



**Medium-Term Business Plan, DKK-Plan2025:  
Rolling Plan**

**March 22, 2024**

**DKK Co., Ltd.**

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# 1. OVERVIEW OF THE ROLLING PLAN

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# Summary

- Due to the controlled capital spending by customers, spikes in energy prices, materials prices, and personnel expenses, the net sales forecast for FY3/24, the second year of the Medium-Term Business Plan, was sluggish at 30.5 billion yen
- We will implement the business structure reforms based on the fundamental reforms to improve business performance explained in the “First Half Results for the Fiscal Year Ending March 31, 2024,” establish a structure that enables performance recovery and profit creation, and implement various initiatives
- We will delay the target year for achieving 5.0% ROE under the Medium-Term Business Plan, DKK-Plan2025 by two years, and aim to achieve it in FY3/27
- Similarly, we will aim to achieve the cumulative 3-year shareholder returns of 10.0 billion yen in FY3/27; however, we will strive for early achievement considering the situation such as the status of the operating cash flow

## Rolling Plan

From FY3/25

**Establish a  
structure for profit  
creation**

- **Business Structure Reforms**  
Business portfolio optimization, R&D selection and consolidation, human resources strategy, organizational structure reform, improved work process efficiency
- **Financial Strategy**  
Capital allocation, continued shareholder returns




**DKK-Plan2028**

FY3/26 – FY3/28

**Realize and accelerate growth**

# DKK-Plan2025 Initiatives Status

- “1. Strengthen business foundation” is making progress mainly in corporate governance. We will continue the efforts.
- “2. Optimize business portfolio” related initiatives are making slow progress, and the impact is visible in the business performance.
- “3. Realize new business creation early” is in the stage of accumulating steady initiatives and results. Acceleration is required to quickly grow into a business that makes significant contribution to the business performance.

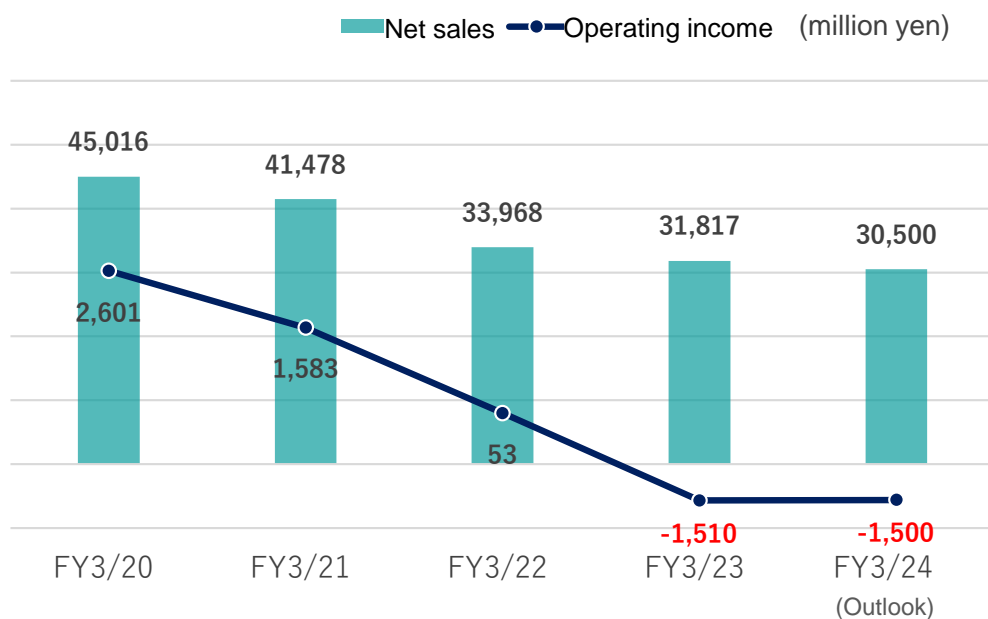
DKK-Plan2025 Priority Measures	Key Actions		Progress/Issues
	FY3/23	FY3/24	
<b>1. Strengthen business foundation</b> <ul style="list-style-type: none"> <li>■ Enhance corporate governance; promote compliance management</li> <li>■ Improve employee engagement</li> <li>■ Promote environmental management</li> </ul>	<ul style="list-style-type: none"> <li>• Change of Directors' term from 2 years to 1 year</li> <li>• Revision in Directors' compensation system</li> <li>• Conduct employee engagement survey</li> <li>• Promote diversity and inclusion (DE&amp;I)</li> <li>• Information disclosure compliant with TCFD recommendations</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce cross-held shares (continue)</li> <li>• Complete acquisition of ISO 27001 certification (non-consolidated)</li> <li>• Establish human rights policy and conduct human rights training</li> <li>• Initiatives for personnel system reform (implementation postponed from April to October 2024)</li> <li>• Establish measures to reduce greenhouse gas emissions</li> <li>• Submit a commitment letter for Science Based Targets (SBT) certification</li> </ul>	 Continue initiatives
<b>2. Optimize business portfolio</b> <ul style="list-style-type: none"> <li>■ Ensure visibility of business profitability of new segments/ROIC</li> <li>■ Promote structural reforms, including the Group</li> <li>■ Strengthen business foundation for profit creation</li> </ul>	<ul style="list-style-type: none"> <li>• Establish segments corresponding to consolidated results</li> <li>• Enhance initiatives for social infrastructure development</li> <li>• Reform affiliate companies for operational efficiency by exiting unprofitable businesses and consolidating offices</li> </ul>	<ul style="list-style-type: none"> <li>• Enhancing existing business profitability has been sluggish partially due to the impact of controlled capital spending in the telecommunications area</li> <li>• Won an order for the basic design of “Ebino Transmitting Station (submarine broadcasting system transmission facilities)” from the Ministry of Defense</li> <li>• Expanding application of high-frequency induction heating equipment including for EVs</li> </ul>	 Review some initiatives
<b>3. Realize new business creation early</b> <ul style="list-style-type: none"> <li>■ Capital tie-ups and active investment in M&amp;A</li> <li>■ Launch solution business toward resolving social issues</li> <li>■ Aggressive investment in human resources development</li> </ul>	<ul style="list-style-type: none"> <li>• Established “Solutions” and “New Radio Frequency Areas” segments to create new businesses</li> <li>• Set as a material issue, search for collaborating/partner business</li> </ul>	<ul style="list-style-type: none"> <li>• M&amp;A of Cybercore to expand Solutions business</li> <li>• Received an order for superheated steam equipment</li> <li>• Contribution to business performance by new businesses were limited</li> </ul>	 Accelerate

# Background of the Review

- Sufficient structure and foundation was not built to enable response to changes in the external environment such as the spike in material prices and controlled capital spending by customers
- With the extremely challenging management environment continuing, our business performance for FY3/24, the second year of the Medium-Term Business Plan, is expected to significantly underperform initial expectations

## Consolidated Net Sales and Operating Income

- Net sales decreased by about 15.0 billion yen from FY3/20
- Due to intensified price competition including for bidding and spike in materials prices, operating margin decreased and could not cover fixed costs. Expecting to report operating loss for two consecutive years



### External Factors

- Controlled capital spending by existing customers
- Spike in materials prices
- Spike in personnel expenses
- Higher energy cost

