

## OVERVIEW OF OPERATIONS

# Solution Systems Business

We seek the social implementation and business expansion of digital transformation solutions via co-creation with our partners and aim for the securement of stable earnings and sustainable growth.

Executive Vice President and Member of the Board, Head of Solution Systems Business Group

**Masashi Tsuboi**



### FY2019 Business Results

\*Based on segmentation before the changes

Net sales for the ICT business increased ¥44.8 billion or 24.3% year on year to ¥229.1 billion. In addition to contribution from large-scale projects involving network construction for carriers, there was also an increase in demand for social infrastructure-related projects owing to Japan's National Resilience measures and the like. Moreover, there was a large-scale earnings increase due in part to the effect of expanding the scope of applying a percentage-of-completion method due to developing and strengthening our cost management structure, etc.

Operating income improved significantly, increasing ¥6.1 billion year on year to ¥20.8 billion in conjunction with steady sales increases.

### Medium-Term Business Plan 2022

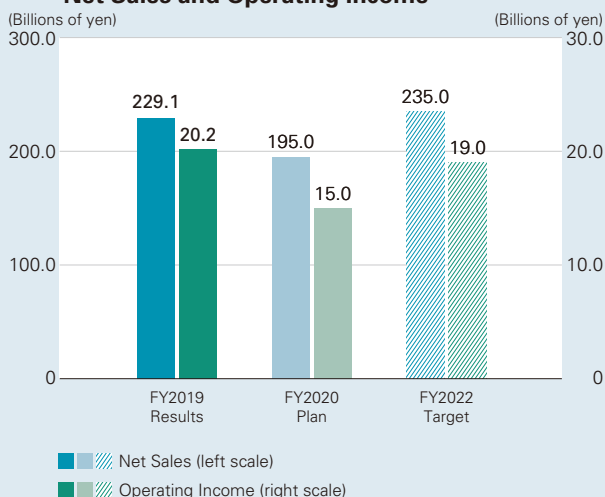
In the three years from fiscal year 2020, we will endeavor toward acceleration of the social implementation of digital transformation solutions aimed at sustainable growth and the solving of social issues through co-creation with our customers and partners, and will aim for the achievement of net sales of ¥235.0 billion and operating income of ¥19.0 billion in fiscal year 2022.

### Acceleration of Social Implementation of Digital Transformations Through AI Edge Strategies

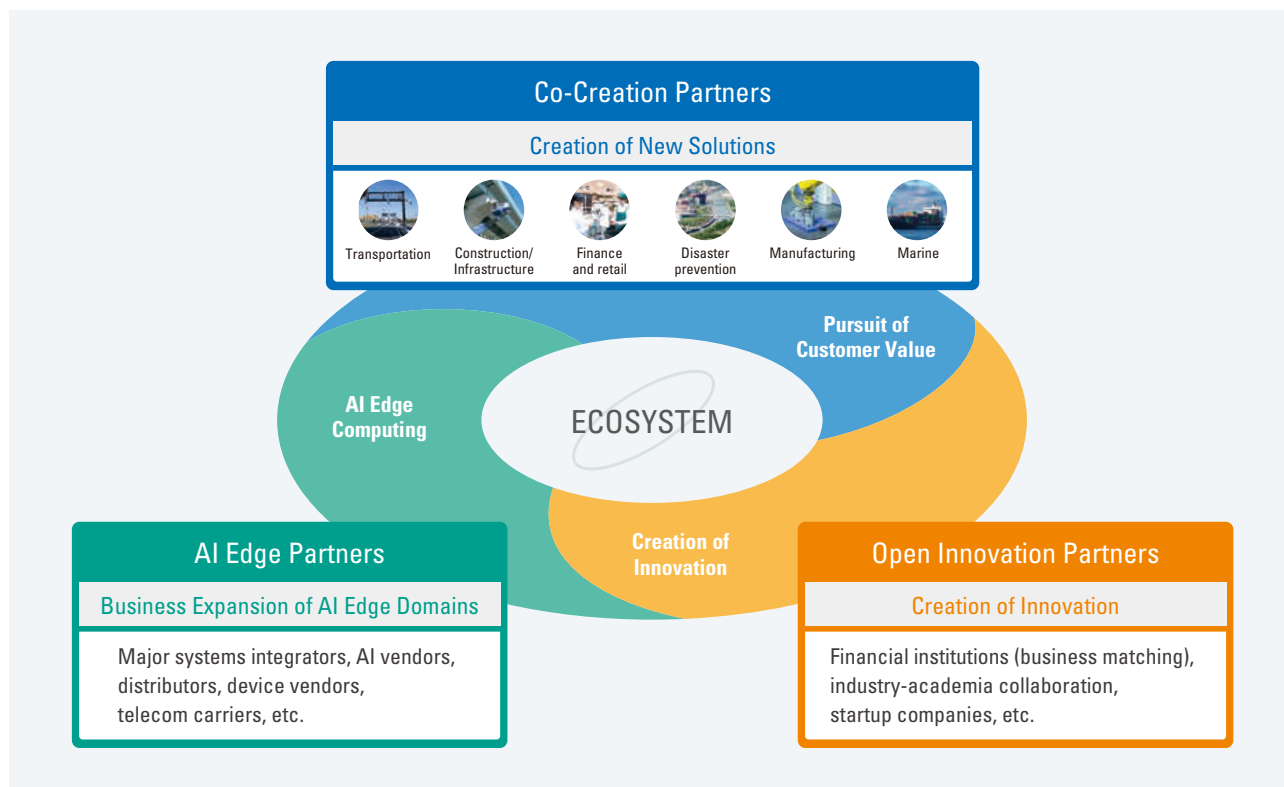
Taking as an opportunity the paradigm shift resulting from the various social issues that have become manifest and the current COVID-19 situation, we predict that digital transformations will accelerate in various fields including those of OKI's current customers. In addition, concurrently with the expansion of solutions due to technological innovations such as 5G and AI, the volume of information to be processed will increase, edge computing (distributed processing) will become even more important, and OKI's business opportunities will expand.

