

October 31, 2017

Oki Electric Industry Co., Ltd.

**Summary Translation of Q&A for the First Half  
of Fiscal Year ending March 31, 2018**

Q: The Mechatronics Systems business in the first half fell short of targets for both sales and profit. Could you elaborate on the reasons?

A: We believe demand for ATMs in urban areas in China is declining rapidly, due to growing use of e-money, among other factors. This has been expected. In other emerging markets, demand has continued to grow for recycling ATMs, but so has competition. The end result there was that we were unable to capture some of the projects we had targeted. Also, given changing market conditions in China, we recorded revaluation losses on certain inventories with an eye on current market trends. Beyond these factors, please keep in mind that these figures are partly attributable to the cost of forward-looking structural reforms. In sum, the market in China has developed as we had anticipated during the first half, while competition in other emerging markets was unusually harsh.

Q: Operating income for the Printers business increased by 2.1 billion yen compared to the original plan. How much of this was attributable to foreign exchange rates and structural reforms, respectively?

A: The effects of foreign exchange rates accounted for about 300 million yen of this figure. With regard to the rest, I hope you will forgive me for not going into greater detail. Structural reforms did account for some of these results, but other factors also played a role, including carryover effects of some costs to subsequent periods.

Q: Can you describe the goal of the takeover bid for Oki Electric Cable and the synergies you expect from this move?

A: Given the name, you might think Oki Electric Cable is merely a wire and cable company. It actually competes in markets beyond those in which an ordinary wire and cable company operates. For example, it's the world leader in niche markets for products like flexible PCBs and electrode wires. With the worldwide trend of declining numbers of people employed in

manufacturing, we believe a movement is underway toward the lateral diversification of manufacturing, including original design manufacturing (ODM) and electronics manufacturing services (EMS), and toward fabless manufacturing. Under these conditions, we believe it will be an effective move to combine EMS and the top components in niche markets into a single organization, one capable of providing a one-stop service option for our customers. Oki Electric Cable's target area leans toward the high end of the market. This end is characterized by changing volumes and product types. The same is true of the EMS business. EMS is strong right now in areas like measurement instruments and medical devices, and it's preparing to expand into fields like aviation, aerospace and electronic components. At the same time, Oki Electric Cable brings a track record in the FA, robotics, and medical markets, with a focus on high-end clients in markets characterized by changing volumes and product types. Managements currently believe these target markets share significant similarities. I'm not at liberty to disclose customer names, but a look at the specific companies shows they share very few clients. In their sales activities, both our EMS business and Oki Electric Cable apply an approach in which they work with customers in design and upstream manufacturing stages to produce high-end customized products, rather than sales activities targeting procurement sections. We've concluded comprehensive cross-selling will generate very strong synergies.

Q: You mentioned the effects of structural reforms in the Printers business. But the presentation on the financial results for the first quarter appears to state the structural reforms would be completed during the first half. Can you discuss the state of progress on structural reforms at this time? Are they complete now? If not, what percentage of the reforms has been postponed to the subsequent quarter?

A: It's difficult to provide a specific percent figure. In terms of structural reform costs, we spent a cumulative 1.4 billion yen through the first half. We're making steady progress toward the planned total expenditure of roughly 2.5 billion yen for the year. Our intentions are to move ahead according to plan, but, admittedly, we are encountering some minor delays.

Q: Regarding the Mechatronics Systems business, can you give an update on Brazil? I remember hearing that an order had been received in the first quarter. How is the progress after that?

A: Generally speaking, the Brazilian economy itself has improved quite a bit. For this reason, the procedures for certifying recycling ATMs appear to have made reasonable progress. While I am not able to state that we have received large orders beyond this, broad demand for

recycling ATMs and concrete movement toward their certification appears to be moving along.

Q: Roughly how many ATMs did you sell in China during the first half? I believe you're targeting sales of 7,000 units over the full year. Do you plan to revise that figure?

A: We sold 1,200 units in China in the first half. We're not currently considering revising our plans. Based on current conditions, however, I do believe meeting the annual target of 7,000 units will be quite difficult.

Q: The Mechatronics Systems business recorded losses of approximately 1.0 billion yen in the first quarter, partly due to a change in the period of consolidated accounting period of a Brazilian subsidiary. What do you expect in the first half and beyond? Are you falling behind with regard to progress toward breaking even?

A: The figures do indicate a delay, but they should be understood to be minor.

Note: The forward-looking statements in this document are made based on information currently available to OKI and certain assumptions considered reasonable as of the date of this material. Therefore, actual results may differ from its projections upon the changes of business environments and other conditions.

In addition, for convenience only, some additions and revisions were made.