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Oki Electric Industry Co., Ltd.

**Summary Translation of Q&A Session at  
Business Strategy Meeting for Mid-term Business Plan 2019**

Q. Regarding EMS business, M&A may be needed at the further growing stage. Within cash flows of OKI, it may be incapable of purchasing business at the right time, with the constraint of other business situation. Toward this, maybe you could list EMS business on stock market, and let EMS business to conduct own fund-raise and management. What do you think of this idea?

A. We think that M&A is for various purposes, such as expanding business, expanding production capacity, and cultivating new markets. Of course, financial aspect is important, and at the same time, PMI (Purchasing Managers' Index) is also important element for this business. Our stable growth until today is because we have kept focusing on PMI from the very beginning. When emphasizing PMI, the synergy with OKI group is significant. At this time, we would like to stay with current style of business, even though your proposal is very valuable.

Q. Toward ICT business, the strengthened and traditional business of OKI, rivals in this market are saying the same story. In such condition, how is OKI going to conduct business? It's likely to need large volume of R&D. How do you manage the resources for this? Thinking of year 2030, or 2040, as the population in Japan declines, business for local governments would lessen. There is some prediction that elimination and abolishment of rivals will be active. In such circumstances, how is OKI going to do business?

A. OKI's ICT policy is to specialize with operations. We raise profits by focusing on strengthened area, instead of covering all fields. OKI is strong in network technology, and has provided to major companies. In terms of resources, as you said, there is some part we cannot afford by ourselves. For this, we would like to proceed partnering. After this mid-term business plan, at least the investment demand for infrastructure in Japan would stay for some level. For example, in case of traffic, there is a way to expand business by supporting private sector to handle with traffic information, which the bureaucracy used to handle. Moreover, like overseas expansion in social infrastructure area, there are still ways to expand business.

Q. As I see the organization chart, OKI is formed by business. It's not like cross-functional, like in sales headquarter or overseas business headquarter. Failings in overseas business, such as in Brazil and China, have occurred in a row. How about reorganizing by cross-functional structure, like overseas businesses headquarter, instead of dividing limited resourced into each business? I think it would work also for governance.

A. We have regrets for overseas business governance. Toward controlling overseas business, we are now working on the review of its structure, including sales department, to strengthen the governance.

Q. Looking at printer market, competitors are also struggling. I agree with the strategy specializing in LED and wide-format. How about making alliance with companies in the similar niche market? I thought there was a meaning of OKI Data structured as a subsidiary, to enable to consider such alliance or consolidation. However, you have done nothing until now. Is that because, you have no thought about alliance with other companies? Or is it possibly in some cases? Could you give your opinion?

A. OKI has characteristic LED technology. Leveraging this technology, we would like to proceed cooperation by alliances and OEM supply.

Q. Please explain the review of office printers in Printers business. You have grown with the strategy intensifying COREFIDO. But, when you sought further growth by shifting to A3 printers, it seemed you came to a standstill. From now on, are you going to shift to the product category once vibrant, like shifting from A3 to A4 printers, or from COREFIDO3 to COREFIDO2?

A. As in Japan, we will stick with COREFIDO. As the whole Printers business, the majority of sales are in overseas. Toward overseas products, we are not selling COREFIDO. For overall, we will focus on SFPs.

Q. Regarding regional sales in Printers business, please indicate the percentages of FY2019 sales by region.

A. On FY2016 basis, the percentages of sales by region are Japan 30%, Europe 40%, America 20%, and Asia 10%. The similar percentages also go for FY2019 plan.

Q. About Mechatronics System business, you have said the startup of business in Brazil is expected. Like in Chinese business, are you planning on partnership?

A. Our business in Brazil was purchased from ITAUTEC. Our initial plan was to turn

positive much earlier. However, the economy in Brazil was in the abyss in years 2015 and 2016. In our business model, our plan was to reach break-even with the system currently supplying, and turn positive with R-ATM (Recycling ATM). At the end of last fiscal year, the trial run of R-ATM has started. Achieving surplus is expected in FY2018. Since the sales channel is secured by the M&A, we plan to make sales by our own channels.

Q. In your explanation, the growth in India is expected. Korean manufacturers are already in the market. How are you going to enter such market? Is it possible to coexist with rivals by leveraging OKI's strength? Or, do you need to fight for the share of the market? How are the circumstances?

A. We consider Indian market as the most growing market hereafter. Certainly, various competitors have already entered in. However, in term of focusing on R-ATM, the Japanese makers are still in the superiority. Being aware of Korean makers being competitive for prices, OKI would like to increase the share with products superiority in both price and quality.

Q. Toward Printers business, could you explain the actions for cost reduction of LED head?

A. For cost reduction of LED head, we have two activities. First of all, we are reexamining the full process from design to manufacturing. Secondly, we would like to increase sales volume with OEM supplies of LED parts and engines.

Q. Regarding UV and aqueous printers, your next focusing domain in Printers business, it's a market where niche players are already producing stable profits by cultivating markets. In this circumstance, how does OKI stand for entering the market? Is there any risk of niche market becoming not niche anymore?

