

Q&A Regarding Business Strategy Meeting

Q : I would like to ask you if you see the progress of the Medium-Term Business Plan 2025 as being generally in line with the plan. Also, as for the challenges to ensure the achievement of the plan in the future, as you mentioned, I would like to ask you again what you consider to be the key points to be addressed.

A : (Mori) I think we are on track, slightly ahead of the plan and we are not thinking of adding new measures. However, there is one thing that is not going as expected; printer businesses of Component Products are not performing as effectively as expected in Europe, so we need to review the time frame for rationalizations and expanding measures that were originally planned. On top of this analysis, we have been aware of some business trends where the manufacturers are collaborating with each other, rather than being hostile in the case of copiers, for instance, where Japanese companies hold 80% to 90% of the global market. I believe that we can still make sure feasible profits if we remain firmly on our specialty field and work from a solid position, while the whole printer industries are going to be optimized in those trends.

Q : In terms of the EMS business, when you say that you are aiming for JPY100 billion in FY2026, can you tell us whether you are expecting the components business to grow in FY2025, especially with the recovery of semiconductor production equipment or somewhere else? Also, regarding M&A, could you tell us what areas are lacking as well as what areas to be enhanced?

A : (Nishimura) As for the EMS business, regarding the target of JPY100 billion, it is widely known that semiconductors and robotics will grow in the future, so we will firstly expect JPY95 billion in FY2025 based on the Medium-Term Plan 2025 with those areas expanded, and then aim to grow the EMS business by 5% to achieve JPY100 billion in FY2026. Although the market environment may or may not change against our expectation above, we will manage to enhance our business to achieve that target by rearranging our portfolio where necessary. As for M&A, I am afraid that my answer is going to be a bit vague, but we are considering the technologies that we do not currently have, for example, the technologies which could complement and further strengthen OKI's PCBs area.

Q : You mentioned that the business relating to the printer in Europe is having a hard time and that you are going to make further efforts to improve profitability by streamlining your operations. Specifically, I think you have explained that you have been working on improving profitability and structural transformation in the past, but could you please explain what you are going to do in a more concrete manner, such as how you have been making such efforts in the past, but now you are going to do something on top of them?

A : (Takashi Inoue) Up until FY2022, we made major changes in our overseas operations, especially in terms of sales operating streamlines, but going forwards, we will improve efficiencies of our sales, engineering and production operations, as well as optimize our many old product models businesswise, which have been making our operation less profitable. With regards to regulation costs incurred globally, we will manage to optimize with other companies in the same industries.

Q : You mentioned earlier that your overseas business expansion is in Turkey and Indonesia related to Component Products Segment, and I would like to know why you selected these two countries.

A : (Takashi Inoue) Considering overseas expansion of our IoT devices, we believe that the national government has jurisdiction over a great deal of social infrastructure projects. We would like to participate in such projects by utilizing Japanese governmental scheme so-called ODA in this context. Also, we are targeting middle-income countries, because they already have a certain degree of infrastructure and telecommunication systems in place, and in considering these as a mesh, we have determined that Turkey and Indonesia are the best candidates at this time, and we will participate in the METI and JICA programs to move forward.

Q: I think CFB is one of the four pillars of so-called future businesses, aiming to achieve JPY50 billion. I would be very grateful if you could give us an idea of how much you expect to achieve in CFB. Secondly, regarding this subject, as you are currently working with Shin-Etsu Chemical, I think you are probably looking for co-creation partners in this open innovation field; could you tell us about the status of your search?

A : (Kei Kato) Regarding the first question, within the scope of the current Medium-Term Business Plan, we are in a phase of trials, but from the perspective of actual sales, we are focusing on sales within the period of the next Medium-Term Business Plan. When it comes to sales scale, we are aiming for sales of JPY10 billion in the areas of micro-LEDs and photonics. As a result, we would like to make a large contribution to the JPY50 billion by 2031, and we would like to expand the project to a scale of JPY100 billion on a longer-term basis. As to your second question, although we are not yet to name who they will be besides Shin-Etsu Chemical, we will create ecosystems through participation with some manufacturers. We would like to tell you more about this when it becomes clear at an appropriate time.

Q: As for the growth investment in CFB business, you mentioned the investment for the eight-inch production line, can you give us more specific information about total amount, production scale, schedules, or any other specific details.

A : (Kei Kato) At this stage, I would like to refrain from going into details, but we are planning to invest approximately billions of JPY in growth investments as a part of the Medium-Term Business Plan 2025.

Q : I think Shin-Etsu Chemical has mentioned that they are working on a 300mm version of Shin-Etsu Chemical's QST platform. In that case, will OKI also launch a 300mm type in addition to eight-inch one?

A : (Kei Kato) As for the schedule for the 300mm, I believe that Shin-Etsu Chemical is currently working on that as well, so considering that, we would like to study the matter.

Q : I think you also mentioned that you will continue to develop other global projects, while keeping an eye on the situation in Silicon Valley, of which OKI has recently announced a new project. I would be grateful if you could give us an idea of the next step or some hints about the global strategy.

A : (Kei Kato) I think you are referring to the R&D site, we are still in the process of searching for the key resources needed to develop the output in new areas; I can't give you a clear picture at this time. However, once we have extracted technologies related, we will get in the phase of considering how to expand it, organically connected, so there are many options how to promote them globally.

A : (Mori) I just thought I'd offer additional information of the scale of business; during the next Medium-Term Business Plan period, with a slightly different time frame, but I have the sense that the first step will be micro-LED displays, starting with billions of JPY in scale. And then, secondly, we hope that the scale will expand across power semiconductors and will increase up to tens of billions of JPY scale. Furthermore, regarding restarting global businesses, it is not enough to just place two engineers in Silicon Valley; but in fact, as a preliminary study, we have already had some surveys conducted in Europe as well as Asia and would like to send out more and more young employees over to venture companies there for their skill upgrade. Therefore, in a sense of investments on human capitals, we would like to increase the number of our overseas bases.

Q : Regarding embodiments of full participation innovation that Mr. Mori has been talking about for some time, could you tell us what you have seen so far, and what you would like to see in terms of future challenges?

A : (Mori) I think they are very good bottom-up activities in terms of awareness-raising activities and changing employees' working mindset and style. Although there are now approximately 20 themes on an idea or experimental basis, whether those surely lead to immediate commercialization or not should not be highly prioritized in the first place; if the management request too much from commercial view, it will never be going well. However, if we give them too much freedom to do various things, it won't go well either. I am thinking that the management needs to be more involved together and more supportive to create better innovational environments, not just leaving them to frontlines.