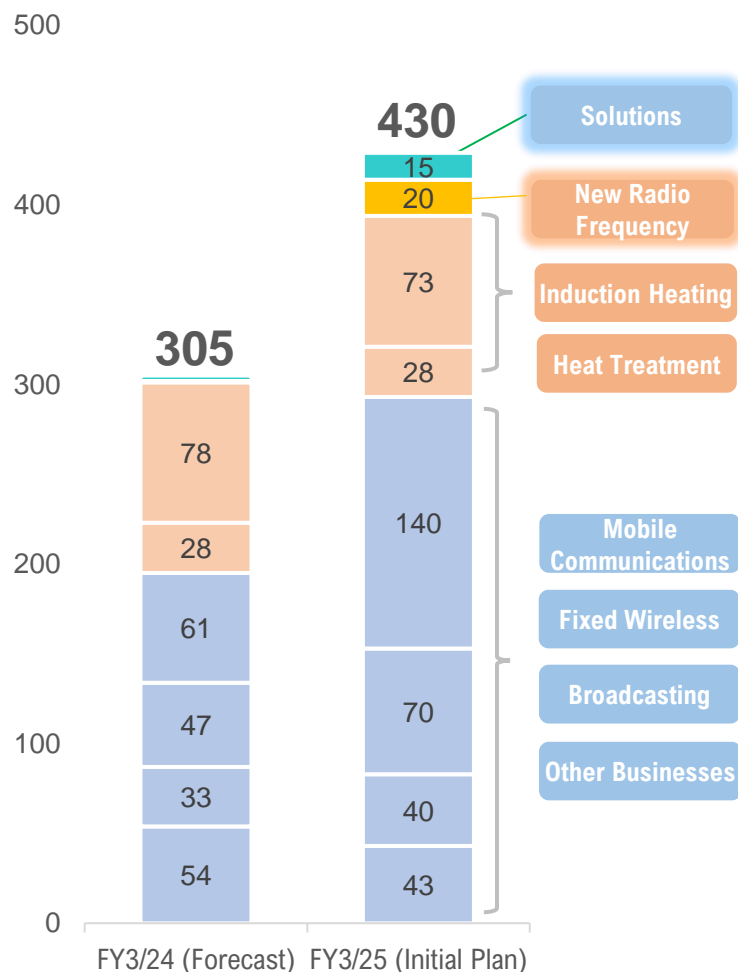
### Internal Factors

- Delay in product price review
- Slow shift to organizational structure suited to the market environment
- Slow monetization of new business

# Status by Segment

## Business Performance and Environment by Segment

(100 million yen)



Deteriorating business performance against the initial plan for FY3/25 became clear in FY3/24

The market for Telecommunications Business, the driver of our business thus far, had significant impact on deteriorating business performance

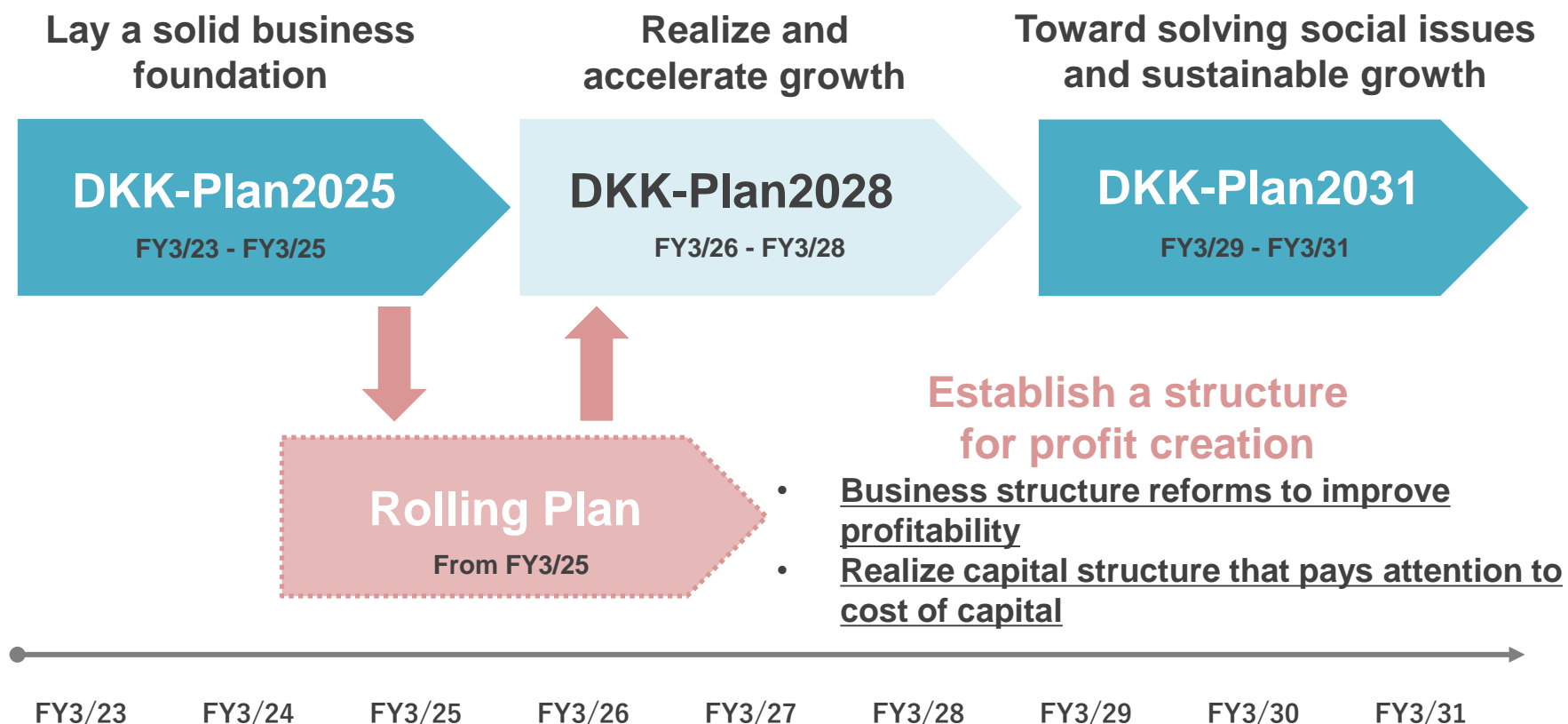
Mobile Communications	Controlled capital spending by existing customers significantly exceeding expectations
Fixed Wireless	High in demand and social needs, but competition and pricing pressure is intensifying
Broadcasting	Equipment updating demand can be expected, but the future of broadcasting business itself is uncertain
Solutions	Increased market demand and growth can be expected with the practical application of AI and advances in wireless communication technologies
Other Businesses	Steady performance, but demand for products in the segment is limited
Induction heating /Heat Treatment	Auto industry including the overseas market is recovering, and the performance is mostly in line with the plan
New radio frequency areas	Contribution to business performance is not visible, but growth is expected considering the market growth potential and customer sensitivity



Select the focus segment based on factors including the medium to long term vision and market environment and concentrate resources

# Positioning of the Rolling Plan

- Review of numerical targets and timeframe for the Medium-Term Business Plan, DKK-Plan2025 was decided
- Execute drastic business structure reforms and financial strategy during the current Medium-Term Business Plan to promote business reform and improve performance, which will lead to the achievement/acceleration of growth during the next Medium-Term Business Plan, DKK-Plan2028





# Review of Numerical Targets

- Delay the target year for achieving 5.0% ROE under the Medium-Term Business Plan, DKK-Plan2025 by two years, and aim to achieve it in FY3/27
- Set operating income as a new quantitative target to prioritize profit and ROIC
- Quickly respond to changes in the external environment, thoroughly enforce selection and consolidation of businesses, and review cost structure to improve business performance and achieve numerical targets early

	FY3/25 Initial Plan	FY3/24 Estimate	FY3/25 Forecast		FY3/27 Goal
Net sales	43.0 billion yen	30.5 billion yen	33.0 billion yen		40.0 billion yen
Operating income	—	-1.5 billion yen	0.5 billion yen		1.8 billion yen
Net income	2.0 billion yen	-1.1 billion yen	0.4 billion yen		1.8 billion yen
D/E ratio	0.2-0.3	0.15	0.16		0.2-0.3
ROE	5.0%	-%	1.1%	+2 years →	5.0%

# Direction of the Rolling Plan

## Opportunities

- Wider social awareness of sustainability
- Increased expectation for ICT
- Increased defense and national resilience related demand
- Social contribution on disaster prevention and mitigation
- Auto industry reform and growth

