



Medium-Term Business Plan: DKK-Plan2025

May 20, 2022

DKK Co., Ltd.

◆ Establishment of Medium-Term Business Plan

In March 2021, the Group established a vision to realize our ideal of “Pioneering the Future” by 2030 and a Medium- and Long-Term Management Strategy, which is our growth strategy.

In addition, we established a Sustainability Basic Policy based on the Medium- and Long-Term Management Strategy, set material issues for us to tackle, have worked to achieve key performance indicators, and aim to improve corporate value over a medium to long term.

This time, we established “**DKK-Plan2025,**” a medium-term management plan in order to clearly state the goals and what to focus on and promote for the three years from FY3/23, as part of the effort to realize the vision of the Medium- and Long-Term Management Strategy.

We hope this document will help deepen your understanding of our company.

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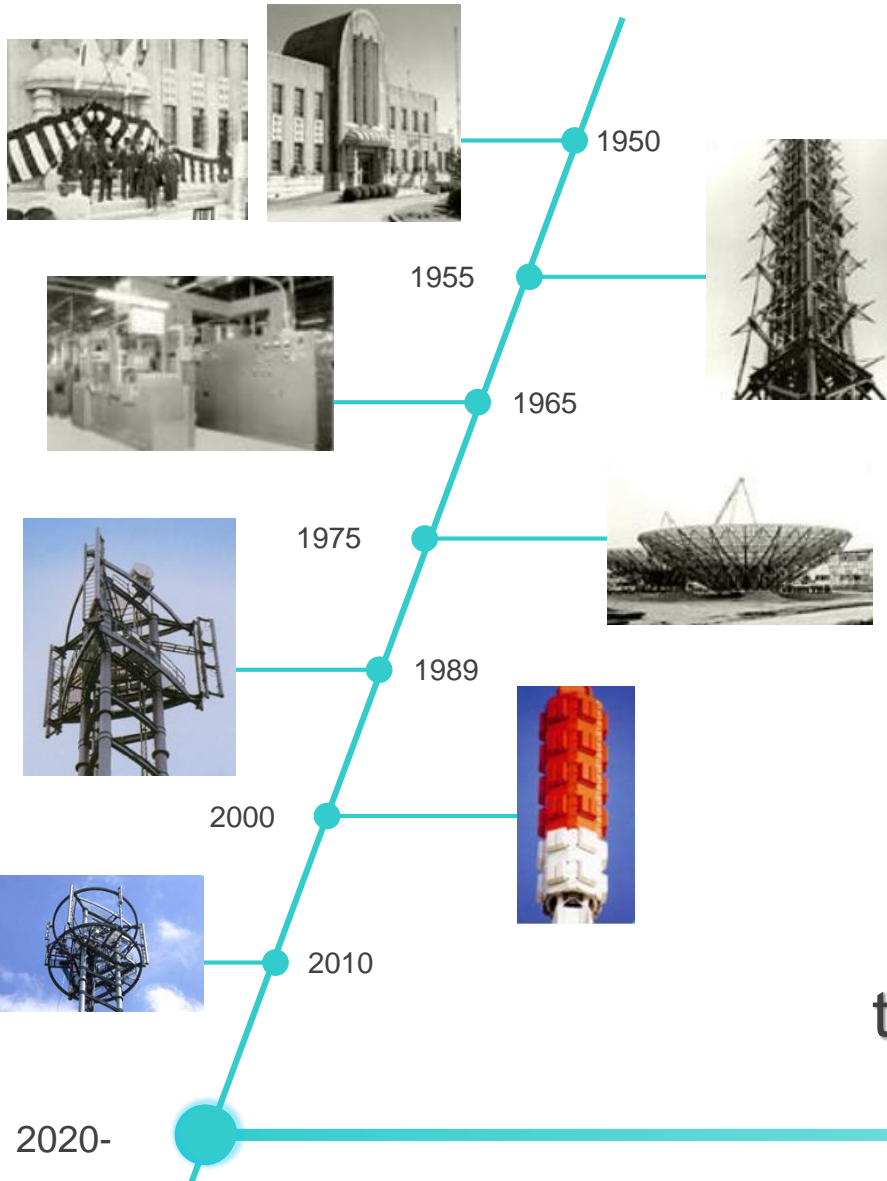
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1. DKK GROUP'S IDEAL

1-1. History of DKK Group



The DKK Group has operated businesses that use a variety of radio waves for 72 years since its establishment.

We have been providing essential things for daily life that have become common today, including antennas, mobile phones and television broadcasting.

The DKK Group aims to take on efforts to make living more comfortable and create the future for society.



DKK Group's Ideal

A company

**that creates the norm of the future
(Pioneering the future)**

1-2. DKK Group's Ideal

- We worked out a Medium- and Long-Term Management Strategy in March 2021 and publicly disclosed goals, strategies, etc. with the deadline set for year ending March 2031.
- We aim to improve corporate value of the Group and realize our ideal by carrying out the strategies and achieving the goals.

DKK's ideal = Pioneering the future

- I. Aim to continue to develop and provide excellent products that can become part of the social or living infrastructure and seek permanent growth
- II. Contribute to solving social issues and making out society sustainable by providing solutions for improving efficiency and convenience of social infrastructures

Improve corporate value

- What we want to realize by FY3/31

Profitability improvement of business / continuous corporate governance reinforcement

Create new businesses (graduate from order-centric business)

- Reform business style
- Develop new markets
- Take advantage of radio frequency technologies

Further expansion of existing businesses

- Pursue differentiation
- Social contribution through business (telecommunication, disaster prevention, broadcasting)
- Expand business scope

Strengthen business foundation

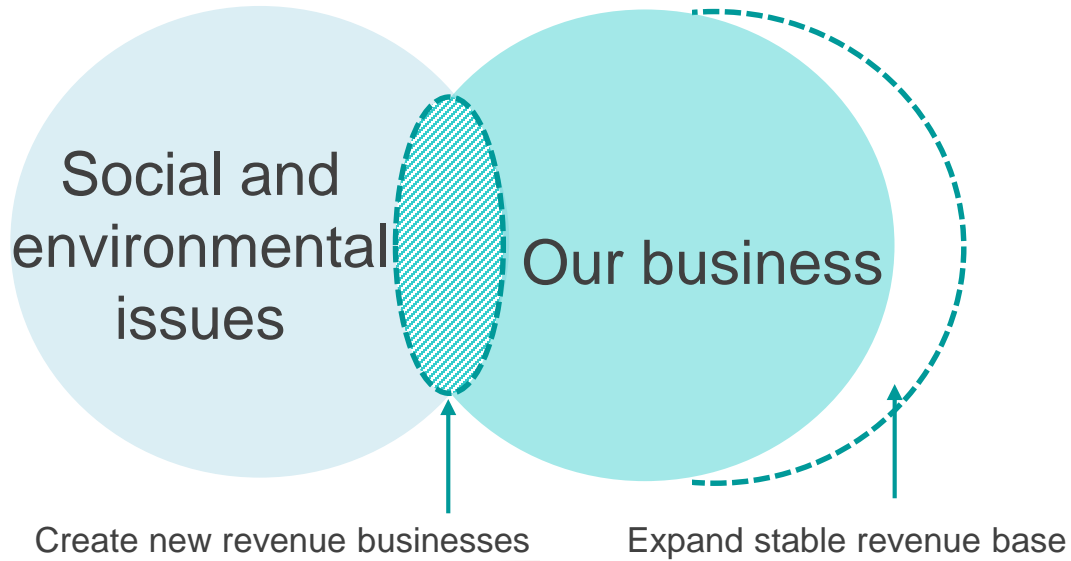
- Growth investment (R&D/M&A/capital spending)
- Financial strategy (optimum capital structure / effective use of cash and deposits / active use of treasury shares)
- Corporate governance (strengthen corporate governance / promote sustainability initiatives)

1-3. Policy for Realization of Our Ideal

■ Promotion of DKK Group's sustainability management and its purpose

- Contribute to making our society sustainable by promoting sustainability management toward our ideal and the goals for 2031
- Maximize our economic value by increasing social and environmental value through business activity and aim for realization of sustainable growth even in an age of high uncertainty
- Promote initiatives to reinforce the business foundation by promoting sustainability management and lay a solid foundation required to bring out high performance

◆ Establish new revenue business and expand stable revenue base



◆ Strengthen business foundation and reform corporate strength

<Issues surrounding the company>

Workplace culture / corporate strength

Corporate governance

Aging employee demography / passing on technologies

Order-centric industry / business structure, etc.



2. OVERVIEW OF MEDIUM-TERM BUSINESS PLAN: DKK-PLAN2025

2-1. Environment Surrounding DKK Group and Changes

Changes and issues in society at large

- **Information technology revolution**
Realization of more convenient society, update of aging social infrastructures, and reinforcement to information security measures associated with advancement in telecommunication technology
- **Change in global environment, increased natural disasters, depletion of resources**
Measures to address climate change (including EV for automobile), development of disaster prevention infrastructure
- **Change in social awareness toward companies**
Measures for sustainability, sustainability of society, human rights and ESG

Change in the Company's business environment and issues

- **Impacts of COVID-19 pandemic**
Measures need to be taken to address uncertainty caused by prolonged pandemic
- **Slow acceptance of local 5G**
Slow startup of new businesses
- **Slumping demand due to controlled capital spending by customers**
Slumping business performance as a result of being an order-centric business
- **Spike in material prices, large fluctuations in currency market**
Measures needed to be taken urgently to reduce costs, optimize selling prices, reorganization of manufacturing structures, among others

