

Progress of Medium-Term Business Plan 2022

The OKI Group is taking initiatives based on its Medium-Term Business Plan 2022 (fiscal years 2020 to 2022) with its key message of “Delivering OKI to your life.” OKI is promoting structural reforms centered on the hardware business as the foundation to realize sustainable growth through social issue resolution. OKI also aims to solve social issues and growth through cooperation and co-creation with customers and partners while utilizing our strengths in AI Edge technology and Mono-zukuri.

We will introduce the positioning and progress toward the Medium-Term Business Plan 2022 below.

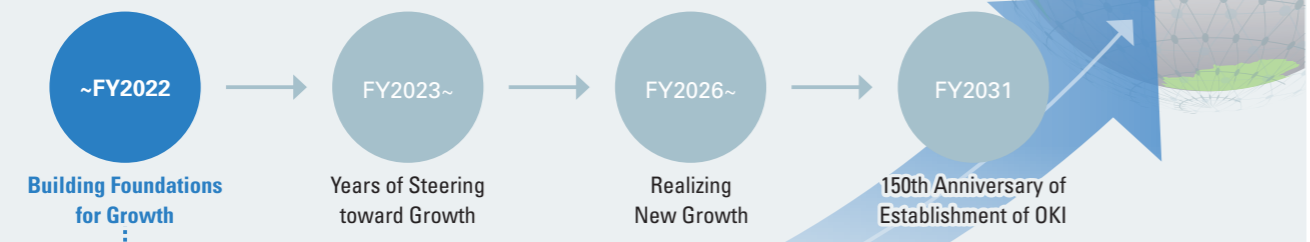
Positioning of Medium-Term Business Plan 2022

OKI has positioned the three years until fiscal year 2022 as a phase for “building the foundation for future growth” as we head toward sustainable growth through social issue resolution.

While transitioning the business portfolio, we will realize operating income that equals or exceeds that of fiscal year 2019, as well as the building of a stable corporate infrastructure. We will take the following steps: build a foundation for growth in this Medium-Term Business Plan; steer toward growth from fiscal year 2023; and realize new growth from fiscal year 2026. And then we will be growing as we head toward 2031, the 150th anniversary of the Company.

Our Vision

The OKI Group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of “Mono-zukuri” and “Koto-zukuri.”



- 1 Restructuring the Business Portfolio
- 2 Strengthening Mono-zukuri Infrastructure
- 3 Cost Reforms in Shared Group Functions

Structural Reforms Aimed at Growth

To build a foundation for growth as stated in this Medium-Term Business Plan, OKI is reviewing and strengthening the earnings structure through three pillars: (1) Restructuring the Business Portfolio, (2) Strengthening Mono-zukuri Infrastructure, and (3) Cost Reforms in Shared Group Functions. We are executing each initiative to optimize personnel and sites fitting our strategy and improve efficiency for common functions, and making proceeding with structural reforms according to plans.

<p>1 Restructuring the Business Portfolio</p> <p>Further acceleration of shifting resources to strategic fields</p>	<p>[Major Past Initiatives]</p> <ul style="list-style-type: none"> Built development structure with 700 people through integration of hardware businesses (Mechatronics Systems, Printers, EMS) Narrowed down models of printers to develop and sell Reduced overseas sales sites: Terminated printer hardware sales in North America and reduced overseas sales company personnel by 30% (target 60% reduction by FY2022) HQ integration of printer business subsidiary, design/development structure integration, marketing & sales section integration
<p>2 Strengthening Mono-zukuri Infrastructure</p> <p>Timely and consistently providing products customers want</p> <p>Realizing customer value improvement and cost reduction</p>	<p>[Major Past Initiatives]</p> <ul style="list-style-type: none"> Concentrated resources on product development in focal areas (plans to launch new products in FY2021) In China, where cashless transactions are growing, OKI terminated sales and production of ATMs and transferred these functions to factories in Japan (devices for Japanese market) and Vietnam (devices for global market) Integrated two subsidiaries in order to strengthen existing domains in the Design & Manufacturing Services (DMS) business and promote entry into new fields Integrated two printed circuit board (PCB) business subsidiaries to aim for the top share in the Japanese high-value-added PCB market, which is maintaining growth Started construction on smart factory to realize the first Net Zero Energy Building (ZEB) production facility in Japan (plans for full operation in May 2022) Terminated production of printers and multifunction printers in China and transferred resources to Thailand factory
<p>3 Cost Reforms in Shared Group Functions</p> <p>Procurement costs</p> <p style="text-align: center;">¥10.0 billion reduction</p> <p>Labor costs and business expenses</p> <p style="text-align: center;">¥4.0 billion reduction</p> <p style="text-align: center;">(Both 3-year accumulated total)</p>	<p>[Major Past Initiatives]</p> <ul style="list-style-type: none"> Procurement costs were reduced ¥3.1 billion the first year due to efforts to integrate procurement divisions in the Group and through concentrated purchasing and development purchasing Labor costs and business expenses were reduced ¥700 million the first year mainly through transferring/outsourcing the logistics business, concentrating and reorganizing offices in Shibaura and Toranomon districts, and expanding operations ranges of shared Group companies