## Risks

- Decrease in demand from decreasing population
- Increased procurement cost due to change in external environment
- Decline in competitiveness due to lack of human resources matching core technologies and necessary skills
- Decline in competitiveness due to slow technological innovation

## Strength of DKK Co., Ltd.

### Technology

(Core technology: Radio wave control, heat treatment)

### Experience Knowledge

### Domestic and international networks

## Rolling Plan Policy: Build a profitable structure through business structure reforms

### Structural reform to improve profitability

- Select and enhance focus segments corresponding to the market environment
- Streamlining the organization and concentrating resources
- Operational efficiency and work style reform

### Medium to long term growth strategy

- Intensive development of core technology and selection and consolidation of R&D with a medium to long term perspective
- Implement human resources strategy with a view to implementation of business strategy

### Optimal capital structure

- Promote asset light management
- Incorporation of awareness of cost of capital in management and business activities
- Creation of a platform to realize stable shareholder returns

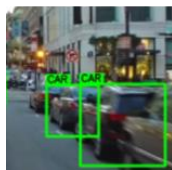
## **2. BUSINESS STRUCTURE REFORMS**

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# Optimize Business Portfolio: Select Focus Segments

- Select the priority segment based on factors including the medium to long term vision and market environment, and intensely channel resources

## Solutions



Aim at increasing demand associated with practical application of AI and advancement in wireless communication technology for early achievement of expansion and profitability for Solutions business.

## Defense (Fixed Wireless)



In anticipation of a substantial increase in the defense budget, maximize opportunities to capture future demand, including for maintenance and development work.

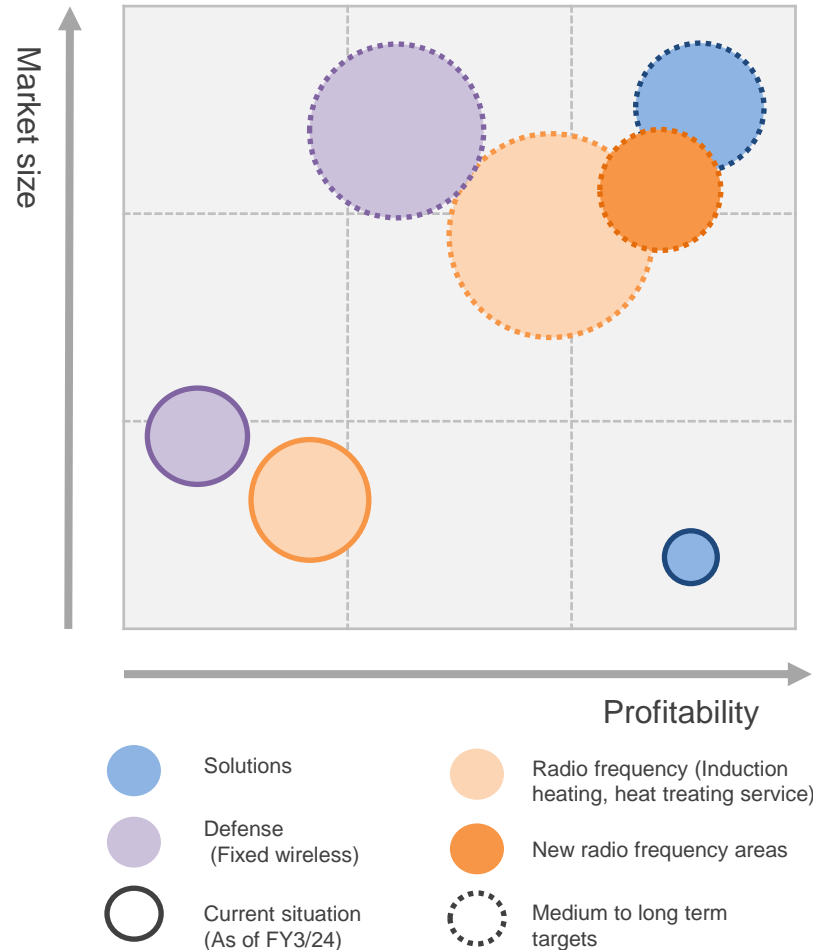
## Radio Frequency



Expand our share and business areas in auto-related industries by using induction heating technology. Enter industries other than auto. Aim at profitability improvement by early establishment of new environmental business using superheated steam.

# Business Portfolio and Medium to Long Term Policy

- Aim at early business performance recovery by channeling resources intensively in focus segment growth



\*Size of the circle indicates net sales

## Medium to long term policy by segment

### Solutions

- Enhance proposal-based sales capabilities and technology development leveraging the compatibility of “wireless communication x sensing x AI”
- Secure stable revenue source by achieving license monetization
- Aim to commercialize “information services” by utilizing big data obtained through collaboration with a data processing company

### Defense (Fixed Wireless)

- Stable supply of defense equipment and active proposal on maintenance and inspection of existing facilities
- Capture orders leveraging unique knowledge and track record of our company with expertise in defense communication equipment
- Expand new products with core technology development aligned with the R&D vision of the Acquisition, Technology & Logistics Agency

### Radio Frequency

#### Induction heating Heat treating service

- Capture customer demand with development of technologies for EVs and power-saving features
- Rebuild overseas manufacturing and maintenance structures based on the manufacturing bases of automobile manufacturers

#### Radio Frequency New Areas

- Expand business areas by launching recycling service
- Contribute to extension of expiry date and reduction of food loss
- Expand business to overseas markets facing multiple issues regarding industrial waste processing

# Growth Strategy: Solutions

<b>Vision</b>	Solve social issues through AI-based Solutions Business
<b>Short term</b>	Aim to solve social issues through video-based AI solutions, strengthen proposal and development capabilities, and increase orders in collaboration with Cybercore
<b>Medium to long term</b>	<ul style="list-style-type: none"> <li>Achieve license monetization leveraging the compatibility of “communication x sensing x AI” to secure stable revenue source</li> <li>Commercialize “information services” by utilizing the obtained big data</li> </ul>

## Market environment

AI image recognition area

Market size: **68.0 billion yen** (FY3/28)

<Other markets>

Local 5G	Wi-Fi	CCTV
79.1 billion yen (FY3/28)	310.0 billion yen (FY3/27)	127.8 billion yen (FY3/27)

Wireless communication

Sensing

AI technology

- Top level technology in image AI area
- Wireless communication technology and sensing technology centered on camera

Strength/Technology

## Image AI solution

Short term

- Increase product line up, expand target markets
- Cultivate business partners and agents

<Expertise and track record>

Human flow analysis

Manufacturing industry behavior analysis

Development

Expansion of image analysis

Advancement of sensing technology

Realize real time data processing

Medium to long term

## Social issue solving data business

- Obtain data, analyze with AI
- Provide analysis and consulting business using analysis results

(FY3/27)  
**Net sales**  
**2.0 billion yen**

(FY3/31)  
**Net sales**  
**5.0 billion yen**

# Growth Strategy: Defense

## Vision

Achieve stable earnings by taking advantage of wireless communication technology we developed over many years

## Short term

Win orders through a stable supply of equipment against the backdrop of increased defense budget and through proactive proposals targeting maintenance, inspection, and development projects for existing facilities

## Medium to long term

- Win orders by building the structure of the sales and technology division in anticipation of major equipment renewal (Ebino Transmitting Station)
- Expand new products through core technology development targeting fields of our focus

\*The Ebino Transmitting Station is a submarine broadcasting facility operated by the Maritime Self-Defense Force

Market environment

Defense budget  
Five years from FY3/24

**43 trillion yen**

Delivery record

Frequency technology

Construction knowledge

Increase orders based on track record and trust in wireless communications and defense equipment

Strength/Technology

## Provide defense products Maintenance and updating of existing facilities

Short term

- Capture demand for maintenance and updating of existing facilities based on delivery track record
- Win orders using our unique frequency technologies and knowledge

