OKI Open up your dreams

OKI Group
Business Strategy Meeting
Component Products Segment

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June 1, 2023

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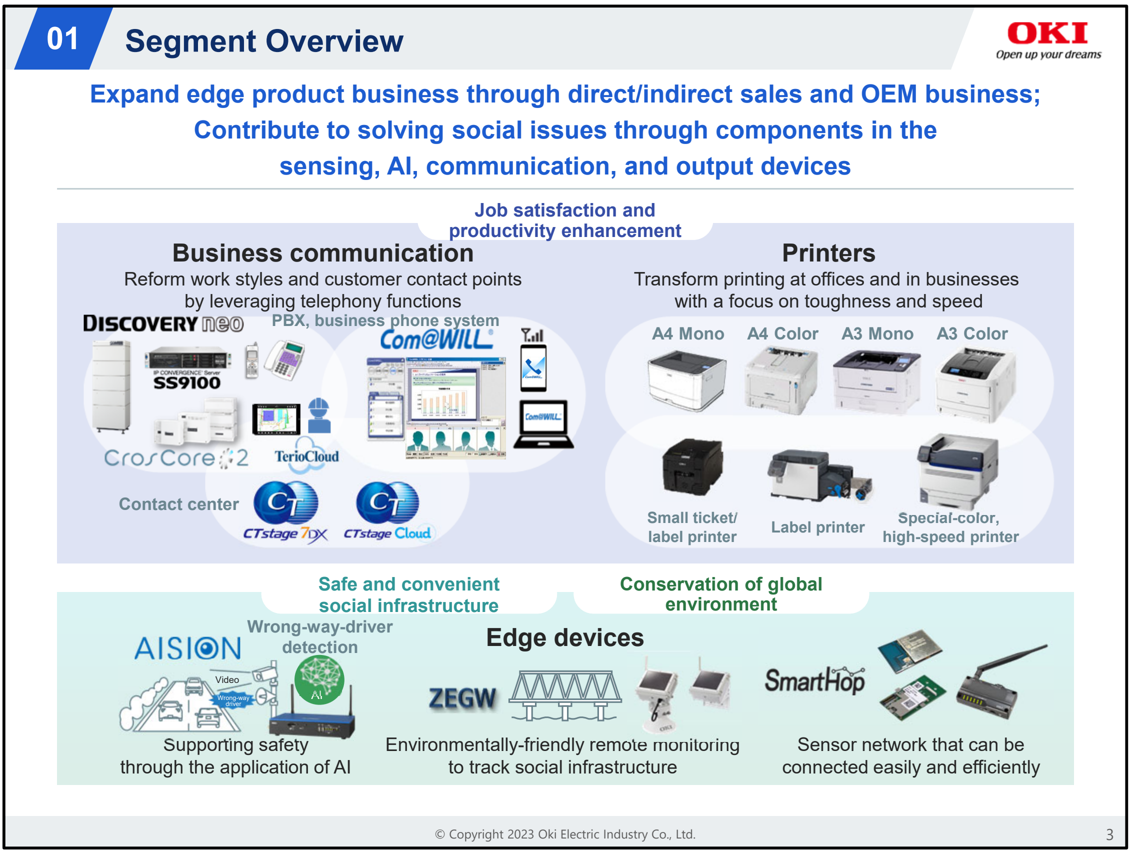
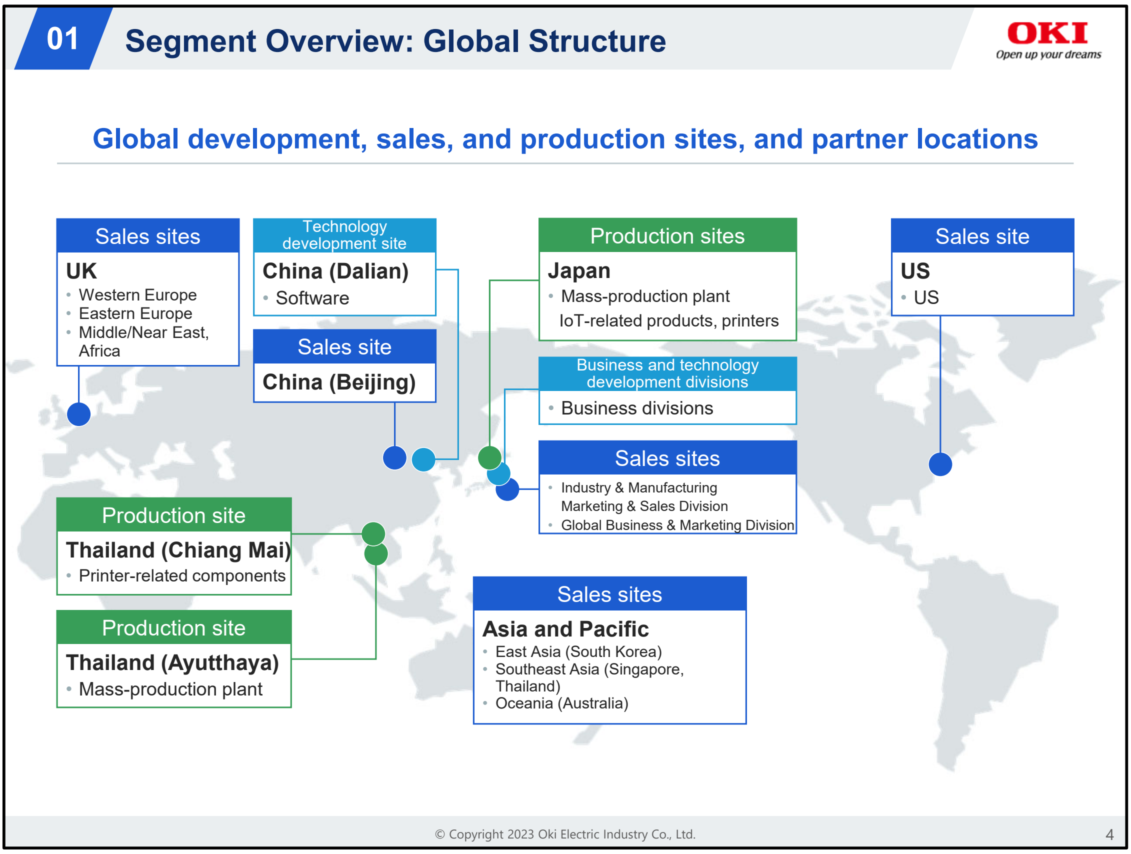
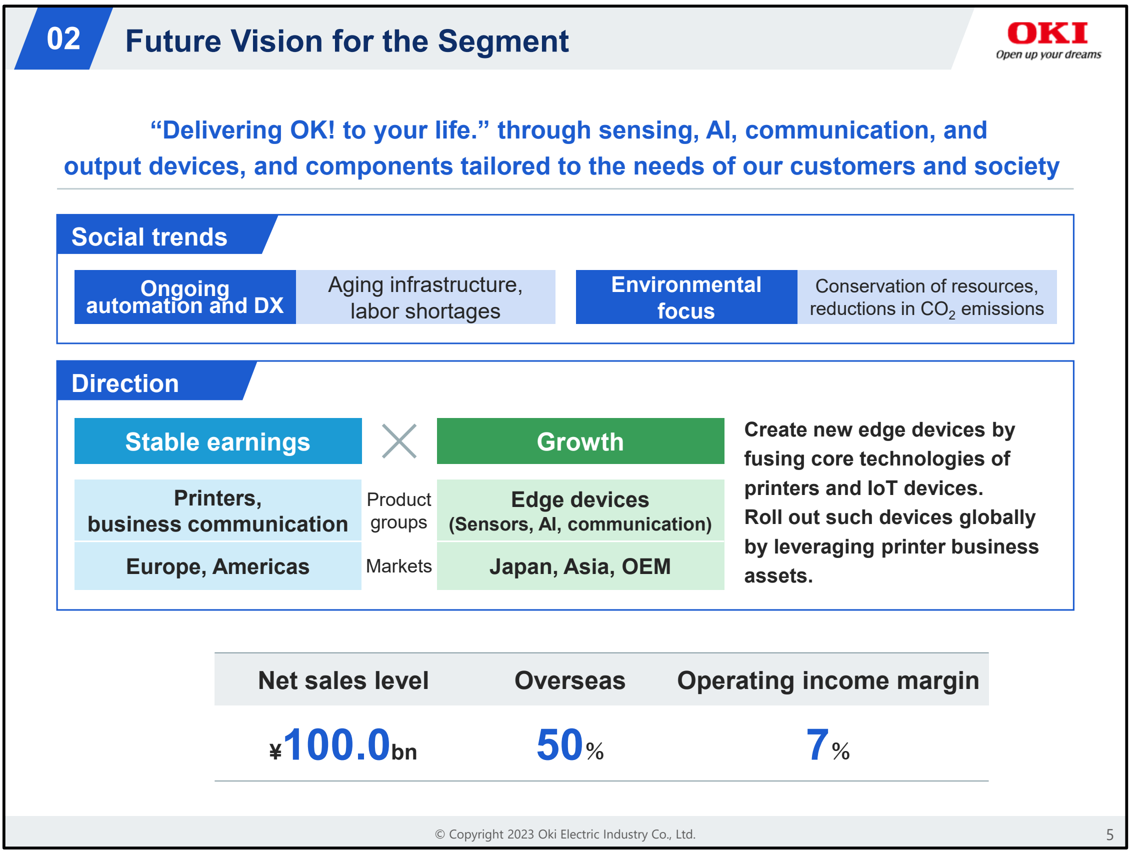


