

Q&A of the Financial Results Briefing for FY2020 Q1

Q: Please describe the impact of COVID-19 by segment.

A: Sales were about ¥11.0 billion due to the negative impact of COVID-19 in 1Q. Of the total, the Components & Platforms business is worth about ¥10.0 billion and the Solution Systems business is the rest. Similarly, most of the profit impact is in the Components & Platforms business.

The estimated annual impact is a negative ¥20.0 billion in sales and a negative ¥6.0 billion in operating income.

In the Solution Systems business, the timing of the booking of projects is expected to differ, but there will be no major impact in the year.

The Components & Platforms business is strongly affected by overseas business. Automation Systems are expected to gradually recover from Q3, despite the suspension of bidding. The impact on Printers is expected to continue throughout the year.

Q: What is the profit and loss of the Components & Platforms business?

A: Sales in Q1 declined ¥11.6 billion from the previous fiscal year, consisting of ¥3.1 billion for Automation Systems, ¥8.5 billion for Printers, and ¥700 million for EMS. The same is true for negative operating income of ¥2.0 billion. Most are related to Printers and some are Automation Systems.

The expected annual sales of ¥205.0 billion are divided into three equal parts for Automation Systems, Printers and EMS. The majority of the ¥4.5 billion decrease in operating income was attributable to Printers.

Q: Please show the results of ATMs sold.

A: Q1 results: 400 units (200 units in the same period last year) for domestic banks, 750 units (1,600 units) for distributors and convenience stores, and 1,000 units (2,500 units) for overseas ATMs

Q: I understand that OKI is working on fundamental measures to improve the business structure.

Can I understand that there is a possibility of divesting or withdrawing from the business?

A: The business direction we explained in May, such as downsizing the printer business, has not changed. The move is aimed at speeding up reforms to address weaknesses identified by COVID-19 impact. The Company is considering reforming its overseas printer business, especially sales companies.

Q: What is the state of the Solution Systems business? Are there any delays or losses in passenger and transportation projects?

A: It is true that there are delays in projects in various industries due to the COVID-19, but on the other hand, demand for network enhancement, such as digitization of public systems, is quite strong, and the market is relatively steady.

In FY2019, there were special factors such as large-scale projects and changes in accounting standards, resulting in a year-on-year decrease in FY2020 sales, but growth has been steadily increasing in recent years.

Q: Is there a possibility that SG & A expenses will decrease significantly this year?

A: No special factors expected.

Q: What is the consumables ratio of Printers?

A: Printer consumables account for about 25% of sales in the Components & Platforms business.

Q: For the Solution Systems business, what is the first-year impact of the expansion of the scope of application of the percentage-of-completion method in the previous fiscal year?

A: The impact on sales was about ¥10.0 billion, and the impact on profits was slight.

Q: What are the factors behind the decline in corporate and eliminations costs?

A: Because FY2019 was special and costs increased due to individual events.

Q: I would like to confirm the degree of structural reform. The printer sector fell sharply because of COVID-19, but also in the long term. Is the latest structural reform a drastic measure that can solve the declining revenue trend at once, rather than a life-prolonging measure?

A: Exactly. In the Printers business, we have repeatedly restructured our cost structure after securing a certain scale. The peculiarity of the latest reforms is to focus only on strong products. We will minimize resources. In order to optimize the development capabilities of the entire Components & Platforms business, we will shift resources mainly to EMS.

Q: In the Components & Platforms business, what is the direction of the overseas ratio in the medium to long term?

A: The COVID-19 had a great impact on our overseas business, so we are in the middle of discussions. The overseas strategy itself is being carried out by transforming the business development including the partner strategy.

Q: What has been the human resource shift since the reorganization in April?

A: We have about 17,000 employees on a consolidated basis. Of the 1,000 employees in OKI Data, 100 have already been shifted. Of them, 40 have been shifted to DMS design. As Components & Platforms business, we believe that technology is gradually converging.

Q: What do you consider to be OKI's valuable products?

A: OKI's strength is to overcome high technical hurdles and create products that meet the needs of customers. In other words, customization. We believe that we can offer products and services that contribute to customers' needs and solutions while integrating hardware and solutions.

Q: I understood that the main focus of structural reform is the Printers business. Are there any measures being considered for businesses other than the Printers business?

A: At the present time, we expect to carry out structural reforms mainly in the Printers business, which is unlikely to recover on its own in the medium to long term. Plans are in place to optimize the number of subsidiaries and other aspects of indirect operations throughout the Group.

Q: Is it correct to understand that the need for structural reform at this time was influenced by the drastic change in the printer industry due to the COVID-19, while the transformation itself was a predetermined course?

A: Exactly. There is no change in the direction of transformation itself. Because of COVID-19, we strongly recognized the need to accelerate printer reform.

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.