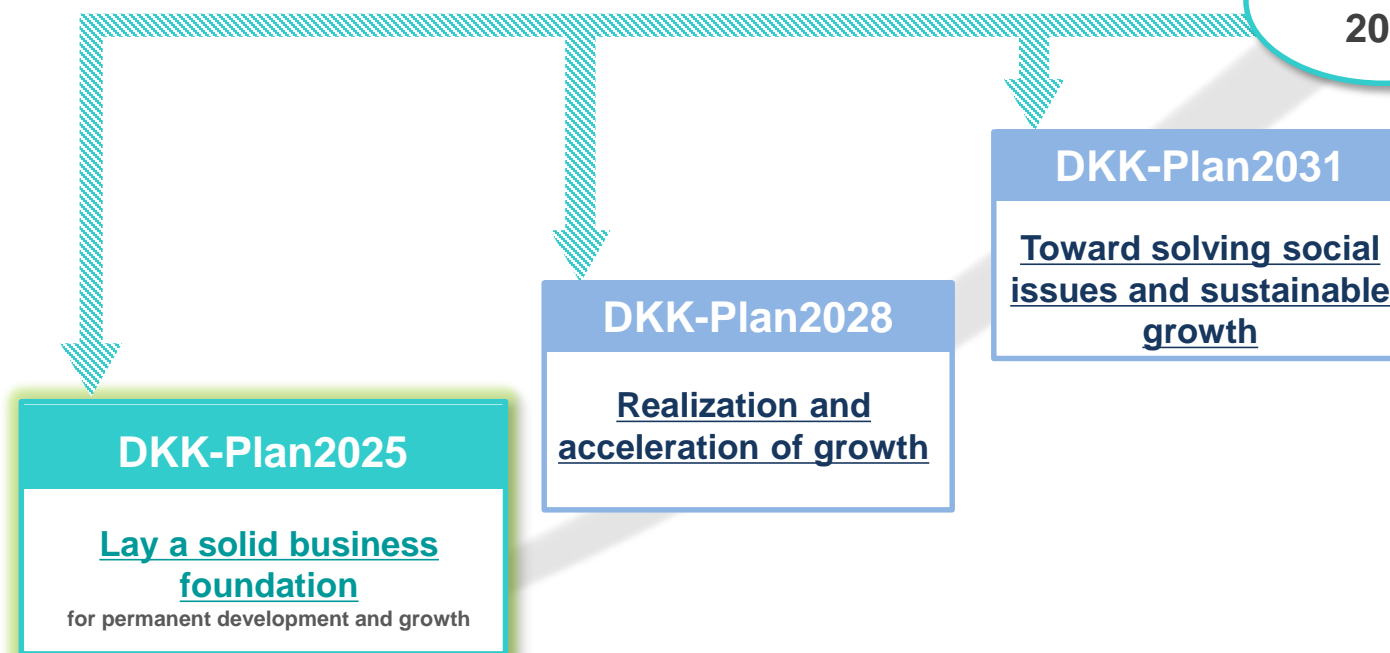
In response to these changes and issues of the social environment, we established and clarified policies and goals the Group should immediately work on in the Medium-Term Business Plan: “[DKK-Plan2025](#).”

2-2. Medium-Term Business Plan: DKK-Plan2025

In order to realize the Company's ideal of sustainable growth through solution of social issues, aim to achieve goals of **"DKK-Plan2025,"** positioning the three years to FY3/25 as the period for **"laying the foundation for growth."**

Toward
DKK's Ideal

DKK-Vision
2031



★ Disclosed March 26, 2021

Medium- and Long-Term Management Strategy

-2022

2023-2025

2026-2028

2029-2031

2032-

2-3. DKK-Plan2025: Basic Policy and Priority Measures

Medium-Term Business Plan: DKK-Plan2025: Basic Policy

Improve corporate value through promotion of sustainability management

Priority measures

1 Strengthen business foundation

- Enhance corporate governance; promote compliance management
- Improve employee engagement
- Promoting environmental management

2 Optimize business portfolio

- Ensure visibility of business profitability of new segments/ROIC
- Promote structural reforms, including the Group
- Strengthen business foundation for profit creation

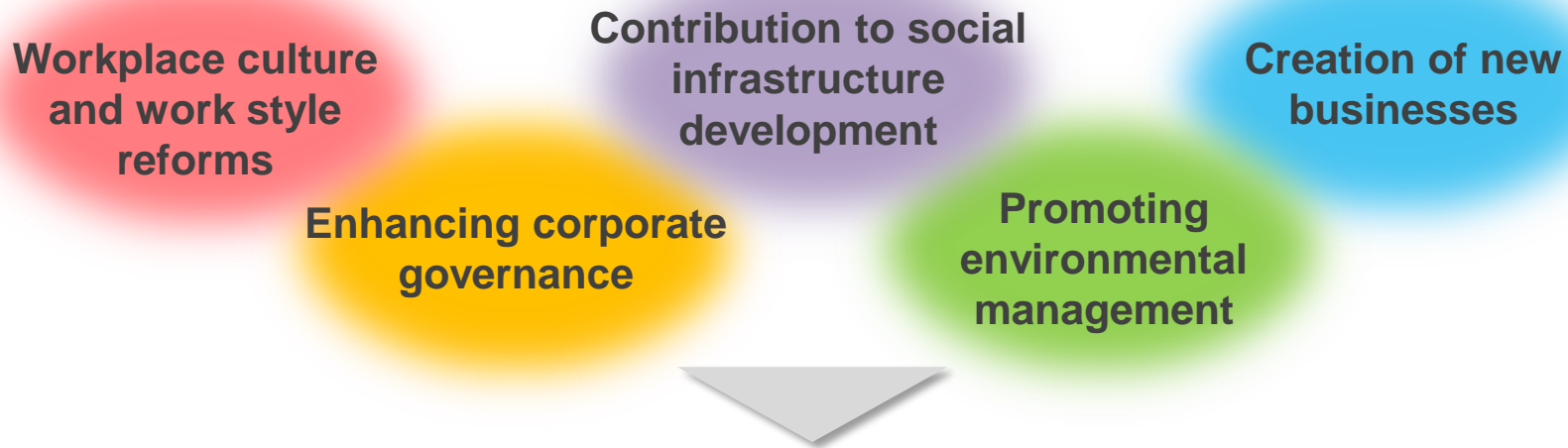
3 Realize new business creation early

- Capital tie-ups and active investment in M&A
- Launch solution business toward resolving social issues
- Aggressive investment in human resources development

2-4. Sustainability Management Under DKK-Plan2025

Set five material issues that we should prioritize in addressing for the Group's business and stakeholders in promoting sustainability management

DKK Group's Five Material Issues



Under the Medium-Term Business Plan: DKK-Plan2025, we aim to promote initiatives for material issues and build a “solid foundation” needed for us to develop and grow permanently.


Note: In initiatives for material issues, we will work to contribute to helping our society grow sustainably and maintain and improve corporate value by setting key performance indicators, or KPIs, to assess achievements and ensure steady progress (see Appendix).

2-5. Numerical Targets

■ DKK-Plan2025: numerical targets

By working to maximize profit and carrying out more flexible capital strategies, we aim to achieve ROE of 5% a year ahead of the target date*.

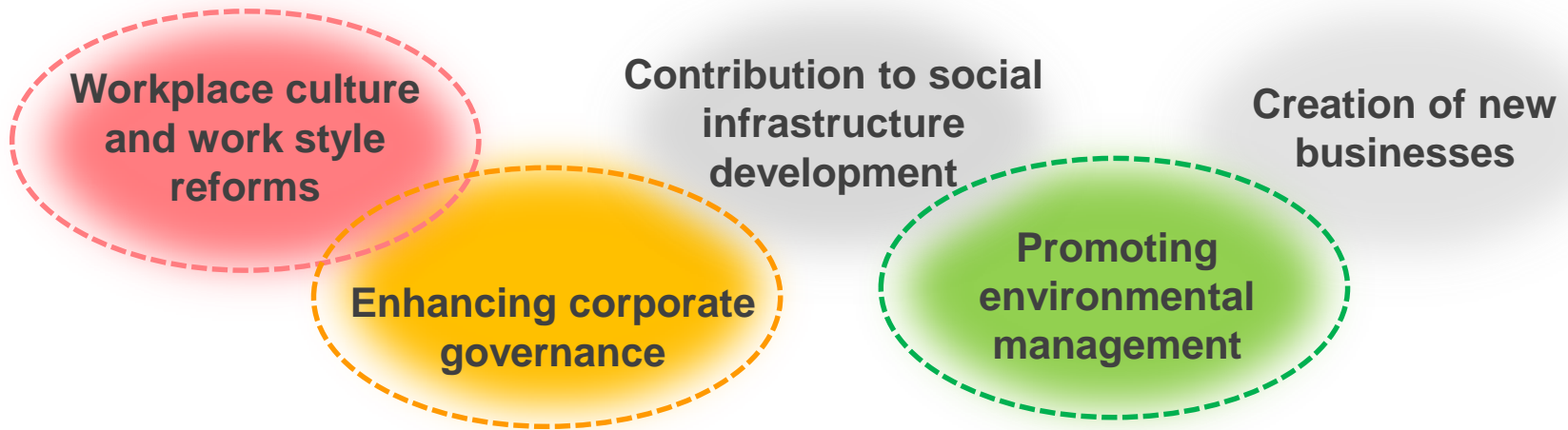
* In comparison with the target at the time of Medium- and Long-Term Management Strategy

	FY3/22 results		FY3/25 targets
Net sales	33.9 billion yen		43.0 billion yen
Net income	0.7 billion yen		2.0 billion yen
D/E ratio	0.01		0.2-0.3
ROE	1.5%		5.0%

3. INITIATIVES TO STRENGTHEN BUSINESS FOUNDATION

3-1. Initiatives to Strengthen Business Foundation

DKK Group's Five Material Issues



Initiatives to strengthen business foundation under DKK-Plan2025

Enhancing corporate governance

⇒ Top priority issue that need addressing urgently

Workplace culture and work style reforms

⇒ Promote initiatives for improving employee engagement

Promoting environmental management

⇒ Responsibility for a company toward sustainable growth of society

3-2. Initiatives for “Enhancing corporate governance” (1)

In practicing sustainability management, work out a Sustainability Basic Policy and set “Enhancing corporate governance” as a key issue. Initiatives begun as the top priority matter for the entire company.

Note: Details disclosed on May 12, 2022
Described in Corporate Governance Report



In the DKK-Plan2025, corporate governance improvement and compliance management are promoted in the aspects of both the **Board of Directors** (management/supervision) and **organization** (execution).