- I will provide an overview of our Component Products segment, which has three characteristics:
- 1. It focuses on product businesses, engaging in direct sales, indirect sales, and OEM operations.
- 2. It covers products in the sensing, AI, communication, and output fields.
- As such, it plays a role in providing the products that allow OKI’s each segment to create solutions in collaboration with customers. In this way, it helps contribute to OKI's three areas of contribution, which are “safe and convenient social infrastructure,” “conservation of global environment,” and “job satisfaction and productivity enhancement.”



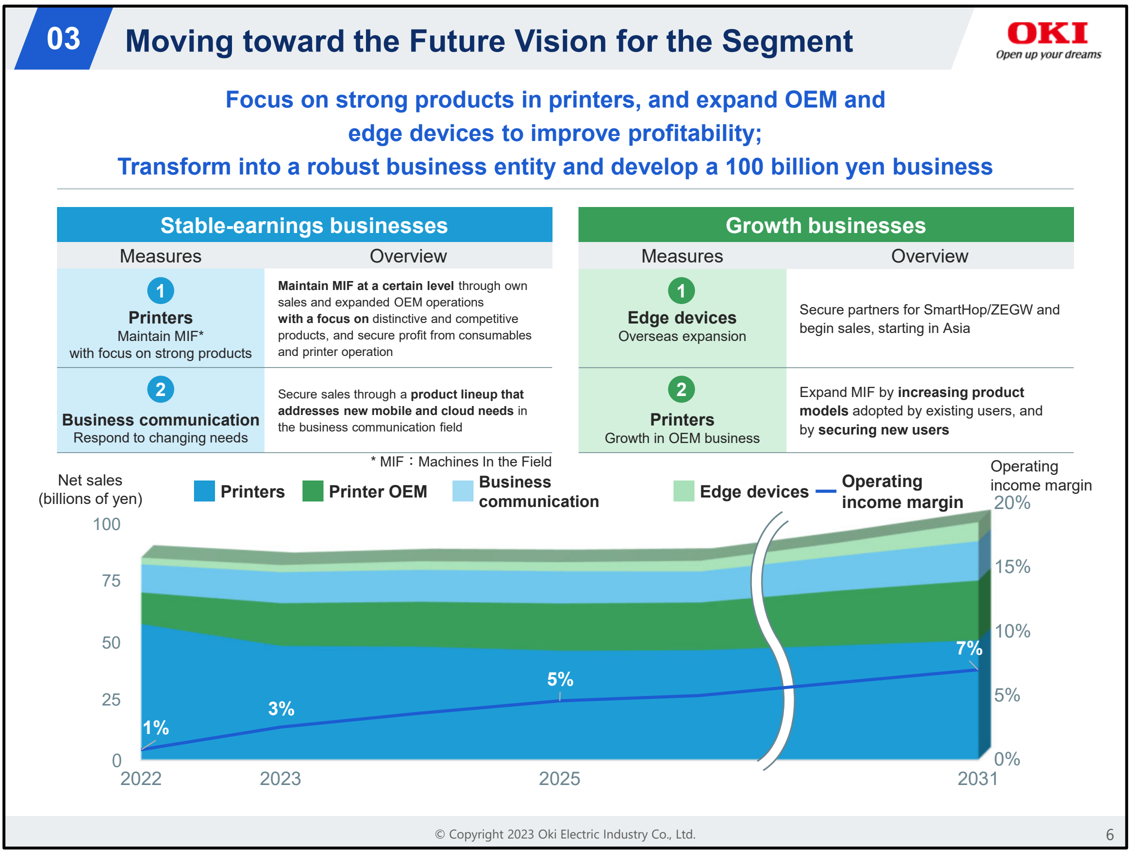
- 3. The third characteristic of the segment is global expansion.
- As you know, we are already operating our printer business overseas, we possess sales, production, and development assets around the world, and we are working with numerous partners in R&D. The Component Products segment seeks to leverage these existing assets, particularly in our overseas expansion of edge devices.



