

February 1, 2019

Oki Electric Industry Co., Ltd.

**Summary Translation of Q&A for the First Nine Months
of Fiscal Year Ending March 31, 2019**

Q: Could you tell us how much the operating income up to the third quarter exceeded the internal plan?

A: We do not officially disclose the comparison with the business plan, but I would like to mention that we are basically maintaining our savings made in the first half of the fiscal year.

Another point is that our profits tend to be concentrated on the fourth quarter. Naturally, the company's stance is to smooth it out as much as possible, or to generate profits ahead of schedule.

Q: Regarding the Mechatronics Systems business, you mentioned that you cannot break even this time for the full year. Should we think that Brazil is the only reason for this?

A: There are factors concerning Brazil and others. First of all, in Brazil, there is the issue of timing, when restructuring was started just from the beginning of the second quarter. The first handicap was that we had to make up for the loss in the first quarter. In terms of other factors, the number of ATMs is actually increasing in almost all regions such as global and domestic areas, except for China compared to last year. In particular, for global, the number of ATMs is increasing but strategic pricing and development investment is still a burden on profitability at this timing. While it is good from a business perspective that growth has been slightly higher than expected, there are some constraining aspects in terms of profits.

Q: Regarding the Printer business, there has been a significant upward revision in this term. When you look at the annual operating income of 5.5 billion yen, what is the overshooting amount or the transient portion? How much is the risk that there will be a decrease in reaction in the next

fiscal year?

A: This time for sales of consumables, there was the effect of consolidating our agencies, as well as the impact of the U.S.-China tariff, which actually allowed us to raise the price relatively early. Although it is quite difficult to identify the pure one-time factors, perhaps we can assume around 1.0 billion was due to such factors. I think we would have to carefully examine this point.

On the other hand, we will launch a variety of new products, especially by offering specific customers high added value such as niche industrial printers. The results of such efforts will be shown in the next fiscal year, but in any case, we want to avoid being left with nothing without consumables.

Q: What is the breakdown of the number of ATMs in the Mechatronics business in the third quarter?

A: In Japan, mainly in banks, the cumulative total of the third quarter was 1,700 units, from 1,500 units in the previous year. The total number in convenience stores in Japan was 4,400 units in the third quarter, from 4,000 units in the previous year. The cumulative total in China was 1,700 units in the third quarter, from 3,300 units in the previous year. In other global regions, the cumulative total was 4,200 units in the third quarter, from 2,900 units in the previous year. In total, the cumulative number was 12,000 units, from 11,700 units in the previous year. In China, we had originally anticipated the decline due to the nation-wide shift to cashless service, so to compensate for the negative impact in China, we increased units mainly in convenience stores and globally.

Q: As for the operating income of the fourth quarter, I think it can be calculated to be about 10.0 billion yen. This is about the same level as the same period of the previous fiscal year. Considering the momentum up to the third quarter, the growth in profits will be considerably smaller. What factors do you consider in the fourth quarter that will cause profits to fail to grow?

A: Based on the current situation, we expect the operating income to be around the same level as

the previous year. There are several reasons for this. One factor is our management effort to deliver results earlier when possible, to smooth out our performance.

In addition, the effect of the consolidation of OKI Electric Cable in the EMS business is factored in from the fourth quarter of last year, so this will no longer contribute to the year-on-year comparison.

By business segment, in the Mechatronics Systems business, there was an impact on profits from large-scale sales in Japan in the fourth quarter of the previous year. Also, in general, we are increasing strategic expenses for new PoC(Proof of Concept)s and competitive projects, particularly in the field of the ICT business. We are strategically increasing expenses for innovation, so as a whole, we expect revenues at around the same level as last year.

Q: I'd like to ask about the downward revision in the operating loss for the Mechatronics business. Do you think there is a possibility that there will be changes in the numerical targets set out in the Mid-term Business Plan?

A: We would like to elaborate on the Mid-term Business Plan on another occasion. We have not given up on breaking even, but since the yellow light is turned on, we factored it in the downward revision.

Q: I would like to ask about the profit in the fourth quarter. First, profit in the ICT business can be calculated to be 10.7 billion yen, almost the same as last year, the Mechatronics Systems business a profit of 0.3 billion yen, the Printer business 1.0 billion yen, and the EMS business 1.3 billion yen. In the Mechatronics Systems business, your assumed profit remains at 0.3 billion yen even after the revision. Is that really achievable? And regarding the EMS business, I don't think this is about things like smartphones for your company. Amid the decline in overall profit, do you think you can really be profitable in the fourth quarter? For the remaining part of the fiscal year, could you explain by segment which areas you are worried about and where you are not?

A: In the ICT business, profit of the fourth quarter is the largest. So, we would like to ensure at

least the same level as the previous year, or more.

Regarding the Mechatronics Systems business, we carried out restructuring measures at the beginning of the second quarter. In terms of the loss in Brazil, I think we have been able to stop the bleeding almost entirely. We are gradually improving operating profits on a quarterly basis, and in that sense, there are no particular elements to worry about at this point.

Regarding the global business, the number of units has been steadily increasing thanks to an expanding footprint in strategic regions. However, there are still some areas with difficulty in terms of profitability, and we are identifying such areas.

In the Printer business, we are currently changing our business model, including structural reforms. In that sense, we are smoothing out our earnings instead of focusing on quarterly profits or a certain period of time, and at present, we expect to close the fiscal year in line with this guidance.

Regarding the EMS business, rather than all of the EMS customers, we are seeing signs in the factory automation field with certain customers, and we have incorporated this into the guidance to the greatest extent possible.

Q: Related to the EMS business, you mention the effect of new consolidation. May I check how much was the impact within the positive 1.0 billion yen?

A: 0.5 billion yen out of the 1.0 billion yen.

Q: About EMS, it seems like your portion of factory automation is small, unlike EMS in other markets such as Taiwan. I understand that space and medical care account for a large part of your business, but I wonder if FA is delivering poorly partly due to the impact of so-called general EMS? In the last few weeks, companies in robotics, Chinese manufacturers, and FA-related companies are all announcing downward revisions. In other words, although the fourth quarter figures are already fixed, will business remain slow towards April-June next fiscal year? Or is the situation ending in this fourth quarter? Please tell us the future direction for the EMS business.

A: First of all, our EMS business is expanding across a wide range of industries, including space and other fields. In that sense, it is not the case that there has been a major impact in our existing business.

However, OKI Electric Cable, which was consolidated last year, has a strong presence in the field of factory automation, and at the time of last year's TOB, we thought that it may be possible to aggressively grow in that field. Unfortunately, in the most recent situation, the impact to OKI Electric Cable has been large.

Q: 5G is likely to start leaking this year and the next, which is linked to your strength in IT and IoT. Has there been an increase in orders in this area, or have there been some new signs toward 2020?

In addition, could you tell us whether there have been inquiries or actual progress in your maritime business?

A: With regard to 5G, we are having various discussions with individual companies, including major companies, in many forms including inquiries. I would like to refrain from disclosing the specifics since it is highly individual information, but we will continue to focus on the know-how we have cultivated up to now and the competitive edge not anyone can match. So, we will vigorously work in fields where we can capitalize on our experience and characteristics of our business.

With regard to the maritime business, we are currently working on our next strategic move.

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.