

April 14, 2023

To Whom It May Concern

FDK CORPORATION

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## **Information on the FDK Group Strategy Framework 10 years' scheme and Mid Term Business Plan "R2"**

In order for the FDK Group to further strengthen our management structure and improve our corporate value to meet the expectations of our various stakeholders, we formulated a 10 years' scheme for our "Status-to-be in FY2029." Having done that, we deployed the Mid Term Business Plan "R1" during the first three (3) years (FY2020 to 2022) of this period with the aim of achieving that status-to-be.

During the R1 period we worked to undertake the following:

- 1) Stabilize current businesses and establish growth with profit;
- 2) Proactively cultivate new business as a Segway to the next generation; and
- 3) Establish a corporate culture that each employee makes a personal effort to satisfy customers in a self-disciplined way.

In terms of management targets, consolidated sales are expected to exceed our FY2022 target despite the execution of share transfers, including for a subsidiary which manufactured alkaline batteries. Meanwhile, while we have secured profitability in terms of our operating profit, figures are expected to fall short of our initial plan due to a lack of resilience against the challenges presented by the deterioration of the external environment, such as rising raw material prices.

Under these circumstances, we will improve our business portfolio in order to realize our status-to-be at the end of our 10 years' scheme. We are pleased to inform our Mid Term Business Plan "R2" that is based on the elements of "Accelerate the profitable growth of core businesses," "Develop and launch of new businesses," and "Cultivate culture of mutual acknowledgement and enhancement."

Please see the presentation material for more details concerning our Mid Term Business Plan "R2".



# FDK Group Strategy Framework 10 years' scheme - Mid Term Business Plan “R2”

莫如樹木  
十年之計

April 2023

\* 十年之計莫如樹木: 10 years' scheme is nothing but to grow a tree  
(Excerpt from Guan-zi)

# 0. Our Philosophy/Vision



## Our Philosophy

**Inspiring transformation; shaping the future and creating happiness.**



## Vision

**FDK Group, as a Smart Energy Partner, assemble advanced technologies, would like our customers to best utilize electric energy in a safe and efficient manner, and contribute to the materialization and development of sustainable society.**

# 1. 10 years' scheme: Vision/Status-to-be and Mid Term Business Plan R1

## 1. Vision

FDK Group, as a Smart Energy Partner, assemble advanced technologies, would like our customers to best utilize electric energy in a safe and efficient manner, and contribute to the materialization and development of a sustainable society.

## 2. Status-to-be (Status that Vision is materialized)

**Whom:** Entities that support people's daily life and society, and individual users

**What:** To provide offerings that enable customers to best utilize clean and safe electric energy  
(Batteries/Engineering, Next Generation Batteries, Power Management Solutions)

**When:** FY2029 (10 years later)

**Goals:** Sales 80 billion Yen (New Business 30%) / Operating Profit ratio 7.5%

The initial 3 years of 10 years' scheme was to focus on fundamental issues as a preparatory period for step-up.  
In FY19 as Year 0, we continued reformation and business transformation.  
We would maximize RoI for R1 (FY20-22), including Year 0.

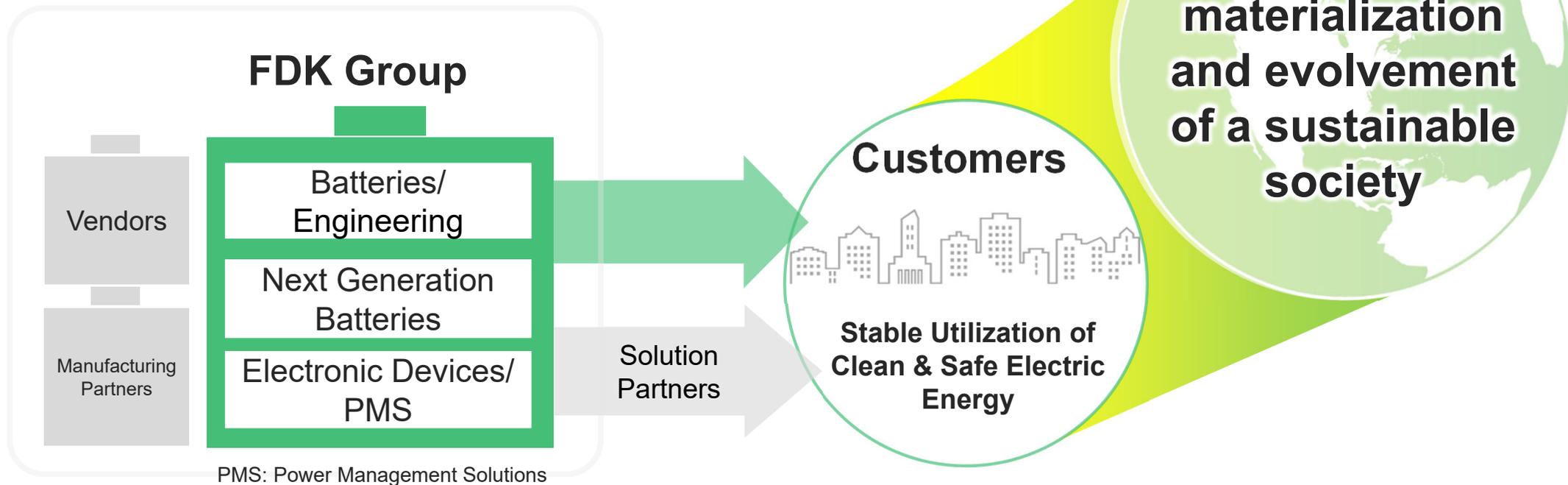
FDK Group engaged in the following till FY22 toward our Vision and Status-to-be:

