



First Half Results for the Fiscal Year Ending March 31, 2023

**November 30, 2022
DKK Co., Ltd.**

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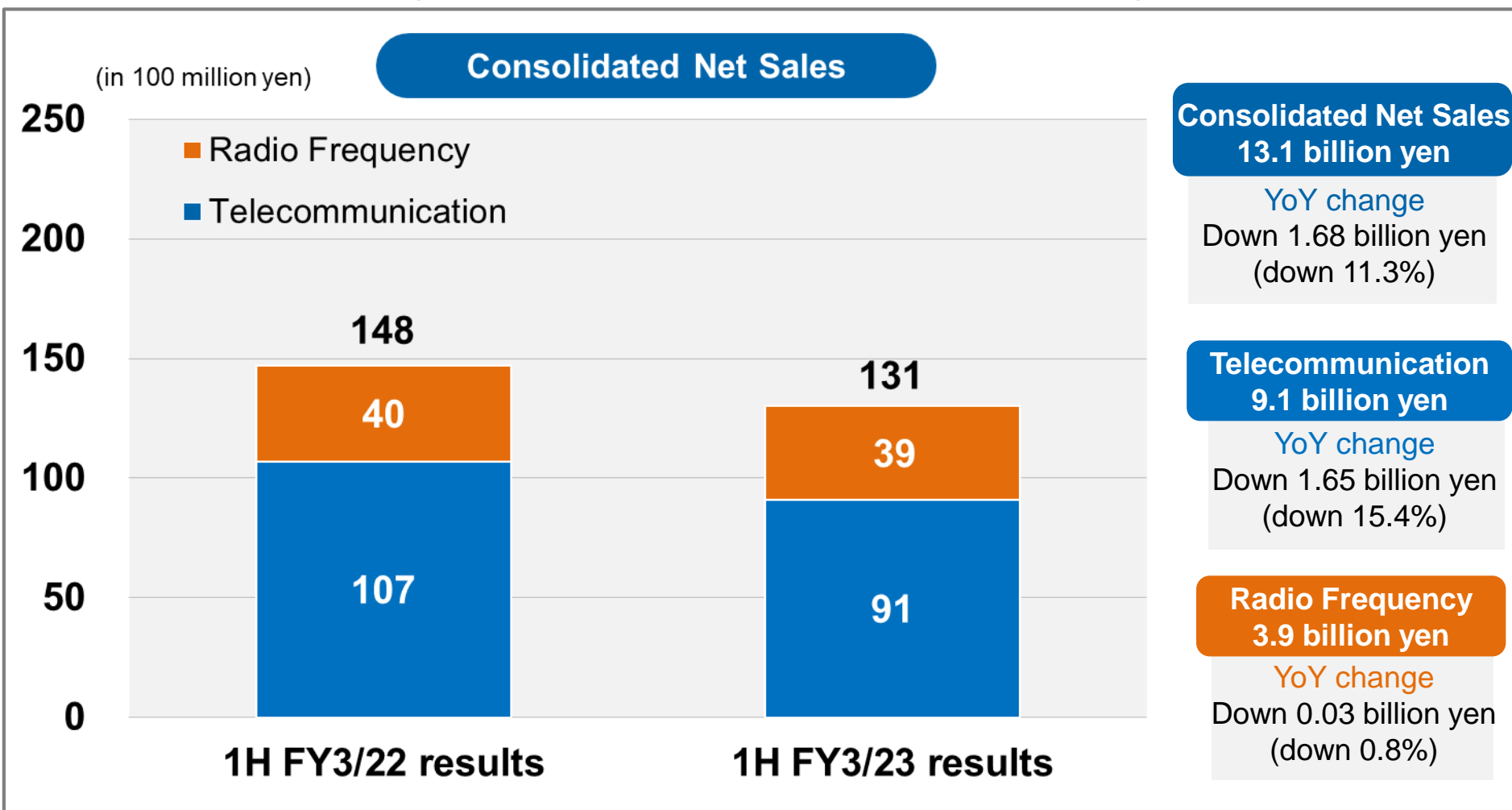
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1. RESULT HIGHLIGHTS

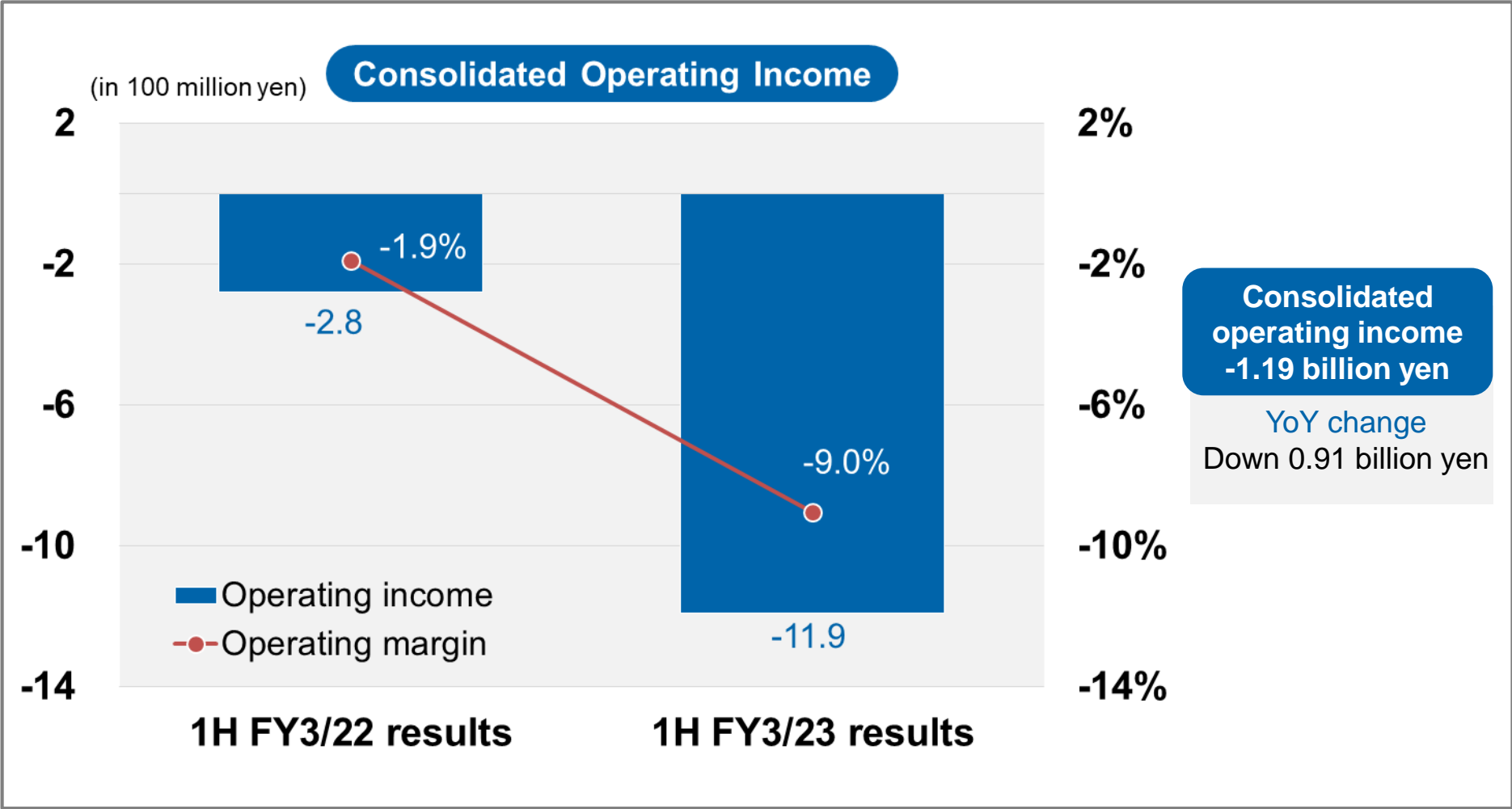
Consolidated Net Sales

- > Net sales for Telecommunication Business decreased due mainly to slumping demand in some areas, delays in construction schedules and longer lead time for orders for components.
- > Net sales for Radio Frequency Business decreased slightly affected by longer lead time for orders for components, although capital expenditure demand was on a recovering trend.



