



Consolidated Financial Results for the Three Months Ended June 30, 2024 (Under Japanese GAAP)

August 9, 2024

Company name: DKK Co., Ltd.

Listing: Tokyo Stock Exchange

Securities code: 6706 URL <https://denkikogyo.co.jp/>

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Scheduled date to commence

dividend payments: -

Preparation of supplementary material on financial results: No

Holding of financial results briefing: No

(Yen amounts are rounded down to millions.)

1. Consolidated financial results for the three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2024	5,956	6.9	(319)	-	(248)	-	(218)	-
Three months ended June 30, 2023	5,573	4.4	(693)	-	(584)	-	(470)	-

Note: Comprehensive income Three months ended June 30, 2024 (34) million yen (-%) Three months ended June 30, 2023 102 million yen (-%)

	Net income per share	Diluted net income per share
	yen	yen
Three months ended June 30, 2024	(22.78)	-
Three months ended June 30, 2023	(45.81)	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Three months ended June 30, 2024	53,935	38,095	69.1
Fiscal year ended March 31, 2024	55,237	38,723	68.6

(Reference) Net asset excluding non-controlling interests Three months ended June 30, 2024 37,284 million yen Fiscal year ended March 31, 2024 37,883 million yen

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2024	-	30.00	-	30.00	60.00
Fiscal year ending March 31, 2025	-	-	-	-	-
Fiscal year ending March 31, 2025 (forecast)	-	30.00	-	30.00	60.00

Note: Revision to the most recently announced forecast for dividends: None

3. Forecast of consolidated operating results for the fiscal year ending March 31, 2025 (from April 1, 2024 to March 31, 2025)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Second quarter (cumulative)	13,800	10.1	(350)	-	(300)	-	(300)	-	(31.32)
Full year	33,000	14.3	500	-	600	-	400	-	41.76

Note: Revision to the most recently announced forecast of operating results: Yes

*Notes:

(1) Significant changes in the scope of consolidation during the period: None

(2) Application of accounting procedures particular to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies and accounting estimates, and restatement

(a) Changes in accounting policies due to revision of accounting standards, etc.: Yes

(b) Changes in accounting policies other than (a): No

(c) Changes in accounting estimates: No

(d) Restatement: No

Note: For details, refer to “2. Quarterly consolidated financial statements and major notes, (3) Notes to quarterly consolidated financial statements (Notes on changes in accounting policies)” on page 8 of the attached document.

(4) Number of shares issued (common stock)

(a) Shares issued (including treasury stock) at the end of the period	Three months ended June 30, 2024	10,900,000 shares	Fiscal year ended March 31, 2024	10,900,000 shares
(b) Treasury stock at the end of the period	Three months ended June 30, 2024	1,367,817 shares	Fiscal year ended March 31, 2024	1,229,606 shares
(c) Average number of shares during the period (three months)	Three months ended June 30, 2024	9,578,659 shares	Three months ended June 30, 2023	10,271,781 shares

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (mandatory)

* Explanation of appropriate use of earnings forecast, and other special notes

The forecast and other future projections in this report are based on information currently available to the Company and certain assumptions the Company believes to be reasonable, and are not intended to be a promise by the Company that they will be achieved. Actual results may differ significantly due to various factors. Refer to “1. Summary of operating results, etc., (3) Explanation of forecast of consolidated operating results and other future projections” on page 3 of the attachment for the assumptions used in earnings forecast and notes on the use of earnings forecast.

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1. Summary of operating results, etc.

(1) Summary of operating results for the fiscal quarter

During the three months ended June 30, 2024, Japanese economy gradually recovered despite some weak trends. Capital investment remains resilient against the backdrop of high-level corporate income, and production activities show signs of recovery due to alleviation of supply restrictions.

However, there are multiple risk factors such as uncertainties in overseas economy, continued spikes in material prices due to high commodity prices and a weaker yen, and weakness in consumption. As a result, the outlook remains unpredictable.