Board of Directors

Ensure
soundness,
effectiveness, and
transparency
of Board of Directors

Organization

Develop organization for
enhancing corporate
governance
and
promoting compliance
management

■ Other initiatives to enhance corporate governance

- Promote compliance programs
- Strengthen communication with stakeholders
- Reduce cross-held shares

3-2. Initiatives for “Enhancing corporate governance” (2)

Board of Directors: Ensure soundness, effectiveness, and transparency of Board of Directors

Change of Directors’ term

Term to be shortened to one year

In order to clarify the management responsibilities and quickly respond to changes in the management environment, we plan to partially amend the Articles of Incorporation to change the term of office of Directors to one year from the current two years, pending the 2022 General Meeting of Shareholders approval.

Functional reinforcement to Nomination and Compensation Committee

Chairman to be served by independent outside director; promotion of revitalization

Regarding personnel decisions, compensation, etc. of the management layer, which plays the role of ensuring sustainable growth and enhancing reliability of the Company, we established Nomination Committee and Compensation Committee in each of which independent outside directors represent the majority, as advisory bodies for the Board of Directors to provide a function to enhance objectivity and transparency of the decision-making process. We appoint independent outside director as chairperson of each committee, work on revitalization and enhance functions of the committees.

Revision in Directors’ compensation system

Promotion of “pay for performance”

The shares of Directors’ compensation types will be set to “70 fixed : 30 variable” as a short-term plan, and thereafter the system will be reviewed with an aim to expand the variable portion in steps.

Note: [Currently] The shares of compensation types are set at “85 fixed : 15 variable” when performance-linked compensation (Directors’ bonuses) is paid in full.

In addition, a Directors’ compensation system that contributes to improving corporate value will be developed by reviewing the evaluation content for the variable portion and considering to introduce malus and clawback provisions in the internal rules related to the Company’s share awards.

Practicing effectiveness evaluation and enhancing disclosure content

Disclosure of effectiveness evaluation results

Utilize effectiveness evaluation as a measure to improve effectiveness of the Board of Directors. We disclose effectiveness evaluation results and identified issues and work hard on initiatives to resolve them.

3-2. Initiatives for “Enhancing corporate governance” (3)

Organization: Develop organization for enhancing corporate governance and promoting management prioritizing compliance

Development of
defense lines

Establish three-line model

Adopt three-line model for a corporate governance structure including Group companies. Make the control function by the three-layer defense lines with Audit Office at the end more solid, clarify roles and carry out audit or monitoring powerfully.

Organizational
structure change
to enhance
compliance

Develop structure prioritizing compliance

Change organizational structure to promote compliance management through measures including introduction of a president’s office, promotion of corporate governance divisions, and introduction of a legal affairs section to bolster compliance and a crisis management office to bolster risk management measures. Strengthen structures including the Compliance Committee.

Enhance
information
security structure

Develop solid information security structure

Establish an information security committee and maintain its operation, accelerate the expansion of a ISO 27001 certification acquisition division, and strengthen the information security structure.

3-2. Initiatives for “Enhancing corporate governance” (4)

Other initiatives to enhance corporate governance

Promotion of compliance programs

Raise awareness about compliance of all employees and executives

Raise awareness about compliance of all employees and executives, including Directors and Managing Officers, and work out compliance programs incorporating initiatives aimed at enhancing a mutual deterrent function and eradicating harassment. Improve compliance levels across the entire company by updating programs according to the stage.

Strengthen communication with stakeholders

Promote dialogue for improved corporate value

Strengthen communication with stakeholders, including investors, business partners and employees, to help improve governance through dialogue. Include internal as well as outside directors in communication, actively collect external views, and consider them as management deliberation matters.

Reduction in cross-held shares

Significantly reduce cross-held shares

We have established a policy to reduce cross-held shares and been working to reduce them under the basic policy of not holding them unless there is a viable purpose of holding. Set a target for the end of March 2025 of at least halving the amount from the end of March 2021, in addition to a target in terms of the number of issues, and actively work on the reduction.

Acceleration of management decisions; deepening measures to ensure transparency

Optimize corporate governance model

Consider a corporate governance model, including transition to a company with audit and supervisory committee, in order to develop a speedy management structure, improve transparency and fairness of management and strengthen supervisory functions.

3-3. Initiatives for “Workplace culture and work style reforms” (1)

A working group set up in 2021 to promote “workplace culture and work style reforms”
The working group is participated mainly by personnel affairs-related divisions, as well as individuals from offices other than the headquarters as group members and its full-fledged activity began in FY2022.

■ Key measures under DKK-Plan2025

Employee satisfaction

Higher degrees of satisfaction by a continuous cycle of execution, analysis and improvement

Diversity and inclusion

Workplaces where all employees can feel comfortable working

Work environment improvement through DX

Workplaces that make work effective and improve productivity



Increase employee engagement

by promoting the initiatives of “workplace culture and work style reforms”

3-3. Initiatives for “Workplace culture and work style reforms” (2)

Realize working environment in which all employees can maximize their abilities

Monitor through satisfaction survey

Toward developing a better working environment

For a company to develop and grow, finding issues for the organization and take measures for improvement is important and can have impacts on retention of human resources. Develop a better working environment by conducting employee satisfaction survey, analyzing and improving.

Development of structure for promoting diversity and inclusion

Create working environment that maximizes diversity

Under the belief that a working environment with diversity in human resources forms the basis for the development of a company, set the target of increasing female representation in managerial positions to at least 15%, work toward hiring people with disabilities totaling more than the legally required minimum, and carry out system reforms to enable employment until age 70. In addition, engage in aggressive hiring activities, including mid-career hiring, and conduct career training.

Personnel system reform to realize pursuit of diverse expertise and treatment

Develop career paths by area of expertise, etc., and evaluation and wage systems suited to them so that diverse employees can continue to maximize their abilities.

Using DX to improve productivity

Digitalization of work processes; introduction of smart factories

Improving work processes through digital transformation will help change the existing ways of work and secure more creative time of work. We will consider and promote digital transformation of wide-ranging work processes, including at plants.

3-4. Initiatives for “Promoting environmental management” (1)

A working group set up in 2021 to promote environmental management
Step up initiatives for social contribution through efforts coordinated across the entire Group, with members from affiliates in Japan and overseas participating.

■ Key measures under DKK-Plan2025

Information disclosure
compliant with TCFD
recommendations

Sort out and disclose
climate-related
risks/opportunities

Contribution to the
environment through
operation of business

Resolve social issues
through products/
services

Promotion of
investment that can help
conserve the environment

Contribute to the
environment through
investment



Fulfill the responsibility as a company to help maintain sustainable growth of society
by promoting environmental management under coordinated efforts across the Group

3-4. Initiatives for “Promoting environmental management” (2)

Promotion of environmental management under coordinated efforts across Group

Information disclosure
compliant with TCFD
recommendations

Support of TCFD recommendations and information disclosure compliant with them

Support recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD), analyze risks and opportunities brought on by climate change, and appropriately disclose the progress in securities reports, etc.

Contribution to the
environment through
operation of business

Reduce environmental impacts by expanding environmentally friendly products

Take the entire life cycle from the design and development phase to production, use and disposal into consideration, and work to reduce environmental impacts through such measures as energy saving, downsizing/weight-saving, and simplification of classification.

Resolve social issues through products/services

Promote shift from the heat-treatment method using fossil fuels to one using induction heating equipment, which has low environmental impacts. Mitigate climate change impacts and contribute to efforts to create a low-carbon society through business expansion using fuel cells and superheated steam.

Promotion of
investment that can
help conserve the
environment

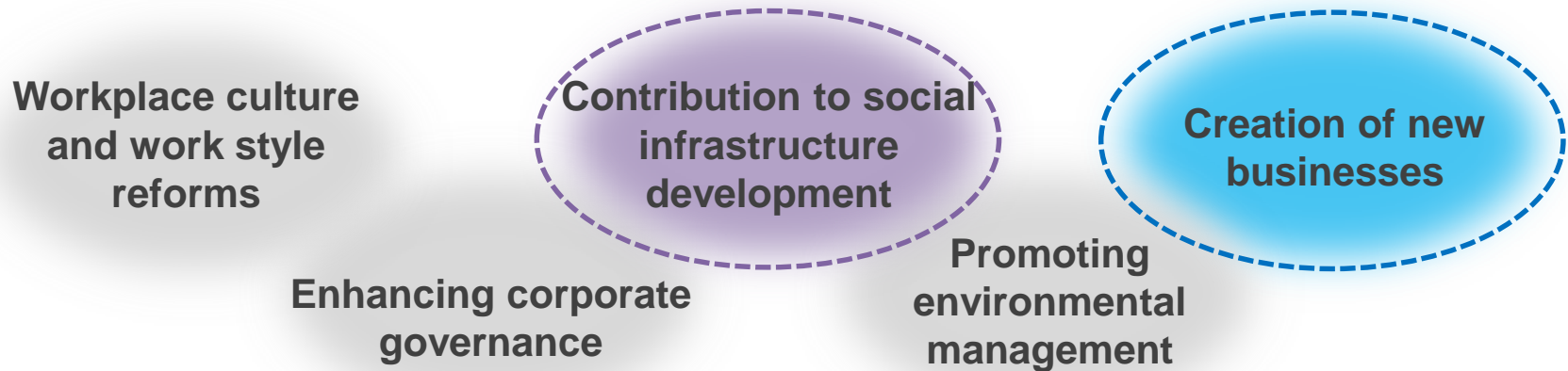
Contribute to the environment through investment

Promote investment projects to help realize a decarbonized society by introducing equipment to expand use of renewable energy sources for the Company’s power, including solar power equipment, and expanding use of electric vehicles for Company-use vehicles.

4. BUSINESS STRATEGY

4-1. Initiatives for Business Strategy

DKK Group's Five Material Issues



Initiatives for business strategy under DKK-Plan2025

Contribution to social infrastructure development

⇒ Use of the Company's technology for the realization of a safe, secure and comfortable society; growth of business

Creation of new businesses

⇒ Sustainable increase in corporate value through establishment of new business foundation

4-2. Toward Optimizing Business Portfolio

- Change the Group's business segmentation description in response to change in the business environment and the business structure
- Work on business style reforms, development of new markets, and application of radio frequency technologies under group-wide effort toward an optimum business portfolio composition

Former segments

Consolidated: 2 divisions /
Nonconsolidated: 5 segments

Telecommunication Business	Mobile Communications	Mobile phone base stations; antennas, construction work, steel towers, etc.
	Fixed Wireless	Disaster-prevention radio systems for government offices and fire-fighting wireless systems, telecommunication antennas and equipment for defense use, etc.
	Broadcasting	Transmitter station equipment for TV and radio broadcasting, maintenance, etc.
	Other Businesses	Aviation obstacle lights, LED lights, renewable energy-related, etc.

