseas markets.

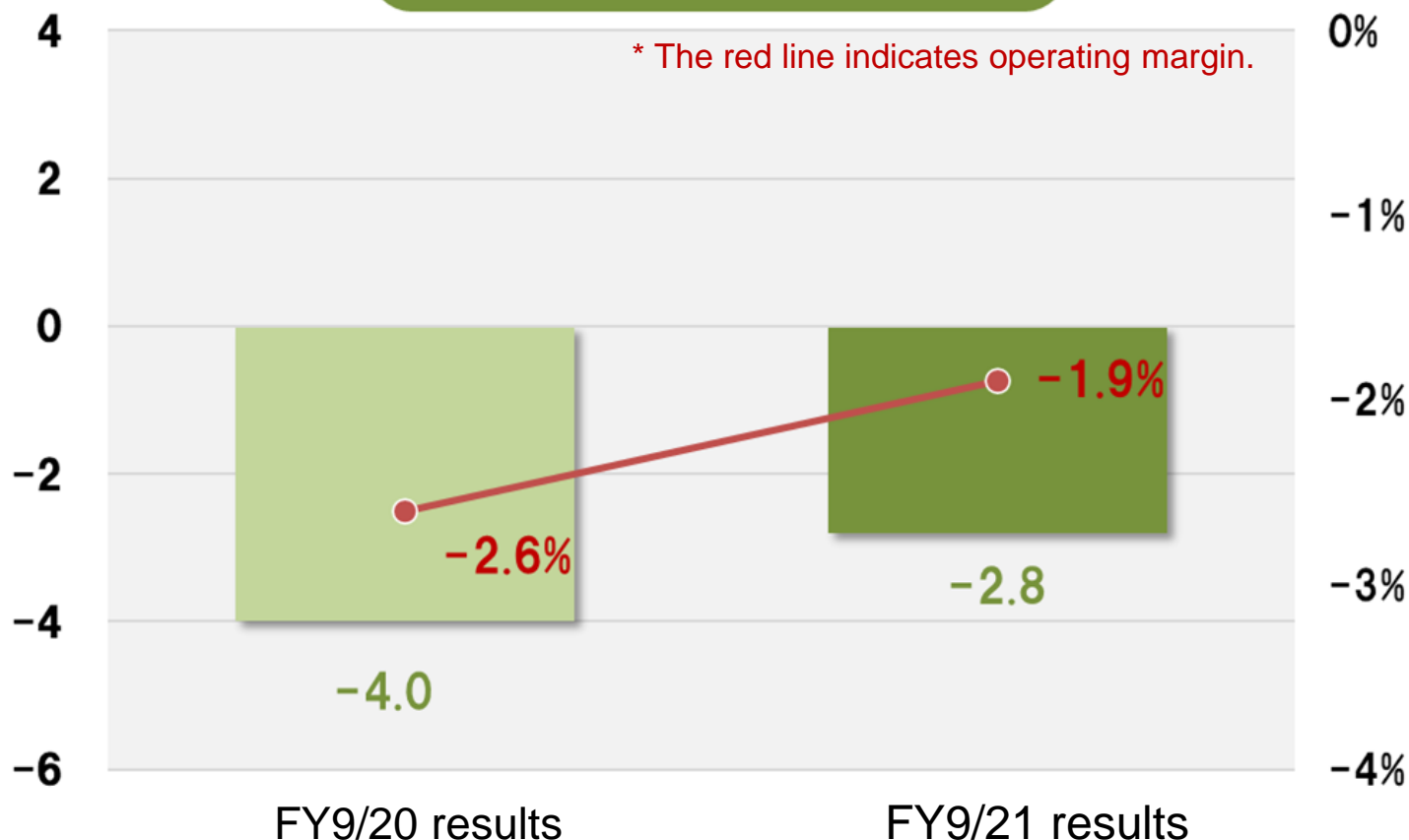


# Consolidated Operating Income

■ Consolidated operating income increased 0.12 billion yen year on year, helped by a cost-cutting drive and an improved operating margin for the Radio Frequency Business.

(100 million yen)

## Consolidated Operating Income



0%

-1%

-2%

-3%

-4%

Consolidated operating loss  
-0.28 billion yen

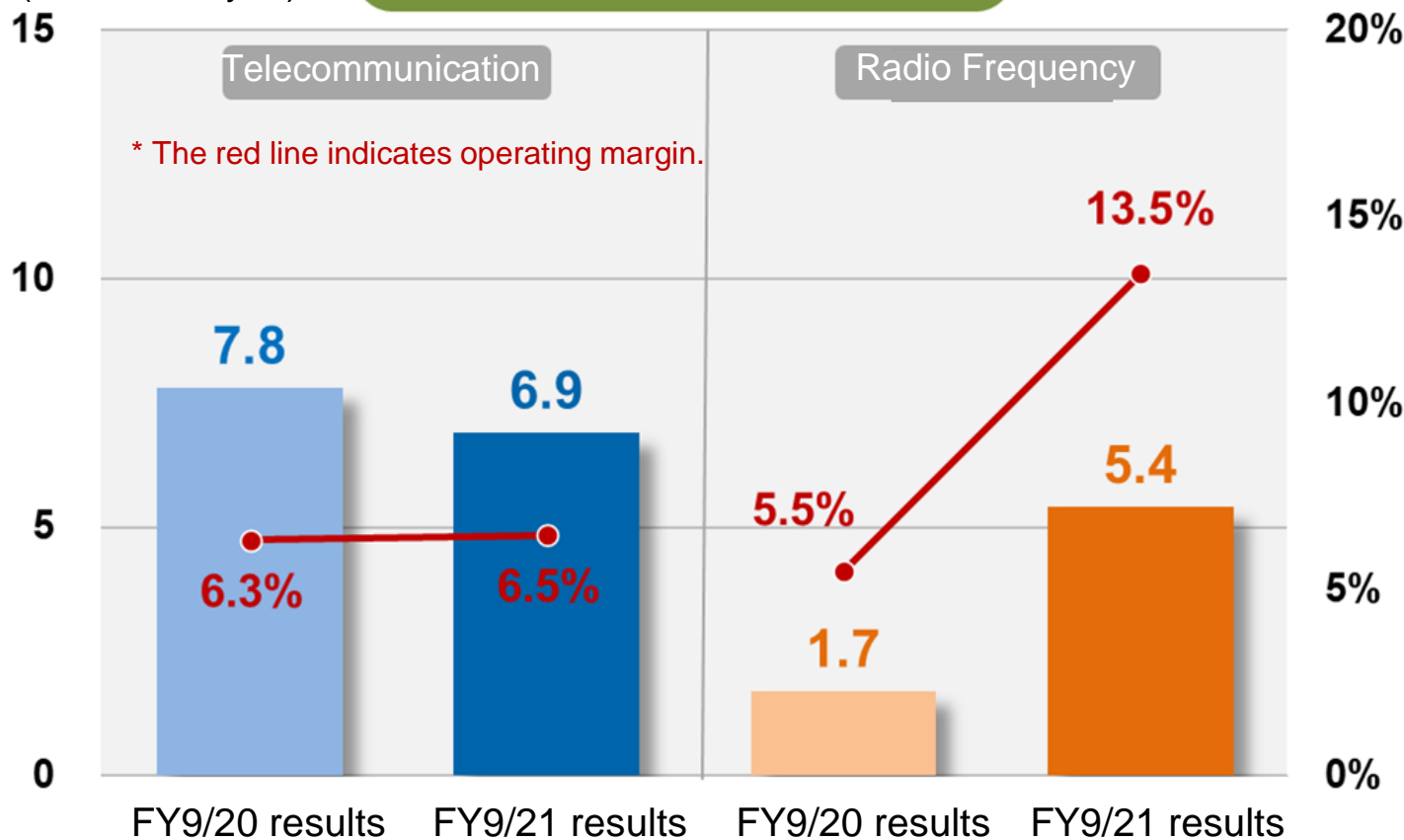
YoY change  
Up 0.12 billion yen

# Segment Income (Consolidated)

- Profit of the Telecommunication Business fell slightly as demand for administrative radio broadcast systems dipped temporarily, although there are signs that demand for 5G antennas may grow in earnest.
- Profit increased 0.37 billion yen for the Radio Frequency Business as signs emerged that demand may be recovering from the sharp drop amid the impact from the COVID-19 pandemic, although the impact of a global semiconductor shortage continues to be felt.

(100 million yen)

## Segment income



**Telecommunication**  
0.69 billion yen

YoY change  
Down 0.09 billion yen  
(down 11.7%)

**Radio Frequency**  
0.54 billion yen

YoY change  
Up 0.37 billion yen  
(up 217.9%)

# Overview of Consolidated First Half Results

- Ordinary income increased about 0.2 billion yen year on year as operating income grew.
- Quarterly net income rose 0.48 billion yen as operating income improved and tax expenses decreased.

