

OKI Group
Business Strategy Meeting
Enterprise Solutions
Segment

Hiroshi Tomizawa

Senior Vice President

Head of Enterprise Solutions Division

June 1, 2023

- 01 Segment Overview
- 02 Envisioned Direction for Enterprise Solutions Business
- 03 Business Policy and Targets
- 04 Key Initiatives / Shift to Recurring Business / Front Shift—Self-Service and Labor-Saving Solutions / Strengthen Product Competitiveness
- 05 Investment

01 Segment Overview

We provide safe and convenient solutions and services that help address labor shortages and improve operational efficiency through the integration of mechatronics technology, solutions, networks, and maintenance services.



- I will first provide an overview of the Enterprise Solutions segment.
- We have established the Enterprise Solutions segment by merging our Automation Systems business, Finance & Corporate Solutions business, and Network Systems Business. The new segment also includes OKI Crosstech, which handles maintenance, installation, construction, and system integration for OKI products as its core business.
- The Enterprise Solutions segment connects mechatronic products using networks, and provides system solutions over such networks. It also offers installation, construction, and maintenance services for mechatronic products and solutions, and provides fully outsourced ATM operation and monitoring as a recurring business.
- As a new segment, it combines the strengths of each of its businesses and consistently provides "safe and convenient solutions and services" through a value chain that encompasses product design, development, manufacturing, installation, construction, and maintenance.
- I will now go over our future vision for the segment.

Transition from focus on products to recurring business

Develop and provide solutions and services underpinned by products that solve social issues

Business opportunities (changes in environment)

- Address labor shortages and promote the horizontal specialization of labor
- Expand front-shift business processing through digital solutions such as cashless payments

Envisioned direction



Conservation of global environment

- Reuse recycled components, undertake environmentally-friendly Mono-zukuri
- Reduce plant CO₂ emissions, promote paperless solutions



Safe and convenient social infrastructure

- Visualize on-site operations, monitor operations
- Tighten network security and administration



Job satisfaction and productivity enhancement

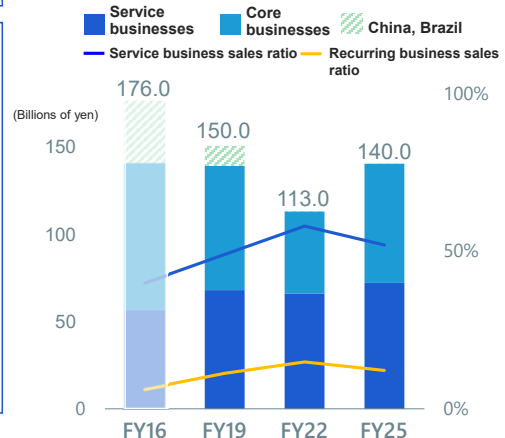
- Address labor shortages through self-service and labor-saving solutions
- Provide BPO services for common customer operations

