

# FY24Q1 Ends within Expectations; Let Us Continue to Work on Business Improvement

It is now August and more than one month has passed since my appointment as President. On July 1 I issued my message expressing my thoughts to you as President. Following, on August 1 an article introducing my profile has been published on our intranet, so I hope you can take a look at that too.

Over this past one month, I have been meeting with our business partners, financial institutions and media etc. who support our daily activities to ask for their continuous support and cooperation. Also I have been in meetings with Foxconn members headed by Chairman Liu discussing future collaborations. I have received many warm greetings from various people, which reminds me each time to definitely meet such expectations .

Through today's message, I would like to explain our current status in business performance and our progress in Medium-Term Management Policy.

## 1. Fiscal 2024 Q1 Financial Results

First is about our Q1 financial results. In Q1, for our Brand business, net sales and net profit both recorded a two-digit increase year on year, and for our Device business, while our net sales are decreasing, we managed

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our losses to a similar level from last year.

As a result, our all-company net sales slightly decreased from last year, while the net operating loss range has diminished. Meanwhile, mainly since the exchange rate largely fluctuated, non-operating results ended in a downturn year on year, resulting in net loss.

During this period, the exchange rate recorded depreciation of the Japanese yen at the lowest rate in 38 years, making the Brand business environment extremely difficult. Still, Smart Office recorded operating profit 2.5 times against last Q1, and Smart Life & Energy and Universal Network Business Groups also secured stable profits. I thank all members' efforts in each department to realize these results.

Currently, concerns of slowdown in demands is seen worldwide, making our business directions even more difficult. These are times when we need to collaborate close with each other, starting from sales members in direct communication with customers, to business leaders and Headquarter management, including myself. This way, we can swiftly detect change and correspond quickly and carefully.

Out Q1 results ended within expectations. Let us continue to work on improving our business to achieve our announced targets.

## 2. Asset-Light Strategy

Next I will explain about our progress on our Asset-light strategy. At SDP, we input our final panel on July 28, and plan to end panel productions by the end of this month. In parallel, we are proceeding discussions of the diversion of Sakai plant to AI Data center etc. with several companies such as KDDI and Softbank.

For SDTC, we have completed the adjustment of production capacity of Kameyama No.2 plant and Mie No.3 plant as well as closure of Sakai plant OLED line by end of June, both based on our announcement on May 14. On July 9, we reached a basic agreement with Aoi Electronics to divert Mie No.1 plant into a semiconductor second half process line. Aoi Electronics conducts design, development and manufacturing of semiconductors.

For SSTC and SFL, we are aiming to complete sell out to Foxconn within fiscal 2024, and details are being discussed with Foxconn Chairman Liu through regular meetings. I would like to share you on the outcome again after decisions are made.

## 3. Strengthening Brand Business

On July 25, we announced our agreement with El Araby, our partner company in Egypt, on a joint construction of a new refrigerator plant in their country. We have a relationship with El Araby since 2004 who we consign manufacturing and sales of home appliances.

With their cooperation, currently we are the No.1 brand in refrigerators and air conditioners in Egypt. With the construction of this new plant, we will secure our brand position in the rapidly growing Egypt market while utilizing this as an exporting base to Africa and Middle East for further business expansion.

Upon this signing I visited Egypt myself, and received a warm welcome upon my arrival, and the signing ceremony was attended by Prime Minister Mostafa Madbouly and other Ministers as well. I also received an encouraging message from the Egypt government that they will continue to support our business development in their country.

Meanwhile, in the B2B area, we signed an MOU with ENNOCONN, a major company in industry computing in Taiwan, targeting alliance in smart retail. Currently we are promoting details on this alliance including cross selling, joint development, and cooperation in convenience stores.

In addition to the above, we are accelerating our expedition in “Next Innovation” centering in fields of AI, EV, next generation telecommunication, green energy, and industry. We plan to exhibit some of our activities at our Tech-Day ‘24 Innovation Showcase scheduled to be held on September 17 and 18 at Tokyo International Forum. We have about one month to go, and I hope all related members will be fully prepared by the opening day, and by hungry to collect feedback and seek collaboration with others through the event.

## 4. End Note

As already explained, our Q1 business results have ended mostly within our expectations, and actions to realize our Medium-term Management Policy are under steady progress.

Our members in Japan will enter their summer holidays from tomorrow. Extremely hot days are continuing, but I hope you will take care of yourself and safety, and relax during your holidays. After you return from your break, let us work together again to achieve annual surplus and future growth!