(Millions of yen)

	FY9/20 results	FY9/21 results	YoY change	
			Amount	Percentage
Net sales	15,646	14,870	-776	-5.0%
Telecommunication	12,486	10,793	-1,693	-13.6%
Radio Frequency	3,099	4,025	925	29.9%
Cost of sales	13,177	12,140	-1,036	-7.9%
Gross profit	2,468	2,729	260	10.5%
Selling, general, and administrative expenses	2,875	3,011	135	4.7%
Operating income	-407	-281	125	-
Operating margin	-2.6%	-1.9%	-	-
Telecommunication	789	697	-92	-11.7%
Operating margin	6.3%	6.5%	-	-
Radio Frequency	170	542	371	217.9%
Operating margin	5.5%	13.5%	-	-
General and administrative expenses, etc.	-1,367	-1,521	-154	-
Ordinary income	-374	-181	192	-
Ordinary income margin	-2.4%	-1.2%	-	-
Quarterly net income attributable to shareholders of parent company	-469	18	487	-

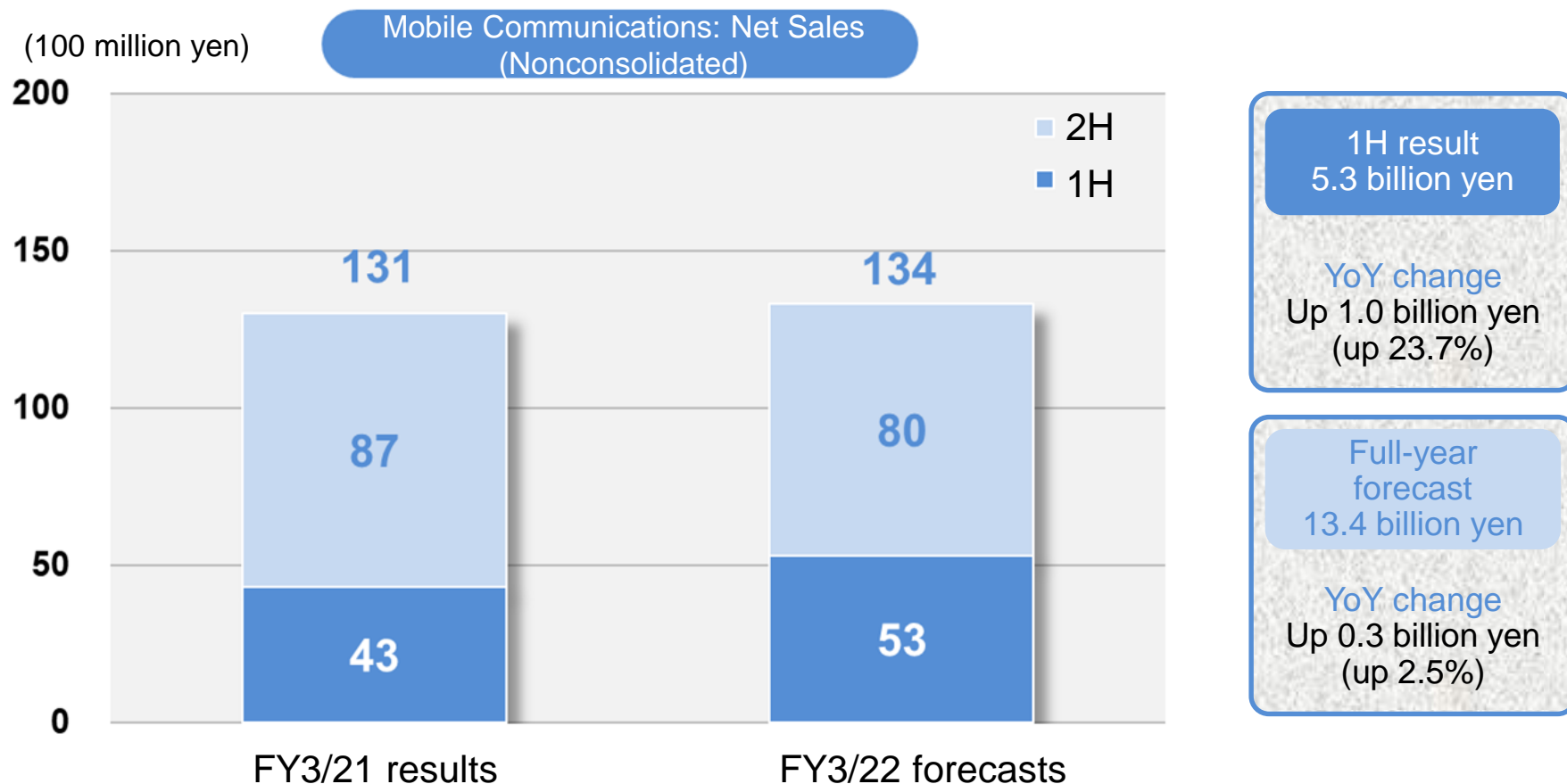
Note 1: Net sales of Other segment omitted

## 2. SEGMENT RESULTS (NONCONSOLIDATED)



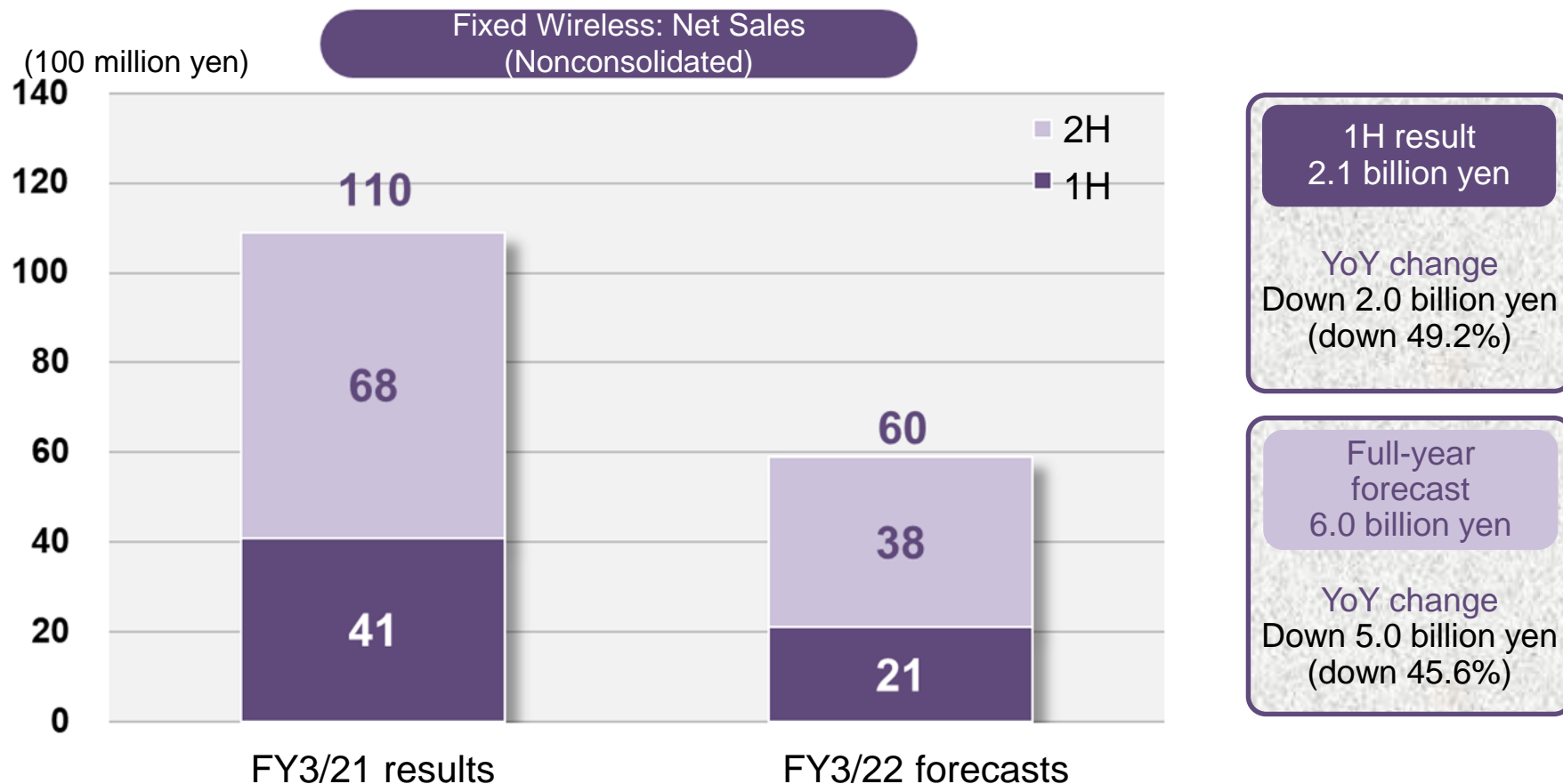
# Mobile Communications: Net Sales (Nonconsolidated)

- Net sales rose about 1.0 billion yen from a year ago as demand for 5G antennas showed signs for full-blown growth and demand from mobile carriers' capital expenditures increased earlier than expected.
- As we expect mobile carriers' moves to install 5G base stations may slow temporarily in the second half, we estimate the full-year figure would come to 13.4 billion yen, a slight increase from a year earlier.