<Expertise and track record>

Delivery of various defense equipment

Design and construction of various defense related facilities

Development

Application of private sector technology

Development of new defense equipment

Medium to long term

## Focus on EMS domain (Satellite communication, electronic warfare functions)

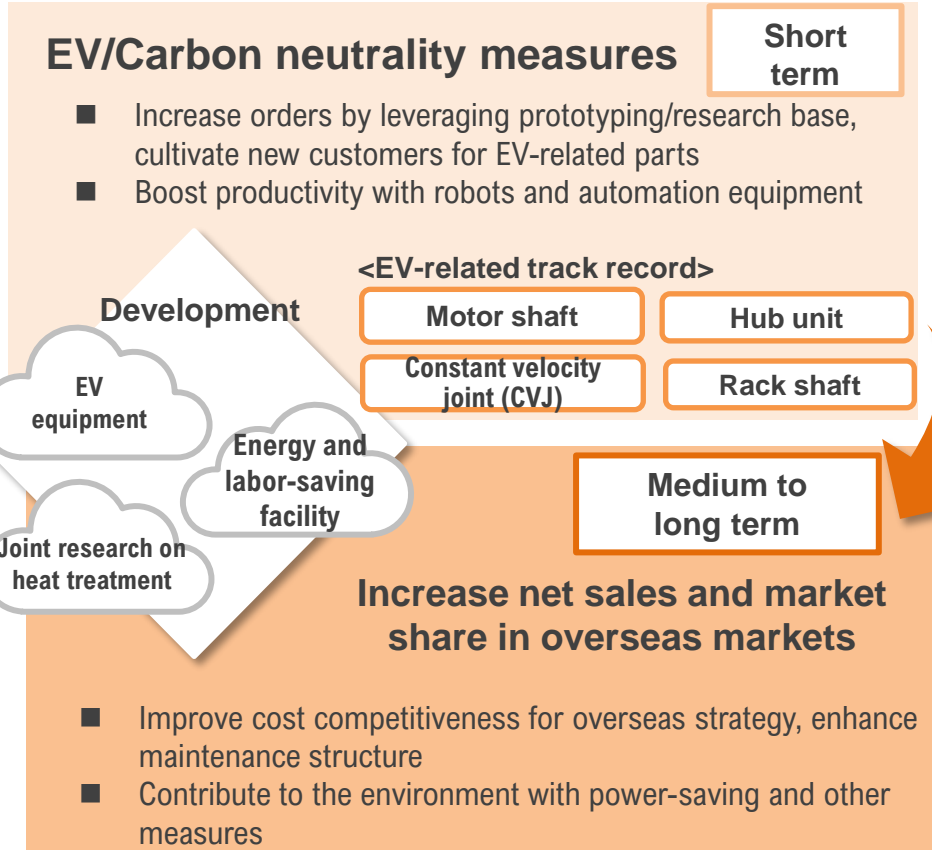
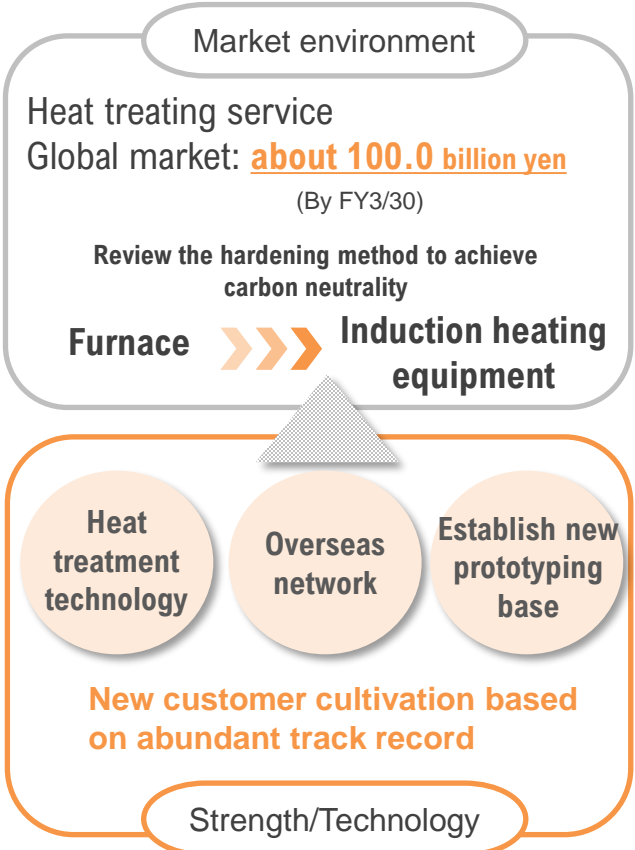
- Strengthen initiatives aligned with the Technical Guidelines of the Acquisition, Technology & Logistics Agency

(FY3/27)  
**Net sales**  
**7.0 billion yen**

(FY3/31)  
**Net sales**  
**9.0 billion yen**

# Growth Strategy: Radio Frequency (Induction Heating/Heat Treating Service)

<b>Vision</b>	Work on technological development for carbon neutrality to maintain top global market share
<b>Short term</b>	<ul style="list-style-type: none"> <li>Upgrade equipment to downsize staff for improved productivity</li> <li>Use prototyping facilities to win orders associated with expansion of EVs</li> <li>Identify demand for maintenance work on existing equipment to stabilize revenue stream</li> </ul>
<b>Medium to long term</b>	<ul style="list-style-type: none"> <li>Capture demand through technological development for power-saving</li> <li>Rebuild overseas manufacturing and maintenance structures based on the manufacturing bases of automobile manufacturers</li> </ul>



(FY3/27)  
**Net sales**  
**12.0**  
billion yen

(FY3/31)  
**Net sales**  
**15.0**  
billion yen



# Growth Strategy: Radio Frequency (New Areas)

## Vision

Contribute to society by entering environmental business

## Short term

- Continue resolving customer issues and expand lineup, focusing on disposal of food and other waste
- Speed up development and achieve early commercialization

## Medium to long term

Expand business areas by commercializing recycling service through collaboration

Market environment

Waste processing-related market size: **2.1 trillion yen**

Contribute to achievement of SDGs in Japan and overseas

Strength/Technology

- Rapid heating technology
- Design and development according to use
- Drying
- Sterilization
- Antioxidative treatment
- Incineration

Maximize the possibilities for superheated steam equipment and create a new market

### Create new market

### Establish foundation for domestic market

Short term

- Showcase processing capabilities through trials and build track record
- Speed up development and expand lineup

<Expertise and track record>

Industrial waste processing industry      Food industry

### Overseas deployment and creation of a recycling business

Medium to long term

- Expand business to overseas markets facing multiple issues regarding waste processing
- Aim to convert to services area such as recycling business