Radio Frequency Business	Radio Frequency	Manufacture and sale of high-frequency induction heating equipment for automotive components, contract heat treating service, etc.
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New segments

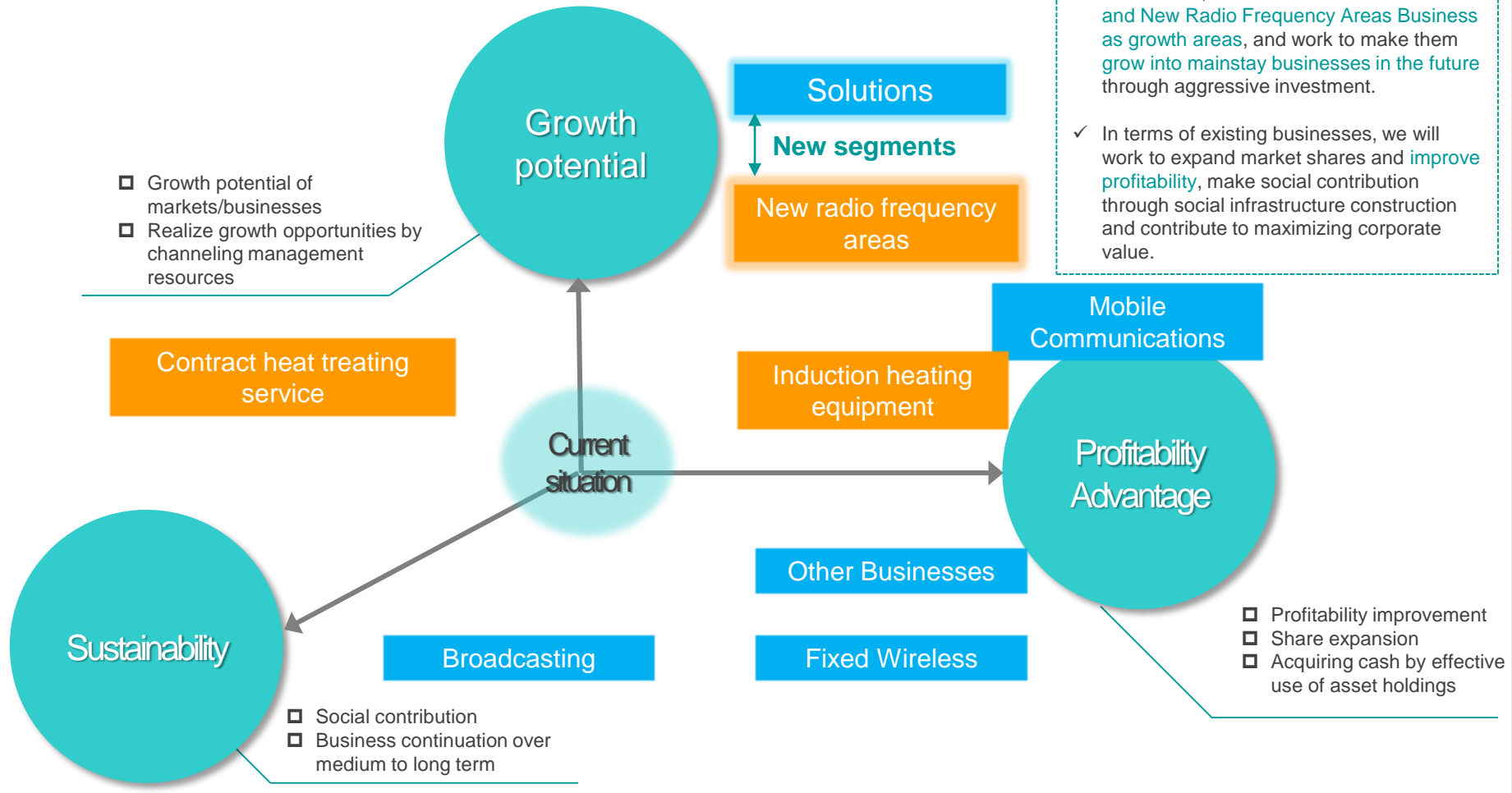
Consolidated: 8 segments

Mobile Communications	Mobile phone base station antennas, construction work and steel towers, radio equipment, etc.
Fixed Wireless	Disaster-prevention radio systems for government offices and fire-fighting wireless systems, telecommunication antennas and equipment for defense use, etc.
Broadcasting	Transmitter station equipment for TV and radio broadcasting, maintenance, etc.
Solutions	Network-related business, including services (local 5G, etc.)
Other Businesses	Steel structure manufacturing and plating, aviation obstacle lights, LED lights, renewable energy-related, etc.
Induction heating equipment	Manufacture and maintenance of high-frequency induction heating equipment for automotive components
Contract heat treating service	Contract heat treating service for automotive components, etc.
New radio frequency areas	Applied high-frequency business for environment- and food-related use; businesses targeting other new areas

4-3. Target Business Portfolio

Maximize corporate value by optimizing business portfolio to build a solid business foundation not vulnerable to economic or social climate

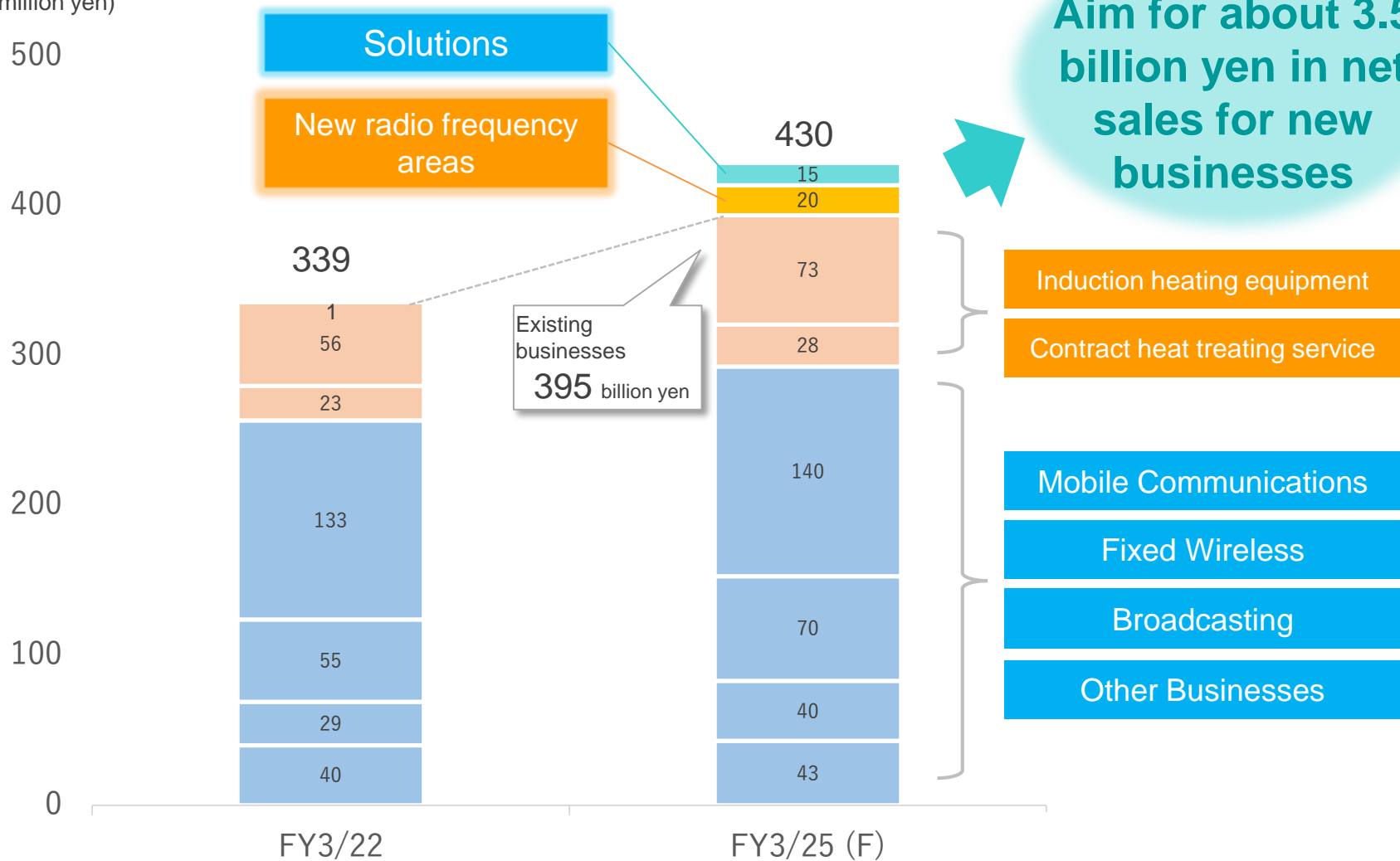
Target business portfolio



4-4. Net Sales Targets

Prioritize profitability for existing businesses;
lay foundation for new businesses as future growth areas

(100 million yen)



4-5. Solutions Business Strategy

Solutions Business

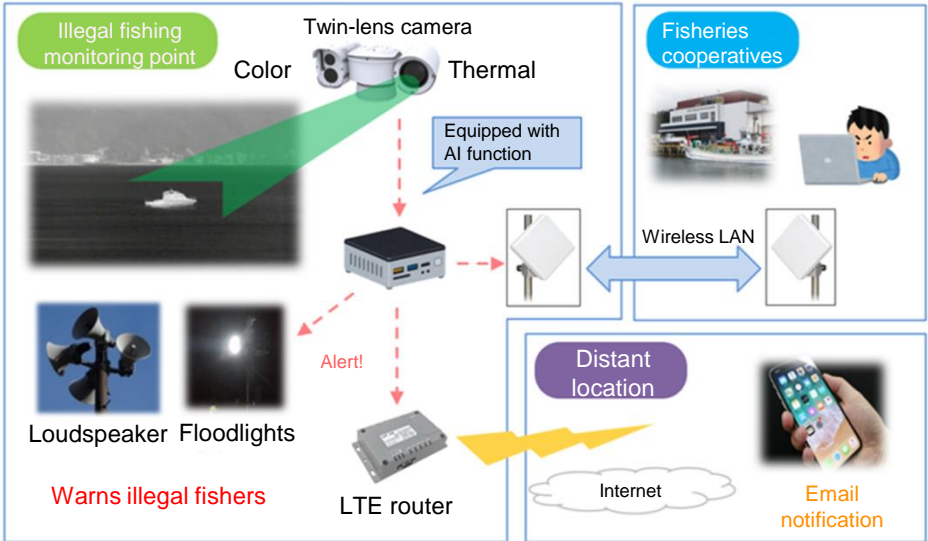
(Local 5G, network-related businesses/services, etc.)