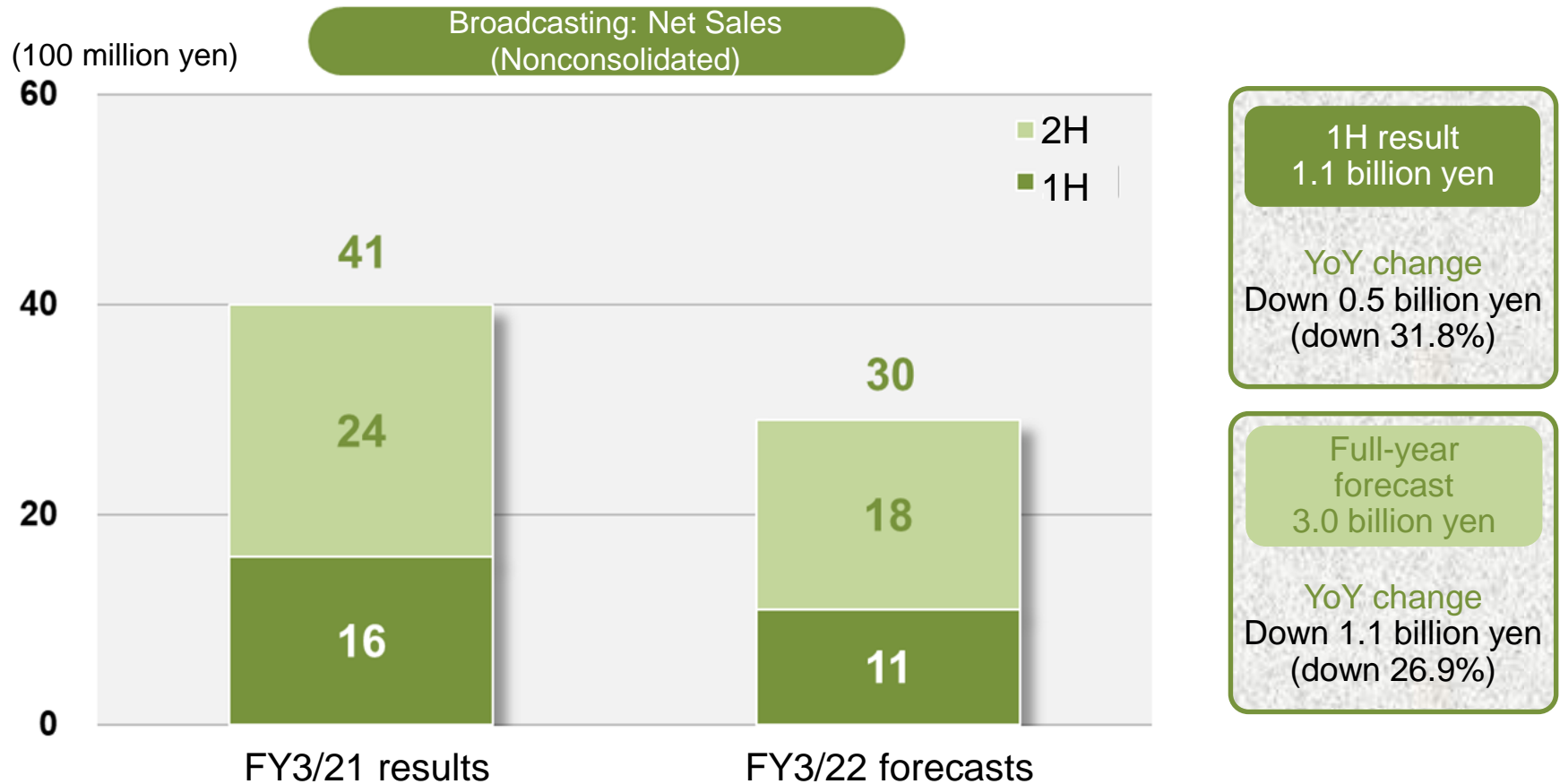
# Fixed Wireless: Net Sales (Nonconsolidated)

- First-half net sales dropped about 49% year on year to 2.1 billion yen as demand related to administrative radio systems for disaster prevention use, which had been driven by local governments' moves to strengthen disaster-prevention systems and digitalization, dipped temporarily.
- We expect full-year net sales to decrease about 46% year on year to 6.0 billion yen as demand from customers' capital expenditures have been delayed due in part to the impact of the COVID-19 pandemic.



# Broadcasting: Net Sales (Nonconsolidated)

- First-half net sales for the Broadcasting segment dropped about 32% year on year to 1.1 billion yen as demand from broadcasters' moves to update or service equipment has been delayed, affected by the impact from the COVID-19 pandemic.
- Although we aim to capture demand from broadcasters' moves to update existing equipment, we expect full-year net sales to fall about 27% year on year to 3.0 billion yen, as we see the trend seen in the first half is likely to remain.

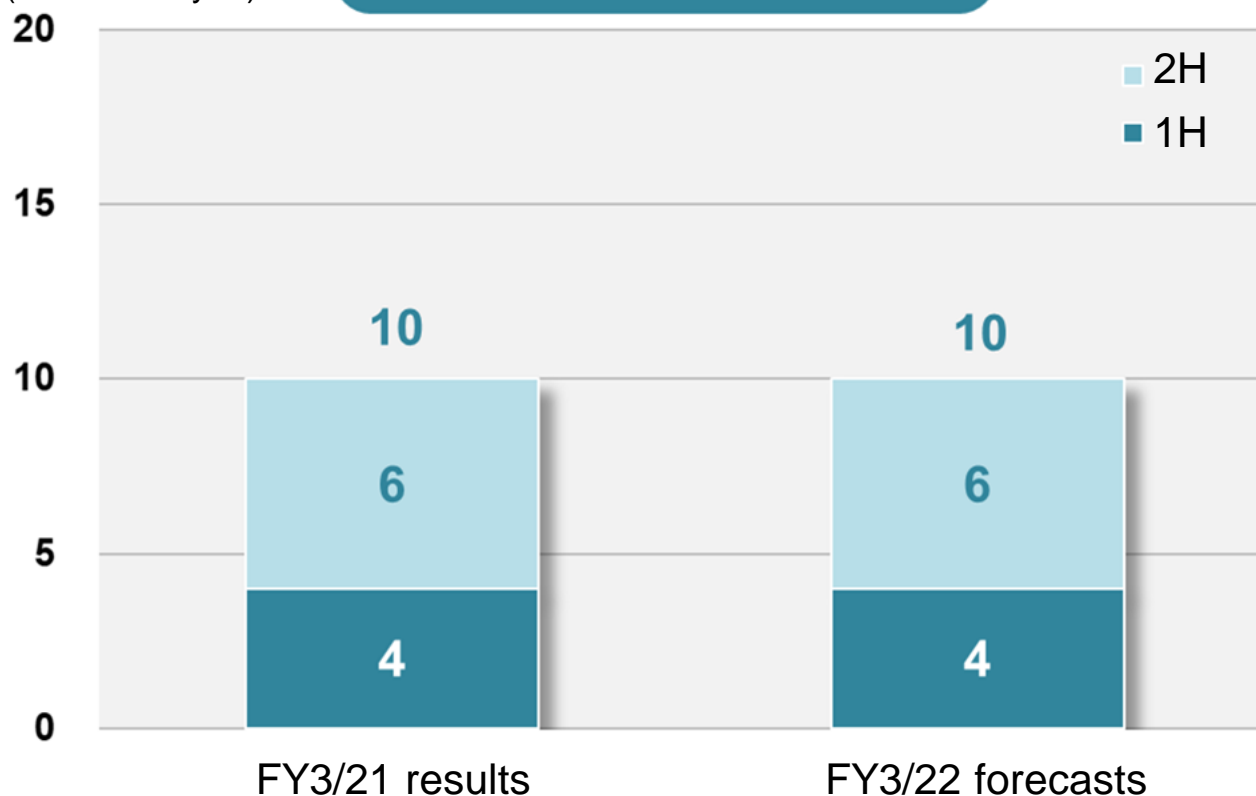


# Other: Net Sales (Nonconsolidated)

- First-half net sales came to 0.4 billion yen, unchanged from the year-earlier level, as we worked to stimulate demand for LED aviation obstacle lights and thermal camera systems.
- We expect full-year net sales to come to 1.0 billion yen, largely unchanged from a year earlier, as we continue to work to stimulate new demand.