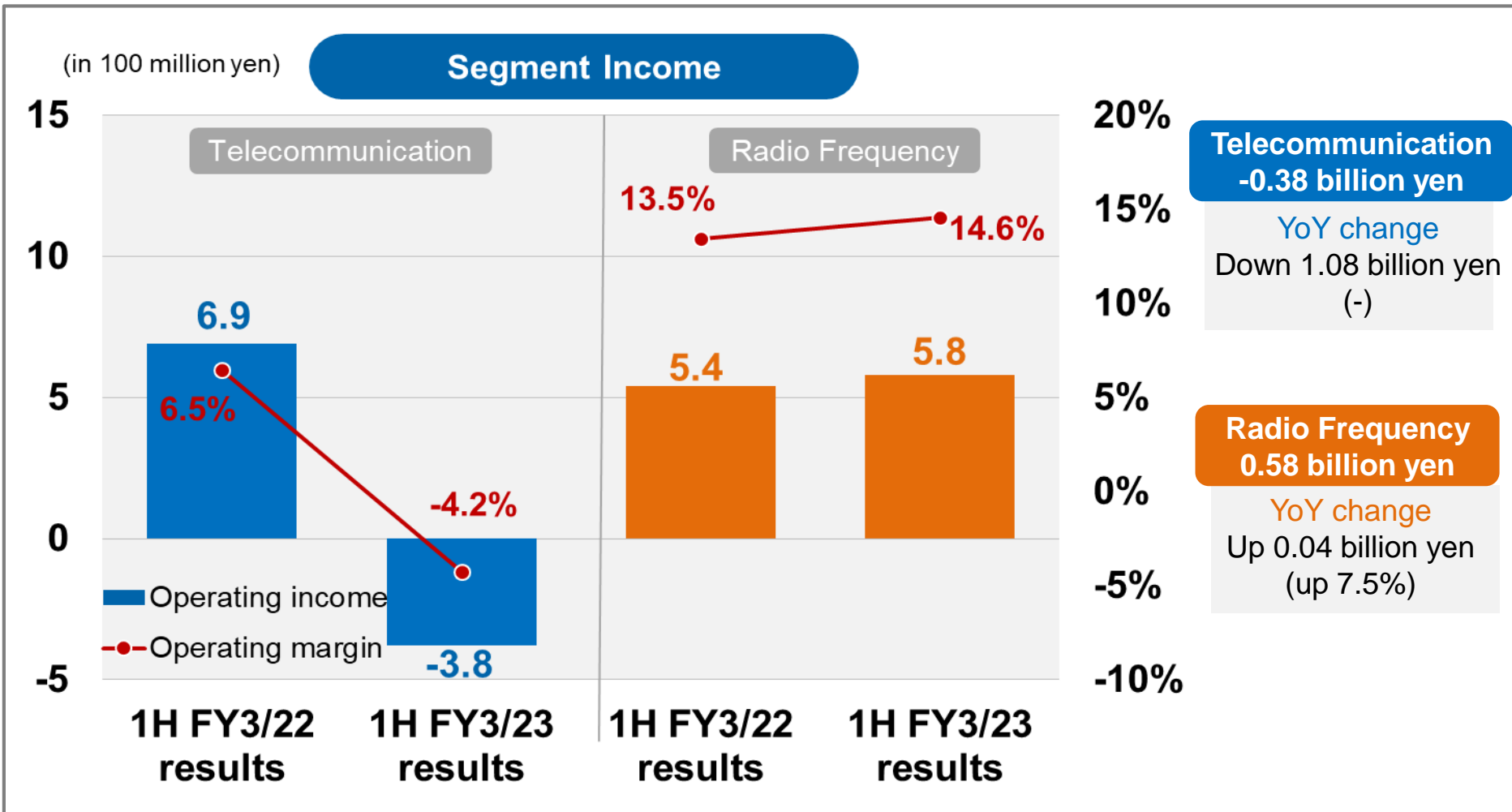
Consolidated Operating Income

> Consolidated operating income dropped due to a fall in net sales, as well as spikes in material prices, procurement costs, power bills, etc.



Segment Income (Consolidated)

- > Profit decreased for Telecommunication Business due to a drop in net sales and spikes in materials and logistics costs.
- > Profit rose for Radio Frequency Business thanks to efforts to improve operational efficiency, despite a spike in material prices.



Overview of Consolidated First Half Results

- Ordinary income fell 0.72 billion yen year on year as operating income decreased.
- Similarly, quarterly net income decreased 0.65 billion yen year on year.

■ Overview of 1H consolidated results

(Millions of yen)

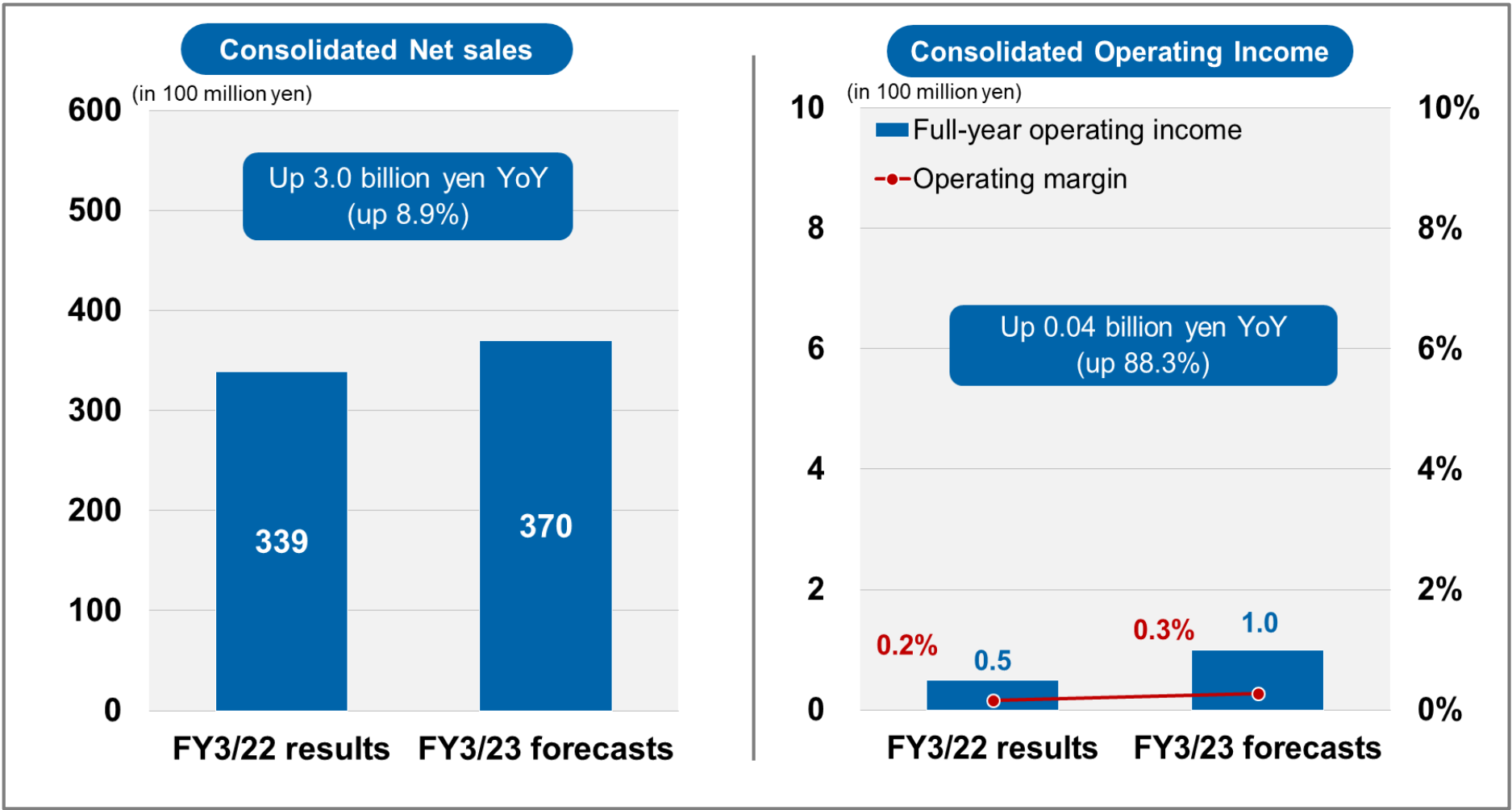
	1H FY3/22 results	1H FY3/23 results	YoY change	
			Amount	Percentage
Net sales	14,870	13,185	-1,684	-11.3%
Telecommunication	10,793	9,133	-1,659	-15.4%
Radio Frequency	4,025	3,994	-31	-0.8%
Cost of sales	12,140	11,523	-617	-5.1%
Gross profit	2,729	1,662	-1,067	-39.1%
Selling, general, and administrative expenses	3,011	2,854	-156	-5.2%
Operating income	-281	-1,192	-910	-
Operating margin	-1.9%	-9.0%	-	-
Telecommunication	697	-387	-1,084	-
Operating margin	6.5%	-4.2%	-	-
Radio Frequency	542	582	40	7.5%
Operating margin	13.5%	14.6%	-	-
General and administrative expenses, etc.	-1,521	-1,387	133	-
Ordinary income	-181	-906	-724	-
Ordinary income margin	-1.2%	-6.9%	-	-
Net income attributable to shareholders of parent company	18	-637	-655	-