Progress of Numerical Targets in Medium-Term Business Plan 2022

	Medium-Term Business Plan 2022			
	FY2019	FY2020	FY2021	FY2022
	Results	Results	Plan	Targets
Net sales	¥457.2 billion	¥392.9 billion	¥400.0 billion	¥465.0 billion
Operating income	¥16.8 billion	¥9.5 billion	¥12.0 billion	¥20.0 billion
Profit	¥14.1 billion	¥(0.2) billion	¥3.5 billion	¥12.0 billion
Shareholders' equity	¥106.2 billion	¥113.0 billion		¥115.0 billion
Shareholders' equity ratio	28.5%	30.3%		30%
Shareholder returns	¥50 dividend/share	¥20 dividend/share	¥30 dividend/share	30% or higher
ROE	13.7%	(0.2)%		10%

Growth Strategy

In the Solution Systems business, OKI is strengthening efforts to provide digital transformation (DX) solutions that solve issues that society and customers face. Sales in the DX domain are growing. In the Components & Platforms business, OKI is making progress in development in products for partners. While opportunities for business talks for DMS projects are increasing and there are positive signs including acquiring such orders, this has not yet led to higher sales in core fields.

Business Segment	Growth Strategy Policy	Past Progress and Future Initiatives	
Solution Systems	Use AI Edge to help customers achieve DX	<ul style="list-style-type: none"> Expansion of sales in DX domain Acquiring stable revenue through horizontal deployment of DX solutions and achieving growth Creating new solutions through co-creation with partners and expanding business 	P27
Components & Platforms	Promote partner strategy and strengthen comprehensive Mono-zukuri services	<ul style="list-style-type: none"> Business model shift delayed for one year Currently steadily providing modules to global partners Plans to launch new products for partners in FY2021 	P29

Innovation

In order to continuously create new businesses and products that contribute to society, OKI is taking efforts to create medium- to long-term businesses that will be our future pillars, under the innovation management systems (IMS) standard outlined in ISO 56002. In December 2020, OKI declared that we would become an “IMS Ready” company in fiscal year 2022 through the promotion of full participation innovation. In January 2021, OKI announced a tangible roadmap and action plan as an “Innovation Strategy” that aims to create businesses in the medium- to long-term until 2030. We are accelerating business creation through full participation.



Growth Investment

Capital expenditures during the period of the current Medium-Term Business Plan are ¥70.0 to 80.0 billion, while development spending is ¥40.0 billion. In fiscal year 2020, some expenditures were postponed to fiscal year 2021 due to the impact of the COVID-19 pandemic. OKI will continue to strengthen our management infrastructure as the foundation for future growth through transition of our own factories to smart factories and promotion of DX. OKI will also concentrate on developing new products in core fields that lead to future revenue.

	3-year Targets	FY2020 Results	FY2021 Plan	Details
Capital expenditures	¥70.0 billion to ¥80.0 billion	¥16.3 billion	¥31.0 billion	Strengthening of Mono-zukuri infrastructure, transition to smart factories, renewal of ERP, IT consolidation
R&D	¥40.0 billion	¥11.2 billion	¥12.5 billion	Development of new DX solutions/components, investments related to AI Edge, research of cutting-edge technology