- 1) Stabilize current businesses and establish growth with profit;
- 2) Proactively cultivate new business as a Segway to the next generation; and
- 3) Establish a corporate culture that each employee makes a personal effort to satisfy customers in a self-disciplined way.

# 1. FDK Group's Status-to-be: Value Chain

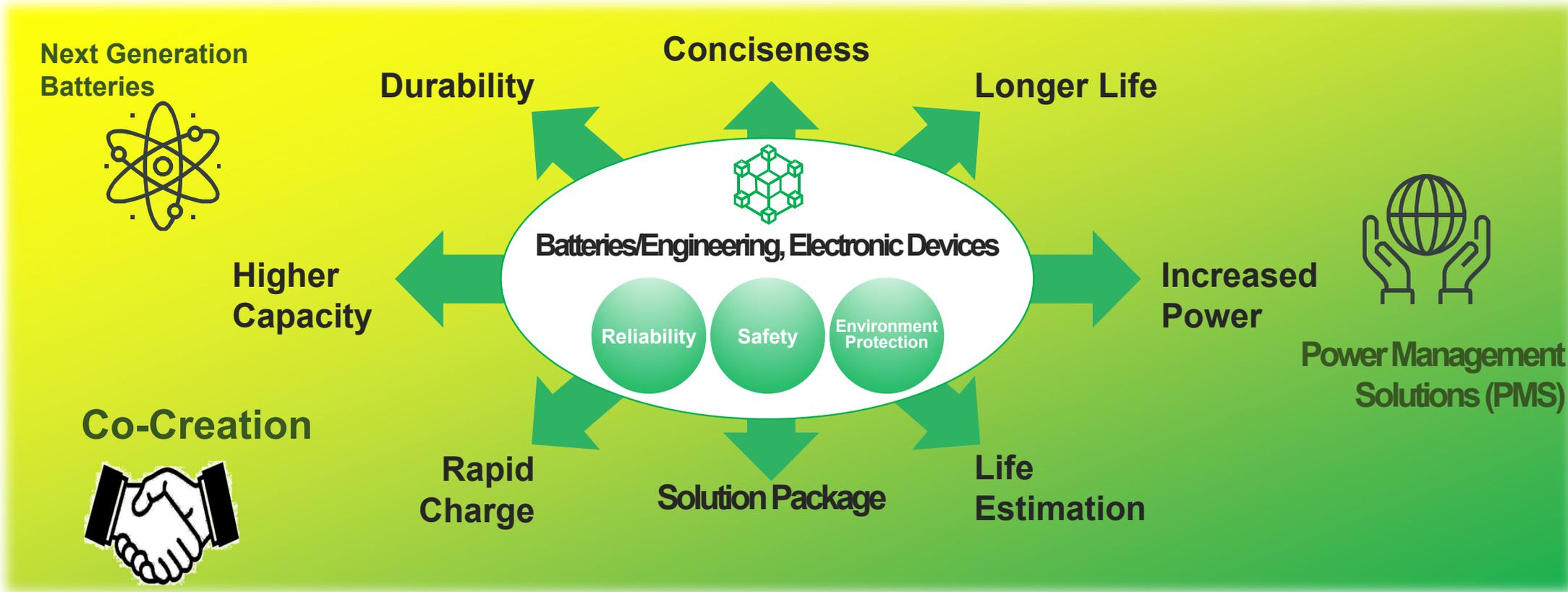
- Proactively take advantage of a developing ecosystem, increase value of our offerings with various partners, and enable customers to utilize electric energy in diversified ways.

## FDK Group ecosystem



# 1. FDK Group's Status-to-be: Offerings

- Add various functions & features onto unique value of our current offerings (reliability, safety, environment protection) and respond to users' expectations to use electric energy in a wider range of applications.