In the telecommunications-related industry, where our group is involved, capital investment plans of customers remain restrained overall in the mobile communications-related field. In the fixed wireless communication-related field, demand for administrative radio systems for disaster prevention is recovering due to enhancement of disaster prevention systems by local governments. In the defense-related field, demand has remained solid, supported by increases in the defense budget. In the broadcasting-related field, demand for equipment renewal by broadcasters remains stagnated due to continued postponement. In the applied high-frequency devices industry, capital investment demand is on a recovery trend in the automotive-related field. In all fields of business, we have worked to pass on some of the spikes in prices of energy and components, etc. as well as labor costs, but they still have an impact as cost raising factors.

As a result, the Group posted orders received of 7,294 million yen, up 11.9% from a year earlier, and net sales of 5,956 million yen, up 6.9% year on year, for the three months ended June 30, 2024.

As for profits, the Group posted operating loss of 319 million yen (compared to operating loss of 693 million yen for the year-earlier period) and ordinary loss of 248 million yen (compared to ordinary loss of 584 million yen for the year-earlier period), affected by factors including raw material costs remaining elevated since the previous fiscal year and higher logistics costs. Net loss attributable to shareholders of parent company came to 218 million yen (compared to net loss attributable to shareholders of parent company of 470 million yen for the year-earlier period).

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

(a) Telecommunication Business

In the mobile communications-related field, capital investment by mobile communication businesses remained limited overall, but there was some quality improvement-related demand. In the fixed wireless communication-related field, demand for administrative radio systems for disaster prevention to improve and digitalize disaster prevention system in local governments was recovering in anticipation of maturity of emergency disaster prevention and reduction bonds. Defense-related demand also remains on an increasing trend due to increase in defense budget. In the broadcasting-related field, demand for maintenance by broadcasters is recovering, but demand for update of digital broadcasting equipment is still postponed. In the solutions-related field, by combining image AI technology of Cybercore Co., Ltd., which we have acquired, and wireless communication technology cultivated by the Company, the Company is building a business that helps solve a variety of social issues through analysis of people movement and traffic, as well as other solutions. In other fields, the Company was continuously securing demand for outdoor construction steel frames and surface treatment for steel structures, and actively pioneering demand for eco-friendly products such as LED airplane warning lights and fuel cells.

Under such environment, we aggressively worked in this business field to capture demand and improve productivity. However, factors such as delayed delivery of parts and soaring raw material costs remained.

As a result, orders received increased 13.2% year on year to 5,388 million yen and net sales increased 4.2% year on year to 3,495 million yen. Segment loss (operating loss) came to 168 million yen (compared to segment loss of 231 million yen in the year-earlier period).

(b) Radio Frequency Business

In this business, in the mainstay field of high-frequency induction heating equipment, demand for capital investment in the automotive industry was generally on a recovery track. In the field of contract heat treating service, demand associated with production of automakers is on a recovery trend, although some impact was felt from the fraudulent safety test scandal. In the new radio frequency related field, we have been actively working to raise the level of sophistication of the superheated steam technology, examine issues, accumulate data and expertise, and strengthen efforts to develop business in new areas, in a bid to create demand for treatment of food and waste using superheated steam equipment.

Under such business environment, this business also experiences rising costs due to soaring raw material costs and energy costs, etc.; however, we have been striving to increase profit by improving productivity and reviewing the sales price.

As a result, orders received increased 8.3% year on year to 1,906 million yen and net sales increased 11.2% year on year to 2,441 million yen. Segment income (operating income) increased 102.1% year on year to 440 million yen.

(2) Summary of financial position for the fiscal quarter

Total assets came to 53,935 million yen as of June 30, 2024, down 1,301 million yen from the end of the previous fiscal year.

Current assets decreased 1,267 million yen from the end of the previous fiscal year to 37,436 million yen. The main factors were a decrease of 2,759 million yen in accounts receivable including notes receivable, despite an increase of 1,081 million yen in inventories.

Non-current assets decreased 34 million yen from the end of the previous fiscal year to 16,499 million yen. The main factors were decreases of 166 million yen in property, plant, and equipment and 52 million yen in intangible assets, despite increases of 101 million yen in investment securities and 51 million yen in saving-type insurance premiums included in Other Businesses of investments and other assets.