Note 1: Net sales of Other segment omitted

2. FULL-YEAR OUTLOOK

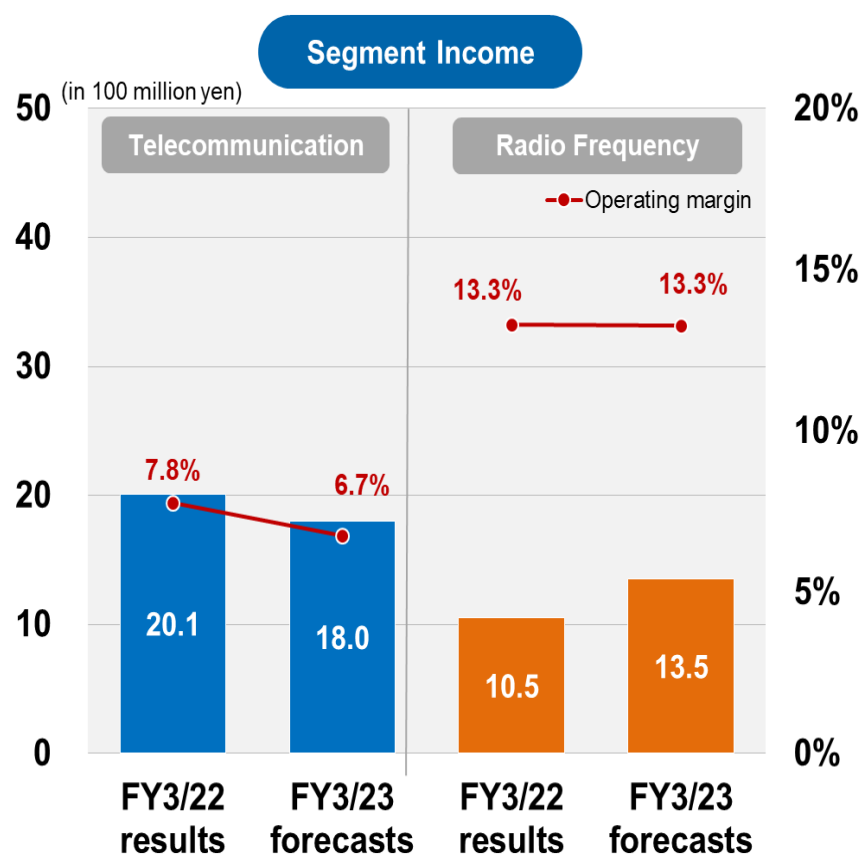
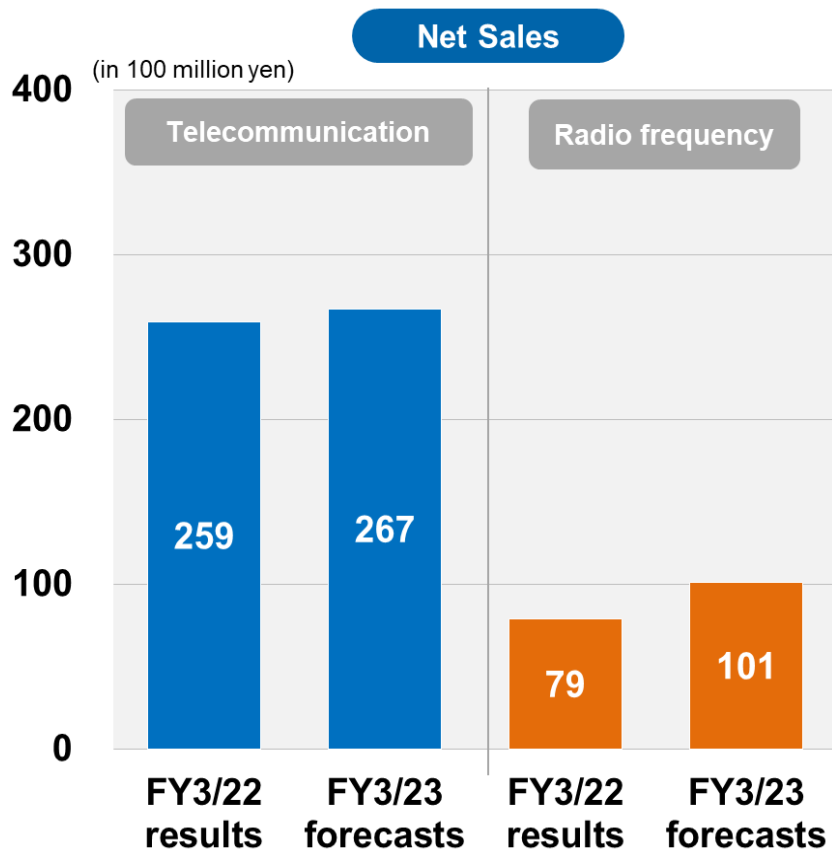
Consolidated Net Sales and Operating Income Outlook

- > We expect full-year net sales of 37.0 billion yen, unchanged from the initial forecast.
- > We see the impact of a spike in material prices to remain, just as in the first half, but expect full-year operating income to increase slightly.



Segment Outlook (Consolidated)

- > We expect Telecommunication Business' margins to drop, accounting for the risk of spikes in material prices and changes in product makeup.
- > We expect both revenues and profits increase for the Radio Frequency Business in view of a recovery trend in capital expenditure-driven demand.



3. RESULTS AND FULL – YEAR OUTLOOK OF EACH BUSINESS FIELD

Mobile Communications-Related Field

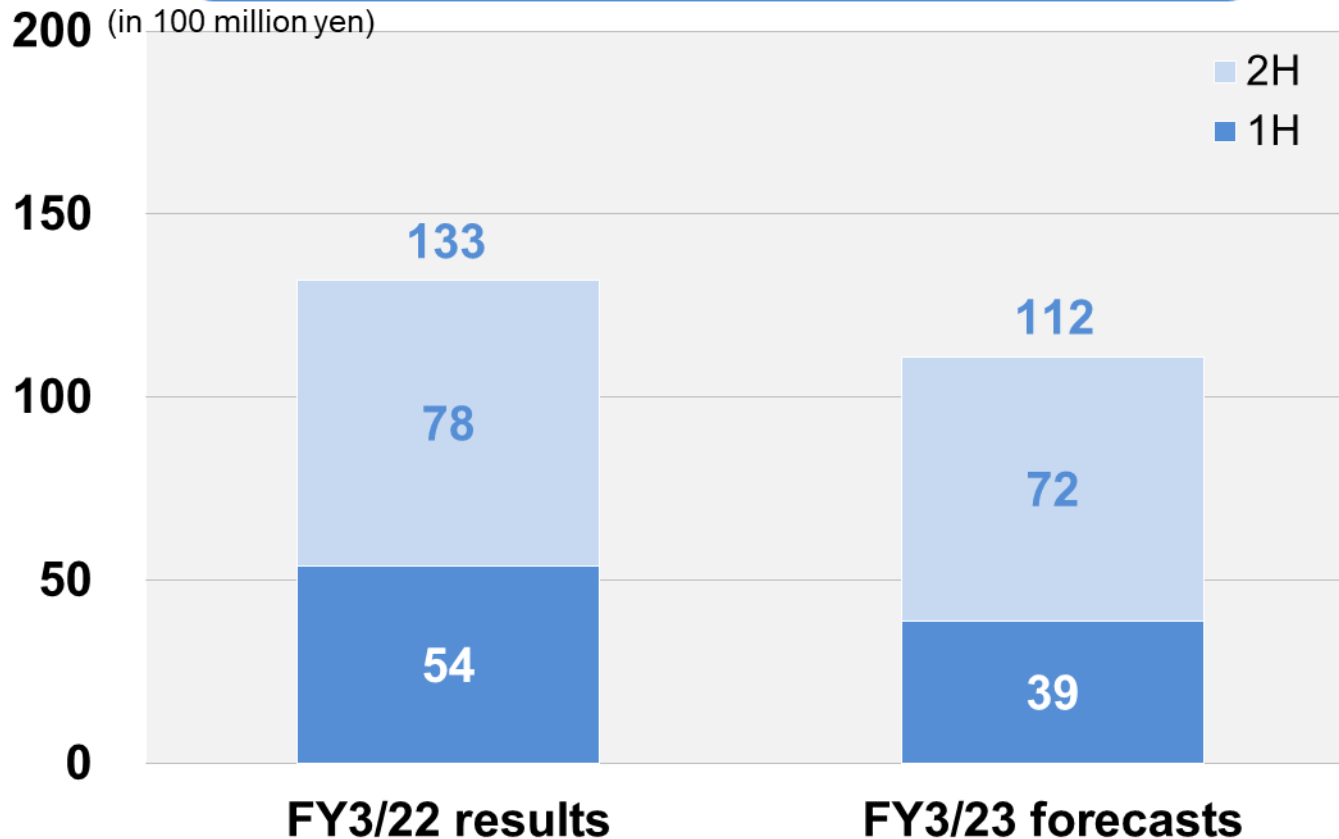
1H

Net sales dropped due mainly to revisions in customer equipment plans and delays in construction schedules caused by longer lead time for orders for components.

Full year

We expect full-year net sales to fall as we anticipate a similar trend will continue.

