



Consolidated Financial Results for the Six Months Ended September 30, 2024 (Under Japanese GAAP)

November 11, 2024

Listing: Tokyo Stock Exchange

Company name: DKK Co., Ltd.

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

Representative: (Title) President & Representative Director (Name) Tadatoshi Kondo

Inquiries: (Title) Managing Officer and Head of Finance Department (Name) Toshihisa Takayama Phone: +81-3-3216-1671

Scheduled date to file first-half securities report: November 12, 2024 Scheduled date to commence dividend payments: December 9, 2024

Preparation of supplementary material on financial results : Yes

Holding of financial results briefing : Yes (For institutional investors and analysts)

(Yen amounts are rounded down to millions)

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

(1) Consolidated operating results (Percentages indicate year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2024	13,108	4.6	(529)	-	(533)	-	(454)	-
Six months ended September 30, 2023	12,529	(5.0)	(1,163)	-	(1,037)	-	(811)	-

Note: Comprehensive income Six months ended September 30, 2024 (373) Million yen (-%) Six months ended September 30, 2023 189 Million yen (-%)

	Net income per share	Diluted net income per share
Six months ended September 30, 2024	yen (48.01)	yen -
Six months ended September 30, 2023	yen (79.92)	yen -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
Six months ended September 30, 2024	52,839	37,338	68.8
Fiscal year ended March 31, 2024	55,237	38,723	68.6

(Reference) Net asset excluding non-controlling interests Six months ended September 30, 2024 36,364 Millions of yen Fiscal year ended March 31, 2024 37,883 Millions of yen

2. Dividends

	Annual dividends				
	End of first quarter	End of second quarter	End of third quarter	End of fiscal year	Total
Fiscal year ended March 31, 2024	yen -	yen 30.00	yen -	yen 30.00	yen 60.00
Fiscal year ending March 31, 2025	-	30.00	-	-	-
Fiscal year ending March 31, 2025 (forecast)	-	-	-	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 profit		Ordinary profit		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
Full year	33,000	14.3	500	-	600	-	400	-	42.28

Note: Revision to the most recently announced forecast of operating results : None

*Notes

(1) Significant changes in the scope of consolidation during the period: Yes
 Newly included: One company Suzhou Yuankai Electronic Co., Ltd.
 Note: For details, refer to “2. First-half consolidated financial statements and major notes, (3) Notes to first-half consolidated financial statements (Notes on changes in the scope of consolidation or the scope of application of the equity method)” on page 8 of the attached document.

(2) Application of accounting procedures particular to the preparation of first-half 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): None

(c) Changes in accounting estimates: None

(d) Restatement: None

Note: For details, refer to “2. First-half consolidated financial statements and major notes, (3) Notes to first-half 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 shares) at the end of the period

Six months ended September 30, 2024	10,900,000 shares	Fiscal year ended March 31, 2024	10,900,000 shares
Six months ended September 30, 2024	1,646,876 shares	Fiscal year ended March 31, 2024	1,229,606 shares
Six months ended September 30, 2024	9,461,792 shares	Six months ended September 30, 2023	10,158,220 shares

(b) Treasury shares at the end of the period

(c) Average number of shares during the period (six months)

*This Consolidated Financial Results for the Six Months Ended September 30, 2024 report is not subject to review by certified public accountants or an auditing firm.

*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.

The Company will have a live webcast of the financial results briefing for institutional investors and analysts on Tuesday, November 12, 2024. The materials used for the briefing will be posted on the Company's website as soon as the briefing session ends.

○Table of Contents of Attachment

1. Explanation of operating results, etc.	2
(1) Explanation of operating results	2
(2) Explanation of financial position	3
(3) Explanation of forecast of consolidated operating results and other future projections	3
2. First-half consolidated financial statements and major notes	4
(1) First-half consolidated balance sheet	4
(2) First-half consolidated statement of income and first-half consolidated statement of comprehensive income	6
First-half consolidated statement of income	6
First-half consolidated statement of comprehensive income	7
(3) Notes to first-half consolidated financial statements	8
(Notes on going concern assumptions)	8
(Notes on changes in the scope of consolidation or the scope of application of the equity method)	8
(Notes in case of significant changes in shareholders' equity)	8
(Notes on changes in accounting policies)	8
(Additional information)	8
(Notes on segment information, etc.)	9
3. Supplementary information	11
(1) Production, orders and sales	11

1. Explanation of operating results, etc.

(1) Explanation of operating results

During the consolidated fiscal first half under review, 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 remains stagnated due to demand for equipment renewal by broadcasters continued postponement. In the applied high-frequency devices industry, capital investment demand is on a recovery trend in the automotive-related field. Under such business environment, we have been working on business structural reforms to build a profit structure as called for in the rolling plans of the DKK-Plan 2025, our medium-term business plan. We have stepped up efforts to generate profits, working to channel resources to priority segments to optimize our business portfolio, streamlining our organization to improve their productivity, and encouraging efforts to cut fixed costs.