Current liabilities decreased 600 million yen from the end of the previous fiscal year to 9,737 million yen. The main factors were decreases of 148 million yen in trade payables including notes payable-trade, 248 million yen in allowance for employees' bonuses, and 140 million yen in income taxes payable.

Fixed liabilities decreased 73 million yen from the end of the previous fiscal year to 6,102 million yen. The main factors were decreases respectively of 20 million yen in long-term loans payable and 46 million yen in net defined benefit liability.

Net assets decreased 628 million yen from the end of the previous fiscal year to 38,095 million yen. The main factors were a decrease of 510 million yen in retained earnings and an increase of 289 million yen in treasury stock due to purchase of treasury shares, which reduced net assets, despite increases of 131 million yen in valuation difference on available-for-sale securities and 115 million yen in foreign currency translation adjustment.

(3) Explanation of forecast of consolidated operating results and other future projections

As a result of reviewing earnings forecasts to reflect recent earnings trends, etc., we revised the forecast of the consolidated operating results for the six months ending September 30, 2024 announced in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2024" dated May 10, 2024.

For details, please refer to "Revisions to the Forecast of the Consolidated Operating Results" separately released today.

2. Quarterly consolidated financial statements and major notes

(1) Quarterly consolidated balance sheet

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal first quarter (June 30, 2024)
Assets		
Current assets		
Cash and deposits	19,066	19,217
Notes receivable-trade	292	276
Electronically recorded monetary claims-operating	1,394	1,771
Accounts receivable from completed construction contracts	3,759	977
Accounts receivable-trade	3,974	2,572
Contract assets	2,586	3,651
Securities	401	400
Costs on uncompleted construction contracts	39	82
Other inventories	6,358	7,396
Other Businesses	890	1,148
Allowance for doubtful accounts	(59)	(58)
Total current assets	38,703	37,436
Non-current assets		
Property, plant, and equipment		
Buildings and structures	10,824	10,547
Machinery, equipment, and vehicles	9,474	9,465
Tools, furniture, and fixtures	6,604	6,577
Land	2,221	2,107
Lease assets	245	221
Construction in progress	88	109
Accumulated depreciation	(24,269)	(24,007)
Total property, plant, and equipment	5,188	5,021
Intangible assets		
Goodwill	936	893
Technology-related assets	965	933
Other Businesses	386	408
Total Intangible assets	2,287	2,235
Investments and other assets		
Investment securities	4,152	4,254
Long-term loans receivable	1	2
Net defined benefit assets	1,431	1,431
Long-term time deposits	1,000	1,000
Deferred tax assets	1,172	1,204
Other Businesses	1,347	1,398
Allowance for doubtful accounts	(47)	(46)
Total investments and other assets	9,058	9,243
Total non-current assets	16,534	16,499
Total assets	55,237	53,935

(Millions of yen)

	Previous consolidated fiscal year (March 31, 2024)	Current consolidated fiscal first quarter (June 30, 2024)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts, and others	3,352	3,204
Short-term loans payable	4,400	4,400
Long-term loans payable to be repaid within a year	127	132
Lease obligations	42	39
Income taxes payable	211	70
Contract liabilities	213	234
Allowance for warranties on completed construction contracts	87	83
Allowance for product warranties	42	70
Allowance for employees' bonuses	530	281
Allowance for directors' bonuses	11	-
Allowances for losses on construction contracts	27	27
Allowances for losses on liquidation of subsidiaries and affiliates	14	2
Allowances for environmental measures	149	111
Asset retirement obligations	16	16
Other Businesses	1,112	1,061
Total current liabilities	10,338	9,737
Fixed liabilities		
Long-term loans payable	1,250	1,230
Lease obligations	64	56
Allowance for product warranties	5	5
Allowances for share-based remuneration for directors and corporate auditors	89	96
Allowances for environmental measures	50	50
Net defined benefit liability	2,520	2,474
Asset retirement obligations	40	40
Long-term unearned revenue	1,781	1,780
Deferred tax liabilities	339	337
Other Businesses	32	30
Total fixed liabilities	6,175	6,102
Total liabilities	16,514	15,840
Net assets		
Shareholders' equity		
Capital	8,774	8,774
Capital surplus	9,693	9,693
Retained earnings	19,570	19,060
Treasury stock	(2,919)	(3,208)
Total shareholders' equity	35,119	34,320
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,216	1,347
Foreign currency translation adjustment	870	985
Remeasurements of defined benefit plans	677	630
Total accumulated other comprehensive income	2,763	2,964
Non-controlling interests	840	810
Total net assets	38,723	38,095
Total liabilities and net assets	55,237	53,935