Vision

Provision of issue solving-style services using wireless communication technologies

Provide solutions attached to all communication systems, centered on local 5G

Example of automated vessel detection system



Expand into a broad range of markets by accumulating issue-solving methods (expansion of lineups)

Social issues the Company tackles

- Promotion of labor saving in response to aging population
- Elimination of regional disparities
- Realization of peaceful, safe society, etc.



Identify customer issues and grasp them as their needs. Solve issues by combining the Company's strengths, including wireless technologies, and partners' technologies

Out strengths

- Wireless communication technology
- Area construction
- Construction work
- Maintenance, etc.

Partner technologies

- Software
- Image, detection systems
- AI technology, etc.

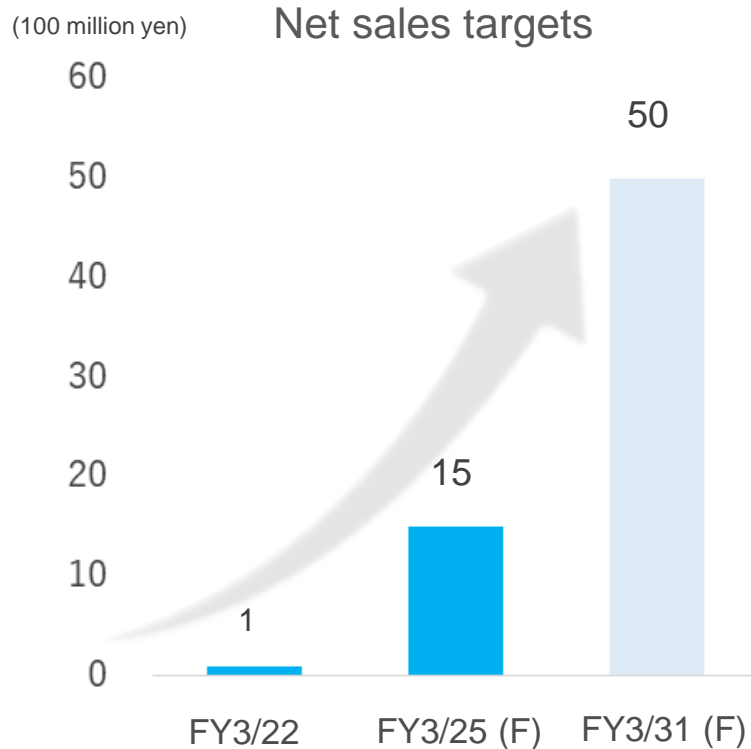
Target market

IT/DX markets of various infrastructures, energy, industrial machinery, the agriculture, forestry and fisheries industry, educational institutions, tourism, construction sites, medical institutions, etc.

4-5. Solutions Business Strategy

Solutions Business

(Local 5G, network-related businesses/services, etc.)



Establish it as a business by the end of the period in this Medium-Term Business Plan and expand it into a business worth about 5.0 billion yen by 2031 (for a long term)

Goal

- Take advantage of wireless communication technology, the Company's strength, to expand business into a broad range of markets including adoption of other wireless technologies, while using local 5G as the pillar
- Break away from order-centric industry by establishing issue-solving-style service business

Strategy

- Enhance and expand lineups using alliance
- Offer one-stop service covering from planning to operation
- Use solution-/network-related technologies in existing businesses
- Expand throughout Japan by establishing dedicated sales division and reinforce Sler human resources
- Expand and enhance support structure by establishing dedicated operational management division
- Use solutions unique to the Company, including repeaters and metamaterial reflector panels, and realize efficient communication environment using area simulation based on the Company's know-how
- Actively use it at the Company's plants and construct model cases for introduction of smart factories

4-6. Strategy for New Radio Frequency Areas Business

New radio frequency areas business

(Applied high-frequency business for environment- and food-related use and other new areas)

Vision

Promote environmental management by expanding areas of application for high-frequency induction heating technology

Market outlook over medium to long term

- ❑ Superheated steam equipment to which induction heating technology is applied can accumulate large amounts of energy in gases by further heating a saturated vapor.
- ❑ It has a wide range of uses, is environmentally friendly, and expansion of new areas is expected.



Use of superheated steam equipment

Inoculation

Sterilization

Antioxidative
treatment

Drying

Industrial
waste
processing
industry

Food industry

Social issues the Company tackles

- Reduce food losses
- Promote recycling
- Break away from fossil fuels, etc.



Advantages of introducing superheated steam technology to drying process for industrial waste and food losses

- Reduce energy consumption
- Shorten processing time
- Reduce total costs

Achievement of SDGs
through effective use of
industrial waste and
reduction in fossil fuel usage

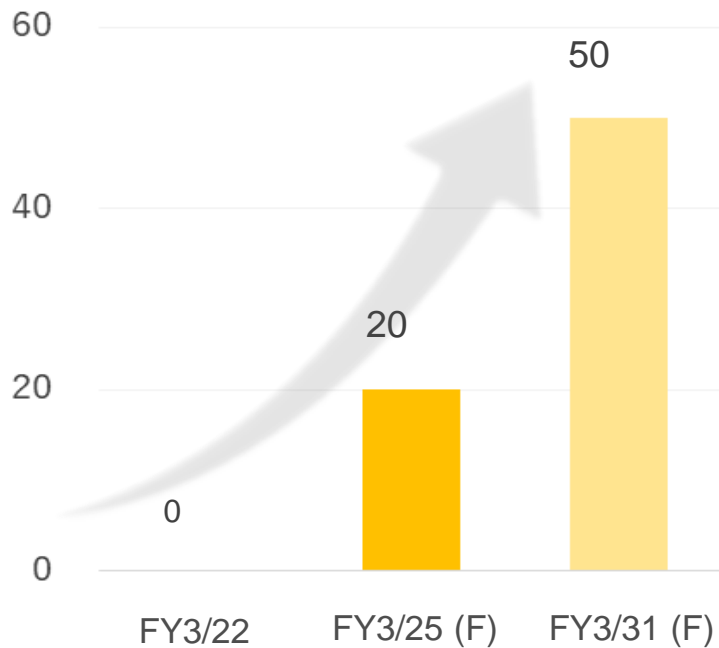
4-6. Strategy for New Radio Frequency Areas Business

New radio frequency areas business

(Applied high-frequency business for environment- and food-related use and other new areas)

Net sales targets

(100 million yen)



Establish it as a business by the end of the period in this Medium-Term Business Plan and expand it into a business worth about 5.0 billion yen by 2031 (for a long term)

Goal

- To grow it into a core business for environmental management
- To create businesses, including value-addition to industrial waste, in addition to equipment delivery

Value addition to industrial waste

Mix plastics into dried industrial waste to process it into plastic pellets and plastic products



Strategy

- Expand application to nonautomotive areas by enhancing superheated steam technology
- Speed up expansion of business areas through alliance with peripheral companies
- Reinforce development/sales personnel
- Expand business into overseas markets by using overseas group members

4-7. Segment Targets and Strategies

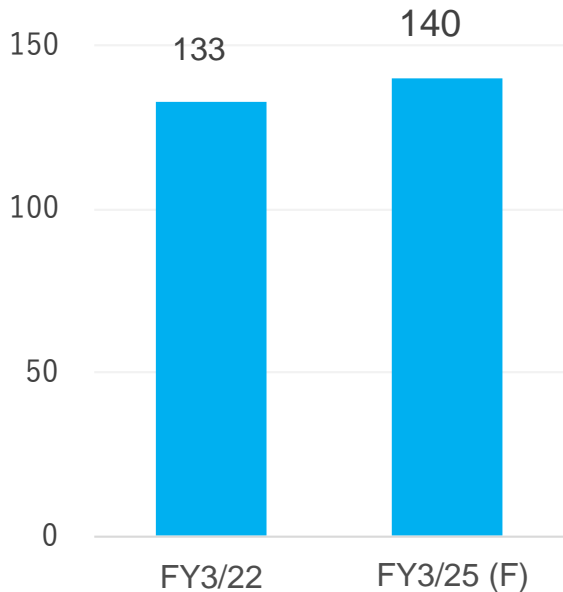
Mobile Communications

(Mobile phone base station antennas, construction work and steel towers, radio equipment, etc.)