## 2. Review of Mid Term Business Plan R1: Three Pillars (1)



### Stabilize current businesses and establish growth with profit

#### Outcomes

- Build of a foundation for future growth in three businesses
  - Ni-MH batteries : Seed to expand industrial applications
  - Lithium batteries : Consolidate production sites and promote improvements in efficiency
  - Electronic Devices business : Promote and stabilize structural reforms

#### Areas of improvement

- Respond to market changes
  - Modulation of Ni-MH and Alkaline battery business:  
Worsen of profit situation due to an inability to respond to market fluctuations and rising raw materials prices during the pandemic
  - Decline in sales for Engineering:  
Delays in the acquisition of new projects occurring during the pandemic due to the curbing of investments in the auto industry

## 2. Review of Mid Term Business Plan R1: Three Pillars (2)



### Proactively cultivate new business as a Segway to the next generation

#### Outcomes

- Small all-solid-state SMD batteries: Sample shipments with a view to starting the business. Promotion of development through the introduction of internal and external knowledge
- Rechargeable Ni/Zinc batteries: Sample shipments with the expectation of commercialization
- MH/Air rechargeable batteries: Move to demonstration tests which utilize solar charging (research project commissioned by the Ministry of the Environment). Conducting of discussions with partners for practical application
- Power Management Solutions: Promotion of specific projects and development of elemental technologies

#### Areas of improvement

Major delays in commercialization of Small all-solid-state SMD batteries

## 2. Review of Mid Term Business Plan R1: Three Pillars (3)



**Establish a corporate culture that each employee makes a personal effort to satisfy customers in a self-disciplined way**

### Outcomes

Initiatives aimed at turning our company into a company that employees are proud of and with workplaces they would recommend to their friends and family

- Formulation of our philosophy with the participation of all employees and the unification of work uniforms
- Introduction of a new personnel system and implementation of talent management
- Systematization and expansion of our education system
- Promotion of work style reforms, including countermeasures against COVID-19
- Strengthening governance and efforts undertaken with respect to sustainability, SDGs and diversity
- Initiatives undertaken with respect to adding vitality to internal improvement activities and initiatives aimed at the improvement of employee satisfaction

### Areas of improvement

- Aftereffects of structural reform: System for the support of life stage transitions/labor shortages, motivation
- Delays in the introduction of a new personnel system
- New employee development system which emerged during the pandemic (correspondence taking place only online)
- Lack of younger employees/leveraging of older employees
- Inadequate governance/internal controls (overseas subsidiaries, information security, etc.)

## 2. Review of Mid Term Business Plan R1: Numerical Figures

Outcomes

- Business expansion despite having conducted business handovers
- Recovery of YR 0 investment (profit of 610 million over 4 years)
- FY22: Sales profitability maintained despite environmental deterioration

Areas of improvement

- **FY2022 target is not expected to be achieved**
- Lack of resilience against external environmental degradation
- Delay in investments due to new battery delays

	FY20-22 Cumulative forecast	Mid Term Plan R1 Cumulative target
Consolidated sales (JPY 100 million)	1,857.5	1,760.5
Operating profit ratio	2.5%	3.2%
ROIC (Return on Invested Capital)	4.3%	5.9%

	FY2019 Year 0 Results	FY2020 Actual	FY2021 Actual	FY2022 Forecast	Mid Term Plan R1 FY2022 (target)
Consolidated sales (JPY 100 million)	621.2	615.4	614.6	627.5	600
Operating profit ratio	1.4%	2.8%	3.4%	1.2%	5.1%
ROIC (Return on Invested Capital)	2.1%	5.9%	6.4%	0.6%	9.9%
Investments into new businesses, etc. * Cumulative amounts are shown in parentheses below	0.6	9.6	2.7 (12.3)	1.4 (13.6)	55 (3 years)



**FDK Group**  
**New Mid Term Business Plan ('23-25)**  
**R2**

# 1. 10 years' scheme: Vision/Status-to-be and Mid Term Business Plan R2

## 1. Vision

FDK Group, as a Smart Energy Partner, assemble advanced technologies, would like our customers to best utilize electric energy in a safe and efficient manner, and contribute to the materialization and development of a sustainable society.

## 2. Status-to-be (Status that Vision is materialized)

**Whom:** Entities that support people's daily life and society, and individual users

**What:** To provide offerings that enable customers to best utilize clean and safe electric energy  
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**When:** FY2029 (10 years later)

**Goals:** Sales 80 billion Yen (New Business 30%) / Operating Profit ratio 7.5%

**3. FY19:** Structural reorganization/business restructuring implemented as the starting point of the 10 years' scheme (Year 0)

**4. R1 (FY20-22):** Strengthening the foundations of three existing businesses, promoting new business development, and fostering new culture

In R2 (FY23-25), we are seeing a business environment that is more severe than what we saw in R1. Amid that environment, we will;

- 1) Enhance the resilience of our existing three major businesses by strengthening them,
- 2) Accelerate the building of the groundwork for R3 and beyond by starting new businesses, and
- 3) Enhance the quality of our management by fostering a culture of self-directed ambition.

