MESSAGE FROM THE CFO

We will continue to implement structural reforms and aggressive investments aimed at sustainable growth.

Masayuki Hoshi
Senior Executive Vice President,
Representative Director and Chief Financial Officer

With "Delivering OK! to your life." as our key message, the OKI Group aims to be a corporate group supporting safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri and Koto-zukuri, and we are promoting various measures in line with Medium-Term Business Plan 2022.

Medium-Term Business Plan 2022 is positioned as a foundation for achieving sustainable growth by providing products and services that respond to changes in social structures and new needs accompanying those changes. In fiscal year 2020, the first fiscal year of the plan, we have worked on structural reforms including a shift in design resources and reorganization of affiliated companies, while aggressively investing in focus areas in both our Solution Systems and Components & Platforms businesses.

As we continue to promote structural reforms, we plan to invest aggressively in order to develop innovative technologies and new fields, while at the same time, it has become even more important to appropriately judge risks in an environment where the end of COVID-19 is unforeseeable. As CFO, I believe that it is my responsibility to maintain our financial policy even if society or our business portfolio changes, and balance offensive (growth investment) and defensive (financial discipline) in order to make steady progress toward sustainable growth.

Going forward, we will further strive to meet the expectations of shareholders and investors. We look forward to your continued support and understanding for the future of the OKI Group.

OKI's basic concept of capital policy is as follows:

Capital Policy

Basic Strategy

As a company deeply rooted in society, we strive to contribute to society by improving corporate value sustainably, and make returns to stakeholders.

Basic Policy

1. Make investments for growth
2. Secure the strong financial base
3. Sustain steady shareholder returns

Financial Soundness

- Maintain an adequate level of shareholders' equity within a risk allowance, while making growth investments
- Pursue the right balance between capital efficiency and securing stable growth investment funds, namely, optimal capital structure
- Disclose shareholders' equity and DE ratios as indicators of financial soundness

Shareholder Returns

- Strive to maintain stable dividends
- Pay dividends with a focus on balancing growth investment and shareholder returns in consideration of cash flows while maintaining earning capacities
- Emphasize on rewarding long-term shareholders

Asset Efficiency

- Maximize shareholder value by striving to improve asset efficiency
- Improve total asset turnover: Strive to optimize capital allocation and working capital

Financial Indices

We have established our targets for the end of fiscal year 2022 based on our basic policy.

Shareholders' Equity Ratio	DE Ratio	Dividend Payout Ratio	ROE
30%	1.0 or lower	30% or higher	10%

Analysis of Financial Position and Business Achievement

FY2020 Business Results

In fiscal year 2020, net sales decreased by ¥64.3 billion to ¥392.9 billion due to temporary factors from the previous fiscal year such as large-scale projects and expanding our scope of applying a "percentage of completion," as well as multiple overlapping factors including transfers of business for our subsidiary in Brazil and COVID-19. With regard to profits, while the effects of our structural reforms contributed in some areas, operating income decreased ¥7.3 billion year on year to ¥9.5 billion and ordinary income decreased ¥4.4 billion year on year to ¥9.4 billion due to the significant impact of reduced sales caused by COVID-19.

Profit attributable to owners of parent decreased by ¥14.3 billion year over year to a loss of ¥0.2 billion as we tallied ¥4.6 billion in business structure improvement expenses accompanying a review of our business portfolio as well as a partial reversal of deferred tax assets.

As for the effect of COVID-19 on the current period, net sales and operating income were both negatively impacted, decreasing by approximately ¥27.0 billion and ¥6.5 billion, respectively.

In terms of financial position, total assets increased by ¥0.7 billion from the end of the previous fiscal year, to ¥373.2 billion. While accumulated other comprehensive income increased by ¥11.3 billion, shareholders' equity increased by ¥6.8 billion from the end of the previous fiscal year to ¥113.0 billion due to the payment of ¥4.3 billion in ordinary dividends and other factors. As a result, the shareholders' equity ratio stood at 30.3%. As for assets, in terms of main areas, while asset for retirement benefits increased by ¥10.6 billion, notes and accounts receivable have decreased by ¥5.9 billion and inventories by ¥4.8 billion. For liabilities, primarily notes and accounts payable have decreased by ¥5.0 billion. Also note that borrowings saw an increase of ¥0.3 billion from the end of the previous fiscal year, tallying ¥78.0 billion.

