

June 26, 2020

Notice Regarding Review of the Medium-term Management Plan Goals

At the board of directors meeting held today, the Company resolved to review the medium-term management plan goals (FY3/20-FY3/22) announced on May 27, 2019 due to changes in the business environment.

1. Background for review of the medium-term management plan target review

The economic outlook has become extremely uncertain due to the global spread of the COVID-19 infections. In the semiconductor industry, in which the Group operates, semiconductor device manufacturers are postponing capital investment due to restrictions on international travel of engineers to install semiconductor equipment. In addition, the supply chain has also been disrupted due to delays in delivery of parts and soaring shipping costs. This has resulted in inventory build-up at some semiconductor manufacturers. Consequently, we may lead to inventory adjustment in the second half.

In this challenging environment, the telecommunication systems industry is aiming at partial start-up of the fifth-generation communication (5G) networks by 2020. Various services, including autonomous driving cars and telemedicine, will be gradually realized with the development of ultra-high speed and large capacity communication networks, and multi-terminal systems. In addition, it is expected that various other services will be expanded by 4K/8K video distribution and increase in teleworking.

On the other hand, according to a recent forecast, sales are likely to drop nearly 20% year-on-year in the automobile industry. The linen industry which supplies mainly to hotels also finds itself in a difficult situation due to a decrease in hotel occupancy rate, a decrease in tourist numbers and other factors. Consequently, the Group's products may also be affected.

Because of the above trends, the business environment has changed significantly compared to last year when we announced our medium-term management plan goals. Moreover, it is extremely difficult to predict when the COVID-19 infections will be contained and its longer-term impact on the Group. In view of the above changes in the business environment we have withdrawn our full-year earnings forecast for the current fiscal year and have also decided to review our medium-term management plan goals.

2. Future outlook

We will announce revised medium-term management plan goals without delay when new quantitative goals can be established as the impact of the spread of COVID-19 is gradually contained.

<Reference> Medium-Term Management Targets KPI for FY3/22

Net sales	Operating income	Operating income margin
125 billion yen	12.5 billion yen	Over 10%
ROE	ROIC	Shareholders' equity ratio
Over 10%	Over 6%	Over 40%