

Q&A of the Financial Results Briefing for FY2020/3 Q3

Q: I have an impression that the growth of the ICT business is strong. The Company has also raised its full-year operating income forecast from 17.0 billion yen to 19.0 billion yen. What are the reasons for the strength of ICT?

A: In addition to social infrastructure-related projects such as transportation and disaster prevention radios, large-scale projects for the construction of networks for a telecom carrier also remained strong.

Q: The operating results of the EMS business were affected by a decrease in sales of factory automation (FA) and semiconductors and a delay in the procurement of some parts and materials. I would like to ask the background of each factor.

A: First, about FA and semiconductors. There are some positive signs in the semiconductor industry, such as the recovery of logic systems, but the recovery of some memory systems has been delayed. FA is even slower to recover. OKI's EMS business is mainly for memory and testers, so it will take a little longer to recover.

As for the delay in procurement of parts and materials due to flood damage, profits of several hundred million yen, if not one billion yen, were affected in the third quarter. At present, the supply of parts and materials has been resumed, and efforts are being made to catch up through measures and projects that have already been received.

Q: Regarding to the impact of expanding the scope of application of the percentage-of-completion method. At first, I heard that the annual profit impact would be about 17.0 billion yen to 18.0 billion yen. I would like to know if there is any change in this forecast based on the progress up to the third quarter.

A: We believe this change in standard will have the biggest impact in the third quarter. At present, the Company expects annual impact of about 13.0 billion yen in sales and about 1.5 billion yen in operating income.

Q: The ICT business is doing well this fiscal year, so I think the hurdles will be high for the next fiscal year. Please comment on the sustainability of the network and social infrastructure, which are doing well this fiscal year.

A: Social infrastructure-related issues, including disaster prevention, are related to national resilience and are expected to continue in the future. In fact, we have confirmed some demands in

replacement of disaster prevention radio systems from local governments.

Network-related businesses are expected to be sustainable due to an increase in demand for networks in society as a whole and an increase in the number of access terminals.

On the other hand, large-scale network-related projects and large-scale replacement demand projects for some government offices are the peak this fiscal year. In addition, although there was a positive impact from the percentage of completion of construction in the current fiscal year, we assumed a negative impact in the next fiscal year, the second year.

Overall, we believe that the negative impact will be greater in the next fiscal year in year-on-year comparison.

Q: The Printers business was barely profitable in the third quarter. On the other hand, the Company plans to return to an operating margin of seven percent in the fourth quarter. I want to confirm this certainty.

In the final year of the medium-term business plan, the Printers business fell far short of the plan. Is the Company considering a zero-base review of its Printers business in its next medium-term business plan?

A: As you pointed out, its profit of the third quarter was about 0.1 billion yen. On the other hand, looking at the trend over the past few years, it is also true that the volume including consumables increased in the fourth quarter. In addition, the effects of last year's structural reforms have begun to show, so we will do our best to achieve our goals.

As for the future of the Printers business, we will narrow down the range of products for offices. The Company is also shifting its focus from simple printers to more value-added IoT devices. Including these, the Company announced the organizational changes from April onward. For details, we would like to explain the future business strategies when we announce the medium-term business plan.

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.