- Let us now take a look at our vision for the future.
- 1. As mentioned in the previous overview, we aim to provide products both in the form of various edge devices (including sensing, AI, communication, and output devices) and in the form of components to meet the needs of our customers and society, thereby achieving our mission of “delivering OK! to your life.”
- 2. There are two social trends that we are paying close attention to in our business environment:
- (1) Automation and digital transformation are gaining significant traction not only in Japan but around the world, driven by infrastructure aging and labor shortages.Against this backdrop, initiatives in OKI’s three areas of contribution have become even more important, and we view this development as an opportunity to expand our technologies, expertise, and products. For example, in monitoring operations necessary to address infrastructure aging, sensor data must be stably transmitted under various conditions, including in remote, sparsely populated, and harsh environments. We see this as an opportunity to develop products that incorporate the unique strengths of OKI.
- (2) There is a global trend toward protecting the environment. To expand our products globally, we need to comply with many regulations worldwide. We will provide products with even higher environmental performance in

terms of energy and resource conservation.

- 3. Next, we recognize the future direction of the segment will be influenced by two factors: stability and growth.
- The market for printers and business communication is changing from a mature to a shrinking one, but it will continue to exist at a certain scale, and we will continue to generate stable revenue from it.On the other hand, the edge devices field is benefitting from increasingly diverse usage settings. In particular, we expect significant growth in the monitoring market heading toward 2031.We look to scale up and generate earnings through stable businesses while investing in growth fields, thereby creating a virtuous cycle.
- In terms of regional focus, we will concentrate on Japan and Asia, which is seeing ongoing population growth and infrastructure investment supported by government policies. In the printer market, rival companies are currently rethinking the approach of handling everything in-house. We will capitalize on this trend, and strengthen our operations in the OEM space, which we view as a growth market.



- I will now go over measures to support our vision for the future.
- Let’s first take a look at the printer and business communication businesses, which generate stable earnings.
- In the printer business, we have already implemented major structural reforms, streamlining our model offerings and reviewing our regional business scale with a focus on profitability.
- We will maintain this structure and continue to operate while concentrating on profitability.
- Although the overall market for business communication is contracting, we expect the decline in domestic demand to be limited, and think sales will remain stable.
- Although significant supply issues arose during our previous medium-term plan, we expect that conditions will improve and stabilize going forward. We will also plan and provide product groups capable of realizing new communication methods that can flexibly adapt to changes in market needs.
- Moving on to edge devices, which are a growth field, we have continuously improved functions through proof-of-concept testing with co-creation partners. These functions have received high evaluations from customers, allowing us to embark on a full-scale market rollout from FY2023.