(100 million yen)

Other: Net Sales (Nonconsolidated)



1H result  
0.4 billion yen

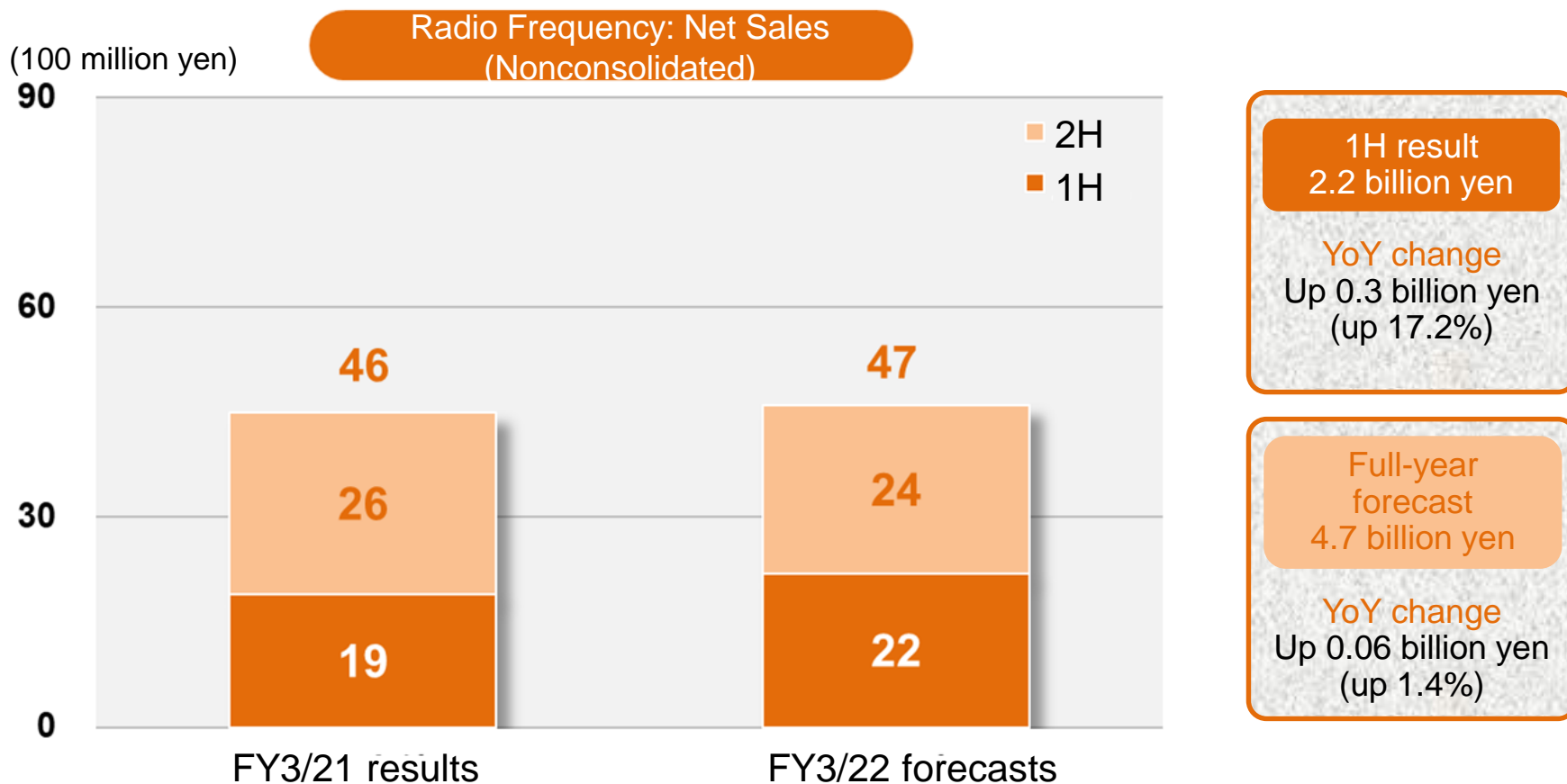
YoY change  
Unchanged

Full-year  
forecast  
1.0 billion yen

YoY change  
Unchanged

# Radio Frequency: Net Sales (Nonconsolidated)

- First-half net sales rose 17% to 2.2 billion yen, as demand from capital spending has shown some signs of coming back after a sharp drop due to the impact from the COVID-19 pandemic.
- Despite some signs of recovery are seen in the business environment for automakers, the impact of a global semiconductor shortage remains. We estimate full-year net sales of 4.7 billion yen as we believe it will take time for demand to recover in earnest.



# Business Situations and Full-Year Outlook (Summary)

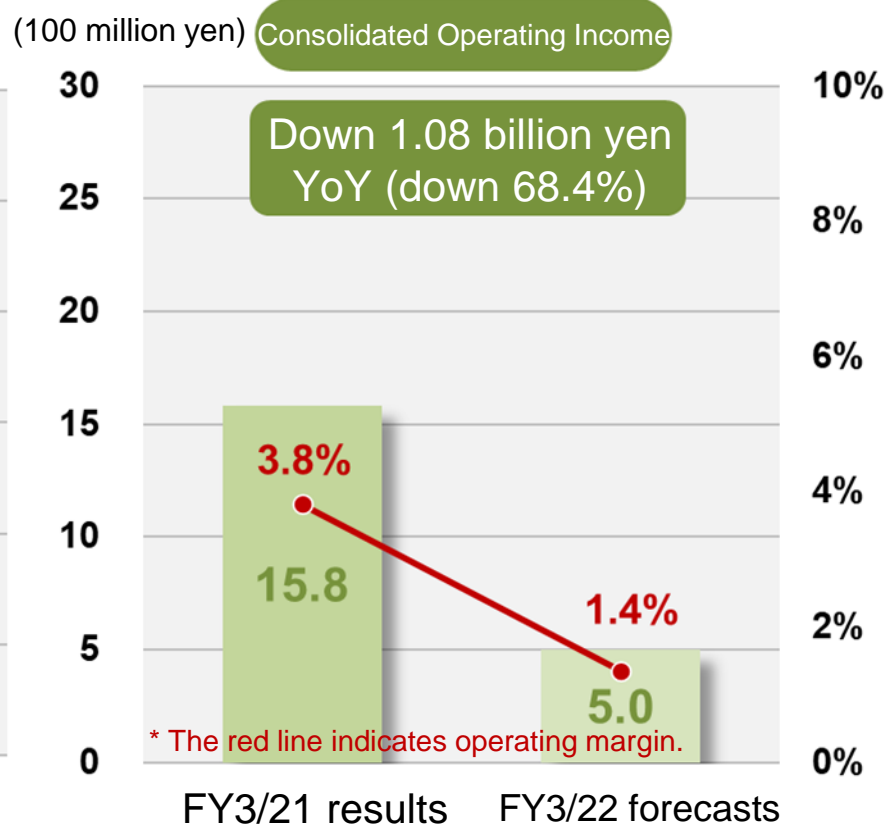
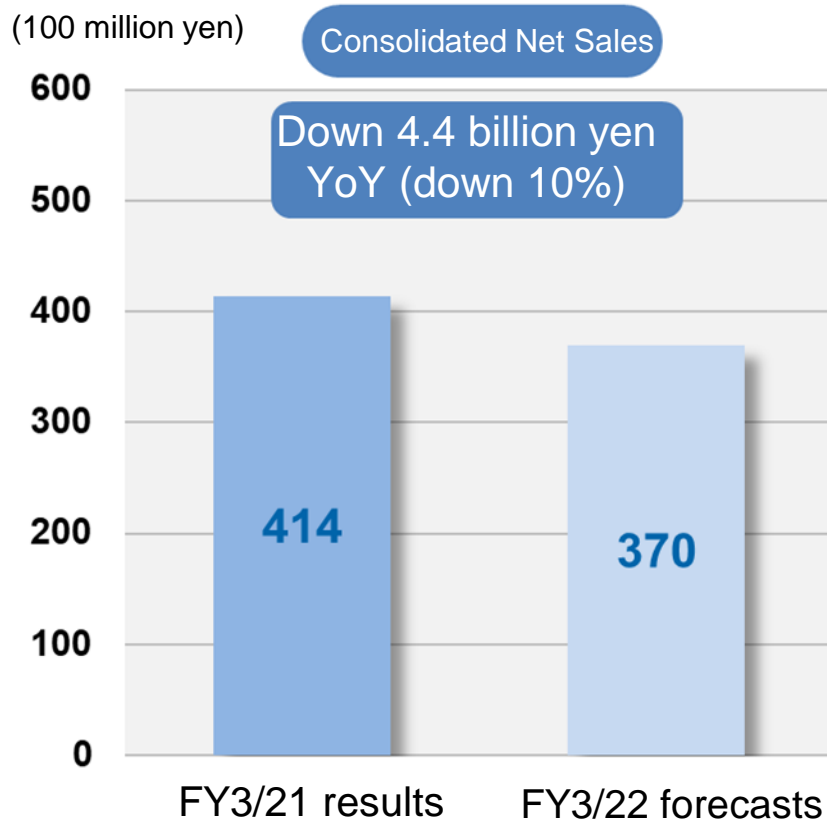
Segment	Full-year outlook
Mobile Communications	We think mobile carriers' investments could slow down as investments were moved forward in the first half. We thus believe the current situation calls for cautious judgment.
Fixed Wireless	Local governments have postponed allocating budgets to capital spending on fixed wireless systems as they prioritized counter-COVID-19 measures in the first half, and, as a result, the number of orders received during the period has remained lower than expected. We aim to put effort into capturing the expected demand increase due to the extension of the "emergency disaster prevention and mitigation program bonds."
Broadcasting	Spread of COVID-19 has slowed for now, but the situation of the pandemic is expected to remain uncertain. As such, we expect the situation seen in the first half for the Broadcasting segment will remain in the second half.
Radio Frequency	Although the impact from the pandemic and the semiconductor shortage remains uncertain, we expect some recovery in the contract heat treating service and demand from capital expenditures.