# 1. Three Pillars of the Mid Term Business Plan R2

## **Accelerate the profitable growth of core businesses**

- Focus on growing markets and markets presenting high levels of added value
- Optimization of business scales through structural reforms

## **Develop and launch of new businesses**

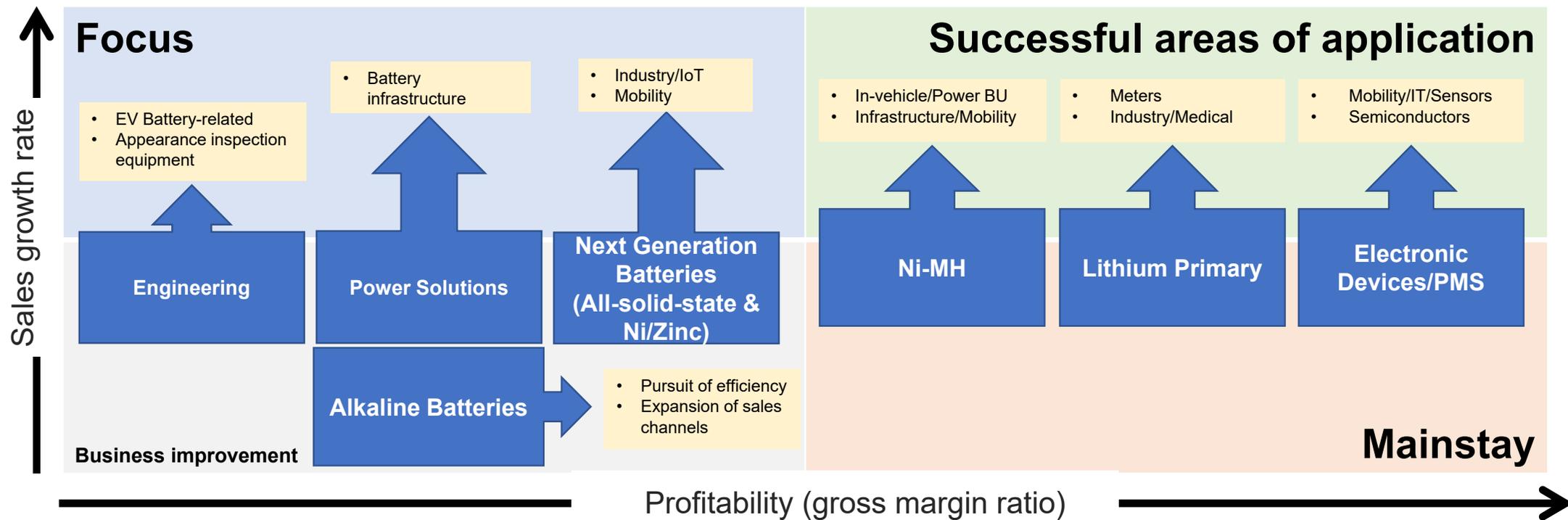
- Full-scale operation of a next-generation battery business and solutions business
- Develop the elements for the more advanced generation battery business and solutions business

## **Cultivate a culture of mutual acknowledgement and enhancement**

- Build a system that enables each individual to demonstrate his or her abilities
- Improve the quality of management, including governance

## 2. Business Portfolio Based on Market Strategy Mapping (Pillars 1 and 2)

- Increase the profitability of the entire company by growing our three largest existing businesses
- Launch a next-generation battery and power solutions business to enhance their business presence
- Engineering, which underperformed in R1, build of the foundation for growth through new business development. Alkaline Batteries improve profitability with minimal operations.



### 3. Cultivate a Culture of Mutual Acknowledgement and Enhancement (Pillar 3)



## Customers and Partners

Improve products and services based on close communication and trust

## Employees

Improve the quality of management by regularly recognizing achievements through praise and encouraging development of our strengths

and  
(Respond to all)

## Shareholders

Obtain appropriate evaluation for our company through the timely dissemination of information