Mobile Communications: Net sales (consolidated)



1H results
3.9 billion yen

YoY change
Down 1.4 billion yen
(down 26.8%)

Full-year forecasts
11.2 billion yen

YoY change
Down 2.1 billion yen
(down 15.9%)

Fixed Wireless Communication-Related Field

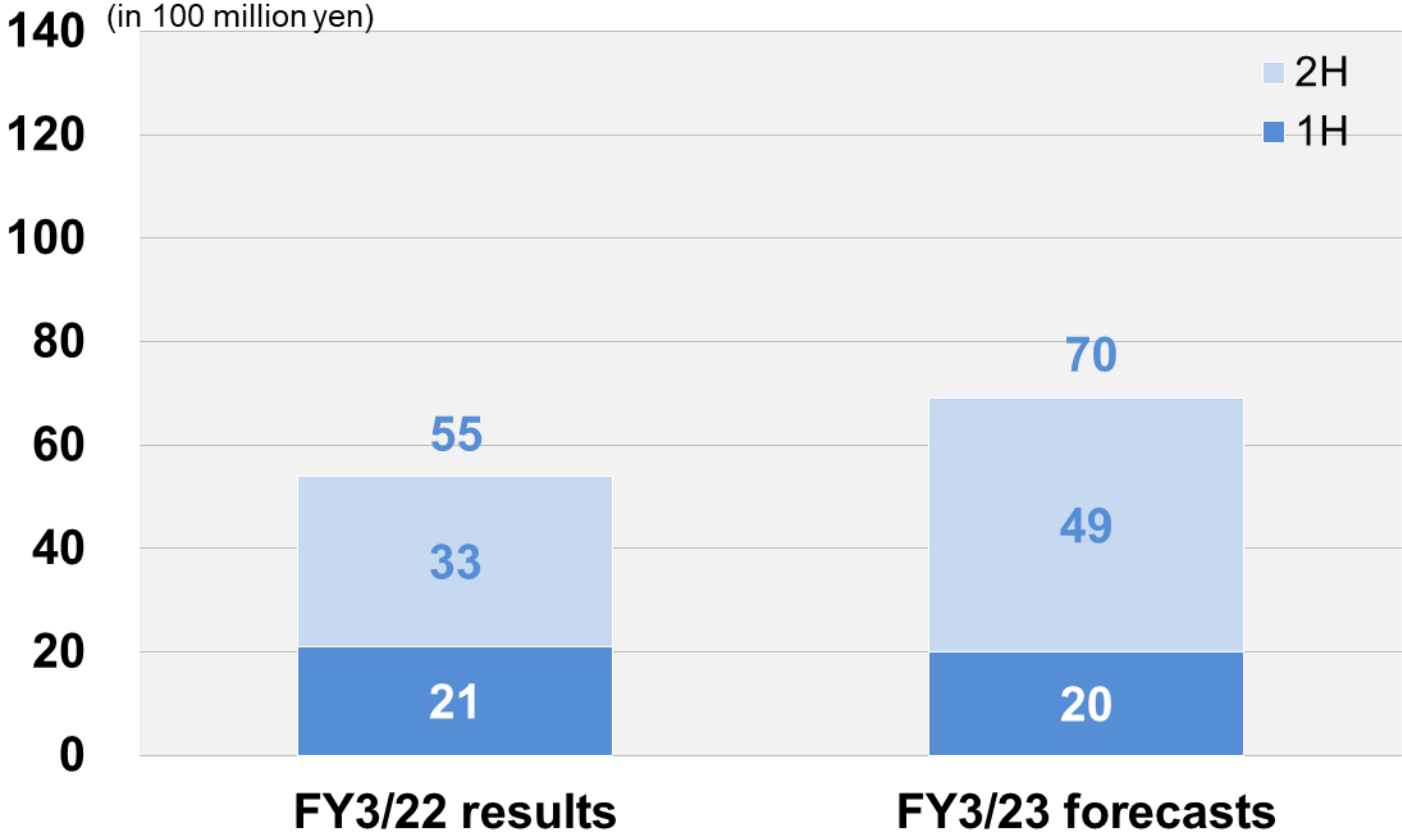
1H

Orders and construction schedules were pushed back due to longer lead times for orders for materials and components, but demand recovered from a slump caused by the pandemic.

Full year

We expect net sales to increase year on year as orders show a recovery trend.

Fixed Wireless Communication: Net sales (consolidated)



1H results
2.0 billion yen

YoY change
Down 0.04 billion yen
(down 2.0%)

Full-year forecasts
7.0 billion yen

YoY change
Up 1.4 billion yen
(up 27.1%)

Broadcasting-Related Field

1H

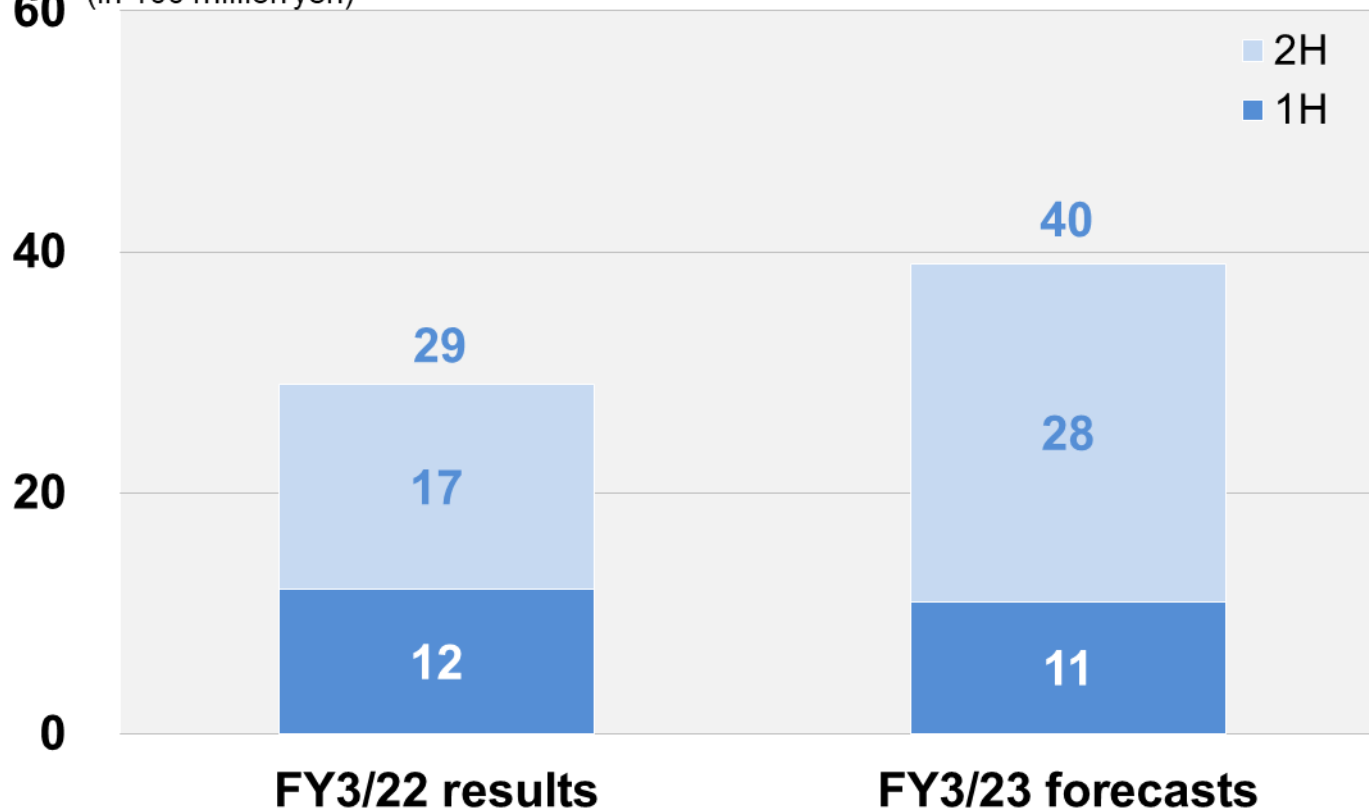
There was no major change in capital expenditure-driven demand from broadcasters, and net sales were largely unchanged from the year-earlier level.

Full year

We expect full-year net sales to increase 1.0 billion yen year on year supported by a recovery trend in demand.

Broadcasting: Net sales (consolidated)

60 (in 100 million yen)



1H results
1.1 billion yen

YoY change
Down 0.09 billion yen
(down 8.0%)

Full-year forecasts
4.0 billion yen

YoY change
Up 1.0 billion yen
(up 33.5%)

Solutions-Related Field

1H

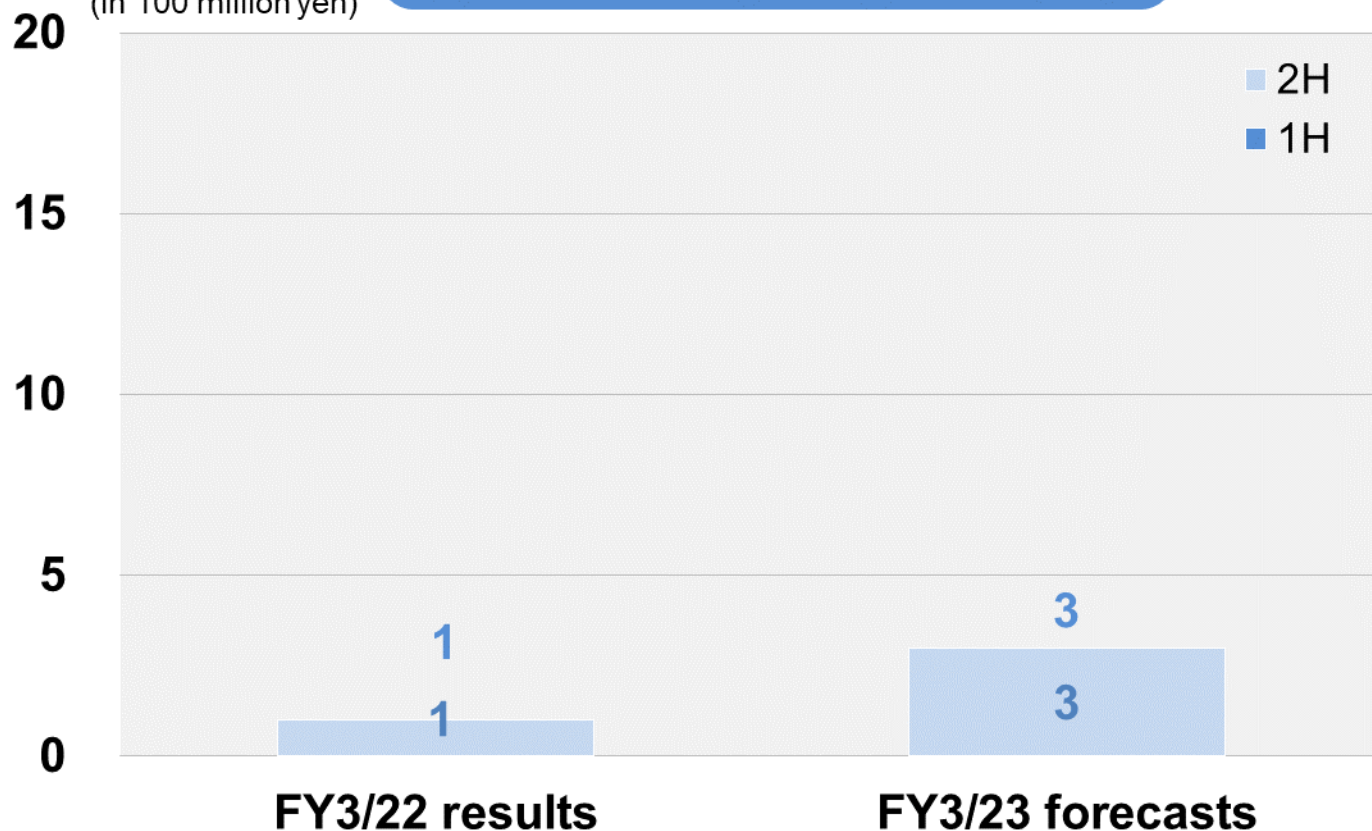
In the first half, we won orders for the Ministry of Internal Affairs and Communications' local 5G development and testing project.