Development

Accumulate peripheral technology

Review to create new services

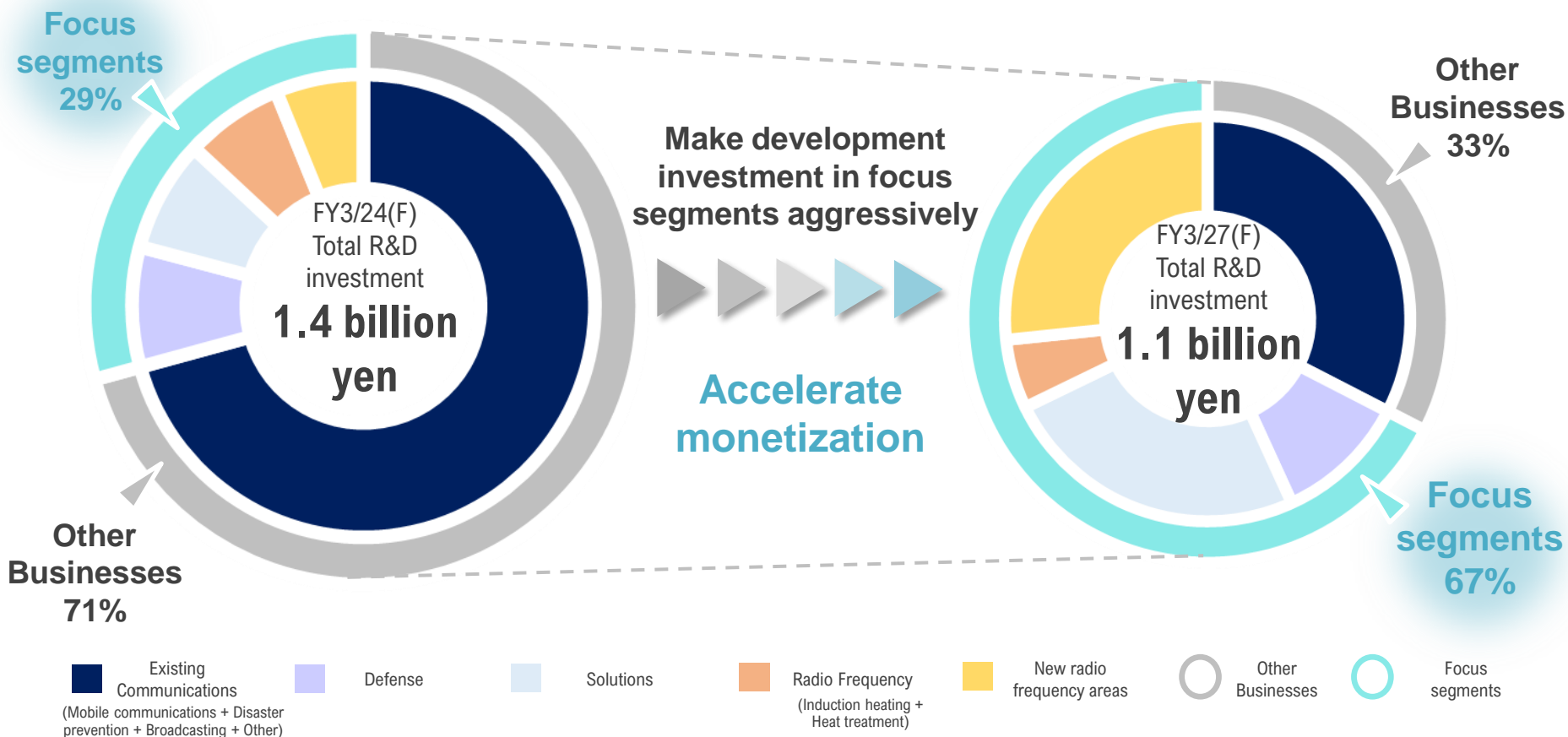
(FY3/27)  
**Net sales**  
**1.5**  
 billion yen

(FY3/31)  
**Net sales**  
**5.0**  
 billion yen

# Selection and Consolidation of R&D

## Selection and consolidation of R&D

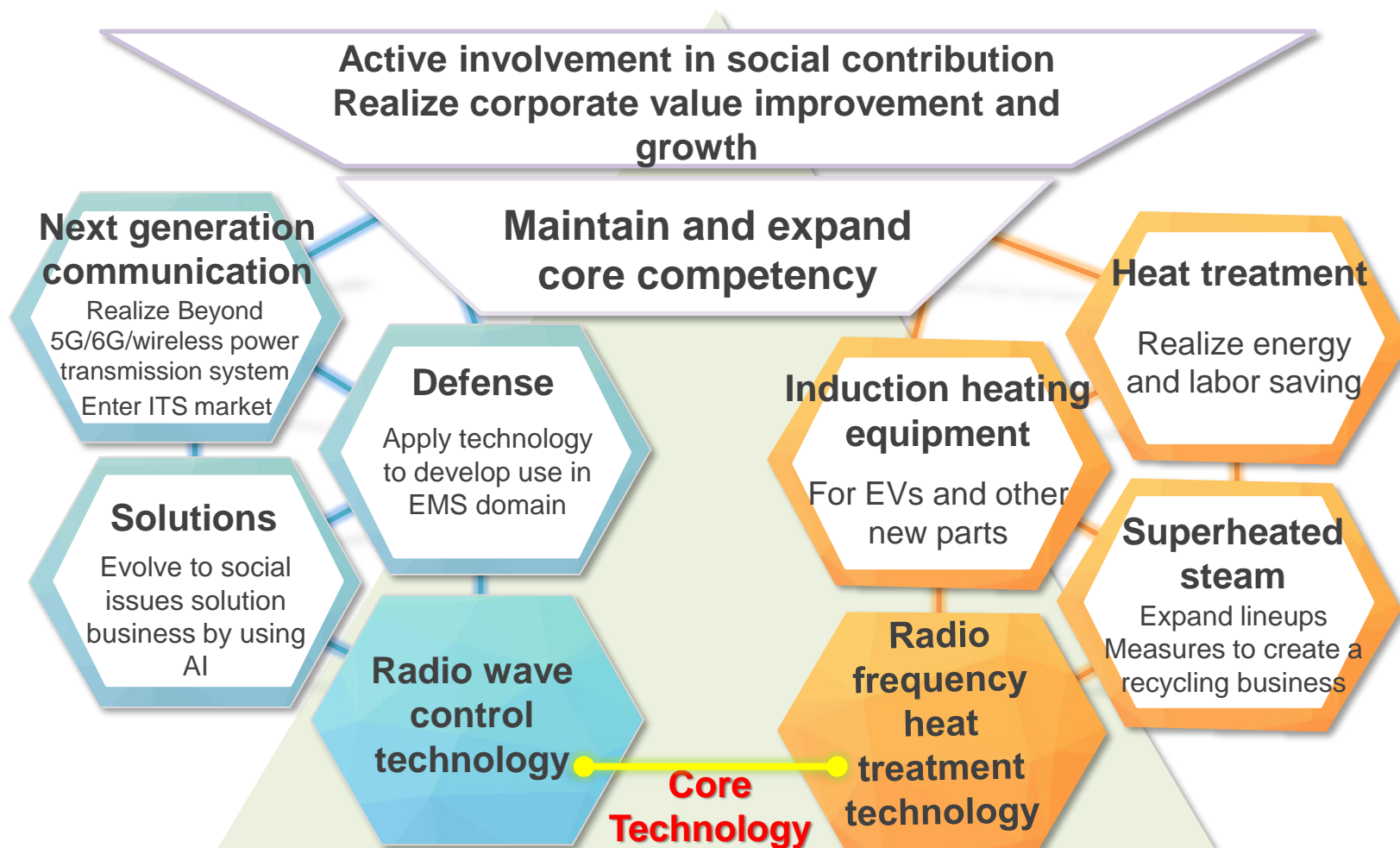
- Accelerate commercialization through aggressive investment in focus segments
- Control total R&D investment amount by strictly screening for investment efficiency
- Take medium- to long-term strategies and investment impact into account in selecting R&D targets



# Selection and Consolidation of R&D

## Medium to long term strategy

- Clarify the direction of R&D toward the 10-year target to achieve short term R&D results and maintenance/expansion of core competency for the medium to long term growth



# Human Resource Strategy

## Overview of the Human Resource Strategy

- Review human resource strategy along with business structure reforms
- Focus on personnel allocation and career development optimal for the business portfolio
- Performance evaluation system to be revised to link individual initiatives to company growth (start operation from October 1, 2024)

### Management Strategy

Creation of new businesses

Further expansion of existing businesses

Strengthen business foundation



#### Establish a structure for profit creation

Clarify focus segments  
Organizational structure in line with the business portfolio

### Human resource/organizational structure

- Personnel that can sense the issues of society and customers and the needs of related parties, and take voluntary action (think and act on their own)
- Personnel that can make proposals unconstrained by conventional thinking and actively promote business reform
- Personnel that can think and act based on “overall optimization” such as for the related departments and groups, and execute their duties
- Organizational structure that can capture the change in business environment and respond quickly

### Maximize personal and organizational growth



Employee growth

Improve corporate value

## ■ Main initiatives

### Job visualization

- Allocate people to jobs, clarify individual scope of duty
- Introduce job description and appropriate performance evaluation
- Resolve mismatching of job description and levels, etc.