# 3. FULL-YEAR OUTLOOK

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# Consolidated Net Sales and Operating Income

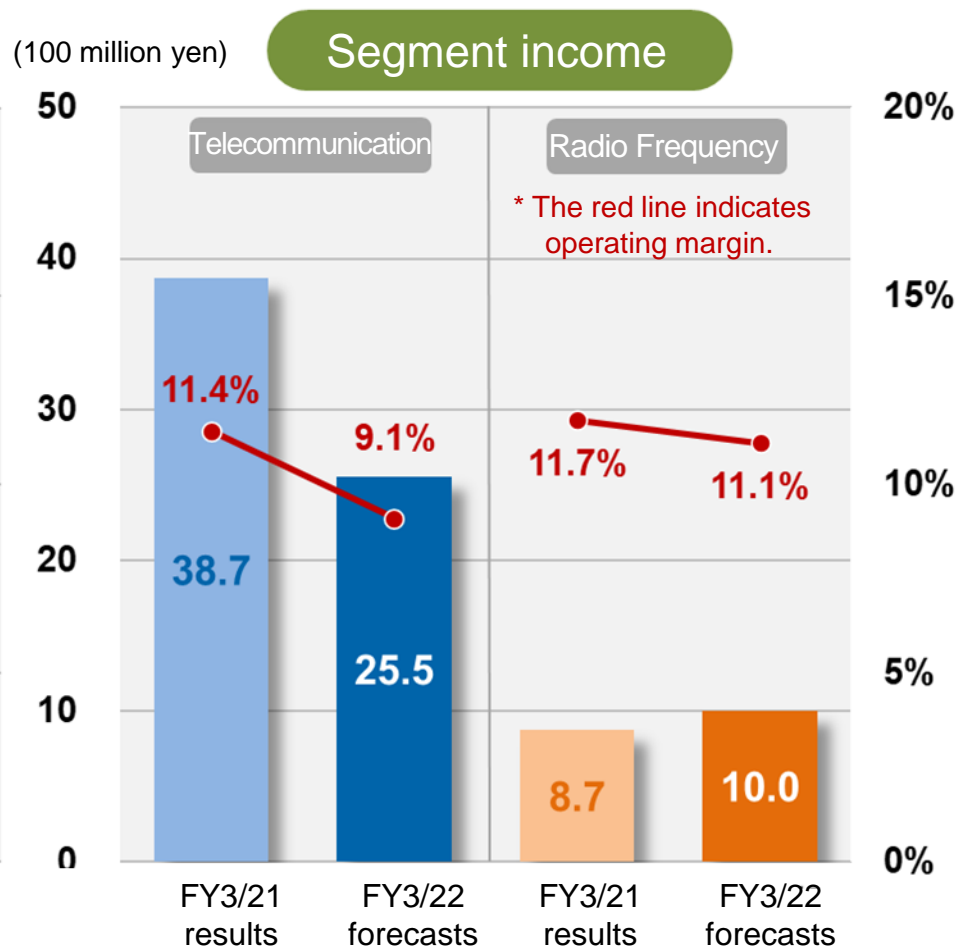
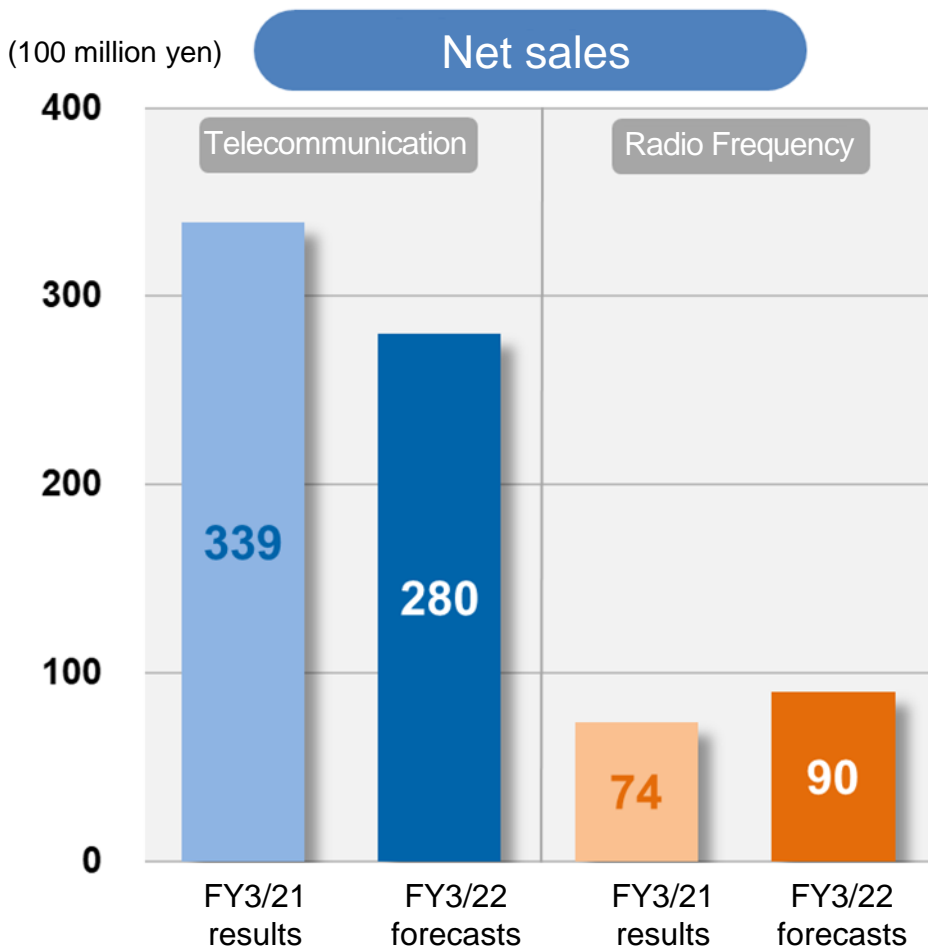
- We expect net sales to fall below the level in the previous year as demand from customers' capital spending has been delayed mainly in the Fixed Wireless and Broadcasting segments due mainly to the impact of the COVID-19 pandemic.
- We expect operating income to fall short of the previous forecast as we expect revenues to fall and an impact from higher material costs and higher logistics costs will be felt, despite our continued efforts to reduce costs.
- Operating income is being affected also by our focus on corporate reforms, including measures to reinforce governance.





# Segment Results (Consolidated)

- We estimate net sales will drop 17.5% in the Telecommunication segment and rise about 21.1% in the Radio Frequency segment.
- Profit is estimated to decrease 34.2% in the Telecommunication Business but increase 14.8% in the Radio Frequency Business.



# Overview of Consolidated Full-Year Outlook

- Ordinary income is expected to drop about 61% from the year-earlier level due to a drop in operating income.
- Net income is expected to fall just 0.15 billion yen as we expect to book extraordinary income from the sale of shareholdings as part of effort to reduce cross-held shares.

