

Q&A of the Financial Results Briefing for FY2021

Q: How has the situation in Russia and Ukraine affected the ATM business and other operations?

A: In FY2021, sales of printers and automation systems were about ¥300 million. It's not so big. Russia was also viewed strategically as a market, but this is not included in the current business plan.

Q: Regarding the shortage of parts and materials, what specific parts are missing, and which products are affected by the shortage? What's the outlook? The COVID-19 has caused a lockdown in Shanghai, but is there any impact from the COVID-19 in China?

A: Mainly semiconductors, and legacy components related to telecommunications. In the Solution Systems business (hereinafter SS), the IoT platform was particularly affected. The Components & Platforms business (hereinafter C&P) was also affected. With regard to the shortage of materials in FY2022, particularly in light of the trend of material shortages in the second half of FY 2021, we expect that there will be an impact for the entire fiscal year and have reflected this into our plans. As for the impact of the COVID-19 in China, there has been no major impact so far, as the company has shifted production bases and closed the ATM maintenance business.

Q: It is planned that the Public Solution of SS will increase about ¥30 billion in FY2022. What's the breakdown?

A: Approximately ¥6 billion for the aircraft instrument business, nearly ¥10 billion for social infrastructure projects, and nearly ¥10 billion for DX projects.

Q: When the current medium-term business plan was announced, there was an improvement plan of ¥10 billion for procurement reform, ¥4 billion for cost optimization, and ¥5 billion for C&P personnel reduction, totaling about ¥19 billion. How are these things progressing?

A: The project has been achieved almost as planned except for a reduction in procurement costs. In terms of procurement cost reduction, there is a worldwide procurement problem, and in this environment, there is a large discrepancy between selling prices and procurement costs. In addition to the short-term strategy of minimizing procurement costs, we will focus on the production of high value-added products that can pass on higher procurement costs.

The necessary investments have been steadily made. In the past, OKI invested about ¥45

billion over three years, but if FY2022 proceeds as planned, the investment amount will be about ¥70 billion over these three years. While we have achieved our structural reforms and investment plans, we still recognize that we have not build the foundation for growth that will allow us to continue to create new products.

Q: About exchange rate sensitivity.

A: The currency sensitivity of ¥1 depreciation is for USD, sales increases by ¥160 million and operating income decreased by ¥90 million. For EUR, sales increases by ¥180 million and operating income increases by ¥80 million.

Q: How do you view the prolonged depreciation of the yen?

A: Printer sales, which used to be the mainstay of overseas sales, are also falling strategically. In addition, we have been affected by various factors including good and bad such as the impact of the dollar yuan on receivables for business in China, etc., so we cannot comment on this in general. However, considering the current business structure etc., if the dollar were to rise any further, it would have a slightly negative impact.

Q: With regard to strengthening the supply chain measures, is there a policy of changing the design of products rather than changing the suppliers of parts?

A: It is no longer at the level of being able to procure from different sources. The direction is to change the design to parts that are easy to procure. We believe that this kind of response is the essence of the company as a manufacturer and is part of our technological capabilities.

Q: What is the segment breakdown of the supply chain impact of ¥12 billion in the factors affecting operating income in FY2022?

A: We expect ¥6.5 billion for SS and ¥5.5 billion for C&P, and the transportation cost of ¥1 billion is included in C&P.

Q: Regarding OKI's low profitability, according to an interview article, you have mentioned that one of the new president's missions is to generate an operating margin of at least 5%. Mr. Mori, what are your thoughts on ROIC?

A: We have been discussing ROIC for some time, but we believe that it is necessary to manage ROIC across the entire company, rather than at the current business unit level. The biggest problem is a decline in sales. If this situation continues, the investment capacity will decrease and the basis for discussing management efficiency will be lost, so we will consider this issue with these considerations in mind.

Q: What kind of start does this first quarter look like? You told us that there was quite a bit of

carryover from FY2021. If so, can we expect to some extent?

A: It is true that there are more carryover projects than before, but it is difficult to say whether all of them will come to fruition in the first quarter due to the procurement of materials.

Q: You have announced the joint development of a printer with Ricoh. How is the alliance with other companies progressing? Are there any plans to increase the number this year?

A: I, as president, will continue to take the lead in making approaches. We are making an approach to fabless manufacturers in North America because we think there is a chance, but it will take time and not produce results immediately. Although printer sales in OKI Data Americas have ended, there are still sites remaining and opportunities for OEMs. We would like to expand while enhancing local communication.

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.