## Society

Deepen awareness and fulfill responsibilities as a member of society

# 4a. Initiatives for DX - Company-Wide DX Project Kickoff -

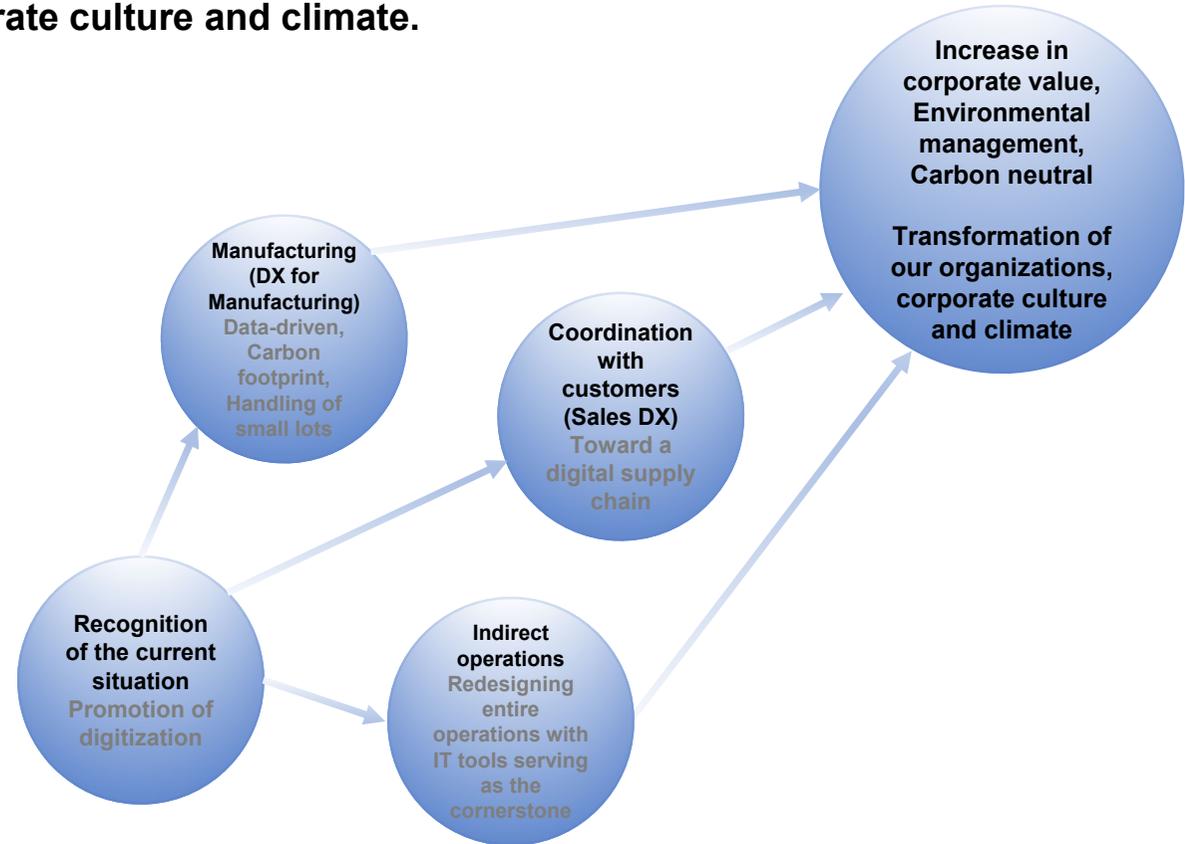
Starting with “awareness of the current situation,” we will boldly redesign the areas of “manufacturing,” “indirect operations,” and “collaboration with customers” based on digital technology. Activities related to DX will be actively promoted by each business unit while aiming to improve corporate value, environmental management and transform our corporate culture and climate.

### [Key Messages]

- Management and workplaces come together to promote transformation that makes the most of digital technologies
- When it comes to main measures, establish DX for manufacturing, co-creation with customers, and indirect operations (common to all companies) and subsequently promote data-driven enhancements, digital twins for manufacturing, and so on

### [Actions]

- Utilize DX certification systems and promote the following strategies
  - ✓ Manufacturing: Data-driven responses
  - ✓ Coordination with customers: Building of a digital supply chain
  - ✓ Indirect operations: Redesign of overall operations with IT tools serving as the cornerstone
  - ✓ Development of human resources: Improving IT literacy for individuals spanning from management to the entire company
  - ✓ Improvement of IT environments and strengthening of cybersecurity measures



# 4b. Efforts Aimed at Resolving Social Issues

## [Key Messages]

- Enhance the strengths of the business and raise social awareness by actively publicizing information on the initiatives being undertaken, while further strengthening the qualitative responses undertaken, thereby allowing us to subsequently enhance corporate value and contribute to society