FY2025 target

Net sales ratio

Service businesses: **50% or more**

External sales composition



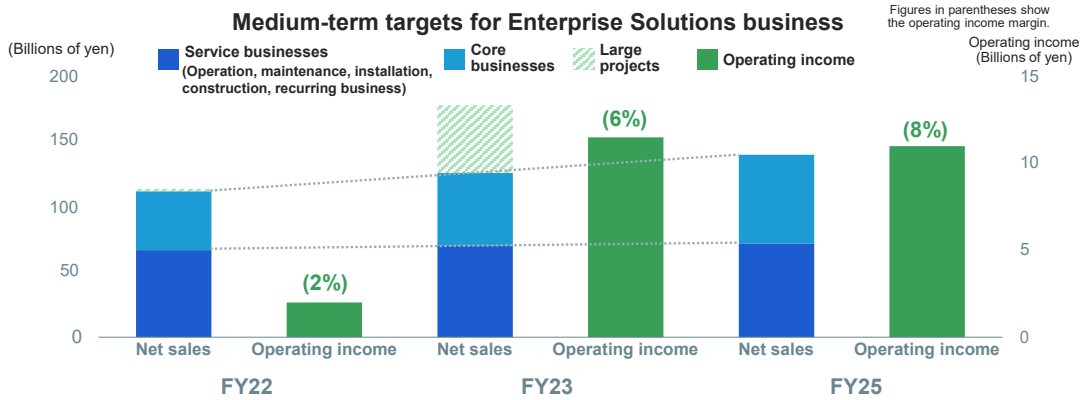
- Two major changes have occurred in our business environment.
- The first is a shortage of labor caused by demographic trends such as a low birthrate, an aging society, and a declining population. The second is the trend toward digital solutions such as cashless transactions and paperless operations.
- We view these changes as business opportunities, and I will explain our response to them later.
- We have defined three areas where OKI can play a role in addressing social issues: "safe and convenient social infrastructure," "conservation of global environment," and "job satisfaction and productivity enhancement."
- The direction we envision for the Enterprise Solutions segment is premised on making contributions to these three areas.
- In addition to offering environmentally friendly products, such as products that reduce power consumption, reuse recycled parts, and reduce plant CO₂ emissions, we will reduce field visits through preventive and predictive maintenance based on remote monitoring and operation, and also contribute to the environment in operational settings.
- We ensure the operation of devices and systems by providing remote monitoring and operation services for edge devices such as ATMs, and thereby contribute to "safe and convenient social infrastructure."
- In addition, we address labor shortages by achieving automation/self-service solutions through mechatronics technology, and contribute to job satisfaction by allowing customers to allocate labor time freed up by our

automation/self-service solutions to their primary business.

- I will now discuss our current medium-term plan and targets for FY2025. In the mechatronics business, we have implemented two major initiatives to help restructure our business portfolio. Our objective was to address cashless transactions, which emerged as a major trend in 2016 during the medium-term plan that preceded our last plan.
- The first measure was to stop the hemorrhaging at overseas businesses where profitability had deteriorated. We sold our Brazilian business and shut down our Chinese business in 2020 . While our top line decreased as a result, we were able to bring an end to the losses.
- The second measure was to expand recurring business. We have started life cycle management and full outsourcing services for ATMs.
- We plan to expand the net sales ratio for service businesses from 40% in 2016 to 50% in 2025, and to increase the net sales ratio for recurring business from 6% in 2016 to 12% in 2025.

Business policy: Coinciding with large projects, transition to a resilient management structure to drive future growth

| | Net sales | Operating income | Operating income margin |
|-----------------|-------------------------------------------------------------------------------------------------------------|------------------|-------------------------|
| FY25 targets | ¥140.0bn | ¥11.0bn | 8% |
| KPI | Service businesses generating 50% or more | | |
| Key initiatives | (1) Shift to recurring business (2) Shift to front-office processing (3) Strengthen product competitiveness | | |



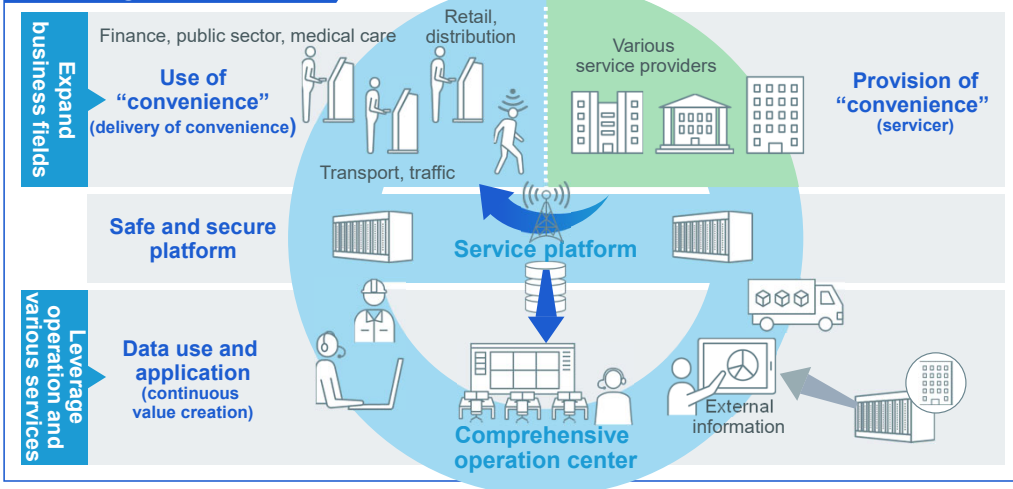
- In FY2023 and FY2024, we have large-scale projects, including projects related to redesigned banknotes, and we will steadily execute these.
- We will use this period to build a more resilient business structure and stabilize our operations. Our targets for FY2025 are net sales of ¥140.0 billion, operating income of ¥11.0 billion, and an operating income margin of 8%.
- As a KPI for achieving business stability, we target a net sales ratio of 50% for our service businesses. We will focus on three key initiatives to achieve business stability.
 - 1. Stabilizing earnings through a shift to recurring business
 - 2. Expand business fields through a shift to front-office processing by supplying products that contribute to self-service and automation solutions
 - 3. To improve profitability in the hardware business, which has suffered from a drop in demand amid the shift to cashless payments, we will promote standardized designs to develop competitively-priced products, and accordingly target earnings improvement.