A. For aqueous printer including UV, we are now working on its development, and we will possibly launch to the market in year 2018. We have no intention to fight in the field where other companies are already in. Our strategy is to identify the fields where other companies do not pay attention to by conducting segmentation by usage and kind of industry, and to accumulate small successes in those fields.

Q. Regarding ICT business, you said the shortage in investment in FY2016 was regret point. More specifically, in which field should you have focused on? Thinking of such reflection, what do you focus on hereafter?

A. Our business style until today was to specialize with operations. Our customers were clear. When we conducted solid job with system integrational approach, the profit rose. As we are planning to move forward with IoT hereafter, we should have done more investment in technology, and widened its area.

Q. About ATM business in China, in your explanation, the growth cannot to be expected during new mid-term business plan. What is the main reason of that?

A. Saturation in the big cities is the main factor. Thus, we will aim the demand for replacement and maintenance in the urban areas. On the country side, there is still some demand for ATM. We will aim them. Simultaneously, we would like to capture demand for customer-operating cash handling equipment. Today, Chinese market is about to shift to electronic money settlement. . We have planned conservatively in consideration of country risk and changes in business condition in the upcoming future.

Q. If you anticipate no growth, then why did you choose China as the very first place to establish overseas controlling function?

A. The growth in ATM business is difficult. On the other hand, cash handling equipment is getting focus in terms of streamline of cash as well as security measures. Moreover, in China, we also conduct Printers business other than Mechatronics System business. China is important market both in the past and in the future. In light of regrets in the past, we chose China for enhancing governance.

Q. What do you mean by the reorganization of production sites toward enhancing cost competitiveness?

A. When we were to expand the market in emerging Asian countries, we established the production site in China in the mean of local production for local consumption. However, the personnel cost is increasing, and the cost reduction effect is lessening today. The access to the new market needs to be considered. Thus, we are about to process the review of production sites. It's not like we have a plan of where or what kind of factory to build at this moment.

Q. Regarding Mechatronics System business, in the forecast, ATM market would either stay or grow. In China and India, it looks like the settlement using a smartphone is growing rapidly. Even in Brazil and Africa, the settlement using a smartphone could possibly grow vigorously after year 2020. What do you think about this? And what are your measures toward this situation? Virtual currency is in focus today. As an approach

to the security aspect, do you have a concept of developing business leveraging OKI's technology?

A. The settlement using electronic money is definitely growing globally. Looking at China as an example, the number of transaction with electronic money is enormously increasing. Focusing on its content of such transaction, the majority is for the small amount and by young people. Even though settlement by cash is still main method for aged people and for large amount, it may decrease hereafter. In India, ATM is not yet popular. We can conduct business with R-ATM in the aspect of streamline of banking operations. We have no worry for the near future, however, thinking of 20 or 30 years later, the cash settlement may lessen. So we would like to work on supplying ATM functioned with electronic money transaction as well as security measures. Moreover, we would like to promote ATM as an information terminal.

Q. Other than just adding some twists to terminals, do you have an idea leveraging OKI's ICT and network technology?

A. We have a mind of corresponding to be able to handle various kinds of settlement regardless of finance and retail.

Q. About Mechatronics Systems business, the electronic money is spreading rapidly. In the case of the spread of smartphones, its spread in emerging countries was because there was not communication infrastructure of fixed-line phones. In the case of ATM, there may be a risk of Fintech, such as settlement by smartphones, to increase in India, because of inadequate infrastructure. Toward this, do you have any preparation? Moreover, regarding Fintech, do you have any thought about cooperating with venture companies?

A. Yes, it's possible of rapid growth of settlement by smartphones because of inadequate infrastructure. Toward this, we are working on Fintech and productization of ATM utilizing a smartphone as a communication tool. About Fintech, we would like to cooperate with venture companies since it's difficult to do everything by ourselves.

Q. Regarding the target of operating profit margin of 6%, it's the same as in the former mid-term business plan. Is this coincidental? Please explain the meaning of 6%.

A. The reason of 6% is, for one, we could not achieve this target. In addition, when we re-examined our business, we considered this ratio achievable. Although we faced several problems during former mid-term business plan, our will to achieve by dissolving such problems is with this target.

Q. I have two questions about Mechatronics System business. First of all, regarding business in Brazil, I thought that it's already in the replacement cycle because of replacement demand for cash dispensers. However, other than you had hit bottom, nothing has exposed. Is this because of the economic problem? Is the number of operating units decreasing? Or are competitors taking shares? Please explain the situation. Secondly, regarding India, you had some discussion with several partners in reflection to the problems in China, did you intend such several partnerships? Or was it coincidental? I think there is demerit along with dispersion. What do you think about it? Further, could you explain the competitor's stance, as well as their channels comparing to OKI.

A. Regarding business in Brazil, it's not yet reached to the replacement cycle. We think it's just the ordinary replacement. We are not yet in the stage of rapid expansion. The economic problem is partially affecting. Our business could not grow since the brake on capital investment was in place for last two years through the whole Brazilian economy. Regarding the multichannel in Indian business, we went for it. As you mentioned, we are very aware of its demerit. Thus we would like to go forward with this sales strategy as we pay attention to such aspects.

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.