## [Actions]

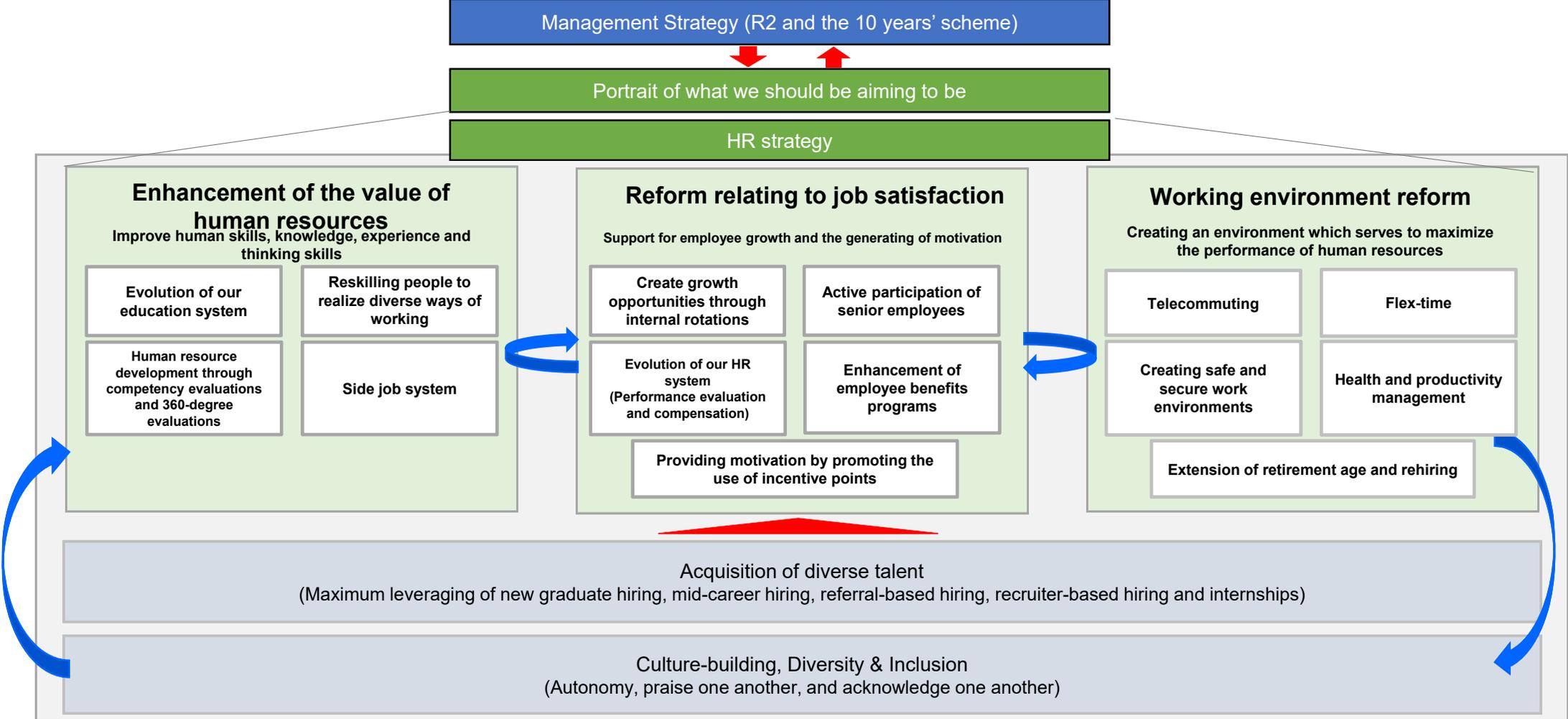
- Implementation of PDCA cycles centered around the Sustainability Promotion Committee
- Identify and respond to the contents of the International Sustainability Standards Board, which will be of importance going forward.