- For SmartHop/ZEGW, in particular, we are exploring the possibility of parallel expansion overseas, and plan to get operations off the ground during our current medium-term plan.
- Meanwhile, the printer market is shrinking globally, and manufacturers are revising their production capacity and investment scale while striving for higher efficiency. This has led to business opportunities for OKI, as we can provide printers, which are one of our strengths, either as finished products or components through OEM supply. We already have plans for OEM supply on a global scale.

04 Medium-Term Business Plan 2025: Policy and KPIs

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Stabilize businesses by pursuing improved profitability;
Launch global edge device business by leveraging printer business assets

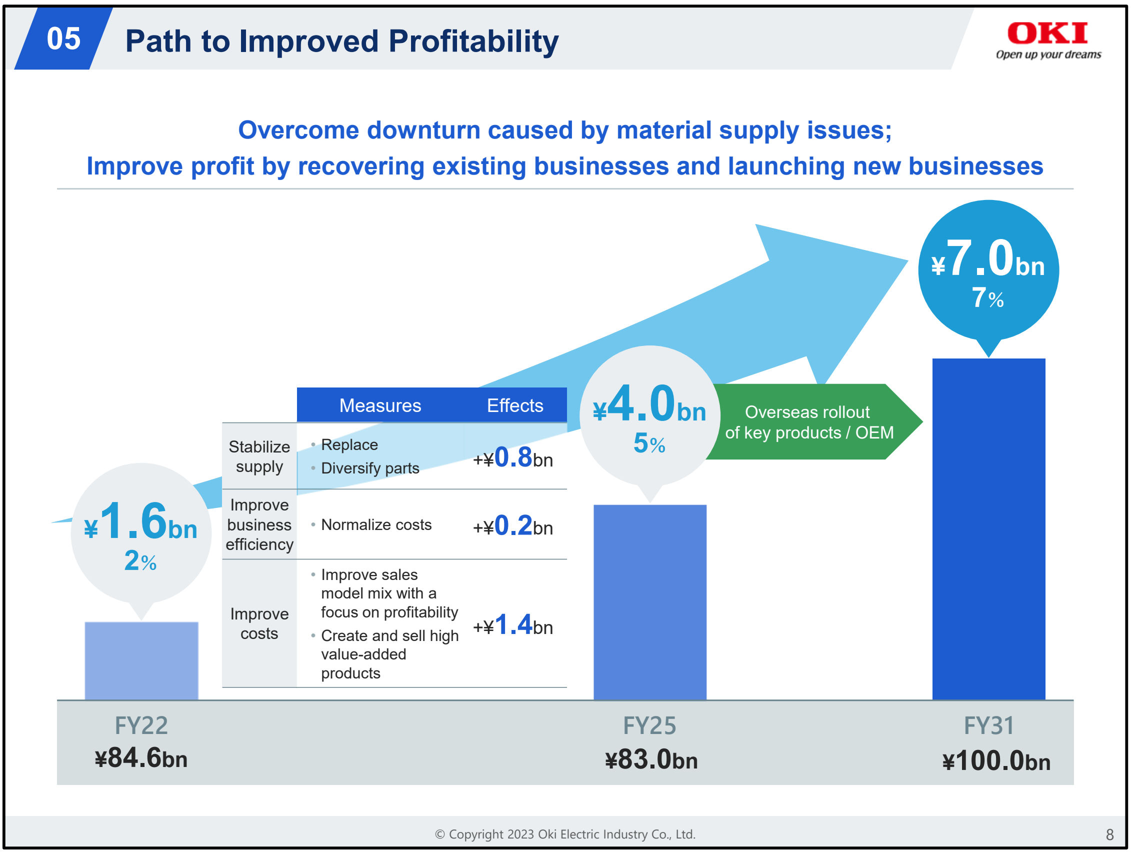
	Net sales	Operating income
Targets	¥83.0bn	¥4.0bn