### Profitability improvement

- Improve expertise and skills according to business strategy
- Framework that promotes re-skilling
- Introduce career plan sheet
- Systematic development of DX personnel

### Improve employee engagement Promote DE&I

- Promote diverse work style
- Conduct survey and implement improvement measures on employee engagement
- Strengthen initiatives for respecting human rights
- Introduce fair performance evaluation system

# Organizational Structure Reforms

- Channel resources intensively in focus segments
- Consolidate construction related technology divisions to strengthen profitability by enforcing profitability management

## Concentrate resources

### Early conversion to profit contributing business by channeling resources intensively

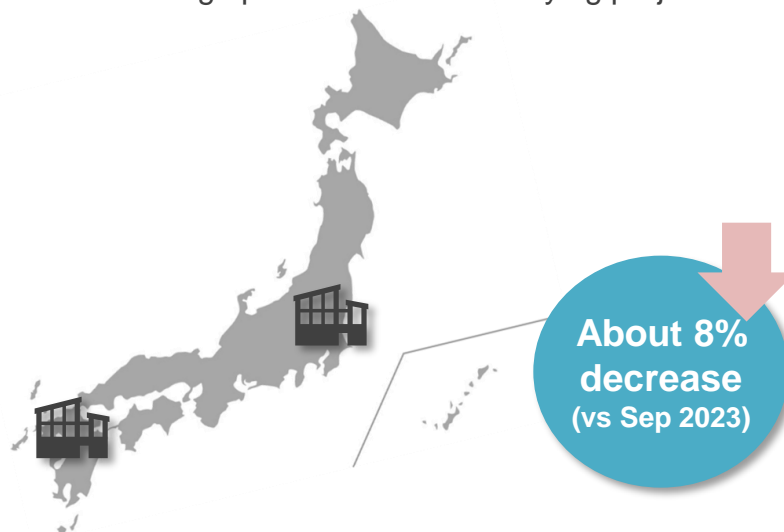
- Enhance sales, manufacturing, and development structure for focus segments
- Strategic skills education for active demand creation and establishment of issues-solving business model
- Launch a new company-wide project team to capture maximum demand in Defense segment



## Streamline the organization

### Consolidate construction related technology divisions Reduce fixed costs

- Reduce fixed costs (indirect expenses, SG&A) by consolidating construction related technology divisions into two offices
- Revitalize succession of technologies such as experience and know-how
- Reduce long working hours for employees by standardizing operations and diversifying projects



# Promote Asset-Light Management

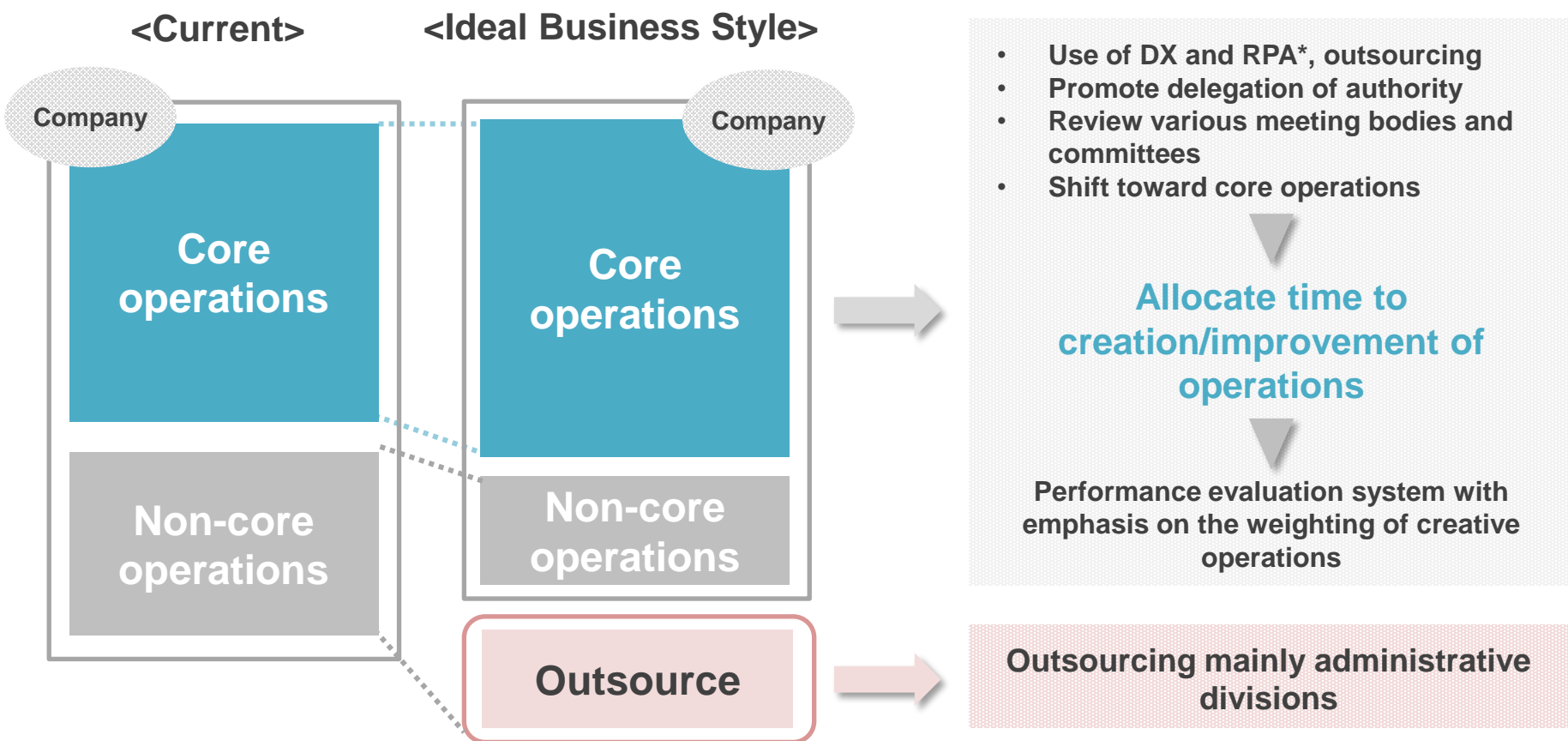
- Aim at improving asset efficiency along with organizational structure reforms
- Basic policy to sell/reduce assets with low contribution to business performance or no impact on improving corporate value
- Sale to be executed based on determination of an investment opportunity that will contribute to business growth

	Specific measures	Timing/Goal
<b>Reduce non-business assets/ low-efficiency assets</b>	<ul style="list-style-type: none"> <li>• Promote review on sale and reduction of assets that do not directly affect business and business assets with low ROIC</li> </ul>	Improve business asset ratio by 10% by FY3/27 (vs FY3/24)
<b>Reduce cross-held shares</b>	<ul style="list-style-type: none"> <li>• Plan for reducing cross-held shares is to significantly exceed the initially planned amount</li> <li>• Promote reduction and promote investment for growth</li> </ul>	Reduce cross-held listed shares to zero by FY3/28
<b>Group company reorganization</b>	<ul style="list-style-type: none"> <li>• Continue to consolidate/split subsidiaries based on the business field, function, and area</li> <li>• Consider new establishment/ expansion in areas with growth prospect</li> </ul>	Sufficiently review appropriateness and restructuring effect and implement gradually