Full year

We plan to aggressively make investments and develop demand to expand business in this new growth field.

Solutions: Net sales (consolidated)

(in 100 million yen)



1H results
0.01 billion yen

YoY change
Up 0.01 billion yen
(-)

Full-year forecasts
0.3 billion yen

YoY change
Up 0.2 billion yen
(-)

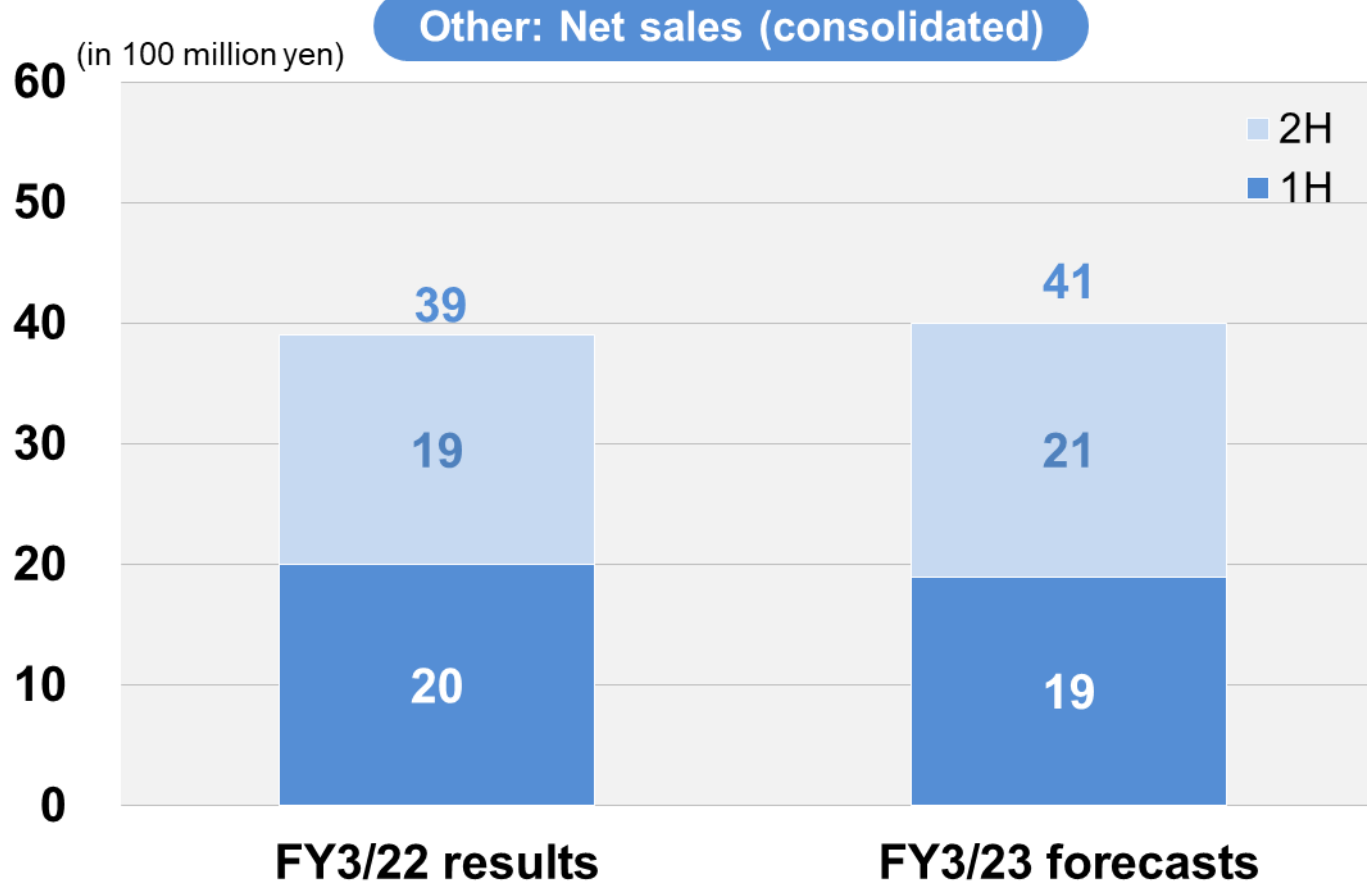
Other Field

1H

Net sales were largely unchanged from the year-earlier level as a demand trend similar to last year's prevailed.

Full year

We expect net sales to increase as we anticipate demand increases mainly for solar power equipment and construction work to install lighting.



1H results
1.9 billion yen

YoY change
Down 0.08 billion yen
(down 4.1%)

Full-year forecasts
4.1 billion yen

YoY change
Up 0.1 billion yen
(up 3.9%)

Induction Heating Equipment-Related Field

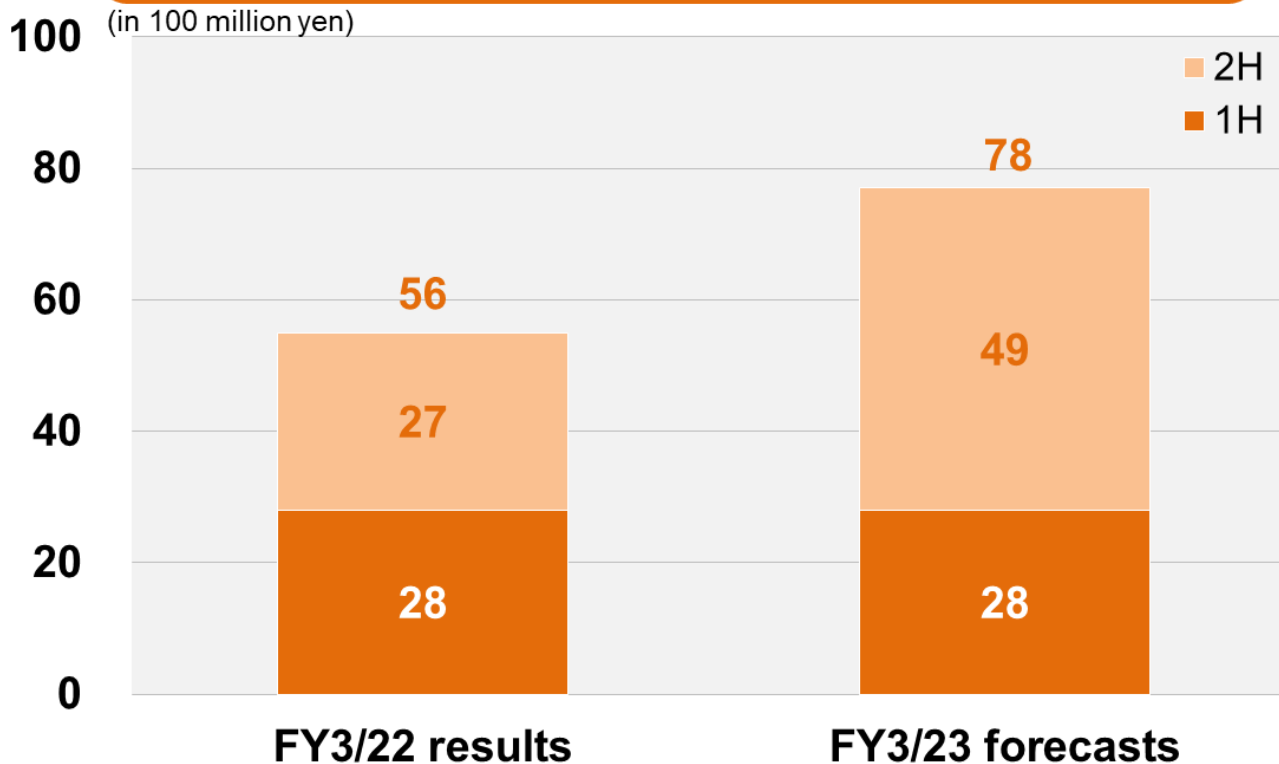
1H

Net sales remained unchanged from a year-earlier level, affected by longer lead times for component orders, although capital expenditure-driven demand was on a recovering trend.