To expand our shares in the 5G market and improve profitability by entering the radio equipment market, in addition to antennas, in earnest

Net sales targets

(100 million yen)



Business opportunities

- Activation of infrastructure investment for 5G / beyond 5G
- Accelerated area construction moves through infrastructure-sharing
- Change in area composition methods in response to higher frequencies, including 28GHz band
- Opening of market due to wider use of O-RAN standard

Strategy

- Use advantages of our antenna technologies to expand shares
- Expand business areas by enhancing and expanding the lineup of O-RAN standard-compatible wireless equipment, which was adopted by NTT DOCOMO
- Bolster measures for shared antenna market and development of less conspicuous designs that address scenery-protection measures
- Increase profitability by reviewing production locations and consolidating construction work divisions

4-7. Segment Targets and Strategies

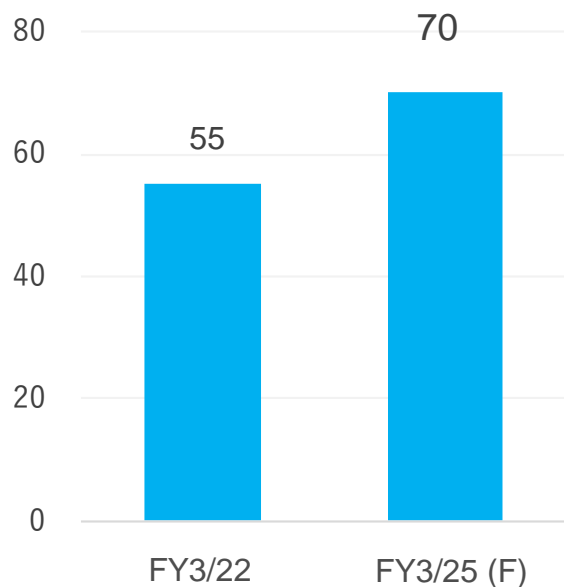
Fixed Wireless

(Disaster-prevention radio systems for government offices and fire-fighting wireless systems, telecommunication antennas and equipment for defense use, etc.)

To help establish society resistant to disasters and improve profitability by stepping up development of administrative radio systems

Net sales targets

(100 million yen)



Business opportunities

- Extension of applicable deadline for emergency disaster prevention and mitigation program bonds, a form of public investment
- Continued demand from updates of firefighting and police wireless equipment
- Demand for advancing defense equipment

Strategy

- Aggressively promote 280MHz band disaster-prevention wireless equipment and retransmission equipment
- Develop disaster-prevention products in collaboration with Solutions Business
- Improve profitability by improved work process efficiency by unifying calculation divisions and consolidating construction work divisions

4-7. Segment Targets and Strategies

Broadcasting

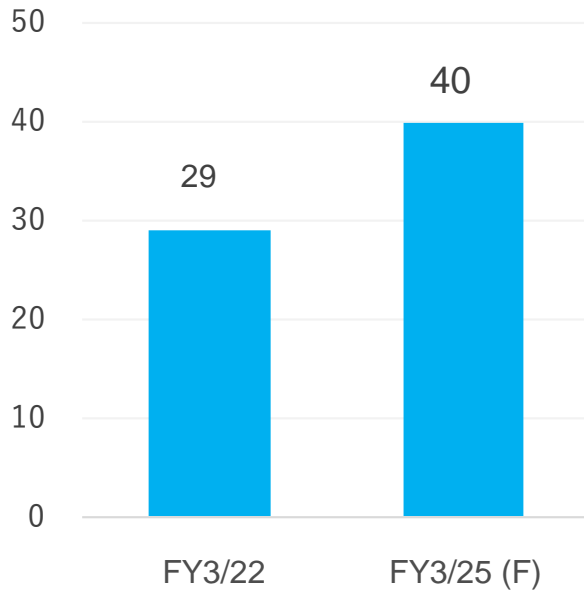
(Transmitter station equipment for TV and radio broadcasting, maintenance, etc.)

To maintain and update broadcasting equipment as a social mission



Net sales targets

(100 million yen)



Business opportunities

- Updates of terrestrial digital broadcasting; demand from maintenance needs
- Emergence of FM broadcasting-related demand related to conversion from AM broadcasting

Strategy

- Steadily capture demand from updates associated with construction track record
- Win more orders by training engineers and taking advantage of the ability to take on wide-ranging areas of work
- Capture demand from broadcasting equipment updates and improve profitability by consolidating construction work divisions

4-7. Segment Targets and Strategies

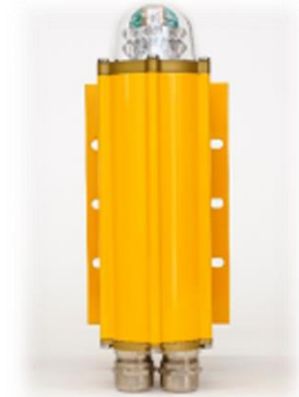
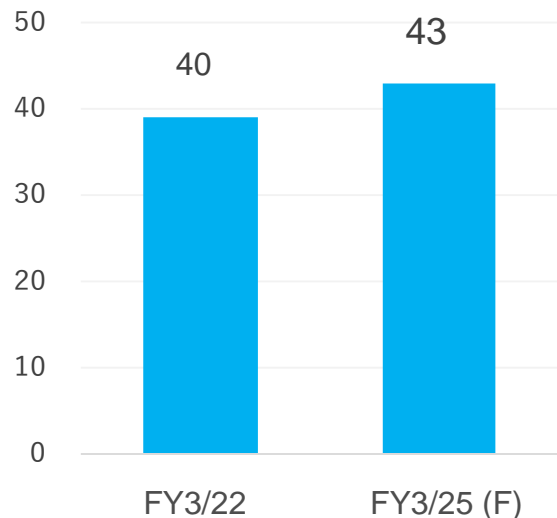
Other Businesses

(Steel structure manufacturing and plating, aviation obstacle lights, LED lights, renewable energy-related, etc.)

Aggressive sale of environmentally friendly products
Capture continuous demand for outdoor steel building frameworks

Net sales targets

(100 million yen)



Business opportunities

- Increased demand for environmentally friendly products, including those that reduce CO2 emissions
- Continuation of demand for special-purpose steel structures in construction market and surface treatment

Strategy

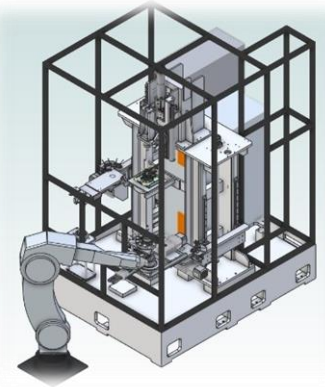
- Expand sale of environmentally friendly products, including aviation obstacle lights for offshore wind power equipment and emergency power fuel cells for broadcasting equipment
- Promote differentiation (high quality, ancillary work, etc.) in steel building frameworks and hot-dip galvanizing processing

4-7. Segment Targets and Strategies

Induction heating equipment

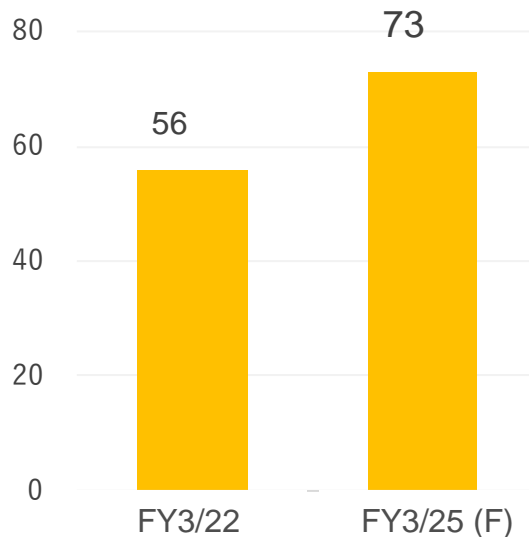
(Manufacture and maintenance of high-frequency induction heating equipment for automotive components)

To capture emerging demands associated with electrification of vehicles, expand market shares, and improve profitability



Net sales targets

(100 million yen)



Business opportunities

- Trend of recovery from a slump in capital investment-related demand in the automotive industry due to the COVID-19 pandemic and semiconductor shortage
- Increase in use of next-generation vehicles (EV, PHV), decrease in demand for fuel system components, and emergence of demand for products such as motor shafts

Strategy

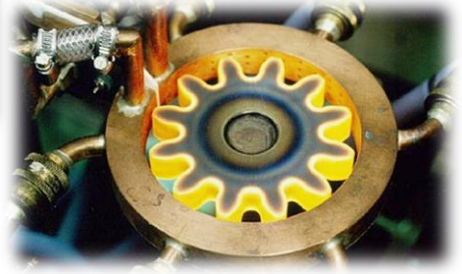
- Encourage shift from other heating methods by taking capitalizing on the advantages of induction heating in terms of environmental impacts
- Boost competitiveness through R&D targeting EV market
- Boost profitability by evolving coil manufacturing technology

4-7. Segment Targets and Strategies

Contract heat treating service

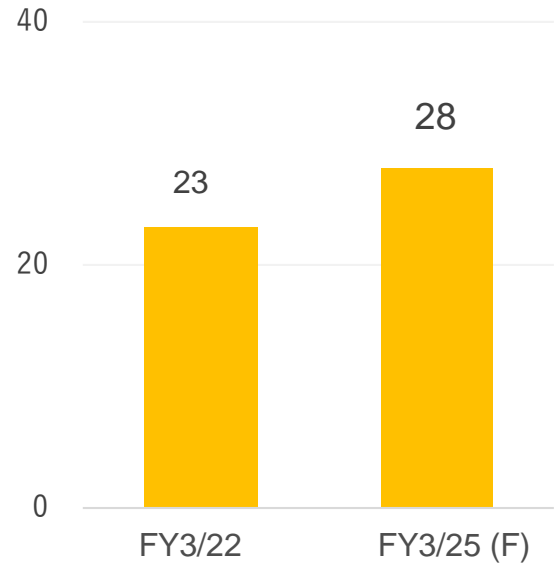
(Contract heat treating service for automotive components, etc.)