(Millions of yen)

	FY3/21 results	FY3/22 forecasts	YoY change	
			Amount	Percentage
<b>Net sales</b>	41,478	37,000	-4,478	-10.8%
Telecommunication	33,942	28,000	-5,942	-17.5%
Radio Frequency	7,430	9,000	1,569	21.1%
<b>Operating income</b>	1,583	500	-1,083	-68.4%
Operating margin	3.8%	1.4%	-	-
Telecommunication	3,876	2,550	-1,326	-34.2%
Operating margin	11.4%	9.1%	-	-
Radio Frequency	870	1,000	129	14.8%
Operating margin	11.7%	11.1%	-	-
General and administrative expenses, etc.	-3,163	-3,050	113	-
<b>Ordinary income</b>	1,799	700	-1,099	-61.1%
Ordinary income margin	4.3%	1.9%	-	-
<b>Net income attributable to shareholders of parent company</b>	1,155	1,000	-155	-13.4%
ROE	2.5%	2.1%	-	-

Note 1: Net sales of Other segment omitted

# Corporate Reform Initiatives

- We expect to incur increased costs going forward, as we aim to aggressively carry out reforms, including governance reforms, aiming to reinforce corporate strengths and ensure the Company's growth and development in the future.

## Governance reforms

- Development of compliance structure and reforms of workplace culture enlisting external consulting services and attorneys
- Efforts to reinforce information security structure and acquire ISO certification
- Effort to reinforce risk management structure for entire group

## Reforms for future growth

- Production system reforms aimed at improving productivity
- Develop advanced technologies at an early phase we expect to introduce in the future
- Measures to expand business scope and sales reforms to realize further expanding market shares

# Shareholder Return

- Dividend policy changed as announced in news release dated November 10, 2021
- Year-end payout increased to 60 yen from 45 yen per share in accordance with changed dividend policy

## Our policy on shareholder return

Targeting payout ratio of 40% while setting lower limit of 1.5% in DOE

Our policy is to link shareholder returns to business results of the period and aim for a payout ratio of 40% on a consolidated basis and trying to stay above the lower limit of 1.5% in dividend on equity ratio (DOE) on the consolidated basis. In addition, we aim to remain flexible in buying back shares.



Year-end payout of ¥60 per share planned

# 4. NEW INITIATIVES

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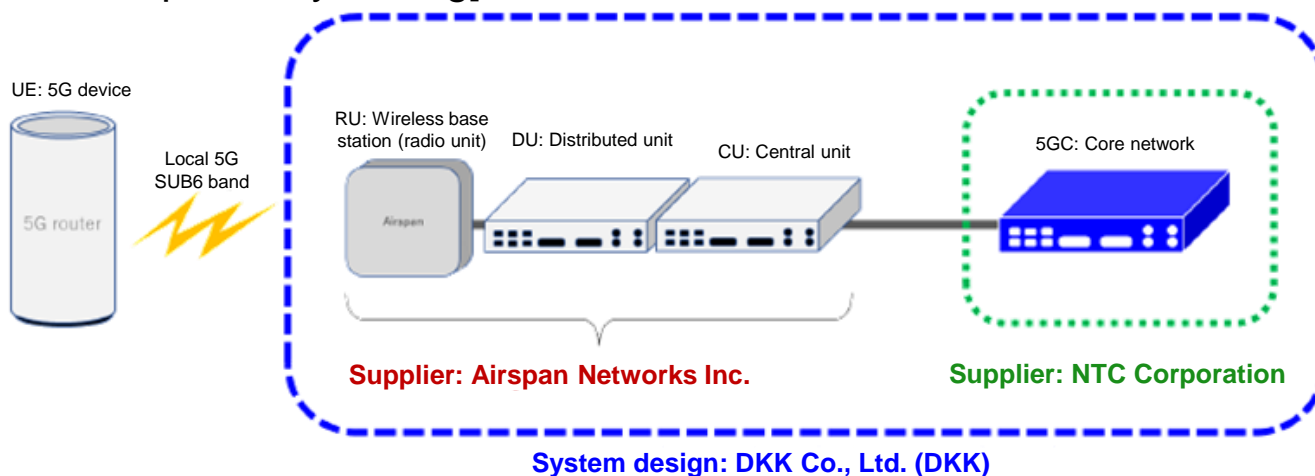
# Completion of Sub6 band system interoperability testing

## Interoperability testing (IOT) and its significance

- Interoperability testing is a test to find out if devices equipped with communication functions can connect with each other under a variety of communication standards.
- In a joint project with NTC Corporation, we connected a 5G core network with a radio access network comprised of an RU, a CU and a DU, and successfully connected it with a 5G device and confirmed proper functioning, using a local, Sub6-band 5G wireless system.

We began selling a millimeter-wave RU and commercialized a Sub6-band local 5G system.

[Scheme used in interoperability testing]



## Acquisition of local 5G license and examples of planned use case

- Radio license for Sub6 band (4.8GHz-4.9GHz) obtained on November 11, 2021; following measures to be introduced.

### 1. Automated parts inspection

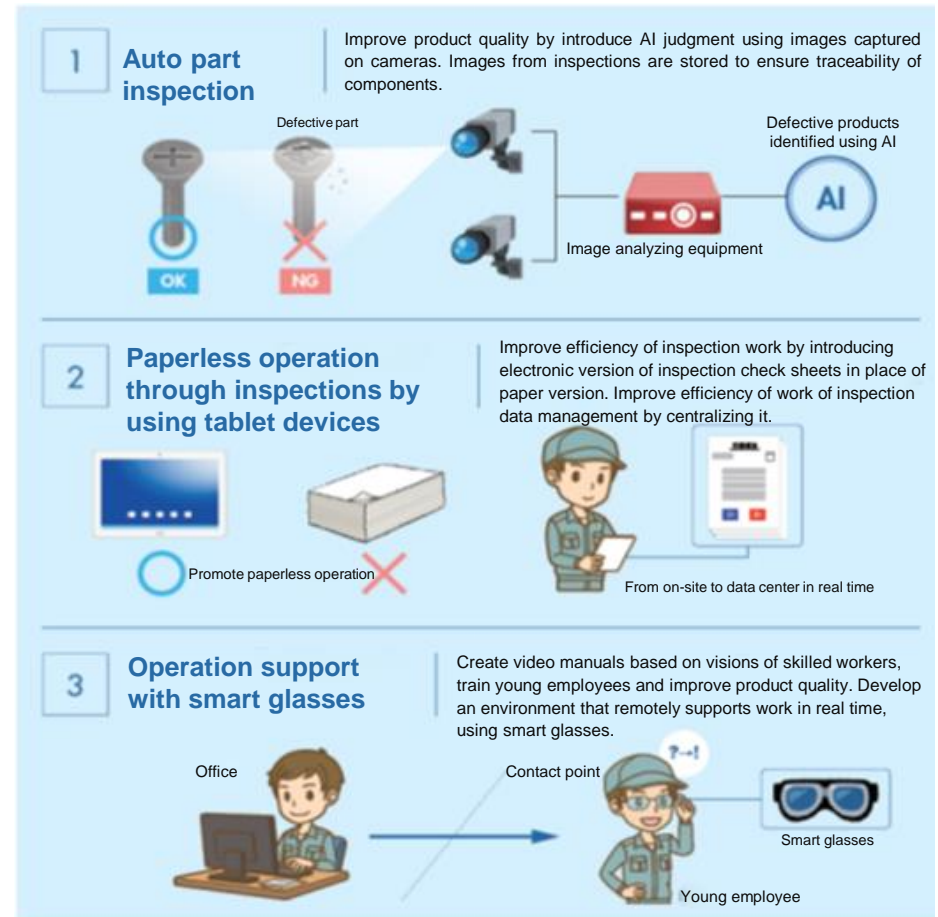
Automated parts inspection by a judgment system using high-definition cameras and AI

### 2. Paperless operation

Electronization of paper documents; paperless operation management with tablet devices