	Printers: Expand OEM business	Edge devices: Expand key products
Key initiatives and KPIs	Unit share 18% ▶ 33% or more	CAGR for key products =11% (2022 results → 2025 target)

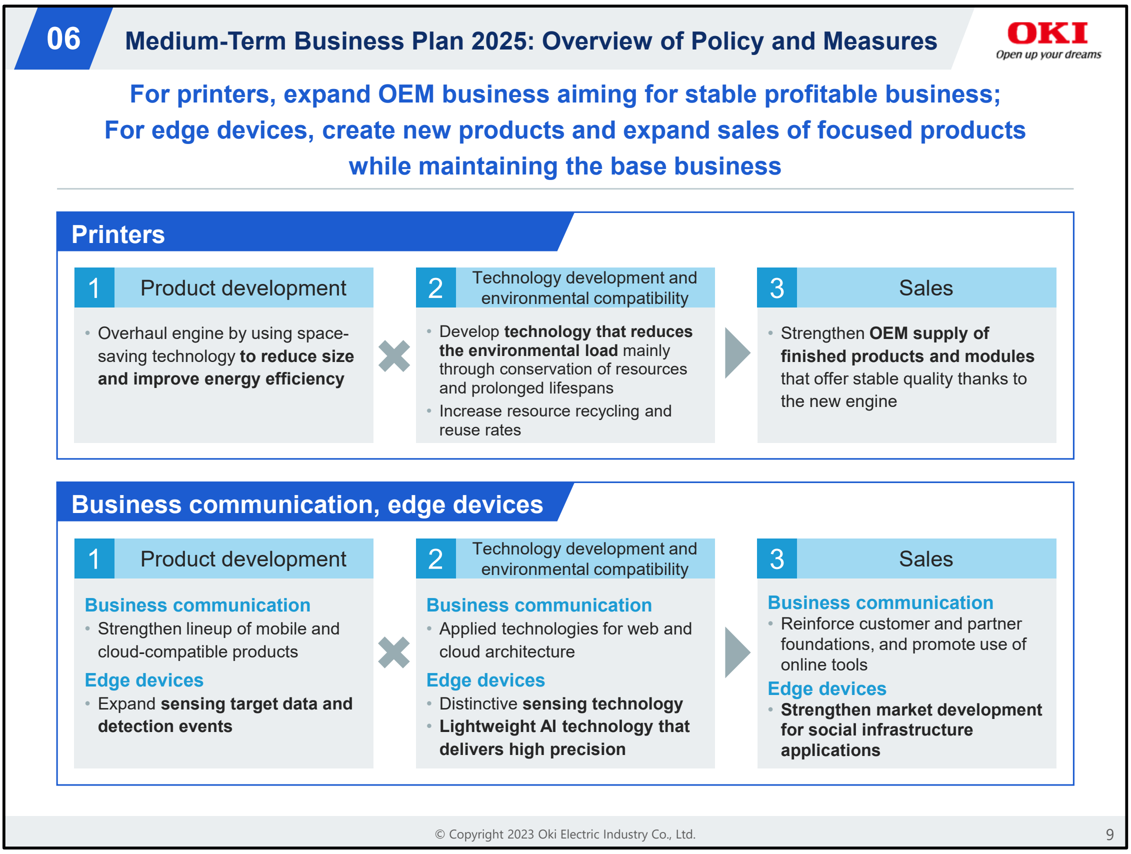
- Next, I will discuss our Medium-Term Business Plan 2025. We have positioned the three years covered by the plan as a period for sowing seeds for future harvests. Step 1 of our strategy to achieve our vision for the future entails the following two policies.
- (1) Aim for further stability through improved profitability.
- (2) Leverage assets held by the Company to expand into growth fields.
- Our quantitative targets are net sales of ¥83.0 billion, operating income of ¥4.0 billion, and an operating income margin of 5%.
- The key initiatives and KPIs are as follows:
- In the printer business: Expand OEM operations