To promote use of the induction heating method in the global market and improve profitability



Net sales targets

(100 million yen)



Business opportunities

- Recovery in demand for automotive production led by China and North and Central Americas
- Increase in use of next-generation vehicles (EV, PHV), continued demand for underbody components, etc. and emergence of demand for products such as motor shafts

Strategy

- Develop markets by making effective use of overseas offices
- Promote labor saving in heating treatment processes; boost competitiveness by making factories smart
- Reduce costs and boost profitability by introducing solar power equipment at our plants for environmentally friendly measures

4-8. Structural Reforms

Carry out drastic organizational reforms for optimizing Business Portfolio, execution of growth strategy

Reform of internal organization

- **Acceleration toward resolution of management issues**

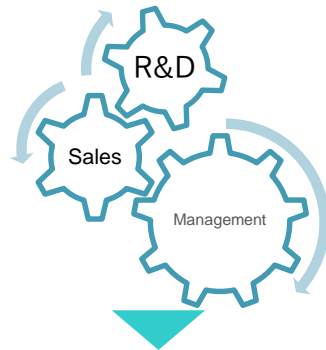
Set up president's office to enable swift execution of management decisions; set up cross-divisional committees according to purposes

- **Reinforce sales abilities**

Human resource investment in sales divisions; establish issue-solving-format sales styles

- **Consolidate R&D divisions**

Consolidate wireless equipment development divisions into Wireless R&D Center offices and consolidate Wireless R&D Center and Future Research Center offices to accelerate innovative R&D



Improved organizational performance

Reform of affiliate companies in preparation for group integration

- **Consolidate production facilities**

Consolidate/split subsidiaries based on the business field or area

- **Consolidate construction work divisions**

Separation from sales divisions; enhance cost management by integrating technologies from across Japan

- **Promote active use of human resources**

Use human resources within the Group in flexible manner



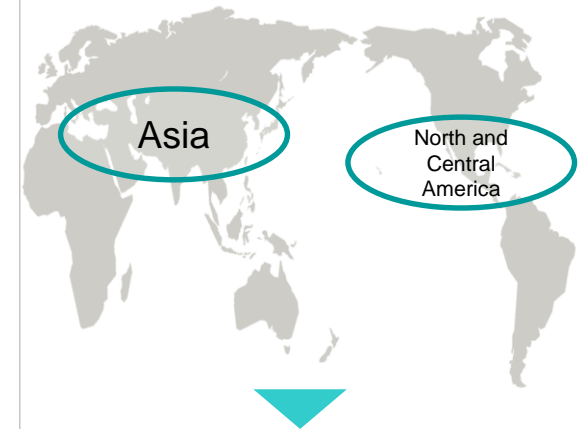
Stronger profit structure

Optimization of overseas strategies

- **Create optimum production structure**
Reorganize production facilities in a flexible manner, including partner companies, in order to address currency risks and improve profitability

- **Expand areas of Radio Frequency operations overseas**

Expand and enhance services through optimum allocation of equipment-production, maintenance and contract-processing services
Channeling human resources in response to demand



Improved profitability of overseas operations

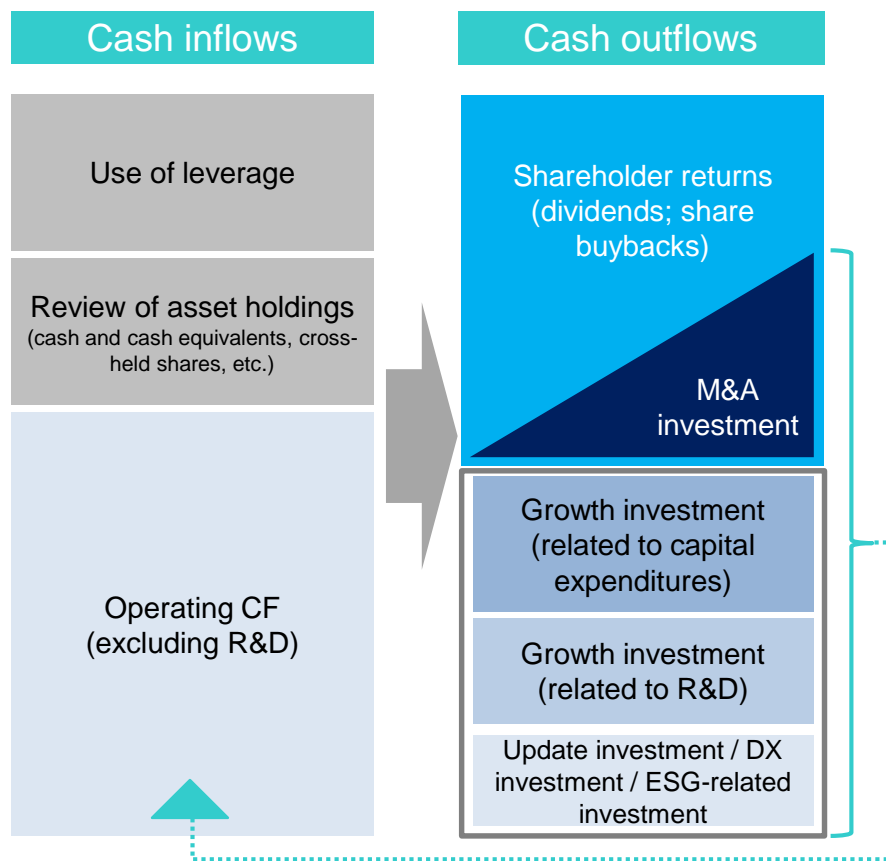
5. CAPITAL STRATEGY

5-1. Financial Strategy

■ Capital allocation

Bolster growth investment and shareholder returns, aiming for D/E ratio of 0.2 to 0.3

Period of Medium-Term Business Plan (FY3/2023-FY3/2025)



Shareholder returns

Dividends / share buybacks **Minimum 10.0 billion yen**

Note: Including share buybacks disclosed in February 2022

- ✓ Pay attention to growth investment aimed at improving earnings and optimum balance sheet composition, in addition to dividends, and continue to carry out share buybacks
- ✓ Cancel all treasury shares bought back except for about 10% of the total outstanding shares

M&A

M&A **Up to 4.0 billion yen**

- ✓ Aggressively carry out for new business creation

Growth investment

(total for period through end-March 2025)

Capital expenditures **About 4.0 billion yen**

R&D investment **About 6.0 billion yen**

- ✓ Make investments that pay attention to cost of capital

Other investments

Update investment / DX investment / ESG-related investment **About 4.0 billion yen**

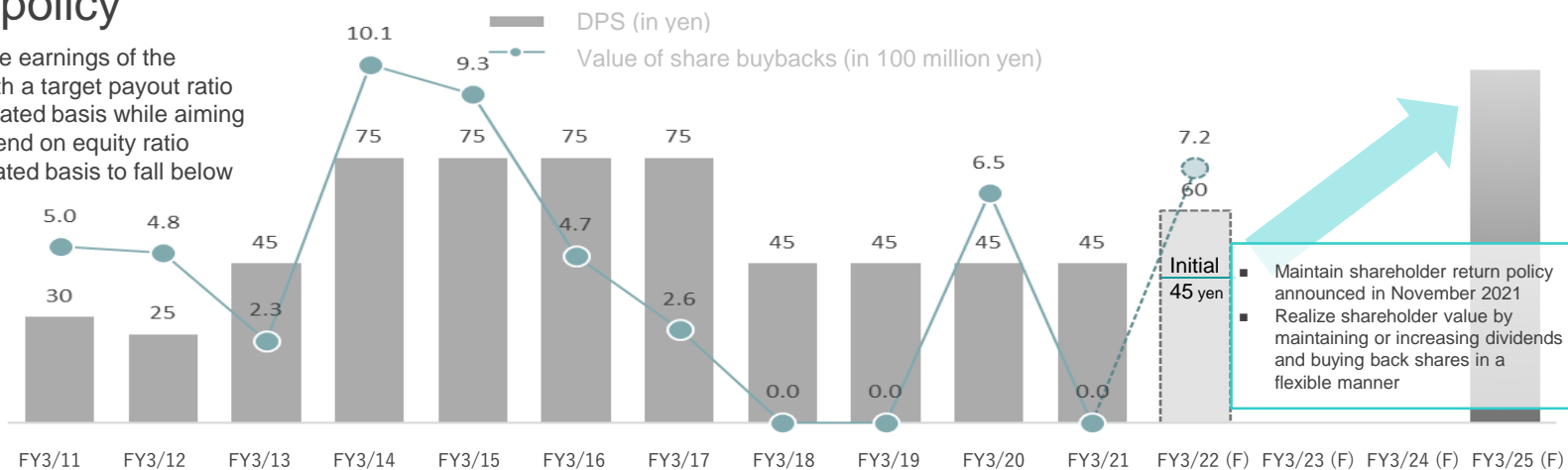
5-2. Enhancing Shareholder Returns

Spend 10.0 billion yen for measures to bolster shareholder returns (cumulative for three-years)

Aim for at least 10.0 billion yen in shareholder returns combining dividend payouts and share buybacks (including one currently underway) based on capital allocation (more to be spent for shareholder returns when M&A investments not made)

Dividend policy

- ✓ We link payouts to the earnings of the current fiscal year with a target payout ratio of 40% on a consolidated basis while aiming to not allow the dividend on equity ratio (DOE) on a consolidated basis to fall below 1.5%.



- Maintain shareholder return policy announced in November 2021
- Realize shareholder value by maintaining or increasing dividends and buying back shares in a flexible manner

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17	FY3/18	FY3/19	FY3/20	FY3/21	FY3/22 (F)	FY3/23 (F)	FY3/24 (F)	FY3/25 (F)
ROE (%)	3.1	5.1	4.0	15.3	5.3	3.3	1.2	1.8	3.4	4.0	2.5	2.1	Achieve 5.0% early		
DOE (%)	1.1	0.9	1.6	2.4	2.1	2.1	2.1	1.2	1.2	1.2	1.2	1.5	Target 40% in payout ratio Limit DOE from falling below 1.5% (target: 2.0%) Flexible share buybacks		
Payout ratio (%)	35.6	17.6	39.2	15.4	40.1	62.6	168.7	68.4	36.1	30.2	46.8	70.8			
Total return ratio (%)	79.7	43.3	54.7	31.7	80.0	94.7	217.1	68.4	36.1	66.6	46.8	142.7			

Share buybacks

- Decide repurchase of shares (up to 2.5 billion yen and 1.10 million shares) as part of capital allocation to bolster growth investment and shareholder returns while maintaining financial discipline
- We have established a policy to continue to consider ways to use treasury shares in our possession and actively cancel those in excess of the amounts deemed necessary. If treasury shares exceed 10% of the total outstanding shares, the portion exceeding this threshold will be canceled.