OKI believes that due to the popularization of AI and innovations in device technologies, AI processing which had been conducted in the cloud to this point will move to edge domains (the sites where data emerges); thus, we announced our AI Edge computing (hereinafter, AI Edge) strategy in October 2019, and began sales of "AE2100," our AI Edge computer which serves as the nucleus of AI Edge, at the same time. In the edge domains of our focal areas, being transportation, construction/infrastructure, disaster prevention, finance and retail, manufacturing, marine, and the like, we will combine OKI's strengths, which include superior technologies such as devices and sensors, networks, data processing and operations, and so forth and our abundant use cases, with AI Edge technologies to advance the social implementation of solutions that promote digital transformations through co-creation with our customers.

**Net Sales and Operating Income**



## Ecosystem Aimed at Social Implementation of Digital Transformation Solutions



Due to 5G telecom services which began in 2020, much attention is being paid to the new services of telecom carriers; OKI sees this as a chance for the fusion of 5G/local 5G and AI Edge to accelerate the social implementation of digital transformations. Local 5G allows areas and companies to build and operate 5G networks in specific areas, such as their own buildings or lots. This enables the realization of highly reliable, highly secure network environments. In the future, we will advance the application of this technology in a wide range of use cases such as smart factories, local mobility services, river and infrastructure monitoring, and the like.

In September 2020, OKI proposed a project for the Ministry of Internal Affairs and Communications' public offering "Development Demonstrations for Realizing Local 5G to Solve Local Issues (Factory Field)" in partnership with Gunma Prefecture and TAIYO YUDEN CO., LTD., and the proposal was adopted. We have established a base station at our Honjo Plant and provided a site for development and demonstrations in the factory field, and have started research activities in partnership with Gunma Prefecture and TAIYO YUDEN CO., LTD. with the aim of realizing local 5G. In addition, we have set up local 5G in our ITS test course at the Honjo Plant, and are putting efforts toward demonstration tests regarding the application of local 5G to ITS.

Furthermore, as the introduction of local 5G requires specialized knowledge and know-how with regard to self-operated wireless system construction, we will promote the

fusion of AI Edge and 5G/local 5G in a broad range of areas and work toward solving the issues of local societies by providing support services involving such introductions.

### Business Creation Through Co-Creation with Customers and Partners

The solution business which utilizes AI Edge technologies involves a plan to create a new market by forming an ecosystem\* through cooperation with our partners. Since October, 2019, we have focused on promotion and support activities such as partner development, monitoring campaigns, and the like with the aim of popularizing AI Edge. As of the end of October 2020, we have reached 80 AI Edge ecosystem partner companies.

Together with these AI Edge partners, our co-creation partners who aim for the social implementation of digital transformation solutions through co-creation, and our open innovation partners who create innovative solutions, we will build an ecosystem, engage in mutual cooperation through the horizontal development of solutions and the like, and aim for the creation of new businesses aimed at growth.

Through such growth strategies as these, the Solution Systems business will increase digital transformation sales to more than double over a period of three years, realize the targets set forth in Medium-Term Business Plan 2022, and deliver OK to your life.

\*Ecosystem: A mutually beneficial relationship between partners, including companies and customers, through the division of labor and cooperation.