Expand business fields by adding new delivery methods and expanding operations, leveraging the install base



Expand recurring business model cultivated through ATM operations to strengthen businesses

Recurring business model

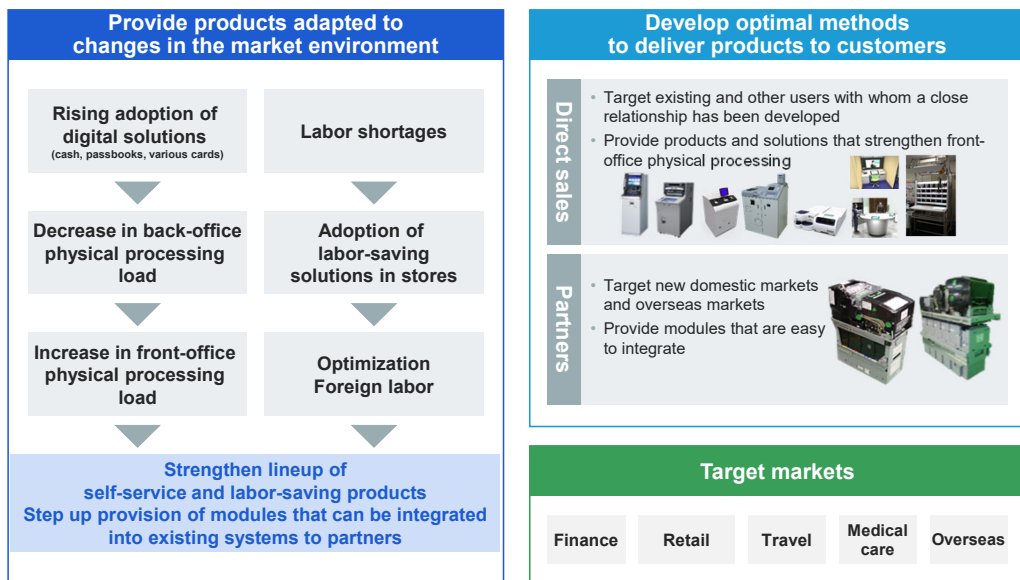


© Copyright 2023 Oki Electric Industry Co., Ltd.

6

- I have already mentioned our goal of deriving 50% of our net sales from service businesses in FY2025. The key initiative to achieve this goal will be a shift to recurring business.
- Since FY2016, we have expanded our services beyond sales of ATM and cash handling machine products to financial institutions, by including the monitoring of ATM operations, the formulation of cash replenishment/retrieval plans, and the handling of inquiries received from auto-call telephone systems. These services allow our customers to concentrate on their core business.
- We will invest in the development of a service platform that allows servicers to expand their current service offerings with external services, incorporate the latter into edge terminals, and easily establish connections between edge terminals and servers that monitor operations.
- We will expand our service offerings horizontally into the public, medical care, transport, traffic, distribution, and other markets under the recurring business model cultivated for ATMs. In this way, we will strive to increase the net sales ratio for our service businesses and stabilize our operations.

