

Q&A Session Summary of Financial Results Briefing for FY2024 Q3

(Meeting Overview)

- Date: February 6, 2025, 16.00-16.30 JST
- Meeting Format: Live online streaming from OKI Headquarters, Tokyo
- Presenter: Teiji Teramoto, Senior Executive Vice President, Representative Director

(Questioner A)

- Q1: Please explain how you evaluate the third quarter results and full-year forecast announced today, including the strengths and weaknesses of each segment.
- A1: Overall, we recognize that progress is in line with our initial forecast and slightly above it. By segment, it is true that regarding the EMS segment, the recovery of related markets such as semiconductors and FA robotics has been delayed, resulting in figures below the initial projection. However, we believe that the Social Infrastructure Solutions business, including firefighting, roads, and disaster preparedness, is progressing as expected. Our business tends to experience significant revenue growth in the fourth quarter. While we have issued a downward revision for the EMS forecast, we are making steady progress toward our annual target by compensating for the shortfall with other segments.
- Q2: Regarding the TOKKI System business, which deals with defense equipment, please explain how much growth has been achieved in the cumulative third quarter results, including its trends in orders received.
- A2: The TOKKI Systems business has also shown growth in the cumulative third-quarter results compared to the last fiscal year. However, significant growth will come in the fourth quarter. Although we will continue to monitor the situation cautiously, at this point, we are expecting a substantial year-on-year increase in the annual sales and similar trends are being observed in terms of orders received too.
- Q3: The Medium-Term Business Plan 2025 sets a target operating profit of 18 billion yen. Although special demands from the new JPY notes and large-scale projects included in operating profit of fiscal year 2024 are no longer expected, would it be possible to achieve the target?
- A3: We understand that achieving an operating profit of 18 billion yen in fiscal year 2025 is imperative for us and would like to aim for even more. Regarding the Enterprise Solutions business, while the special demands will be eliminated, some of the large-scale projects will continue, and we will also implement measures of cost improvements, for instance. In addition, regarding the Social Infrastructure Solutions business, key projects related to firefighting, roads, and disaster preparedness will continue too. The TOKKI Systems business will also be supported by tailwinds, with orders acquisition becoming visible. We will continue to work hard to achieve the target of the Medium-Term Business Plan 2025.

(Questioner B)

- Q4: It was mentioned the large-scale projects for the Enterprise Solution business, so would you please explain the features of the clients involved in. Also, it is grateful if you could give us the details for those of key projects at the Public Solution segment.
- A4: As for the clients regarding the Enterprise Solution business, they include financial institutions, retail industries, and transportation and passenger service entities. There has been replacement demands for the new JPY notes project this fiscal year. There will still be the demands continuing into next fiscal year include Cash handling systems. Regarding the Public Solutions segment, the sales composition for this fiscal year is roughly 60% for the Social Infrastructure Solutions segment, which deals with firefighting, roads, and disaster preparedness, and about remaining 40% for the TOKKI System business, part of which handles defense equipment projects.
- Q5: It was explained that the decrease in profits in the EMS segment was due to inventory adjustments by some clients in telecommunications market. Would you please explain more, including the market recovery prospects and your expectations?
- A5: Although we cannot provide specific details about our clients, inventory adjustments have occurred for customers in the medical care market. We expect the market to recover from next fiscal year onwards for the EMS segment. Regarding semiconductor manufacturing equipment, however, the market is expanding in the AI-related sector, while there are no signs of progress in the automotive and industrial equipment sectors. Similarly, for FA and robotics, the Chinese market has not seen a full recovery yet. The recovery may not come until the second half of the fiscal year 2025 or in 2026. Given these circumstances, we are also considering opening new overseas sales channels as part of formulating next fiscal year's business plan.
- Q6: Following the inauguration of the Trump administration in the US, there have been reports of tariff increases and other such talk. How do you assess the potential impact on your business performance?
- A6: We believe that the direct impact of the tariff increases will be minimal from the perspective of overseas sales and production bases of our own. However, we recognize indirect impacts on our customers' markets, and we will be monitoring closely those factors such as foreign exchange fluctuations too.

Note: The forward-looking statements in this document are made based on information currently available to OKI and certain assumptions considered reasonable as of the date of this material. Therefore, actual results may differ from its projections upon the changes of business environments and other conditions.

In addition, for convenience only, some additions and revisions were made.