As a result, the Group posted orders received of 16,830 million yen, up 20.6% from a year earlier, and net sales of 13,108 million yen, up 4.6% year on year, for the six months ended September 30, 2024.

As for profits, the Group posted operating loss of 529 million yen (compared to operating loss of 1,163 million yen for the year-earlier period) and ordinary loss of 533 million yen (compared to ordinary loss of 1,037 million yen for the year-earlier period). Loss attributable to owners of parent came to 454 million yen (Loss attributable to owners of parent of 811 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, and development of wireless environments. 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 business environment, we aggressively worked in this business field to capture demand and improve productivity.

As a result, orders received increased 26.5% year on year to 12,258 million yen and net sales increased 1.2% year on year to 8,132 million yen. Segment loss (operating loss) came to 43 million yen (compared to segment loss of 291 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 7.2% year on year to 4,571 million yen and net sales increased 10.8% year on year to 4,934 million yen. Segment profit (operating profit) increased 56.5% year on year to 724 million yen.

(2) Explanation of financial position

Total assets came to 52,839 million yen as of September 30, 2024, down 2,398million yen from the end of the previous fiscal year.

Current assets decreased 2,486million yen from the end of the previous fiscal year to 36,216million yen. The main factors were decreases of 1,937 million yen in cash and deposits and 1,591 million yen in accounts receivable including notes receivable, despite an increase of 1,180 million yen in inventories.

Non-current assets increased 88million yen from the end of the previous fiscal year to 16,623 million yen. The main factors were increases of 170 million yen in deferred tax assets and 118 million yen in saving-type insurance premiums included in other businesses of investments and other assets, despite a decrease of 226 million yen in investment securities.

Current liabilities decreased 21million yen from the end of the previous fiscal year to 10,317 million yen. The main factors were decreases of 596 million yen in trade payables including notes payable-trade, 88 million yen in income taxes payable, 136 million yen in accounts payable included in other businesses, 148 million yen in accounts payable for equipment included in other businesses, and 94 million yen in accrued consumption taxes included in other businesses, despite an increase of 1,005 million yen in current portion of long-term borrowings to be repaid within a year.

Non-current liabilities decreased 992 million yen from the end of the previous fiscal year to 5,183 million yen. The main factors were a decrease of 1,045 million yen in long-term borrowings, despite an increase of 116 million yen in lease liabilities.

Net assets decreased 1,384 million yen from the end of the previous fiscal year to 37,338 million yen. The main factors were a decrease of 746 million yen in retained earnings and an increase of 866 million yen in treasury shares due to purchase of treasury shares, which reduced net assets, despite an increase of 235 million yen in foreign currency translation adjustment.

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

At this point, the forecast of consolidated operating results for the fiscal year ending March 31, 2025 is unchanged from the forecast announced along with the financial results on May 10, 2024, and no change has been made to the operating results.

2. First-half consolidated financial statements and major notes

(1) First-half consolidated balance sheet

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Assets		
Current assets		
Cash and deposits	19,066	17,128
Notes receivable - trade	292	208
Electronically recorded monetary claims - operating	1,394	1,246
Accounts receivable from completed construction contracts	3,759	1,816
Accounts receivable - trade	3,974	2,342
Contract assets	2,586	4,802
Securities	401	-
Costs on construction contracts in progress	39	77
Other inventories	6,358	7,500
Other	890	1,111
Allowance for doubtful accounts	(59)	(17)
Total current assets	38,703	36,216
Non-current assets		
Property, plant and equipment		
Buildings and structures	10,824	10,547
Machinery, equipment and vehicles	9,474	9,533
Tools, furniture and fixtures	6,604	6,501
Land	2,221	2,107
Leased assets	245	386
Construction in progress	88	135
Accumulated depreciation	(24,269)	(23,953)
Total property, plant and equipment	5,188	5,258
Intangible assets		
Goodwill	936	865
Technical related assets	965	901
Other	386	408
Total intangible assets	2,287	2,175
Investments and other assets		
Investment securities	4,152	3,926
Long-term loans receivable	1	1
Retirement benefit asset	1,431	1,430
Long-term time deposits	1,000	1,000
Deferred tax assets	1,172	1,343
Other	1,347	1,534
Allowance for doubtful accounts	(47)	(46)
Total investments and other assets	9,058	9,189
Total non-current assets	16,534	16,623
Total assets	55,237	52,839