  - Increase unit share from 18% to 33% or more
- In the edge device business: Expand sales of key products

  - Achieve a CAGR for growth fields of 11% (from 2022 results to 2025 targets)



- Let me first take you through the path we envision to achieve stability through earnings improvement.
- 1. Stabilize supply
- Last year, we undeniably suffered significant profit losses due to the impact of material supply disruptions. However, we implemented measures to switch to alternative materials and diversify materials, and are now fully reaping the benefits of such initiatives. In addition, we are moving closer to a return to stable supply.
- 2. Achieve further business efficiency
- We have achieved certain results through the restructuring of our printer business. Going forward, we plan to further optimize costs.
- 3. Improve costs
- While it goes without saying that we will engage in value engineering, we will improve our sales model mix and create and sell high value-added products with a focus on profitability. For edge devices, for example, we will sell system products that not only feature sensors, but also incorporate AI and communication tools. For printers, we will raise the added value of our products by incorporating them into manufacturing equipment.



- We will implement the following measures to expand into growth fields.
- In terms of product and technology development for printers and edge devices, we will refine our sensing and AI technologies with a focus on environmental compatibility, while also taking into account the social trends mentioned earlier.
- For printers, we recognize our forte lies in space-saving technology (SST: compact size combined with usability), which derives from our strengths in LED technology. In addition to selling our products independently, we will pursue sustainable growth through collaboration with competitors, particularly in the form of OEM operations and strategic alliances.
- For edge devices, we will expand our lineup of sensors, streamline our established detection algorithms while increasing accuracy and incorporating them in edge devices, and expand into both the domestic and overseas infrastructure monitoring markets.

07 Printers: Examples of Initiatives to Strengthen OEM Operations

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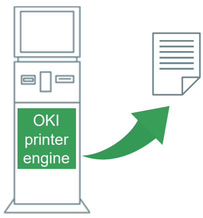
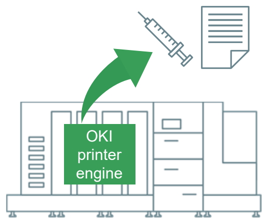
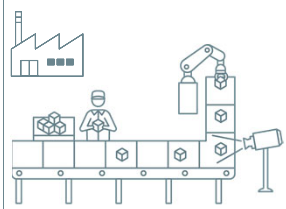
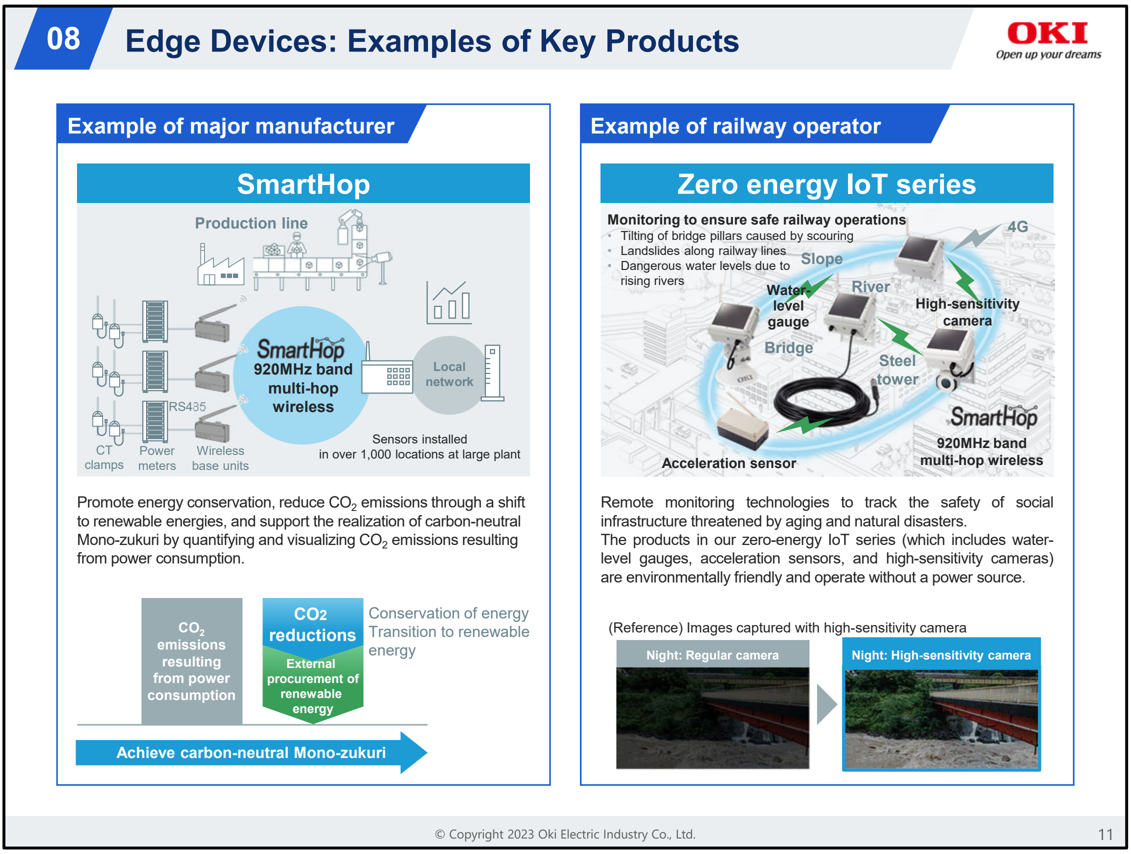
Capture demand in KIOSK terminals, manufacturing equipment, and production line arrangements with OKI's unique compact and space-saving technologies