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
(Quarterly consolidated statement of income)
(Three months ended June 30)

(Millions of yen)

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Net sales		
Sales of completed construction contracts	1,895	2,144
Net sales of goods	3,647	3,782
Sales in other business	29	28
Total net sales	5,573	5,956
Cost of sales		
Cost of sales of completed construction contracts	1,835	1,942
Cost of finished goods sold	3,036	2,885
Cost of sales in other business	11	9
Total cost of sales	4,883	4,837
Gross profit		
Gross profit on completed construction contracts	60	202
Gross profit on finished goods	611	897
Gross profit on other business	18	19
Total gross profit	690	1,118
Selling, general, and administrative expenses	1,383	1,438
Operating loss	(693)	(319)
Non-operating income		
Interest income	5	8
Dividend income	81	61
Other Businesses	67	40
Total non-operating income	153	111
Non-operating expenses		
Interest expenses	9	15
Loss on investments in investment partnerships	10	10
Other Businesses	25	15
Total non-operating expenses	45	40
Ordinary loss	(584)	(248)
Extraordinary losses		
Loss on sale of investment securities	-	10
Total extraordinary losses	-	10
Net loss before income taxes	(584)	(259)
Income taxes-current	35	41
Income taxes-deferred	(145)	(58)
Total income taxes	(109)	(16)
Net loss	(474)	(242)
Net loss attributable to non-controlling interests	(4)	(24)
Net loss attributable to shareholders of parent company	(470)	(218)

(Quarterly consolidated statement of comprehensive income)
(Three months ended June 30)

(Millions of yen)

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Net loss	(474)	(242)
Other comprehensive income		
Valuation difference on available-for-sale securities	478	131
Deferred gains or losses on hedges	(2)	-
Foreign currency translation adjustment	128	123
Remeasurements of defined benefit plans, net of tax	(27)	(46)
Total other comprehensive income	576	208
Comprehensive income	102	(34)
(Breakdown)		
Comprehensive income attributable to shareholders of parent	92	(17)
Comprehensive income attributable to non-controlling interests	9	(16)

(3) Notes to quarterly consolidated financial statements

(Methods used to prepare quarterly consolidated financial statements)

Quarterly consolidated financial statements are prepared in compliance with Article 4, Paragraph 1 of Tokyo Stock Exchange, Inc.'s Standards for Preparation of Quarterly Financial Statements and accounting standards for quarterly financial statements generally accepted in Japan (But the omission of statement allowed under Article 4, Paragraph 2 of the Standards for Preparation of Quarterly Financial Statements is applied.)

(Notes on going concern assumptions)

There are no matters to be noted.

(Notes in case of significant changes in shareholders' equity)

There are no matters to be noted.

(Notes on changes in accounting policies)

(Application of "Accounting Standard for Current Income Taxes," etc.)

The Company began applying the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27 (revised 2022), dated October 28, 2022; hereinafter, "Revised Accounting Standard of 2022") at the beginning of the current consolidated fiscal first quarter.

With regard to the revision to the accounting classification of corporate taxes, etc. (taxation on other comprehensive income), we followed the transitional treatment allowed under the proviso to Paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment allowed under the proviso to Paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28 (revised 2022), dated October 28, 2022). This change to the accounting policies have no impact on the quarterly consolidated financial statements.