Full year

We expect full-year net sales to show a significant year-on-year increase of about 2.1 billion yen as demand recovers gradually.

Induction Heating Equipment: Net sales (consolidated)



1H results
2.8 billion yen

YoY change
Up 0.05 billion yen
(up 2.0%)

Full-year forecasts
7.8 billion yen

YoY change
Up 2.1 billion yen
(up 38.8%)

Contract Heat Treating Service-Related Field

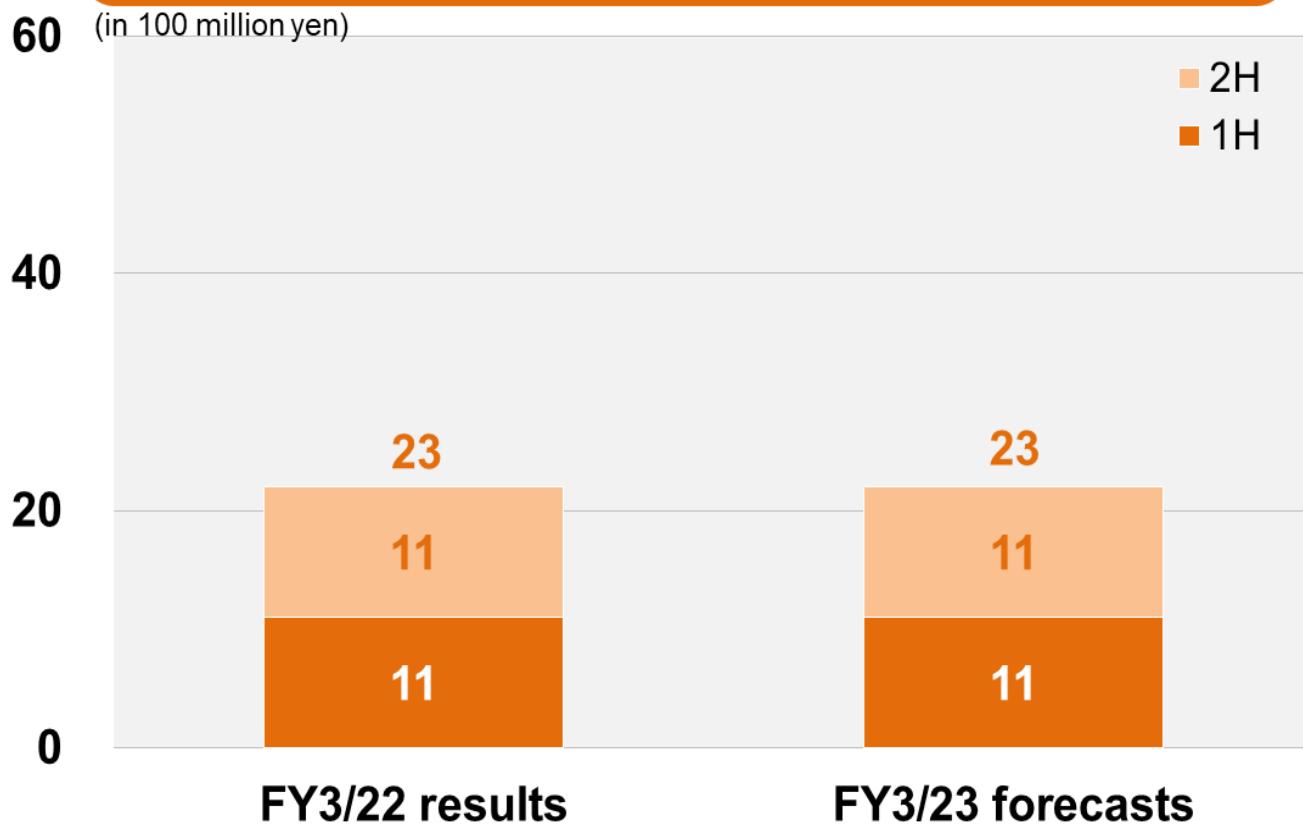
1H

Net sales remained largely unchanged from a year-earlier level, affected by production adjustment moves by automakers.

Full year

As we anticipate a similar trend will continue, we expect full-year net sales to remain unchanged from a year-earlier level.

Contract Heat Treating Service: Net sales (consolidated)



1H results
1.1 billion yen

YoY change
Down 0.08 billion yen
(down 7.4%)

Full-year forecasts
2.3 billion yen

YoY change
Down 0.04 billion yen
(down 1.7%)

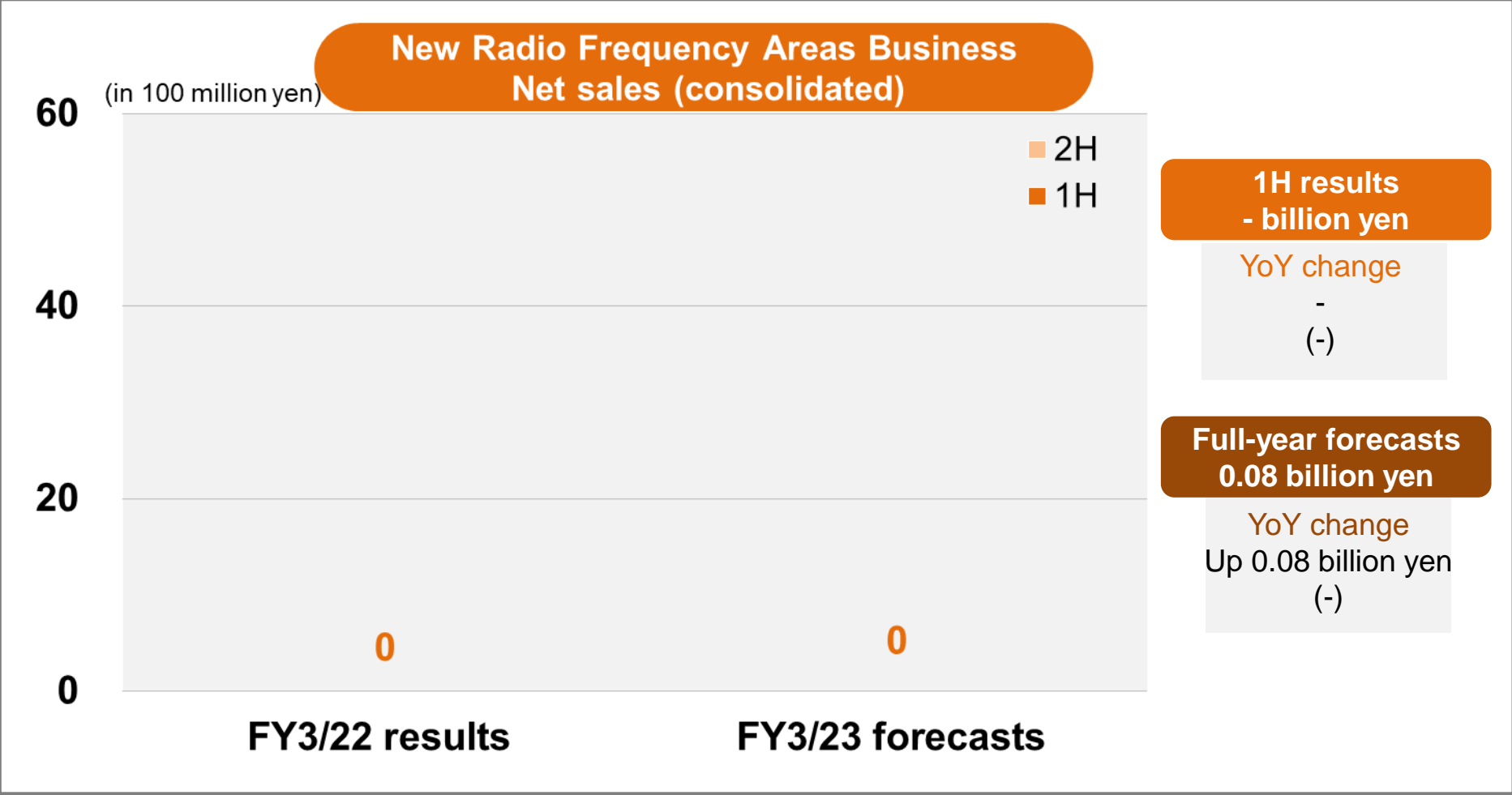
New Radio Frequency Areas Business-Related Field

1H

There are a number of projects in a testing phase currently but none has generated sales yet.

Full year

We will work to win orders in the second half by continuing aggressive sales efforts.