Strengthen and provide products to support self-service and labor-saving solutions in the future,
and do the same for physical processing modules;
Provide products to customers in their desired forms through direct sales and partners



- We have identified two major changes in our business environment, centered on the financial and distribution markets.
- The first change is the accelerated adoption of digital solutions. Amid advances in IT, financial institutions are progressively reducing the handling of cash, passbooks, cash cards, slips, and other physical materials, resulting in a decrease in the processing of physical items in back offices of stores. As a result, customers are shifting their focus to operations that allow transactions to be completed in front offices of stores (front line).
- The second change is labor shortages. Retailers and distributors are facing labor shortages in their stores due to demographic trends such as a declining birthrate and aging population. This has sparked a shift toward labor-saving measures such as the use of semi-self-service and self-service cash registers.
- As a result, customers are now concentrating on further improving operational efficiency and securing foreign labor for their stores.
- To address these changes in the market environment, we will strengthen our product lineup that supports self-service and labor-saving solutions. We will also provide easy-to-integrate modules to our partner customers.
- In addition, as a new market, we will invest in research and development to address manpower and labor shortages in various industries. This will cover support devices to perform manual medical procedures or audit work, self-service and automation equipment for airports, and assembly support tools for manufacturing sites.

Shorten development cycle (ensure timely product releases) and reduce costs (enhance price competitiveness) by working to standardize hardware and software modules, starting from individual product development



* Base module: A module that is designed to support module standardization. By combining base modules, products tailored to the needs of customers can be developed in a short period of time.

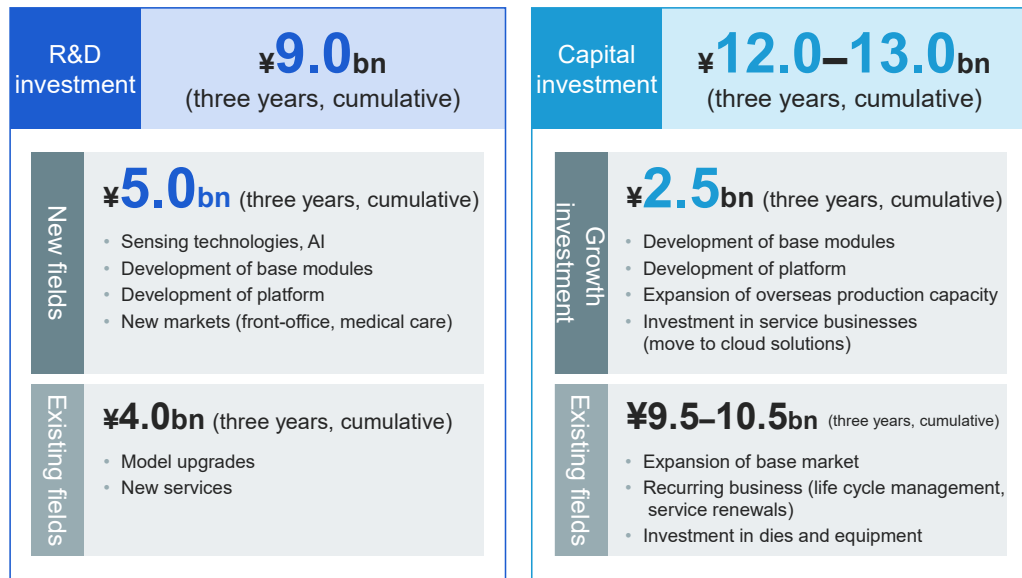
Service platform: A platform technology that facilitates the integration of servicer applications.

Recurring business model: A business model that offers a combination of equipment provision and BPO. Under such a business model, services are offered continuously by providing value in the form of operation, construction, installation, or maintenance.

- I will now explain our efforts to enhance our product competitiveness in response to changes in customer environments, external conditions such as rising costs of materials, utilities, and other expenses, and internal challenges such as software development issues.
- The key concept here is to standardize hardware/software modules, and we refer to this as platform development.
- By moving from individually optimized product development to building product platforms, we can shorten development cycles (ensure timely product releases), reduce costs (strengthen price competitiveness), and cut maintenance costs through the use of standardized maintenance materials.
- We will execute this plan in three steps that will each take three years.
- The first step will run from FY2023 to FY2025.
- During this period, we will develop highly versatile modules (base modules) that will form the foundation for many more products, and develop standardized services for the financial market (service platform), where we already have a track record.
- The second step will run from FY2026 to FY2028. During this period, we will apply the base modules and service platform developed in the preceding period (FY2023 to FY2025) to products, and aim to expand our operations.
- The final step will run from FY2029 to FY2031. During this period, we will move into new markets (including overseas) to further grow our operations.