(Notes on quarterly consolidated statement of cash flows)

We did not prepare a quarterly consolidated statement of cash flow for the three months ended June 30, 2024. Depreciation (including amortization of intangible assets) and amortization of goodwill for the three months ended June 30 are shown below.

	Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)	Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)
Depreciation	257 million yen	189 million yen
Depreciation of goodwill	- million yen	42 million yen

(Notes on segment information, etc.)

[Segment information]

I Three months ended June 30, 2023 (from April 1, 2023 to June 30, 2023)

1. Information on amounts of net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment			Other Businesses (Note) 1	Total	Adjustments (Note) 2	Amount recorded in quarterly consolidated statement of income (Note) 3
	Telecommunication Business	Radio Frequency Business	Total				
Net sales							
Sales to external customers	3,348	2,195	5,543	29	5,573	-	5,573
Intersegment sales or transfers	5	-	5	37	42	(42)	-
Total	3,353	2,195	5,549	66	5,616	(42)	5,573
Segment income (loss)	(231)	217	(14)	32	18	(711)	(693)

(Notes) 1 The "Others" segment, which is not included in reportable segments, includes equipment leasing and electric power sales businesses.

2 The segment income (loss) adjustment of (711) million yen includes (14) million yen in elimination of intersegment transactions and (696) million yen in corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.

3 Adjustments are made to reconcile segment income (loss) with operating loss in the quarterly consolidated statement of income.

2. Information on impairment losses or goodwill, etc. on non-current assets by reportable segment

There are no matters to be noted.

II Three months ended June 30, 2024 (from April 1, 2024 to June 30, 2024)

1. Information on amounts of net sales and income/loss by reportable segment

(Millions of yen)

	Reportable segment			Other Businesses (Note) 1	Total	Adjustments (Note) 2	Amount recorded in quarterly consolidated statement of income (Note) 3
	Telecommunication Business	Radio Frequency Business	Total				
Net sales							
Sales to external customers	3,485	2,441	5,927	28	5,956	-	5,956
Intersegment sales or transfers	10	-	10	39	50	(50)	-
Total	3,495	2,441	5,937	68	6,006	(50)	5,956
Segment income (loss)	(168)	440	271	33	305	(625)	(319)

(Notes) 1 The "Others" segment, which is not included in reportable segments, includes equipment leasing and electric power sales businesses.

2 The segment income (loss) adjustment of (625) million yen includes (12) million yen in elimination of intersegment transactions and (613) million yen in corporate expenses that are not allocated to any reportable segment. Corporate expenses are mainly general and administrative expenses that are not attributable to any reportable segments.

3 Adjustments are made to reconcile segment income (loss) with operating loss in the quarterly consolidated statement of income.

2. Information on impairment losses or goodwill, etc. on non-current assets by reportable segment

There are no matters to be noted.

3. Supplementary information

(1) Production, orders and sales

(a) Production results

Production results by reportable segment for the three months ended June 30, 2024 are shown below.

Reportable segment	Output (millions of yen)	Year-on-year change (%)
Telecommunication Business	2,023	9.7
Radio Frequency Business	2,558	11.6
Total	4,581	10.8

(Notes) 1 Amounts are based on sales prices, and 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

Results of orders received by reportable segment for the three months ended June 30, 2024 are shown below.

Reportable segment	Orders received (millions of yen)	Year-on-year change (%)	Order backlog (millions of yen)	Year-on-year change (%)
Telecommunication Business	5,388	13.2	13,367	34.4
Radio Frequency Business	1,906	8.3	3,352	8.9
Total	7,294	11.9	16,720	28.4

(c) Sales results

Sales results by reportable segment for the three months ended June 30, 2024 are shown below.

Reportable segment	Net sales (millions of yen)	Year-on-year change (%)
Telecommunication Business		
Construction work	2,144	13.1
Equipment and materials sales	1,340	(7.7)
Subtotal of Telecommunication Business	3,485	4.1
Radio Frequency Business	2,441	11.2
Total of reportable segments	5,927	6.9
Others	28	(2.1)
Total	5,956	6.9

(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.