Outlook for FY2021

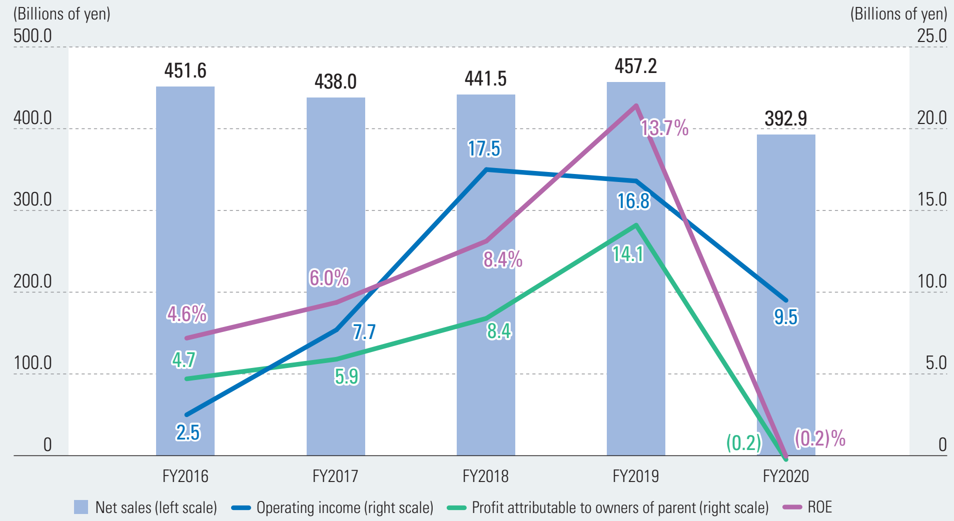
For fiscal year 2021, we expect an increase in sales and profit, with net sales to increase ¥7.1 billion year on year to ¥400.0 billion, operating income to increase ¥2.5 billion to ¥12.0 billion, ordinary income to increase ¥2.6 billion to ¥12.0 billion, and profit attributable to owners of parent to improve by ¥3.7 billion to ¥3.5 billion.

We continue to proceed with structural reforms in fiscal year 2021 to strengthen our revenue structure aimed toward growth. Specifically, as part of our cost reforms in shared group functions, we reduced logistics and other costs by approximately ¥0.7 billion by reviewing and streamlining operations and procurement costs by approximately ¥3.1 billion in fiscal year 2020, and we continue to engage in these efforts in the current fiscal year.

Additionally, we have reduced the personnel at our overseas sales locations by 30% accompanying a review of our overseas strategy, and we plan to reduce personnel in fiscal year 2021 as well to achieve a 60% reduction by fiscal year 2022. In line with this, we plan to record the same level of business structural reform expenses as fiscal year 2020. We also expect to benefit from fixed cost reductions due to these personnel reductions.

Further, our printer subsidiary OKI Data Corporation was integrated into the main OKI company as part of our business

Consolidated Business Performance



portfolio restructuring as of April 1, 2021. In addition to conducting efficient business operations through the integration and rationalization of common functions, we will accelerate the shift of resources to strategic fields in the Components & Platforms business and generate synergies such as by promoting new product development utilizing technologies used in printers.

In Medium-Term Business Plan 2022, we plan to invest between ¥70.0 billion and ¥80.0 billion over three years on capital expenditures and ¥40.0 billion in R&D as growth investments. We plan to spend ¥31.0 billion on capital expenditures in fiscal year 2021, including ¥6.0 billion on a project to construct our own smart factory that considers environmental-impact reduction as our first production facility to achieve being a net zero energy building (ZEB) and resilient to disaster as an environmental initiative. In addition, we plan to make investments to build a foundation for growth, such as development facilities to expand DX sales in our Solution Systems business and new product development for partners in our Components & Platforms business. We also plan to invest ¥12.5 billion in R&D in fiscal year 2021. Through these investments, we aim to achieve DX sales in our Solution Systems business of over ¥40.0 billion in fiscal year 2021 and ¥70.0 billion in fiscal year 2022 from ¥36.9 billion in fiscal year 2020. We will also accelerate new product development in our Components & Platforms business, aiming to achieve sales of ¥225.0 billion in fiscal year 2022.