# Operational Efficiency

## Operational efficiency

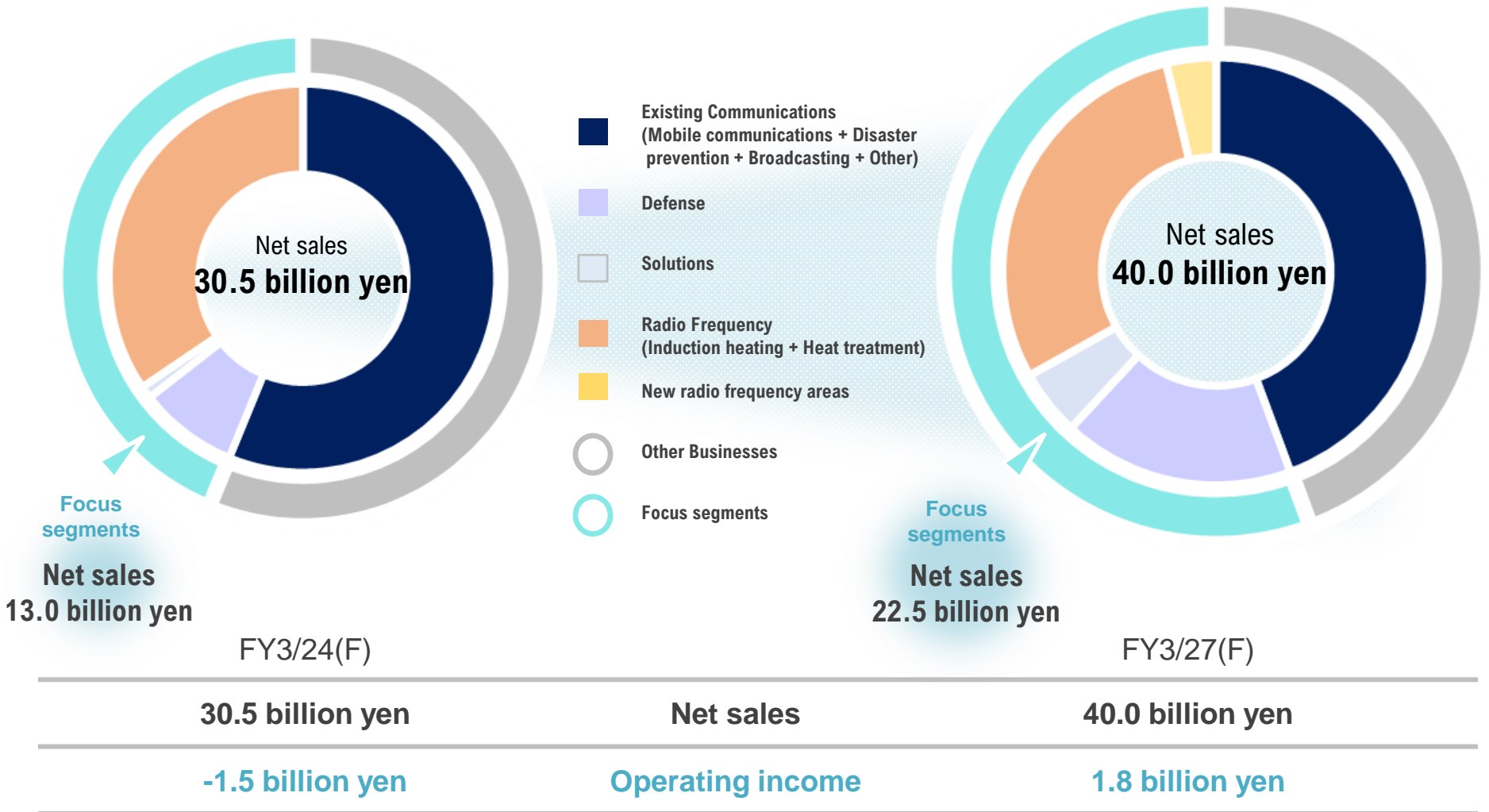
- Promote operational efficiency by delegating authority and actively implementing DX and outsourcing of operations
- Prioritize allocation of necessary resources to core operations to maximize business results



\*RPA: Business process automation technology

# Business Performance Outlook from Business Structure Reforms

- Increased profit margin from increase in the composition of focus segments
  - Optimal level of fixed cost through organizational structure reforms and strict screening of R&D
- ⇒ Establish a profit creation structure to achieve and increase operating profit





# 3. FINANCIAL STRATEGY

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# Review of Shareholder Returns and Financial Strategy

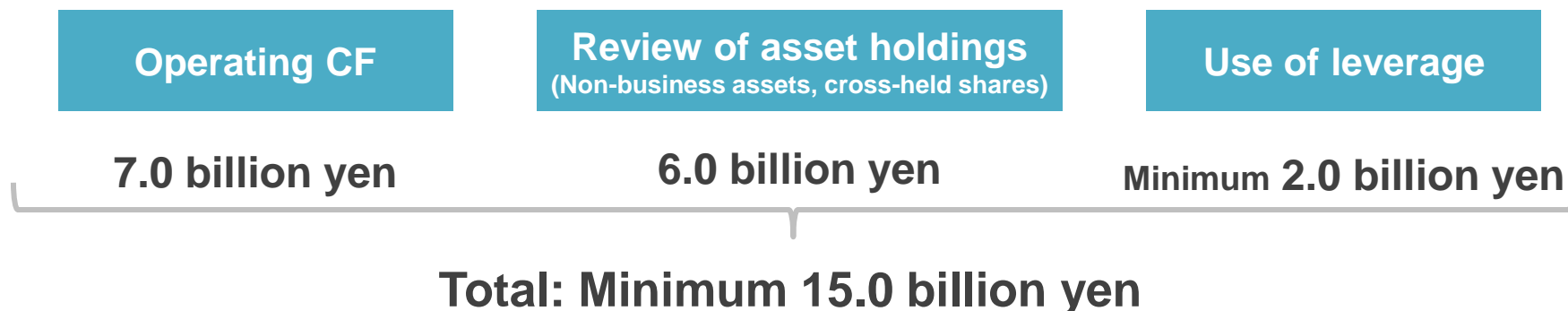
- Among the DKK-Plan2025 investment strategies, delay the target year for achieving shareholder returns and M&A investments by two years, and aim to achieve it in FY3/27
- For growth investment, strictly screen R&D while executing capital investment for growth

	Initial Plan (FY3/25)	Progress (to FY3/24)		Revised Plan (To FY3/27)
<b>Shareholder returns</b> (Dividends, share buybacks)	<b>10.0 billion yen or more</b>	<b>6.3 billion yen</b>	<p>&lt;Share buybacks&gt; February-March 2022: 2.5 billion yen February 2023-January 2024: 2.5 billion yen</p> <p>&lt;Dividend (interim/year-end)&gt; FY3/23: 30 yen/30 yen Total amount: 0.65 billion yen FY3/24: 30 yen/30 yen Total amount: 0.6 billion yen (planned)</p>	<p><b>10.0 billion yen or more</b></p> <p>&lt;Share buybacks&gt; FY3/25: Over 1.0 billion yen</p> <p>&lt;Dividend&gt; FY3/25: Over 0.6 billion yen</p>
<b>M&amp;A investment</b>	<b>Up to 4.0 billion yen</b>	<b>1.5 billion yen</b>	Acquired Cybercore on September 29, 2023 (turned into subsidiary)	<b>4.0 billion yen or more</b>
<b>Growth investment (R&amp;D)</b>	<b>6.0 billion yen</b>	<b>2.8 billion yen</b>	<p>&lt;Main results&gt;</p> <ul style="list-style-type: none"> <li>• Development of 5G-related equipment and new technologies</li> <li>• Development of defense-related antenna system</li> <li>• Development of systems solutions</li> </ul>	<b>6.0 billion yen or more</b>
<b>Growth investment (Capital expenditures)</b>	<b>4.0 billion yen</b>	<b>1.5 billion yen</b>	<p>&lt;Main results&gt;</p> <ul style="list-style-type: none"> <li>• Capital investment to expand overseas contract heat treatment business</li> </ul>	<b>4.5 billion yen or more</b>
<b>Other investments</b> (Update investment DX investment ESG-related investment)	<b>4.0 billion yen</b>	<b>0.9 billion yen</b>	<p>&lt;Main results&gt;</p> <ul style="list-style-type: none"> <li>• Introduction of production control system and asset management system to improve work efficiency</li> <li>• Updating of aging facilities</li> </ul>	<b>3.0 billion yen or more</b>