4. TOPICS

Initiatives in Telecommunication Business (1)

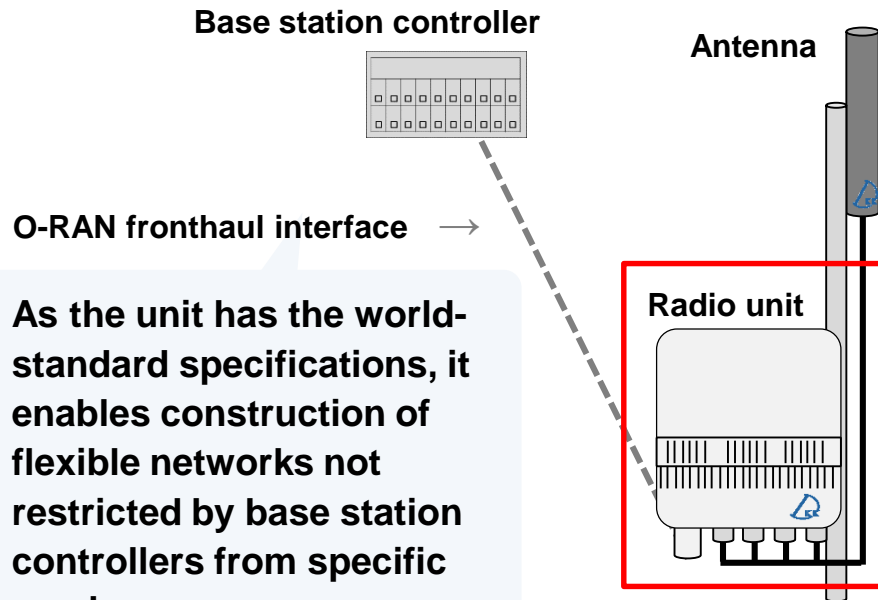
- Started delivery of the radio unit for NTT DOCOMO's commercial 5G services.
- DKK's first delivery of wireless equipment, marking our full-fledged entry in the wireless equipment market.

Radio unit for 3.4 GHz-band, compliant to the O-RAN fronthaul interface specification

The macrocell radio unit is a device installed with the base station antenna and forms a large communication area.



◀ Radio unit



As the unit has the world-standard specifications, it enables construction of flexible networks not restricted by base station controllers from specific vendors.

- Started to sell wireless equipment from selling only antennas.
- We now are able to sell the devices in combination with antennas, which increase the opportunities to gain profits.
- Promote the development of a sub-6 band O-RAN common platform in 2H.

Initiatives in Telecommunication Business (2)

- Promote to develop antennas for frequencies higher than millimeter waves, with Beyond 5G and 6G in mind.
- Aim to develop more advanced antennas through joint development projects with material makers.

Future initiatives in Telecommunication Business

[Background of millimeter wave antenna development]

Millimeter wave antennas are prone to performance deterioration due to losses of transmission lines or when exposed to spurious radiation from wiring.

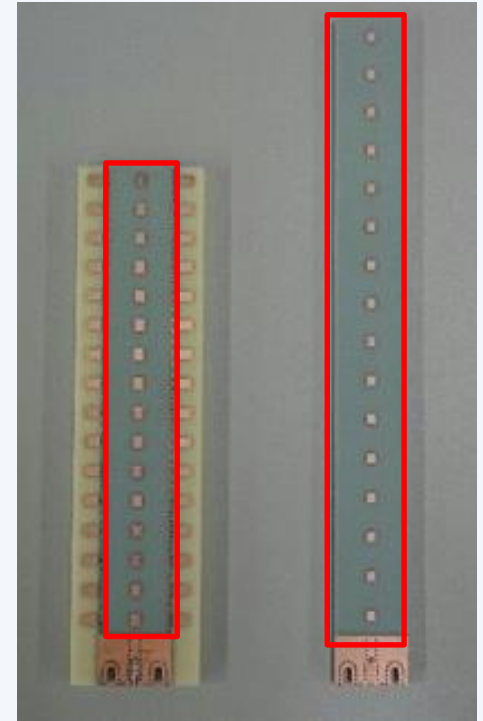


We developed circuit board for millimeter wave antennas (right photo: red frame) jointly with Shin-Etsu Chemical Co., Ltd., which provided materials.



We developed antennas that have stable electrical properties and mechanical strength at high frequency bands.

We will work to prepare for the eras of Beyond 5G and 6G.



▲ Left: Omni-antenna Right: Sector antenna

Initiatives in Telecommunication Business (3)

- > Working with other companies to promote local 5G business, aiming to contribute to smartification.
- > Offering solutions combining our network-building technologies and other companies' technologies.

Initiatives in local 5G business

[Tests on robot control under local 5G environment]

Local 5G system construction

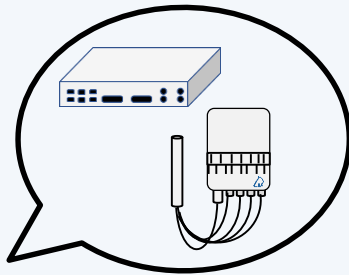
Radio wave area design



Wide-ranging applications



Solutions



Smart glasses



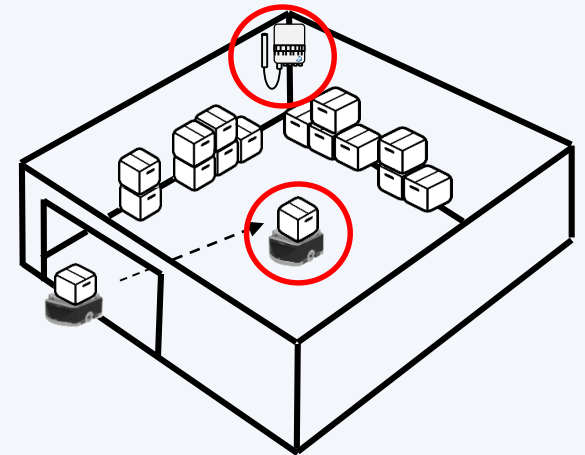
Cameras



Drones



etc...



Resolve customer-specific issues by offering solutions through alliance with partners

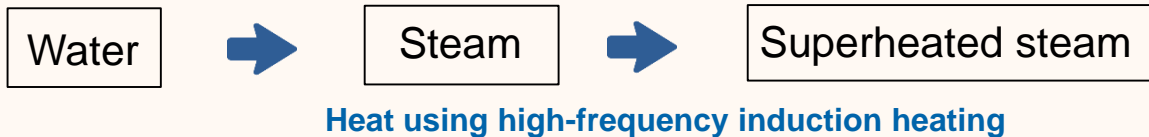
Initiatives in Radio Frequency Business

- > Designed and developed superheated steam equipment. Can make equipment suggestions suited to processed items.
- > Currently, working on projects with a focus on industrial waste disposal and processing foods.

DKK's superheated steam equipment

- Generate superheated steam using high-frequency induction heating.

[Process of generating superheated steam]



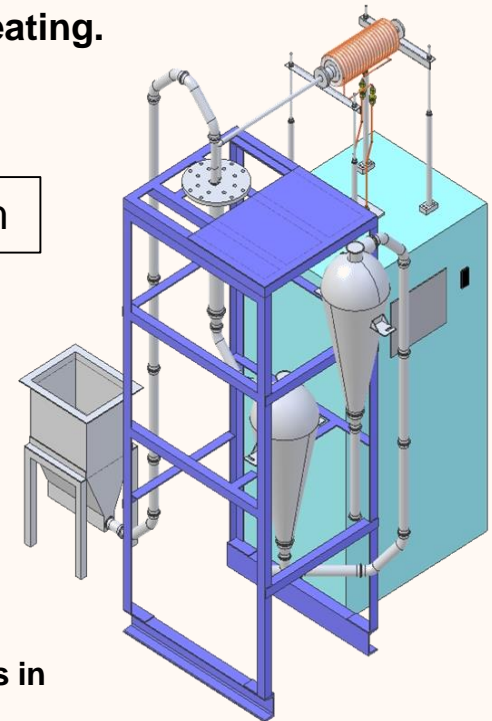
- Superheated steam of up to 700°C can be generated in short time.
- Time required for processing is shortened, contributing to reducing the amount of energy used.

[Markets on target currently]



(Industrial waste-related) (Food processing)

Contributes to resolving social issues in the areas of SDGs and ESG.



▲ Cyclone-method superheated steam equipment

Patent No. 7063948

Initiatives in Improving Governance

- › Think of how the Board of Directors should be and introduce improvements in focused effort.
- › Put effort also into raising awareness about compliance of organization.

Towards improvement and enhancement of corporate governance

Board of Directors

- Change Director terms of office

2 years => 1 year

- Change ratios of Director compensation components

Basic compensation **70** Performance-linked compensation **30**

- Add KPI for Directors' bonuses

Net income
attributable to shareholders of
parent company

+

NEW Consolidated
operating income

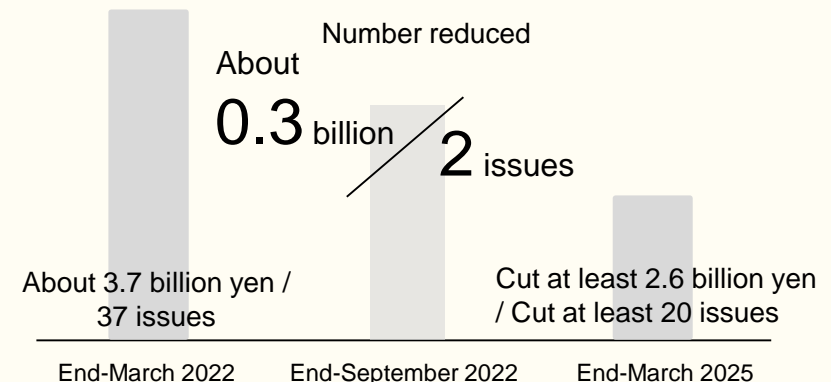
- Provide compliance education

Organization

- Expand divisions obtaining ISO 27001 certification to enhance information security

Other

- Reduce cross-held shares



Initiatives on Workplace Culture and Environment

- Conducted an employee satisfaction survey and, going forward, analyze the survey result and introduce measures to improve workplace environment.
- Disclosed Scope 1 and 2 data for FY2019–FY2021; work to calculate Scope 3 currently underway.