OVERVIEW OF OPERATIONS

Components & Platforms Business

By providing components and platforms that resolve social issues, we are striving to contribute to society through Mono-zukuri and expand our business.

Executive Vice President,  
Head of Components &  
Platforms Business Group

Masasuke Kishi



FY2019 Business Results

\*Based on segmentation before the changes

The net sales of the Mechatronics Systems business decreased by ¥12.0 billion or 14.5% year on year to ¥70.7 billion. The completion of the large-scale project on cash handling equipment we reported in the previous fiscal year had an effect. Towards the end of the fiscal year, the spread of COVID-19 became more serious, and, in February, we had to temporarily shut down our Shenzhen plant in China. Even after we reopened it, its operation was sluggish, which also affected our sales. In terms of our operating profit and loss, although the business structural reforms we implemented previous fiscal year helped to make up for the reduction in sales, the reduced operations had an effect as well, resulting in a reduction of ¥0.4

billion and a loss of ¥0.3 billion.

The net sales of the Printers business decreased by ¥10.3 billion or 10.0% year on year to ¥92.3 billion. This decrease was caused by reduced sales for offices in the European market as well as the appreciation of the yen against the Euro. As a result, our operating income decreased by ¥2.9 billion to ¥2.8 billion.

The net sales of the EMS business decreased by ¥6.4 billion or 9.7% year on year to ¥59.8 billion due to a decrease in sales related to FA and semiconductors as well as delays in the procurement of certain materials stemming from the effects of Typhoon Hagibis. Our operating income decreased by ¥1.6 billion to ¥2.1 billion.

Regarding our hardware business, we still face issues in terms of how to respond to environmental changes, including rapidly worsening market conditions, foreign exchange effects, and supply chain delays.

Medium-Term Business Plan 2022

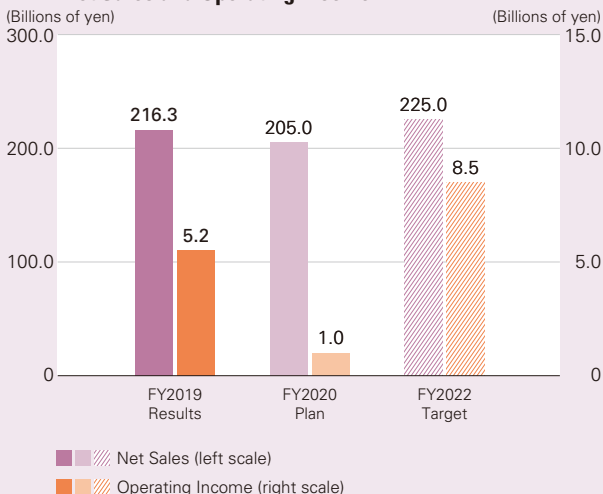
During the three years starting in fiscal year 2020, we will establish a new business model as a foundation for growth with the aim of attaining net sales of ¥225.0 billion and operating income of ¥8.5 billion in fiscal year 2022.