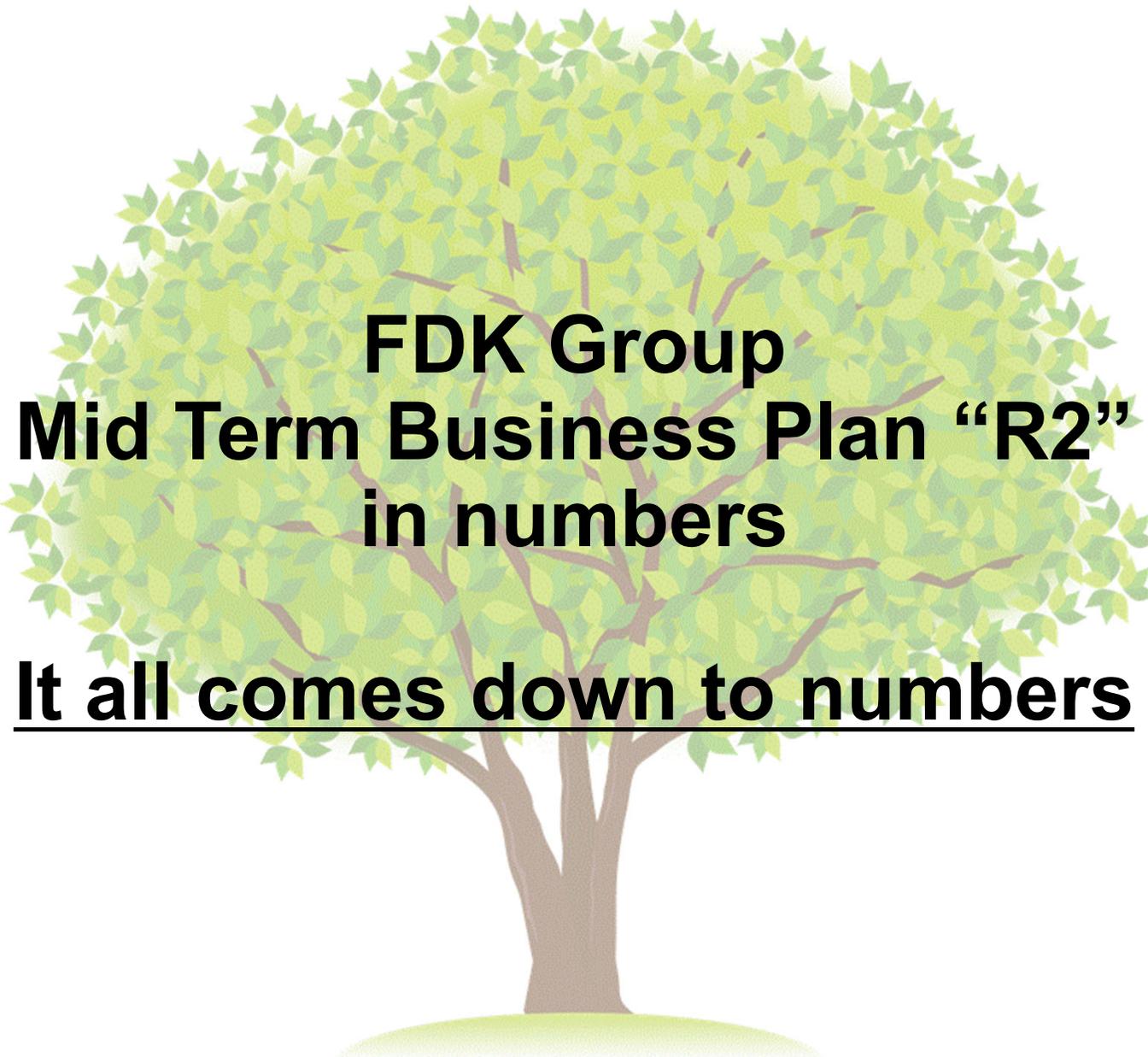
	Materiality	Key Themes	ESG Category	Related SDGs
1	Provision of safe and secure electric energy	Provide products and solutions that serve to support a sustainable society	E/S	  
2	Coexistence with the global environment	Responding to climate change and promoting a recycling-oriented society Contribution to the materialization and evolvement of a sustainable society	E	  
3	Promoting the active participation of diverse human resources	Creating an environment in which all employees can realize their full potential Creating a healthy workplace where employees can continue growing their careers	S	  
4	Sustainable enhancement of corporate governance	Based on the perspectives of stakeholders, strengthen systems and supervisory functions to realize swift decision-making with transparency and objectivity ensured when it comes to corporate management Strengthening the foundation of our risk compliance system and strengthening internal control Compliance with laws and social norms along with thoroughly undertaking conduct based on high ethical standards	S/G	  
5	Contributing to sustainability in regions, society and communities	Connecting with local communities and bringing to fruition a world full of smiles	S	 

# 4c. Our Group's View of Human Capital Management



- Strengthen the links between management strategies and human resources strategies, leading to the achievement of management targets





**FDK Group  
Mid Term Business Plan “R2”  
in numbers**

**It all comes down to numbers**

## Management Target (1): Stable Management Operation under New Business Environment



Cumulative total for R1 period (forecast)

Consolidated sales : 185.7 billion yen  
Operating profit : 4.5 billion yen  
ROIC : 4.3%  
Operating CF : 6.9 billion yen