Toward better workplace environment

- Hired external service to conduct an “engagement survey,” or an employee satisfaction survey
- Maintain a diverse employee makeup, increase shares of females and mid-career hires in the management ranks, and promote an environment in which diverse opinions are respected

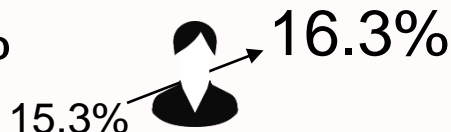
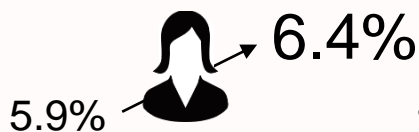
Number of employees with disabilities



▲ Over a period from April 2021 until end of November 2022

Share of females in managerial positions:

Share of mid-career hires in managerial positions:



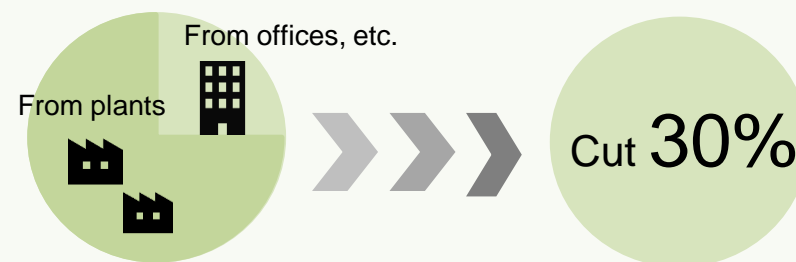
▲ Over a period from April 2022 until end of September 2022

Greenhouse gas monitoring and reduction target

- The largest source of emissions is the power use by plants, representing about 75% of total

[FY2019]

[FY2030]



- Aim to reduce emissions by at least 30% from the level in FY2019 by 2030
- Consider switching to energy-saving equipment and use of renewable energy as reduction measures

Initiatives for Capital Strategy

- Formulate specific execution plans for investment strategies disclosed in Medium-Term Business Plan.
- Actively make both capital and development investments to optimize business portfolio.

To achieve optimum capital composition and support investment strategies to ensure growth

Optimum capital composition

- Review existing 7.0 billion yen commitment line and sign a three-year, total 11.0 billion yen contract afresh
- D/E ratio was 0.09 at the end of September 2022.
Work to strengthen growth investment

	Fiscal year ended March 2022	Six months ended September 2022
Net sales	33.9 billion yen	13.1 billion yen
Net income	0.7 billion yen	-0.6 billion yen
D/E ratio	0.01	0.09
ROE	1.5%	-

Investment strategy

- No change in investment amounts targeted in Medium-Term Business Plan “DKK-Plan2025”

R&D investment	Capital expenditures	Other investments
6.0 billion yen	4.0 billion yen	4.0 billion yen

M&A

- Design plans, conduct survey and have discussions on M&A and set up an investment committee as a body to deliberate matters to be submitted to the Board of Directors
- No change in the amount of up to 4.0 billion yen in investment, which will be used for shareholder returns if no M&A plan materializes

Shareholder Returns

- Maintain active shareholder return measures disclosed in Medium-Term Business Plan.
- Share buybacks announced in February this year completed; the portion in excess of the total number of shares issued by 10% canceled.

Policy on shareholder returns

- No change in target set in Medium-Term Business Plan “DKK-Plan2025”

[Target]

Target shareholder returns totaling 10.0 billion yen for three years from the fiscal year ended March 2022

Payout ratio 40%

DOE 2% ^{Lower limit} 1.5%

- We will remain actively committed to taking measures to enhance shareholder returns

Dividend payouts

- Paid out interim dividend of 30 yen per share

FY3/21:

45 yen

FY3/22:

60 yen

★FY3/23:

30 yen

30 yen

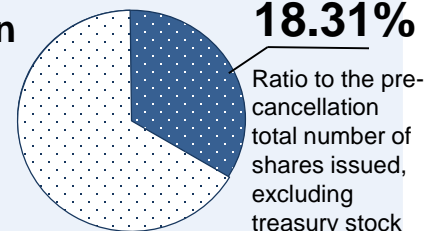
- Year-end dividend also planned to be 30 yen

Share buybacks

- Completed share buybacks worth 2.5 billion yen

- Partial cancellation

Total number of cancelled shares: 1.98 million



APPENDIX

Overview of Consolidated FY3/23 Outlook

■ Overview of full-year consolidated outlook

(Millions of yen)

	FY3/22 results	FY3/23 forecasts	YoY change	
			Amount	Percentage
Net sales	33,968	37,000	3,031	8.9%
Telecommunication	25,908	26,710	801	3.1%
Radio Frequency	7,959	10,180	2,220	27.9%
Operating income	53	100	46	88.3%
Operating margin	0.2%	0.3%	-	-
Telecommunication	2,010	1,800	-210	-10.5%
Operating margin	7.8%	6.7%	-	-
Radio Frequency	1,058	1,350	291	27.6%
Operating margin	13.3%	13.3%	-	-
General and administrative expenses, etc.	-3,015	-3,050	-34	-
Ordinary income	448	400	-48	-10.7%
Ordinary income margin	1.3%	1.1%	-	-
Net income attributable to shareholders of parent company	705	300	-405	-57.5%
ROE	1.5%	0.7%	-	-

Note 1: Net sales of Other segment omitted

Results and Outlook of Consolidated Net Sales

■ Overview of consolidated results

(Millions of yen)

	FY3/22			FY3/23			YoY change					
	1H	2H	Full year	1H	2H	Full year	1H		2H		Full year	
	(results)	(results)	(results)	(results)	(forecasts)	(forecasts)	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net sales	14,870	19,098	33,968	13,185	23,814	37,000	-1,684	-11.3%	4,715	24.7%	3,031	8.9%
Telecommunication	10,793	15,115	25,908	9,133	17,576	26,710	-1,659	-15.4%	2,461	16.3%	801	3.1%
Mobile Communications	5,432	7,877	13,309	3,977	7,222	11,200	-1,454	-26.8%	-655	-8.3%	-2,109	-15.9%
Fixed Wireless Communication	2,134	3,373	5,508	2,092	4,907	7,000	-42	-2.0%	1,533	45.5%	1,491	27.1%
Broadcasting	1,214	1,781	2,995	1,117	2,882	4,000	-97	-8.0%	1,101	61.8%	1,004	33.5%
Solutions	0	127	128	17	372	390	17	-	244	-	261	-
Other	2,011	1,954	3,966	1,928	2,191	4,120	-82	-4.1%	236	12.1%	153	3.9%
Radio Frequency	4,025	3,933	7,959	3,994	6,185	10,180	-31	-0.8%	2,251	57.2%	2,220	27.9%
Induction Heating Equipment	2,827	2,791	5,618	2,884	4,915	7,800	57	2.0%	2,124	76.1%	2,181	38.8%
Contract Heat Treating Service	1,197	1,142	2,340	1,109	1,190	2,300	-88	-7.4%	47	4.2%	-40	-1.7%
New Areas Business	0	0	0	0	80	80	0	-	80	-	80	-
Other	51	49	100	57	52	110	6	12.3%	2	5.8%	9	9.1%

Results and Outlook of Nonconsolidated Net Sales

Overview of nonconsolidated results

(Millions of yen)

	FY3/22			FY3/23			YoY change					
	1H	2H	Full year	1H	2H	Full year	1H		2H		Full year	
	(results)	(results)	(results)	(results)	(forecasts)	(forecasts)	Amount	Percentage	Amount	Percentage	Amount	Percentage
Net sales	11,515	15,795	27,310	10,586	19,413	30,000	-928	-8.1%	3,617	22.9%	2,689	9.8%
Telecommunication	9,401	13,076	22,478	7,675	15,724	23,400	-1,726	-18.4%	2,647	20.2%	921	4.1%
Mobile Communications	5,353	7,498	12,852	3,845	6,954	10,800	-1,508	-28.2%	-544	-7.3%	-2,052	-16.0%
Fixed Wireless Communication	2,119	3,298	5,418	2,077	4,822	6,900	-42	-2.0%	1,524	46.2%	1,481	27.3%
Broadcasting	1,108	1,656	2,764	1,037	2,762	3,800	-70	-6.4%	1,106	66.8%	1,035	37.5%
Cable Broadcasting	380	73	453	284	95	380	-95	-25.2%	22	30.3%	-73	-16.2%
Other	439	549	989	430	1,089	1,520	-8	-2.0%	539	98.1%	530	53.6%
Radio Frequency	2,281	2,554	4,835	2,757	3,542	6,300	476	20.9%	988	38.7%	1,464	30.3%
Other	166	164	330	154	145	300	-12	-7.2%	-18	-11.4%	-30	-9.3%

Note: Of the figures for FY3/22, the ASBJ Statement No. 29 Accounting Standard for Revenue Recognition was applied only for the net sales result of 27,310 million yen.

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.