5-3. Investment Strategy

Aim to make aggressive investment in growth investment, M&A investment and other investment

DKK-Plan2025

Investment detail

Invested amount
(cumulative for three-years)

Capital expenditures

Growth investment

Capital expenditures

- Plant update / office consolidation to improve productivity
- Introduction of automation equipment at plants
- Addition of production lines to expand business

4.0 billion yen

R&D investment

- Research on new technologies and fusion with our technologies for the purpose of establishing solution business
- R&D of advanced antenna technologies and antenna-device integration technology to solidify leading position in the beyond 5G / 6G age
- Development of induction heating equipment with a view to expand business into new areas

R&D investment

6.0 billion yen

M&A

- Spontaneous investment for capital tie-ups and M&A aimed at realizing new business creation early

Up to

4.0 billion yen

Other investments

DX investment

- Smartification of factories
- Renew production control systems to improve work efficiency

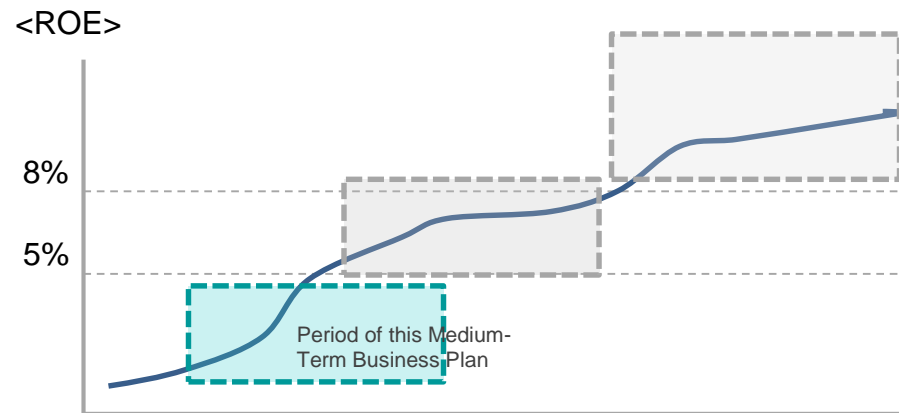
Update investment / ESG investment

- Step up ESG efforts, including promotion of environmental management

4.0 billion yen

5-4. Establish ROIC Management

Ensure business operation that pays attention to cost of capital is practiced across the Group to help secure sustainable increase in ROE



- Increase ROE to levels above capital costs
 - ✓ Work out business administration system in which targets are set for each business division (establishment of ROIC-focused management)
 - ✓ Visualize business and improve financial performance by introducing ROIC
 - ✓ Reduce WACC and improve spread with ROIC

Current level
(end-FY3/22)

5.5%

Target by end of Medium-Term
Business Plan period
(end-FY3/25)

4.5%

WACC

(weighted average cost of capital)

ROIC

(return on invested capital)

- Add ROIC in management indicators and aim to increase it above WACC
- Calculated for each segment (business division)/office. Improve efficiency and profitability of assets, taking business portfolio into consideration

APPENDIX

1. DKK Group's Material Issues
2. Specific Initiatives to Address Material Issues

DKK Group's Material Issues

■ Five Material Issues

Workplace culture and work style reforms

Put effort into creating workplace environment in which employees respect each other and maximize their potential



Enhancing corporate governance

Increase effectiveness of corporate governance to establish a sound and transparent business foundation



Contribution to social infrastructure development

Increase existing businesses' contribution to social infrastructure and grow as a business through improved earnings



Promoting environmental management

Mitigate climate change impacts and contribute to efforts to create a low-carbon society through business



Creation of new businesses

Aim to create new businesses using the experience and technologies we have developed while actively taking advantage of R&D and M&A



Goal 17 of the SDGs (“Partnerships for the goals”) is given the utmost importance for achieving the goals. It applies to all material issues.



Specific Initiatives to Address Material issues

Workplace culture and work style reforms

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals <small>Note: We aim to continue working every year on the items for which no target fiscal year is indicated.</small>
Respect of employee human rights (including those of partner companies)	<ul style="list-style-type: none"> • Conduct human rights training to raise awareness about respect for human rights 	<ul style="list-style-type: none"> ■ Employees attending human rights training sessions: 100%
Eradication of harassment	<ul style="list-style-type: none"> • Awareness-raising to eradicate harassment • Monitoring through employee satisfaction survey 	<ul style="list-style-type: none"> ■ Employees attending harassment training sessions: 100%
Hiring diverse human resources; promoting women's empowerment	<ul style="list-style-type: none"> • Develop a structure for diversity and inclusion promotion 	<ul style="list-style-type: none"> ■ Ratio of female managers: At least 15% (FY3/25) ■ Ratio of employees with disabilities: Adhere to legal requirements ■ Establish system to employ ages up to 70 (FY3/25)
Productivity improvement using digital transformation (DX)	<ul style="list-style-type: none"> • Improve productivity through digitalization of work processes and smartification of plants 	<ul style="list-style-type: none"> ■ Reduction in average total working hours in a year: Level of 1,800 hours (FY3/25)

Specific Initiatives to Address Material issues

Enhancing corporate governance

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals <small>Note: We aim to continue working every year on the items for which no target fiscal year is indicated.</small>
Management prioritizing compliance	<ul style="list-style-type: none"> Promote compliance programs Strengthen operation of compliance training programs 	<ul style="list-style-type: none"> Compliance education sessions for officers and division chiefs: At least once every year Attendance at compliance training sessions: 100%
Promotion of communication with stakeholders	<ul style="list-style-type: none"> Enhance/expand disclosed documents; early disclosure of English versions of the documents Enhance/expand communication between investors and management team 	<ul style="list-style-type: none"> Participation of director and outside directors in dialogue with investors
Maintain transparency of management	<ul style="list-style-type: none"> Conduct Board of Directors effectiveness evaluation Improve Board of Directors effectiveness 	<ul style="list-style-type: none"> Board of Directors effectiveness evaluation: Once every year Rate of Directors' attendance at Board meetings in a year: At least 80%
Enhancing information security	<ul style="list-style-type: none"> Obtain ISO 27001 certification Conduct security training 	<ul style="list-style-type: none"> DKK and group companies in Japan obtain ISO 27001 certification (FY3/25) Attendance rate of security training sessions: 100%

Specific Initiatives to Address Material issues

Contribution to social infrastructure development

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals <small>Note: We aim to continue working every year on the items for which no target fiscal year is indicated.</small>
Construction of stronger information infrastructure	<ul style="list-style-type: none"> Strengthen delivery of carrier 5G- and local 5G-related products Appropriate update and maintenance of systems and equipment 	
Secure safety through promotion of disaster-prevention business	<ul style="list-style-type: none"> Enhance/expand disaster-prevention information provision systems by updating disaster-prevention systems Reinforce disaster-prevention functions by providing our systems, including information cameras, water level gauges, etc. 	<ul style="list-style-type: none"> Sales from communication equipment update/maintenance deals, local governments disaster-prevention function reinforcement deals, induction heating equipment for safety device system components, etc.: at least 15% FY2020 ratio (FY3/26)
Reinforce safety of car society	<ul style="list-style-type: none"> Boost sale of induction-heating equipment for automotive safety system components 	
Secure safety and quality	<ul style="list-style-type: none"> Improve technology for processing quality Assess risks regarding quality and safety; carry out risk mitigation activities 	<ul style="list-style-type: none"> Percentage of our engineers holding government certification related to business evaluation application: at least 70% (FY3/26) Introduce advanced safety vehicles (ASVs) to company-owned cars: Begin ASV introduction (FY3/25)

Specific Initiatives to Address Material issues

Promoting environmental management

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals <small>Note: We aim to continue working every year on the items for which no target fiscal year is indicated.</small>
<p>Promote carbon neutral</p>	<ul style="list-style-type: none"> • Raise environmental awareness across the Company through environmental education • Promote efforts to reduce greenhouse gas emissions • Enhance power-saving features of products • Install solar panels at our facilities • Buy power generated using renewable energy sources, etc. 	<ul style="list-style-type: none"> ■ Amount of Scope 1, 2 greenhouse gas emissions: Calculation including overseas group companies (FY3/25) ■ Amount of Scope 3 greenhouse gas emissions: Calculation including group companies in Japan (FY3/25) ■ Promotion of renewable energy usage: No quantitative target (followed item)*
<p>Promotion of realizing circular society</p>	<ul style="list-style-type: none"> • Promote efforts to control generation of waste; waste recycling through separation into types • Promote three Rs through coordinated efforts in supply chains 	<ul style="list-style-type: none"> ■ Percentage of total emissions recycled: Separation, disclosure of results (FY3/25) ■ Amount of waste discharged (t): No quantitative target (followed item)*
<p>Expansion of environmental products</p>	<ul style="list-style-type: none"> • Work out DKK Group green purchasing guidelines; promote green purchasing • Develop environmental products; promote sales expansion activities 	<ul style="list-style-type: none"> ■ Develop products that reduce environmental impacts by 10%: Consideration, selection, design (FY3/25)

* We are examining impacts and compiling basic data for followed items. Current period is for assessing impacts and we have not set quantitative targets. **Targets will be set after the impact assessment is completed.**

Specific Initiatives to Address Material issues

Creation of new businesses

Priority initiatives	Specific initiatives	KPI / medium- to long-term goals <small>Note: We aim to continue working every year on the items for which no target fiscal year is indicated.</small>
<p>Using wireless and radio frequency technologies in new areas</p>	<ul style="list-style-type: none"> • Participate in academic societies, study groups and other groups for the purpose of creating new market / new product candidates • Develop a system in which ideas that can lead to new businesses are collected and shared • New hires for new business development 	<ul style="list-style-type: none"> ■ Increase instances of joint development, collaborating companies and M&A instances: selection of collaboration partners (FY3/25)
<p>Entry into service business</p>	<ul style="list-style-type: none"> • Develop application programs that can be used for service business • Develop organizational structure for service business • Accelerate service expansion through collaboration with other companies 	

Cautionary Note About This Document

- ◆ The forecast figures and descriptions/statements about future outlook in this document are compiled based on the information currently in the company's possession.
- ◆ This document was created using the preconditions (assumptions) required to make forecasts and describe them, in addition to facts established and accurately recognized in the past. In view of the indeterminacies and uncertainties inherent in descriptions or statements about forecasts or future outlook, or variability arising from changes in the situation of future business operation, domestic and overseas economies, the securities market, or otherwise, actual earnings figures, results, performance and achievements may differ from descriptions or statements about forecast figures, future outlook, etc. herein.