Structural Analysis

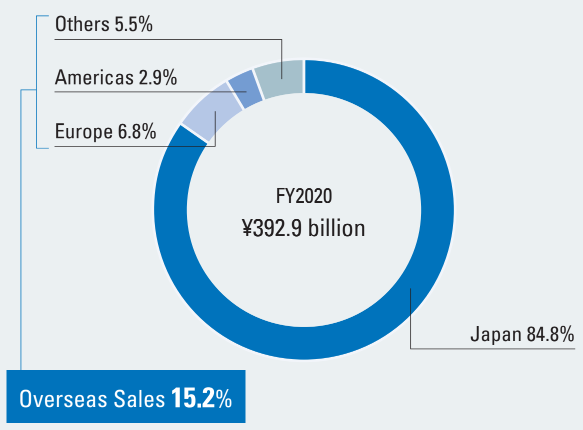
Sales Composition and Overview

OKI has developed the Solution Systems business, which provides solutions, and the Components & Platforms business, which provides products and manufacturing services as to hardware. In terms of the fiscal year 2020 business results, the sales composition for net sales was essentially balanced. With regard to the Solution Systems business's major customers, they are mainly a customer group having high domestic trust, including public institutions such as government agencies and local governments; and highly public large private companies such as telecommunications carriers, megabanks, railway companies, and airlines, and net sales for the public sector accounted for approximately one-third of total net sales. The Components & Platforms business has top-class market share in the number of ATMs installed in Japan; in particular, in the retail market as represented by convenience stores, it has over 70% market share* in the number of ATMs installed. Our comprehensive Mono-zukuri services business provides original services supporting both high-mix low-volume manufacturing and variable-mix variable-volume manufacturing, and aims to distinguish itself from other companies in the same industry through its highly reliable Mono-zukuri. The number of customers exceeds 1,000; they come mainly from the domestic manufacturing industry. It secures stable sales with repeat orders from existing customers. With regard to the printer business, approximately two-thirds of sales come from overseas. In fact, most of the OKI Group's overseas sales come from this business.

The ratio of overseas net sales for fiscal year 2020 declined to approximately 15%, impacted by the spread of COVID-19 and due to a fundamental review of our overseas strategy centered on winning products in the Printers business. By region, Europe was 6.8%, the Americas were 2.9%, and others were 5.5%.

*Research by OKI

Sales Composition by Region



Effect of Exchange Rate Fluctuation on Earnings

Overseas sales account for approximately 15% of the OKI Group's total sales, mainly from the Printers business, and approximately 60% of the Printers business sales are denominated in Euro. For this reason, if the yen appreciates against the Euro, it will result in a decrease in sales and cause a negative impact on operating income.

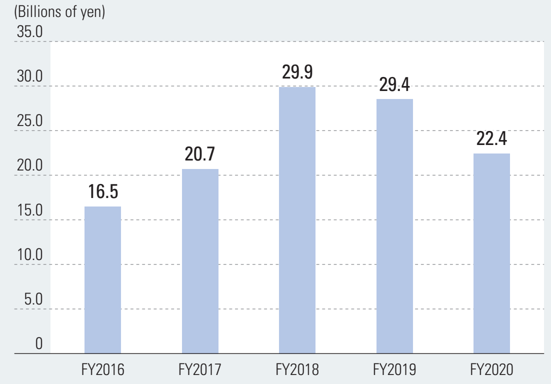
On the other hand, OKI's main factories are located in Ayutthaya, Thailand and Haiphong, Vietnam; at these factories, major materials procurements are conducted in U.S. dollars. For transactions denominated in U.S. dollars, purchases exceed sales. For this reason, regarding the amount after offset, the appreciation of the yen against the U.S. dollar causes a reduction in material costs while providing a positive impact on operating income.

Cash Flow

As EBITDA shows, fundamentally, OKI's businesses generate stable cash flows. As system integration is the main business activity of the Solution Systems business and the Components & Platforms business' hardware production is mainly an assembly process that does not require installation of expensive equipment, large capital investment is usually not needed, and free cash flow does not go significantly negative.

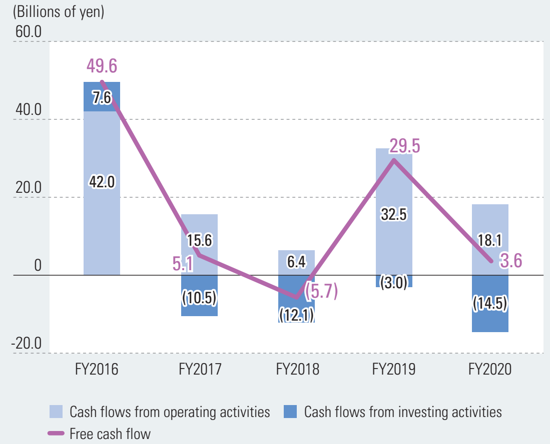
However, over the three years of Medium-Term Business Plan 2022, we plan to invest between ¥70.0 billion and ¥80.0 billion in capital expenditures and ¥40.0 billion in R&D as a foundation for growth. Both are significantly higher than the amounts invested during the previous medium-term business plan, and in fiscal year 2020 we spent ¥16.3 billion on capital expenditures and ¥11.2 billion in R&D. In fiscal year 2021, we plan to invest a combined ¥43.5 billion in capital expenditures and R&D, with cash flows from investing activities expected to exceed cash flows from sales.

EBITDA*



*EBITDA = Operating income + Depreciation

Consolidated Free Cash Flow



Balance Sheet

For non-business assets, we have established a periodic verification process to continuously review the significance of ownership. We are striving to downsize non-business assets by prioritizing and selling as appropriate. With regard to business assets, each business has a monthly reporting and verification system in place to monitor changes in working capital, such as notes and accounts receivable and inventories, and we are working to improve the efficiency of them. Surplus funds are used to repay interest-bearing debt to improve overall asset efficiency. As a result of these efforts, our financial position remains stable and sound.

Consolidated Financial Position