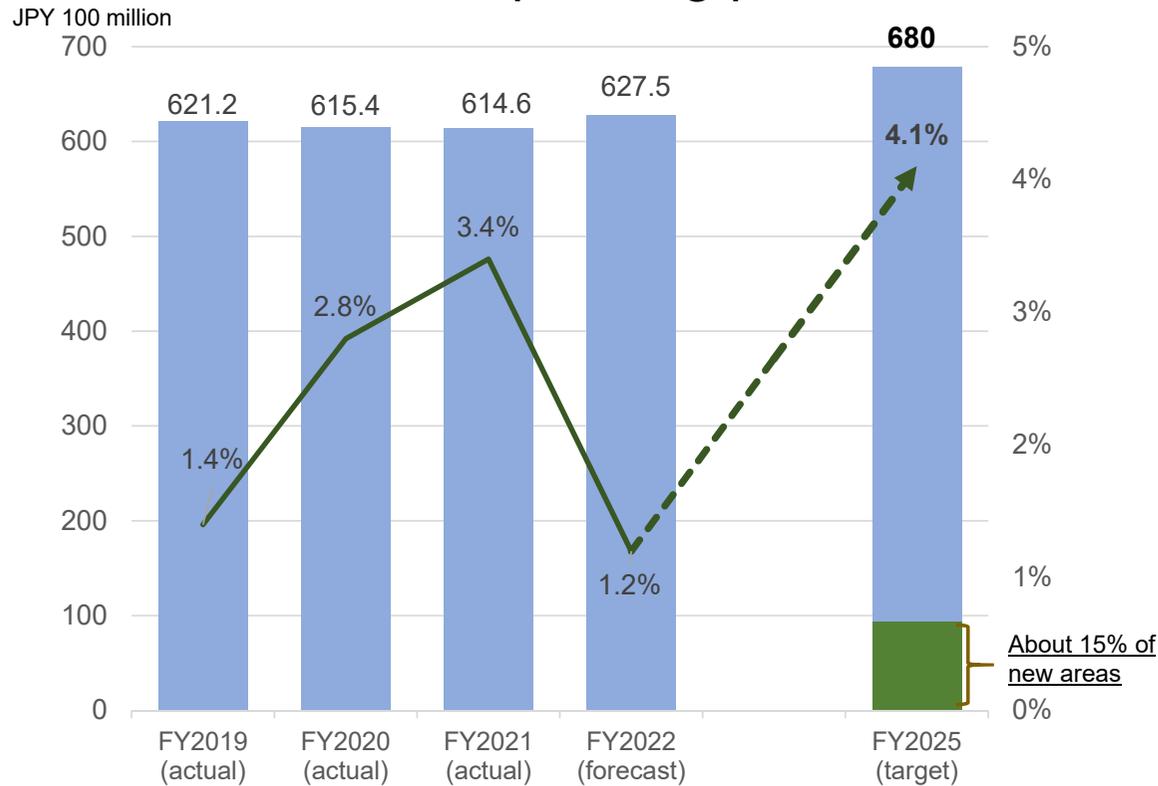


Cumulative total for R2 period (target)

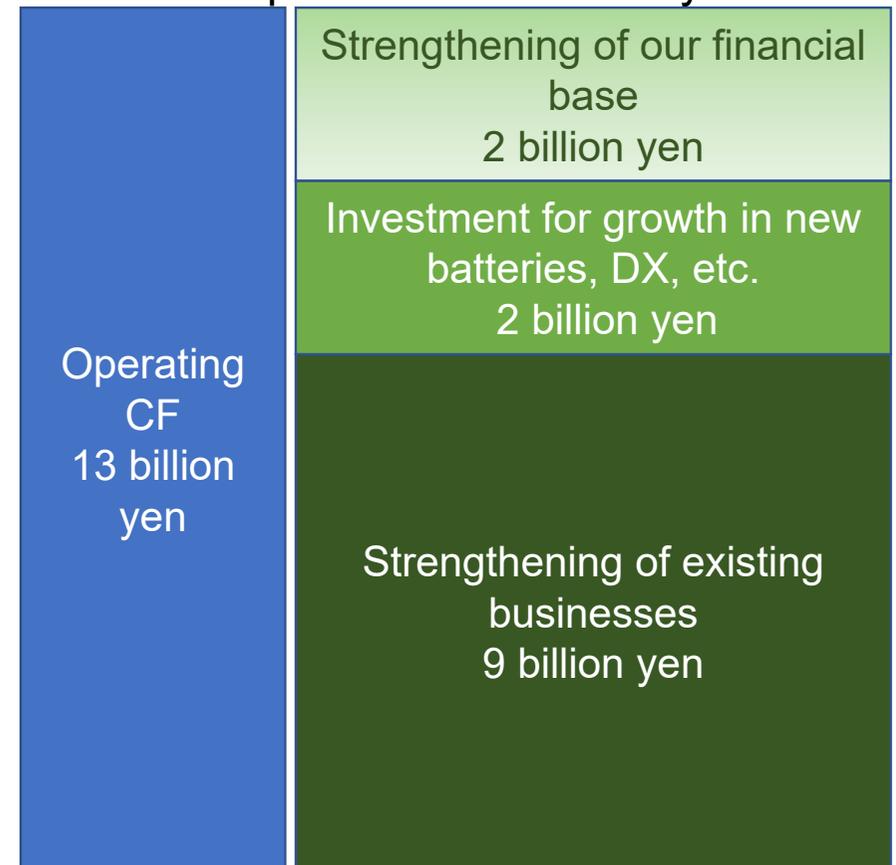
Consolidated sales : 200 billion yen  
Operating profit : 5 billion yen  
ROIC : 5%  
Operating CF : 13 billion yen

# Management Target (2): Strengthen Our Management Foundation

## Net sales and operating profit ratio



## Cumulative total for R2 Period Capital Allocation Policy



# **FDIK**

Technology creating a better future