	KIOSK terminals	Embedded applications	Production line arrangement
Usage examples	 • Storable in small enclosures • Space and orientation restrictions for maintenance	 • Storable in small enclosures • Facilitates large-volume printing • Delivers stable quality without interruptions	 • Production lines with limited space • Delivers stable quality without interruptions
Customers	Medical care sector, universities, banks, government agencies	Medical care sector	Manufacturing sector, distribution sector
Applications	• Medical images • Student documents • Certificates	• Injection prescription details, labels	• Process control labels • Product labels • Packing labels
Partners	Kiosk terminal vendors	Manufacturers of finished products that use embedded components	Production line builders, manufacturing industry

- I will now present some examples of module supply that enhance the added value of our printers and contributes to automation.
- These examples show how OKI's compact and space-saving printers are being incorporated in KIOSK terminals, dedicated equipment, and production line arrangements.
- These products have already attracted demand globally, and they are a prime example of OKI's ability to match product features to needs.
- In particular, we believe that the automation trend is strong in Asia, and see their use in KIOSK terminals expanding in tandem with demand growth for in-line small labels.



- Next, I will share some examples of our edge devices.
- These illustrate how we have used edge devices to break into the infrastructure monitoring market.
- SmartHop makes it easy to build a sensor network that can reliably transmit data from numerous sensors installed in a production line.
- For example, by quantifying and visualizing CO2 emissions resulting from power consumption, it is possible to pinpoint carbon-reduction measures and measure their effectiveness. This can help achieve carbon neutrality in Mono-zukuri.
- Our Zero Energy IoT series, which helps ensure infrastructure safety, uses sensors to achieve remote monitoring without a power source.
- In addition, SmartHop can be used to collect monitoring data from water-level gauges, acceleration sensors, and high-sensitivity cameras, transfer such data to an edge platform via a mobile network, and visualize the data. We have a solution called monifi™ for this purpose.
- In Japan, we have already received high evaluations from customers in proof-of-concept testing, and the adoption of this technology in practical applications has begun.
- Going forward, we will expand such operations domestically and leverage our expertise in overseas markets, starting in Asia.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Delivering OK! to your life.
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