

**Q&A at the FY2020 Q2 Financial Results and Medium-term Business Plan Briefing**

Q: What are the details and timing of restructuring charges?

A: We plan to complete structural reforms in these two years, mainly by reorganizing overseas sales companies, reallocating resources to competitive products, and optimizing production bases. We estimate that similar costs will be incurred over a 2-year period, with current period costs of ¥6.0 billion (net loss to be expected ¥4.0 billion to ¥5.0 billion).

Q: How many people will be in the printer business in 2022, after the restructuring?

A: As of April 1, there were about 1,000 in Japan and 800 overseas in the printer business. In the next two years, the number of domestic employees is expected to be halved by transferring within the group, while the number of overseas employees is expected to be reduced by 65%.

Q: What kind of sales growth do you see in the Components & Platforms business in FY2022? Considering the current situation, the hurdle seems high. How about the visibility of operating profit of ¥8.5 billion?

A: In the EMS Business, customer demand of not only making and assembling, but also the upstream process, including designing, is increasing. We can raise profitability by raising our top line by receiving orders of designs and manufacturing as a package. The Company aims to monetize its automated equipment business by providing components in addition to conventional finished products to its domestic and overseas partners. In the printer business, the Company plans to provide printer functions as IoT devices and AI edge devices for various businesses, not in the field of conventional office printers, thereby changing the overall structure of sales and profits.

To achieve an operating profit of ¥8.5 billion, the Company plans to cut costs in three broad categories. The first is a reduction of about ¥5.0 billion in personnel and models. The second is a review of the production system. After the number of models is narrowed down, production at plants in China, Thailand and Japan is excessive, so the production system will be revised according to volume. Third, the Company plans to cut costs by shifting management operations to shared management and reviewing outsourcing costs.

Q: What is the time axis for the medium-term plan's cost savings?

A: There will be some effects from the second half of FY2020, but the latter half will be more effective.

The reduction effect of procurement costs is calculated on a weighted average by fiscal year. In FY2020 and FY2021 total, about ¥1.0 billion will be saved, and in FY2022, about ¥3.0 billion will be saved.

Q: In the automation equipment business, what kind of products will you focus on in the future to realize automation, unmanned operation and non-contact?

A: Until now, we have been responding to the needs of our customers for labor saving and manpower saving, but we believe that the needs are changing because of COVID-19. There is a growing need to replace face-to-face tasks with automated tasks. We would like to contribute to the expansion of our customers' businesses by providing equipment that enables unmanned, non-face-to-face, and non-contact services.

In addition to financial institutions, the settlement system itself is expanding to a wide range of businesses, including distribution and retail. Therefore, we will develop products based on the concept of providing unmanned equipment for various customers regardless of industry or business.

Q: As for the Solutions Systems business, the goal is to more than double the sales of the DX domain. What exactly is the DX domain?

A: Digitization is progressing in each industry and business category. It has already started in the traditional enterprise, manufacturing and infrastructure. The main purpose of customers' investment has been to replace aging system/equipment, but we believe that the number of projects for digitization will increase in the future. The DX area includes such digitalization-related areas such as 5G-related areas and local 5G in the plant.

Q: Given the restructuring of Components & Platforms business and your plans to increase DX sales, the profit margin should be high, but when we look at the planned figure, it is not. How can we understand this?

A: In terms of sales, in the Solutions Systems business, we are creating projects utilizing AI edge technology together with customers in various fields, but we do not expect rapid sales growth because it takes time to implement and commercialize them in society. The Components & Platforms business takes at least one to two years from product planning to commercialization and mass production, and this time lag has an impact.

As for profits, we plan to invest more aggressively in facilities and development.

Q: What is Virtual One Factory that strengthens your manufacturing base?

A: Up until now, OKI has been characterized by the production by each business. For example, the Company had developed a vertically divided business structure, producing telecom equipment at its Honjo plant and mechatronics equipment at its Tomioka plant in Gunma Prefecture. We want to make it possible to select the best factory for making strong products.

For example, in the case of mass-produced products with low costs, the company will use factories in Vietnam and Thailand. In the case of production in small quantity, large variety, high quality, and short delivery, domestic factories should be selected. We would like to shift from a vertically divided structure to a structure that allows us to use the best factory that can be chosen anywhere.

To this end, the first step is to integrate IT and infrastructure systems, which are currently divided vertically. For upstream design work, each business uses different tools, such as CAD systems, but these will be unified and the interface with production will be unified. We also plan to unify the IT system for production management at factories. We would like to review the entire ERP system in line with this plan and create a Virtual One Factory, which is a factory in the form of all OKI.

Q: Is it correct to understand that in the Components & Platforms business, the printer business's sales composition is now 20% to 30% in Japan, a little less than 30% for the industry printing, 40% for the rest of the world, and you are about to reduce sales for overseas office printing to 1/3 or 1/4 of the previous level?

A: As we are expanding our business overseas for the industrial sector, I think we need to expand our business in the industrial sector more firmly than that level

Q: You have focus printer business on competitive products, but investors are concerned about how much profit will be generated. Please tell me the profit image of the medium-term plan.

A: We would like to reconsider our sales strategy from our business model of selling printers in the red and making money from consumables, and to make profits from the printers themselves. Although sales volume will decrease by about 30%, the Company aims to achieve profits and profit margins of more than FY2019 level.

Q: In the previous medium-term plan, the policy was to strengthen the industry printing, and it did not turn out very well, but this time, too, the policy was to strengthen the industry printing. What is the difference between the previous plan and new plan?

A: The difference is that we have focused on competitive products with a successful experience and have shifted from a proprietary sales strategy to a sales strategy that includes OEM supply.

Q: In the second half of FY2020, the hurdle for the Components & Platforms business seems to be high as it plans to improve its profits by nearly ¥5.0 billion. Are there any signs of improvement, such as the return of ATMs?

A: As for the automated equipment business, bidding was suspended in the Q1 and Q2 overseas, but it is expected to gradually resume in the Q3. Domestic orders are visible to some extent, and sales and production are concentrated in the second half. In the printer business, sales in the Q1 and Q2 were sluggish mainly in Europe, but the Q3 is expected to see some improvement, if not return to the previous level.

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.