# Capital Allocation

- Due to the change in business environment, capital allocation under DKK-Plan2025 will also be revised, and a new financial strategy will be established
- Improving business performance with business structure reforms will be the priority issue
- Promote asset light management and aim to improve return on investment and ROE

(FY3/25 - FY3/27)



**Total: Minimum 15.0 billion yen**



## Growth investment

Development investment:  
Minimum 3.2 billion yen

Capital investment:  
Minimum 3.0 billion yen

- R&D investment and capital investment to expand focus segments

## Other investments

Minimum 2.0 billion yen

- Investment for productivity improvement including in DX
- Investment for maintenance and updating of facilities

## M&A investment

Minimum 2.5 billion yen

- Expand business area by realizing recycling business mainly with superheated steam equipment

## Shareholder returns

Minimum 4.0 billion yen

- Continue flexible share buybacks and stable dividend payout taking into consideration the consolidated business performance and the status of sale of asset holdings

# M&A Strategy

## Purpose of M&A under DKK-Plan2025

- Established “Solutions” and “New Radio Frequency Areas” as new segments in growth area business
- Execute capital tie-ups and M&A aimed at realizing new business creation early

### Results

September 29, 2023

Acquired shares in Cybercore Co., Ltd.



- ✓ Create synergies by combining our wireless communication technology and sensing technology centered on camera with Cybercore’s image AI technology and sensing AI technology
- ✓ Aim to expand Solutions business by developing/providing optimal solutions for customers


## M&A Strategy under the Rolling Plan

- Aim at full entry into environmental business and approach wide range of industries with attention to environmental measures and SDGs around the new radio frequency areas
- Expand business area by realizing recycling business mainly with superheated steam equipment


# M&A Strategy

Medium term business strategy and M&A targets in the new radio frequency areas

**Ultra high temperature superheated steam equipment D-Rapid**



Superheated steam generator equipment



Superheated steam processing furnace  
\*Above is a continuous processing conveyor machine

## Purpose of M&A

### Realizing industrial waste recycling business

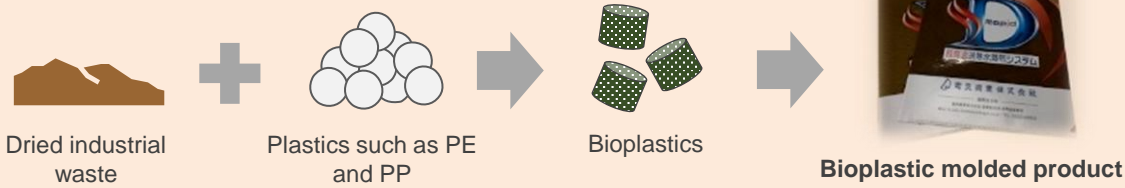
Extremely efficient drying capabilities



Reduce the volume of industrial waste  
Reduce industrial waste costs

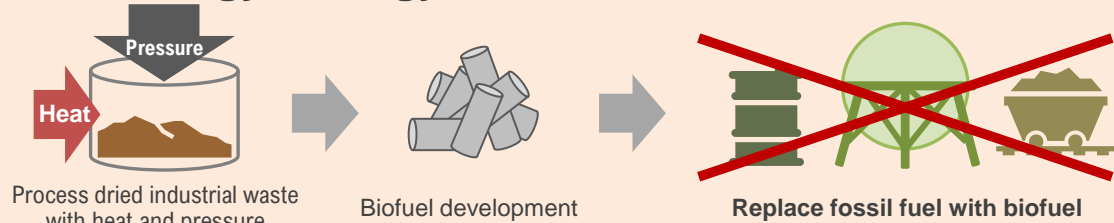
Target customers  
Food and beverage manufacturers  
Other various industrial waste emitting corporations

### 1. Bioplastics strategy



Reduce fossil fuel usage volume

### 2. Bioenergy strategy



CO2 reduction  
Utilization of industrial wastev

**M&A target**

Select partners corresponding to each strategy

# 4. MEDIUM- TO LONG-TERM POLICY

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# Initiatives toward PBR over 1X

Items for implementation	Specific initiatives	Goal and indicators	
<p><b>Business structure reforms</b></p>	<ul style="list-style-type: none"> <li>Optimize business portfolio: Channel resources intensively in focus segments</li> <li>Organizational structure reforms</li> <li>Enhance strategic sales skills</li> <li>Selection and consolidation of R&amp;D</li> <li>Promote operational efficiency</li> </ul>	<p><b>Profitability improvement</b></p>	<p><b>ROE improvement</b></p>
<p><b>Capital allocation</b></p>	<ul style="list-style-type: none"> <li>Execute investment for growth with use of cash and review of asset holdings</li> <li>Build optimal asset structure using leverage</li> <li>Continue to enhance shareholder returns with attention to capital structure</li> </ul>	<p><b>Reduce shareholder equity</b></p>	<p><b>FY3/27 Over 5.0%</b></p>
<p><b>Reduce cost of capital</b></p> <p><b>Improve expected growth rate</b></p>	<ul style="list-style-type: none"> <li>Create profit through business structure reforms</li> <li>Reduce volatility of business performance</li> <li>Reduce beta by formulating optimal share price</li> <li>Strategic PR activity</li> <li>Accurate information disclosure and creation of growth expectations by enhancing IR activities</li> <li>Eliminate risk factors with non-financial strategy</li> </ul>	<p><b>Improve market valuation</b></p>	<p><b>PER improvement</b></p> <p><b>From FY3/27 Over 20X</b></p>

**PBR over 1X**

\*Refer to “Measures for realizing management with attention to cost of capital and share price” established on March 22, 2024 for details of the initiatives (<https://denkikogyo.co.jp/ir/library/other/>, Japanese only)

# Our Company Group's Ideal for FY3/31

- Improve business performance by enhancing profitability and return on investment with the implementation of the Rolling Plan
- Maintain the performance targets for FY3/31 stated in the Medium- and Long-term Management Strategy and aim for achievement by promoting the reform

Establish a structure  
for profit creation

Rolling Plan

From FY3/25

- Business structure reforms
- Continue with the Financial Strategy
- Strengthen PR/IR
- Revise performance evaluation

DKK-Plan2025

FY3/23 - FY3/25

DKK-Plan2028

FY3/26 - FY3/28

Realize and accelerate growth

- Achieve over 5.0% ROE during the period
- Achieve PBR over 1X
- Improve profitability and recover business performance by expanding focus segments
- Expand high added value products and services
- Improve return on investment
- Improve employee engagement
- Continue to work on sustainability issues

DKK-Plan2031

FY3/29 - FY3/31

Toward solving social issues  
and sustainable growth

- Achieve over 8.0% ROE by converting to high profit structure
- Convert to positive equity spread and expand
- Further expand focus segments and build optimal business portfolio aligned with the business environment
- Turn businesses into services, expand overseas businesses
- Become a company of choice for stakeholders
- Solve sustainability issues

Lay a solid business foundation

- Establish new segments and actively approach new customers
- Execute M&As, turn Cybercore into a subsidiary
- Enhance governance
- Group company reorganization and integration
- Wider internal awareness of sustainability

FY3/23

FY3/24

FY3/25

FY3/26

FY3/27

FY3/28

FY3/29

FY3/30

FY3/31



# Cautionary Note about Earnings Forecasts

Figures included in this document that are related to descriptions, including plans and policies and not past facts, are forecasts regarding future earnings. They are all calculated based on management assumptions and views based on information obtained by the company at the time of writing. Therefore, these forecasts include risks and uncertain factors, and actual results may differ from them due to a variety of factors. Such potential risks and uncertain factors include changes in economic situations and product demand levels in major markets, fluctuations in the foreign exchange market, changes in regulations in Japan and overseas, and accounting standards and practices. This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.