(Millions of yen)

	As of March 31, 2024	As of September 30, 2024
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	3,352	2,755
Short-term borrowings	4,400	4,400
Current portion of long-term borrowings	127	1,132
Lease liabilities	42	63
Income taxes payable	211	122
Contract liabilities	213	421
Provision for warranties for completed construction	87	74
Provision for product warranties	42	49
Provision for bonuses	530	500
Provision for bonuses for directors (and other officers)	11	-
Provision for loss on construction contracts	27	23
Provision for loss on liquidation of subsidiaries and associates	14	1
Provision for environmental measures and other	149	111
Asset retirement obligations	16	-
Other	1,112	660
Total current liabilities	10,338	10,317
Non-current liabilities		
Long-term borrowings	1,250	204
Lease liabilities	64	181
Provision for product warranties	5	5
Provision for share awards for directors (and other officers)	89	102
Provision for environmental measures and other	50	50
Retirement benefit liability	2,520	2,462
Asset retirement obligations	40	40
Long-term unearned revenue	1,781	1,779
Deferred tax liabilities	339	313
Other	32	43
Total non-current liabilities	6,175	5,183
Total liabilities	16,514	15,500
Net assets		
Shareholders' equity		
Share capital	8,774	8,774
Capital surplus	9,693	9,693
Retained earnings	19,570	18,823
Treasury shares	(2,919)	(3,785)
Total shareholders' equity	35,119	33,507
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,216	1,167
Foreign currency translation adjustment	870	1,116
Remeasurements of defined benefit plans	677	583
Total accumulated other comprehensive income	2,763	2,857
Non-controlling interests	840	974
Total net assets	38,723	37,338
Total liabilities and net assets	55,237	52,839

(2) First-half consolidated statement of income and first-half consolidated statement of comprehensive income
(First-half consolidated statement of income)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Net sales		
Net sales of completed construction contracts	4,160	4,745
Net sales of finished goods	8,310	8,304
Sales in other businesses	58	57
Total net sales	12,529	13,108
Cost of sales		
Cost of sales of completed construction contracts	3,958	4,112
Cost of finished goods sold	6,916	6,648
Cost of sales in other businesses	20	20
Total cost of sales	10,895	10,781
Gross profit		
Gross profit on completed construction contracts	202	633
Gross profit - finished goods	1,394	1,655
Gross profit - other business	37	36
Total gross profit	1,633	2,326
Selling, general and administrative expenses	2,796	2,856
Operating loss	(1,163)	(529)
Non-operating income		
Interest income	10	15
Dividend income	81	66
Other	134	53
Total non-operating income	226	136
Non-operating expenses		
Interest expenses	19	28
Foreign exchange losses	-	60
Other	81	51
Total non-operating expenses	101	139
Ordinary loss	(1,037)	(533)
Extraordinary losses		
Loss on sale of investment securities	-	10
Total extraordinary losses	-	10
Loss before income taxes	(1,037)	(544)
Income taxes - current	77	86
Income taxes - deferred	(302)	(135)
Total income taxes	(224)	(49)
Loss	(812)	(495)
Loss attributable to non-controlling interests	(1)	(41)
Loss attributable to owners of parent	(811)	(454)

(First-half consolidated statement of comprehensive income)

(Millions of yen)

	Six months ended September 30, 2023	Six months ended September 30, 2024
Loss	(812)	(495)
Other comprehensive income		
Valuation difference on available-for-sale securities	666	(49)
Deferred gains or losses on hedges	(2)	-
Foreign currency translation adjustment	393	263
Remeasurements of defined benefit plans, net of tax	(55)	(93)
Total other comprehensive income	1,002	121
Comprehensive income	189	(373)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	159	(360)
Comprehensive income attributable to non-controlling interests	29	(13)

(3) Notes to first-half consolidated financial statements

(Notes on going concern assumptions)

There are no matters to be noted.