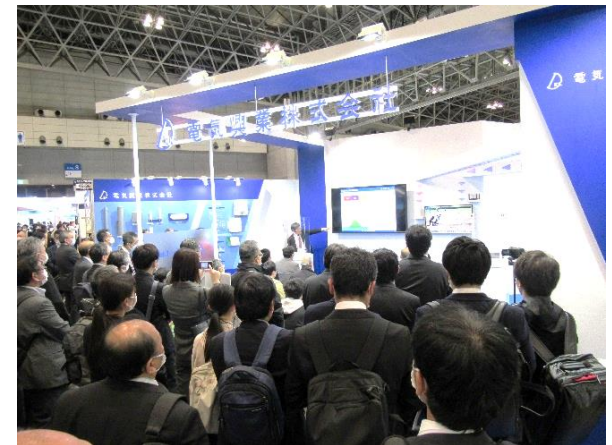
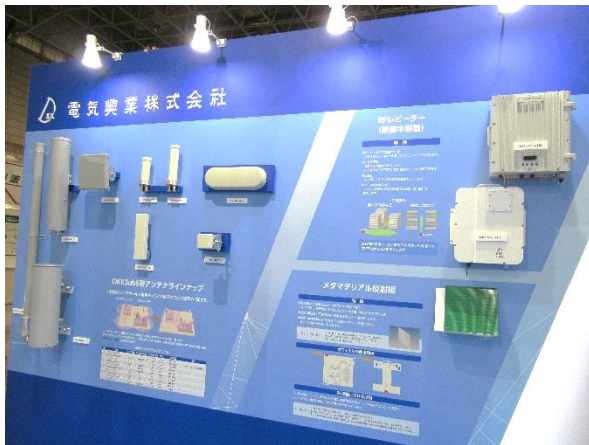
### 3. Operation support with smart glasses

Creation of video manuals providing work instructions and introduction of remote operation support system



## Participation in 4th 5G/IoT Network Expo

- We ran a booth at the 5G/IoT Network Expo in October 27 to 29, 2021, aiming to develop demand in the local 5G market.
- We showcased DKK's technological strengths to visitors by exhibiting not just antennas but a variety of other devices, including repeaters, metamaterial reflector panels, and radio equipment.
- As we were able to establish connection with visitors who are highly interested in introducing local 5G, we aim to put effort into sales activities to capture demand they have.

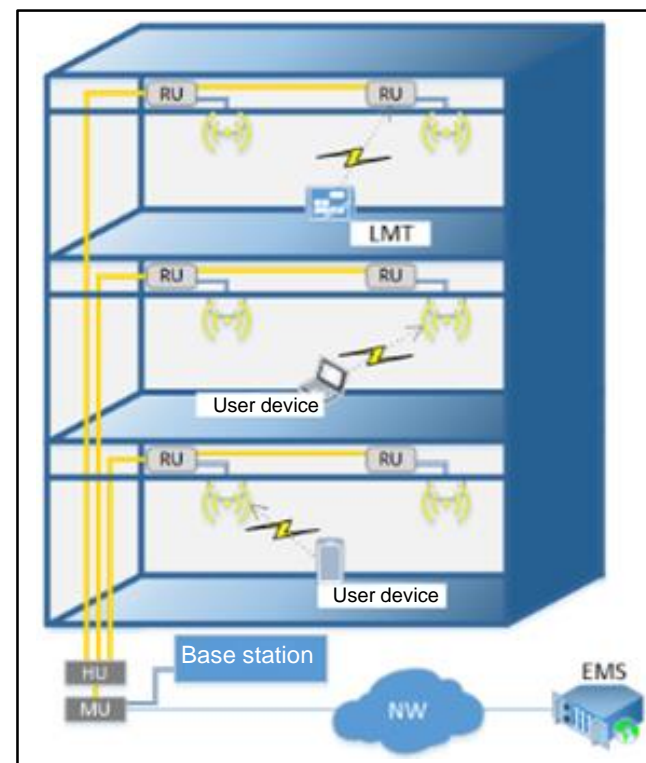




Developing radio equipment market that is new business area

- DAS refers to distributed antenna systems for indoor use.
- It is an effective solution to ensure radio waves can reach every corner in a structure, such as a shopping mall or a building.
- Use of DAS enables distribution of radio waves from base stations to multiple antennas and efficient area construction.

We expect demand to increase as 5G areas are expected to expand rapidly.



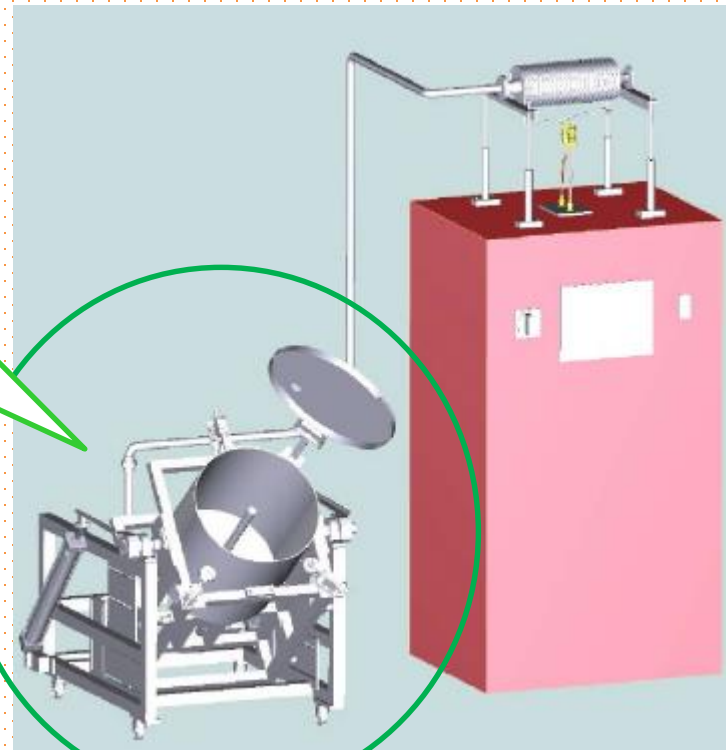
Conceptual diagram of DAS

In addition to processing of rice bran, we developed an automatic rotary oven system that uses superheated steam to roast coffee beans.

Sample photo: coffee beans



Superheated steam  
rotational roaster



Superheated steam rotational roaster  
and superheated steam generator

- We found beans roasted using DKK's induction heating equipment have good flavor and taste.
- We expect the beans roasted using the system, which has antioxidant, sterilizing and pasteurizing features, have the potential to have a longer expiration date than conventional products.

## Aggressively making investments in Radio Frequency business for realizing DKK's growth strategy

### Launch of Future Research Center

- Strengthen R&D function to develop a new business area where radio frequency technology is applied
- Information collection and study of possibilities for tie-ups aimed at expanding business in areas other than automotive industry



### Capital boost to Mexican subsidiary

- Strengthen products targeting Europe and North America by expanding heat treatment processing service
- Launch of coil business in Mexico



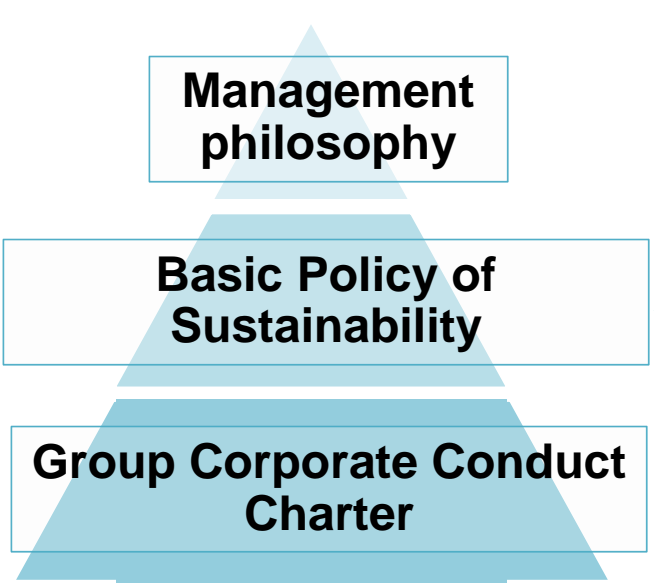
# 5. TOWARD HIGHER CORPORATE VALUE

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We established a Sustainability Basic Policy and set up a Sustainability Committee to promote to realize sustainable society.

## Role of Sustainability Committee

To identify materiality (material issues) for sustainability management, set initiatives and goals, present reports and make suggestions to the Board of Directors, and promote sustainability management.












We at the DKK Group strive to realize sustainable society and improve our corporate value over a medium to long term under the management philosophy of contributing to society and developing and growing.

We strive to create new value, "Pioneering the Future" for the goal of realizing comfortable living and sustainable society, and commit to fair corporate activity for contributing to society and the Group's further growth. On top of that, we attach importance to communicating with our stakeholders, respect human rights and individuality under appropriate corporate governance, and commit to fulfilling social responsibilities toward the international community by actively engaging in the development of society and the environment.