Utilizing OKI's Strengths to Expand Core Fields

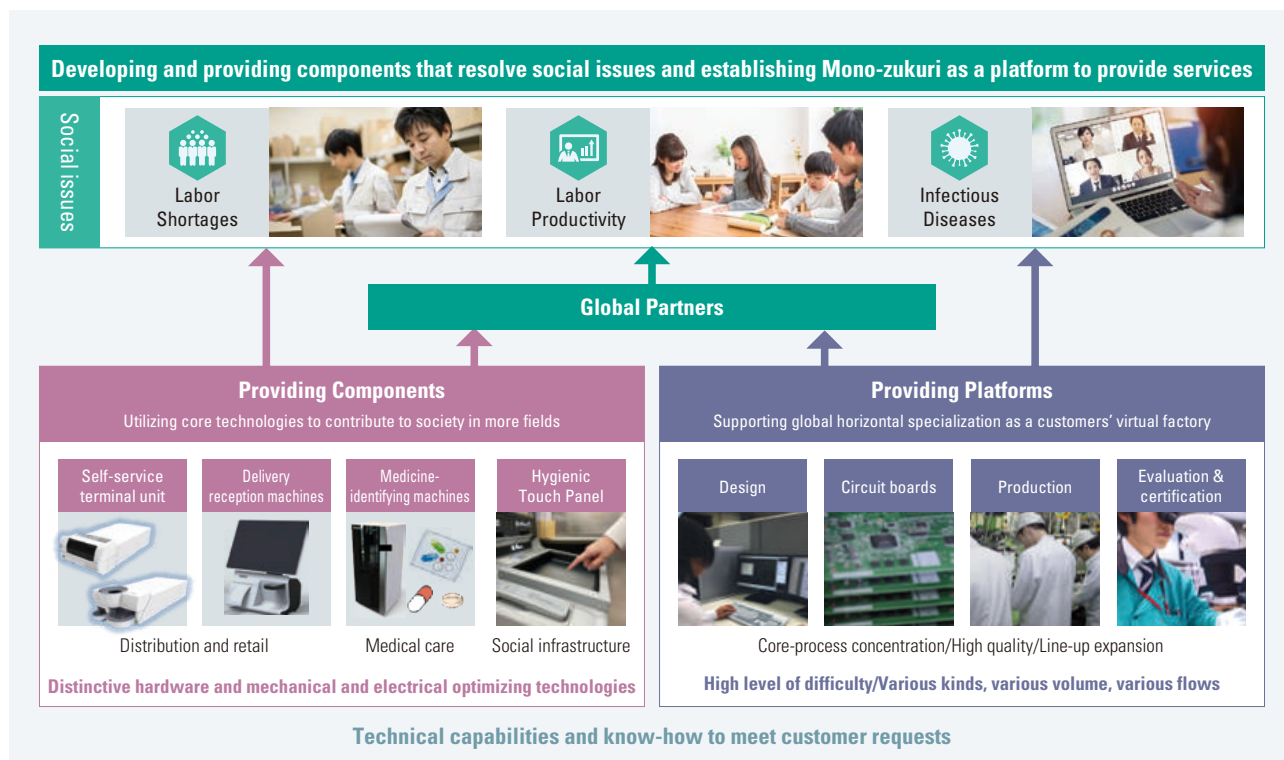
Up until now, OKI has faithfully realized products based on the needs and ideas of various customers providing social infrastructure services while also implementing Mono-zukuri that helps deliver OK to society. For our Components & Platforms business, we utilize the technologies we have cultivated over the course of our long history as a strength to develop and provide components that resolve social issues. In addition, we use our Mono-zukuri strength as a platform to provide services, thereby contributing to society.

Modern society faces a mountain of social issues, and OKI is focused on responding to society's new needs, including unmanned operation, automation, and increased efficiency aimed at resolving problems related to the labor

Net Sales and Operating Income



## Contributing to Society Through Mono-zukuri: Our Global Partner Strategy



shortage and work-style reforms as well as non-contact and non-face-to-face solutions required for life given the new normal of our society.

Our Components business will develop and provide products that achieve resolutions of the above issues. For example, in the distribution and retail service field, we will develop and provide delivery reception machines and self-checkout solutions. Meanwhile, in the medical field, we develop and provide components that enable medical personnel to more safely and efficiently do their work, including the identification of medicine that is brought in, drug prescriptions, and supervised administration. In addition, in September of 2020, OKI developed the non-contact "Hygienic Touch Panel," which can be operated in mid-air without any need to touch the device itself, and we are working on promoting the spread of this product as a man-machine interface of social-infrastructure-service terminals suitable for the new normal.

Regarding our Platforms business, we are expanding our Mono-zukuri-related services from electrical to mechanical technologies, our products from circuit boards to equipment as a whole, and our order receiving process from manufacturing to design/manufacturing/evaluation/maintenance. In the current business environment—which demands speed due to the massive changes of our times—different customers want to focus on different fields of expertise and processes, including research and development, marketing, and product planning. In response, we will provide comprehensive Mono-zukuri services to support and solve a variety of issues related to manufacturing, such as design and manufacturing,

achieving high quality, and supplementing product lineup that customers have in mind to solve social issues.

### Global Partner Strategy

Through our Components & Platforms business, we are aiming to deliver, to more communities and society at large, products that help deliver OK to society by not focusing too much on our own brands and instead cooperating with global partners to promote business development and help resolve global issues with products from Japan, a developed country where new social issues are emerging.

To achieve this, we are aiming to build or enhance partnerships with customers who are intimately familiar with the markets of various countries to both explore markets and create new products. In particular, we believe developed countries have an increasing need for automation, efficiency boosting/unmanned operation, non-contact, non-face-to-face, and similar solutions, and—in cooperation with partners aiming to resolve social issues—we will develop and provide components capable of winning in a global arena in order to contribute to the resolution of global social issues.

To achieve the above growth strategy for our Components & Platforms business, we collect resources divided into three business categories, build a development structure consisting of around 700 people, and take similar steps to strengthen a foundation enabling us to flexibly respond to diverse customer needs as we contribute to society through our Mono-zukuri strength in order to attain the goals set forth by Medium-Term Business Plan 2022.