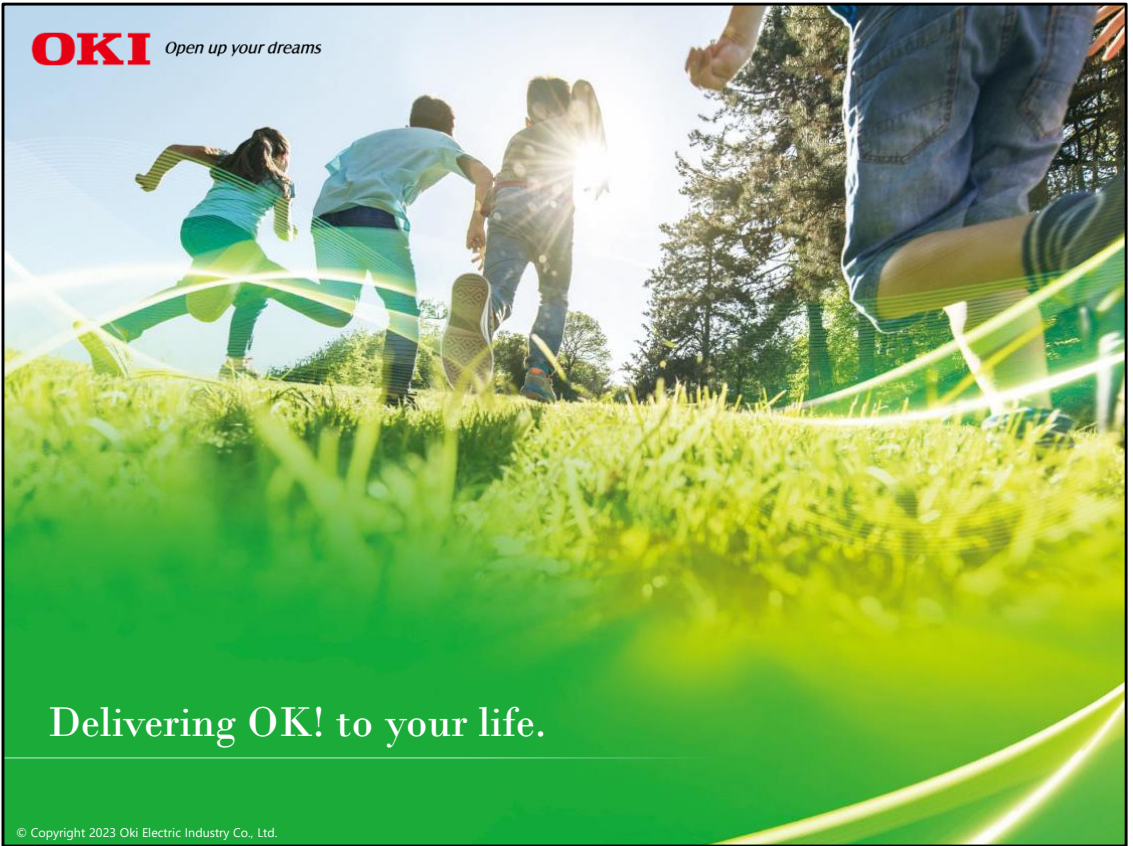
R&D investment: Double investment in new fields, and strengthen product competitiveness

Capital investment: Continue investment in recurring business and efficiency improvements



- We plan to make investments in line with the segment policy, targets, and strategies I have explained.
- Let's begin with R&D investments. We will strengthen investments in new fields to drive future growth.
- We will invest ¥5.0 billion over three years in new fields centered on platform development and base module development.
- Next, we come to capital investment.
- We will invest ¥2.5 billion over three years in base modules, platforms, and others, to achieve competitive pricing.
- In existing fields, we will continue to invest to expand recurring business.
- We will actively invest in fields related to our mission of “delivering OK! to your life,” such as medical care, manufacturing, and passenger transport in an effort to solve challenges not only in the financial, retail, and distribution markets, but also in new markets.

OKI *Open up your dreams*



Delivering OK! to your life.

© Copyright 2023 Oki Electric Industry Co., Ltd.