# Towards DKK sustainability

## Sustainability Committee decides materiality (material issues) for the Group

### DKK Group Materiality

Materiality	Priorities	SDGs
<b>Workplace culture and work style reforms</b>	<ul style="list-style-type: none"> <li>- Respecting human rights of employees (including those of cooperating companies)</li> <li>- Eliminating harassment</li> <li>- Accommodating diverse human assets; empowering women</li> <li>- Improving productivity using AI and IoT</li> </ul>	 
<b>Enhancing corporate governance</b>	<ul style="list-style-type: none"> <li>- Management that prioritizes compliance</li> <li>- Promoting communication with stakeholders</li> <li>- Maintaining transparency of management</li> <li>- Enhancing information security</li> </ul>	
<b>Contribution to social infrastructure development</b>	<ul style="list-style-type: none"> <li>- Building stronger information infrastructure</li> <li>- Maintaining safety through operation of disaster prevention business</li> <li>- Strengthening safety of motorized society</li> <li>- Maintaining safety and quality</li> </ul>	
<b>Promoting environmental management</b>	<ul style="list-style-type: none"> <li>- Promoting carbon neutrality</li> <li>- Energy-saving products</li> <li>- Expanding environmental products</li> </ul>	  
<b>Creation of new businesses</b>	<ul style="list-style-type: none"> <li>- Newly utilization of wireless and radio frequency technologies</li> <li>- Launching service business</li> </ul>	 

\* The SDGs Goal 17 (Partnerships for the goals) is regarded as the most important for achieving the SDGs and applies to all the materiality.



We have issued Compliance Declaration to raise awareness about compliance.

## Compliance Declaration

We, the DKK Group, position compliance as the top management priority in our endeavor to increase corporate value over a medium to long term to realize our ideal of "Pioneering the Future."

We prioritize adherence to corporate ethics, maintain internal rules and work to raise awareness about them, and engage in fair and honest corporate activities to operate business in compliance with law.

Aiming to be a company that gains trust of our society and stakeholders and continues to be needed by them, the officers and all employees of the DKK Group hereby pledges to comply with laws and regulations, social norms and internal rules, aim to create a work environment that encourages voluntary action and creativity, and behave in a responsible manner using sound judgment and in accordance with the DKK Group Corporate Conduct Charter.

DKK Co., Ltd.  
Tadatoshi Kondo  
President and Representative Director

Developing and maintaining a work environment where human rights of all employees, including those of group companies, are respected

## Toward maintaining harassment-free work environment

Issuance of declaration by top management

[Declaration on creation of harassment-free environment]

The DKK Group hereby pledges to eliminate and prevent harassment with strong determination and maintain a harassment-free work environment so that everybody can be respected as an individual and work in a sound and cheerful work environment, aiming to realize a work environment where everybody can speak out.

DKK Co., Ltd.  
Tadatoshi Kondo  
President and Representative Director

Raising awareness about compliance through management that prioritizes compliance

[Examples of initiatives]

- (1) Compliance education for officers, etc.
- (2) Management commitment to boost compliance initiatives
- (3) Designing of compliance program and verification  
(for directors, managing officers and high-ranking employees)
- (4) Clarification of authority and scope of responsibility for managerial positions



- All employees underwent e-learning program.
- In addition to the above, division head-level managers undergo participation-style training program focused on power and sexual harassment.



Establish Risk Management Committee to enhance the Group's risk-readiness

## Outline of Risk Management Committee

As risks surrounding businesses vary widely, the Risk Management Committee conducts cross-sectional measures, Audit Office conducts appropriate audits and the Board of Directors provides supervision.

### Purpose and role of Risk Management Committee

(Purpose)

Approvals and decision-making regarding risk management for all group members

(Role)

- Approval of risk management reports from divisions and departments and decision making
- Finalizing assessment of all risks
- Working out risk countermeasures to be taken by all Group members

### Internal factors

- Business strategy risk
- Operational risk
- Market compatibility risk, etc.

### External factors

- Macroeconomic risk
- Market risk
- Policy/regulatory risks
- Credit risk, etc.

- ▶ By developing a company-encompassing risk management structure, appropriate compliance is maintained and risk-taking is supported.  
We aim to put effort into this as an important management issue.

# Profit Distribution Policy

Realize reinforced shareholder returns as part of capital strategy called for in Medium- and Long-Term Management Strategy

We aim to achieve dividend levels of 2.0% in dividend on equity ratio (DOE) over a medium to long term. The DOE level of 2.0% was calculated based on the previous payout ratio of 40% (target) vs. ROE of 5%, the mid-term earnings target.

We will carry out payouts based on shareholders' equity as the lower limit, in addition to execution of dividends according to profits. We will continue rewarding shareholders regardless of the business performance, in view of the growth of shareholders' equity, including the profit-equivalent portion.

## New dividend policy and dividend forecasts

Aim for a payout ratio of 40% on a consolidated basis and to stay above the lower limit of 1.5% in DOE (target)

	Dividend payout	Payout ratio	DOE
Year ended March 2021	45 yen	47.0 %	about 1.2%
Year ending March 2022	60 yen	71.5 %	about 1.5%

We established a policy to reduce cross-held shares and decided to not hold the shares that do not justify holding.

## Targets for reducing cross-held shares

We aim to reduce the number of issues by at least 25% by the end of March 2023 and at least 50% by the end of March 2025.

Date	Number of issues
Current (end of September 2021)	40
End of March 2023	30 or less
End of March 2025	20 or less

Reduction of at least 25%

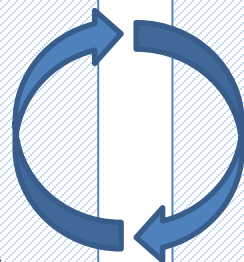
Reduction of at least 50%

The diagram features a table with three rows. The first row is 'Current (end of September 2021)' with 40 issues. The second row is 'End of March 2023' with '30 or less' issues. The third row is 'End of March 2025' with '20 or less' issues. A blue arrow points from the 'Current' row to the 'End of March 2023' row, labeled 'Reduction of at least 25%'. Another blue arrow points from the 'Current' row to the 'End of March 2025' row, labeled 'Reduction of at least 50%'.

We received compatibility results regarding the compatibility situation for the Prime Market from the Tokyo Stock Exchange, and applied for Prime Market listing.

## Responsibility associated with listing on Prime Market

- Maintain higher level of governance
- Constructive dialogue with investors
- Market capitalization (liquidity) at levels that justify investment by many institutional investors
- Analysis of climate change risk and profit opportunities, disclosure of policies, etc.



## Corporate advantages of Prime Market listing

- Tighter internal and external checks on efforts to strengthen governance and increase corporate value
- Evaluation in stock market; showcasing of company to broad range of investors
- Advantages in hiring, enhanced motivation of employees, etc.

Recognizing that it is a market for companies committed to maintaining sustainable growth and increasing corporate value over a medium to long term, we aim to step up efforts.

# APPENDIX

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# Breakdown of Nonconsolidated Net Sales

(Millions of yen)

	FY3/21			FY3/22			YoY change					
	1H	2H	Full year	1H	2H	Full year	1H		2H		Full year	
	(Actual)	(Actual)	(Actual)	(Actual)	(Forecast)	(Forecast)	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net sales	12,697	21,611	34,308	11,515	17,484	29,000	-1,182	-9.3%	-4,126	-19.1%	-5,308	-15.5%
Telecommunication	10,579	18,765	29,344	9,401	14,568	23,970	-1,177	-11.1%	-4,196	-22.4%	-5,374	-18.3%
Mobile Communications	4,329	8,786	13,115	5,353	8,096	13,450	1,024	23.7%	-690	-7.9%	334	2.5%
Fixed Wireless	4,173	6,864	11,037	2,119	3,880	6,000	-2,053	-49.2%	-2,983	-43.5%	-5,037	-45.6%
Broadcasting	1,625	2,477	4,102	1,108	1,891	3,000	-517	-31.8%	-585	-23.6%	-1,102	-26.9%
Cable Broadcasting	3	21	24	380	89	470	377	11780.5%	67	312.0%	445	1786.1%
Other Businesses	447	615	1,063	439	610	1,050	-8	-1.9%	-5	-0.8%	-13	-1.3%
Radio Frequency	1,946	2,687	4,633	2,281	2,418	4,700	334	17.2%	-268	-10.0%	66	1.4%
Other Businesses	171	158	330	166	163	330	-5	-3.1%	4	3.0%	0	-0.1%

# Notes on Earnings Forecasts

Figures included in this document that are related to descriptions, including plans and policies and not past facts, are forecasts regarding future earnings. They are all calculated based on management assumptions and views based on information grasped by the company at the time of writing.

Therefore, these forecasts include risks and uncertain factors, and actual results may differ from them due to a variety of factors.

Such potential risks and uncertain factors include changes in economic situations and product demand levels in major markets, fluctuations in the foreign exchange market, changes in regulations in Japan and overseas, and accounting standards and practices.