(Notes on changes in the scope of consolidation or the scope of application of the equity method)

(Significant changes in the scope)

Beginning with the fiscal first half under review, Suzhou Yuankai Electronic Co., Ltd. was included in the scope of consolidation because DKK acquired shares of this company on September 26, 2024. Through the underwriting of the third-party allotment of new shares by Suzhou Yuankai Electronic Co., Ltd., this company will become a joint venture company. As the deemed acquisition date is set on June 30, 2024 and the difference with the last date of the consolidated fiscal first half does not exceed three months, only the balance sheet is consolidated for the consolidated fiscal first half under review.

(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 consolidated fiscal first half under review.

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 first-half consolidated financial statements.

(Additional information)

There are no matters to be noted.

(Notes on segment information, etc.)

[Segment information]

I Six months ended September 30, 2023 (from April 1, 2023 to September 30, 2023)

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

(Millions of yen)

	Reportable segment			Other Businesses (Note) 1	Total	Reconciling items (Note) 2	Per semi-annual consolidated financial statements (Note) 3
	Telecommunication Business	Radio Frequency Business	Reportable segments				
Sales							
Revenues from external customers	8,019	4,451	12,471	58	12,529	-	12,529
Transactions with other segments	14	-	14	80	95	(95)	-
Net sales	8,034	4,451	12,486	138	12,625	(95)	12,529
Operating profit (loss)	(291)	462	170	70	241	(1,404)	(1,163)

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

2 The segment profit or loss adjustment of (1,404) million yen includes elimination of intersegment transactions of (35) million yen and corporate expenses of (1,369) million yen 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 profit (loss) with operating loss in the first-half consolidated statement of income.

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

(Material impairment losses pertaining to non-current assets)

There are no matters to be noted.

(Significant change in the amount of goodwill)

In the consolidated fiscal first half under review, Cybercore Co., Ltd. and included the company and its subsidiaries in the scope of consolidation because DKK has acquired shares of this company. This increased goodwill by 1,021 million yen in the Telecommunication Business segment.

Note that the amount of goodwill is the amount that reflects the revision associated with the finalization of the provisional accounting treatment.

II Six months ended September 30, 2024 (from April 1, 2024 to September 30, 2024)

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

(Millions of yen)

	Reportable segments			Other Businesses (Note) 1	Total	Reconciling items (Note) 2	Per semi-annual consolidated financial statements (Note) 3
	Telecommunication Business	Radio Frequency Business	Reportable segments				
Sales							
Revenues from external customers	8,116	4,934	13,050	57	13,108	-	13,108
Transactions with other segments	15	-	15	79	95	(95)	-
Net sales	8,132	4,934	13,066	136	13,203	(95)	13,108
Operating profit (loss)	(43)	724	680	68	748	(1,278)	(529)

(Notes) 1 The “Other Businesses” segment, which is not included in reportable segments, includes equipment leasing and electric power sales businesses.

2 The segment profit or loss adjustment of (1,278) million yen includes elimination of intersegment transactions of (30) million yen and corporate expenses of (1,248) million yen 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 profit (loss) with operating loss in the first-half consolidated statement of income.

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

(Material impairment losses pertaining to non-current assets)

There are no matters to be noted.

(Significant change in the amount of goodwill)

In the consolidated fiscal first half under review, Suzhou Yuankai Electronic Co., Ltd. was included in the scope of consolidation because DKK has acquired shares of this company. This increased goodwill by 14million yen in the Telecommunication Business segment.

3. Supplementary information

(1) Production, orders and sales

(a) Production results

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

Reportable segment	Output (millions of yen)	Year-on-year change (%)
Telecommunication Business	3,752	3.1
Radio Frequency Business	5,087	10.3
Total	8,839	7.1

(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 six months ended September 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	12,258	26.5	15,606	53.0
Radio Frequency Business	4,571	7.2	3,525	6.0
Total	16,830	20.6	19,132	41.4

(c) Sales results

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

Reportable segment	Net sales (millions of yen)	Year-on-year change (%)
Telecommunication Business		
Construction work	4,745	14.1
Equipment and materials sales	3,370	(12.7)
Subtotal of Telecommunication Business	8,116	1.2
Radio Frequency Business	4,934	10.8
Total of reportable segments	13,050	4.6
Others	57	(0.9)
Total	13,108	4.6

(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.