

OVERVIEW OF OPERATIONS

# Solution Systems Business

We will accelerate the social implementation of DX solutions to realize stable earnings and sustainable growth.

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



**Business Policy**

Achieve sustainable growth by supporting customers' DX initiatives and rolling out solutions horizontally

Medium-Term Business Plan 2022

Targets: Net Sales of ¥235.0 billion and Operating Income of ¥19.0 billion in FY2022

- ▶ Accelerate implementation of DX solutions across society, resolve social issues via co-creation with partners
- ▶ Increase sales in DX domain by 2x or more (compared to FY2019)

**Strengths**

- Terminal technologies in edge domains
- 5G and other network technologies
- Rich installed base and use cases

**Opportunities and Risks**

- Further acceleration of DX
- Expansion of solutions via innovative technologies such as 5G and AI
- Increased importance of distributed processing (edge computing) due to greater volumes of information

**FY2020 Results**

The Solution Systems business recorded net sales of ¥192.5 billion, down ¥36.6 billion or 16.0% year on year, and operating income of ¥16.3 billion, down ¥3.9 billion year on year. This fall was due to transitory factors in the previous fiscal year, including our large-scale projects and reviews of some aspects of our basis for recording sales. While our results were impacted by COVID-19, thanks to the strong performance of network-related fields throughout the year, our results were largely in line with expectations.

**Progress of Medium-Term Business Plan 2022 and Future Initiatives**

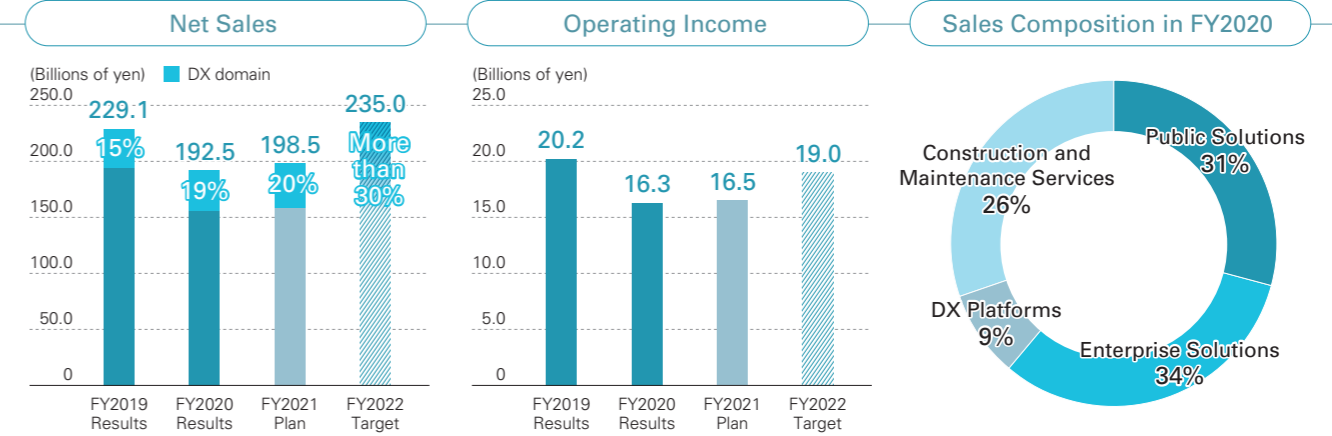
The Solution Systems business aims to realize sustainable growth by using AI Edge to support customer DX. Based on the Medium-Term Business Plan 2022, our twin goals are to proactively carry out growth investments, and to expand sales in DX domain by at least double the fiscal year 2019 results.

Today, companies are engaging in DX initiatives year by year and investing in the digitization of work processes more aggressively. The reasons are wide-ranging, but include diversifying business models, shifts in consumption from products to solutions or services, and the need to respond to aging facilities and shortages of labor. Indeed, companies are taking COVID-19 as an opportunity to accelerate moves toward digital transformation.

In response, we are leveraging our terminal technologies

in edge domains, our network technologies, and our rich use cases to promote DX; at the same time, we are working with our partners to build DX ecosystems and create new solutions. Mainly in our focal areas of transportation, construction/infrastructure, disaster prevention, finance and retail, manufacturing, and maritime, we are promoting DX via co-creation with more companies than ever before. As of August 2021, we are working to create new solutions with 85 co-creation partners, have formed technological alliances with 95 AI Edge partners, in addition to which we are collaborating with open innovation partners. In these partnerships, we are in the process of exiting developmental phases and beginning to see results.

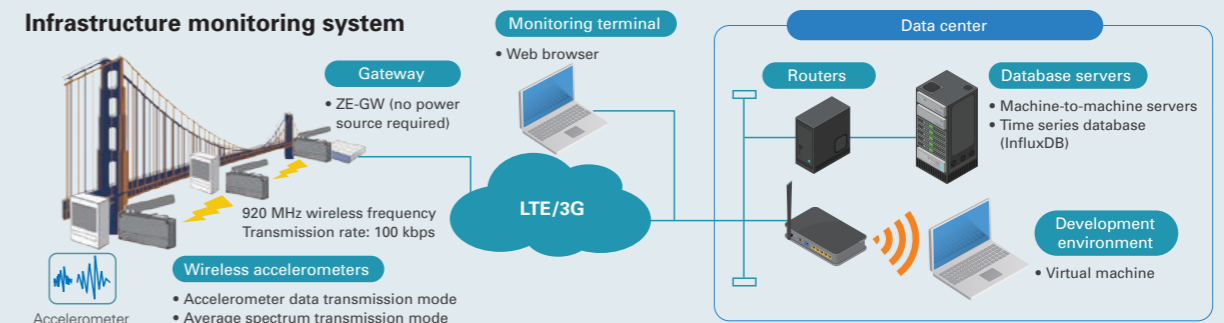
Over the three years of the current Medium-Term Business Plan, we are planning to invest a total of ¥36.5 billion, a figure that includes mergers and acquisitions. In addition to developing AI Edge products and local 5G technologies, we are seeking to strengthen development of new technologies in fields that we believe present future growth opportunities, such as firefighting command systems and disaster prevention systems. We have also committed to invest approximately ¥6.0 billion in construction costs to erect a new building at our Honjo Plant in Saitama Prefecture; we expect full-scale operations to commence in May 2022. By building smart factories that coexist in harmony with local communities, that are capable of withstanding disasters, and that have minimal environmental footprints, we intend to ensure our business activities are even more environmentally friendly.



Examples of DX in different business fields

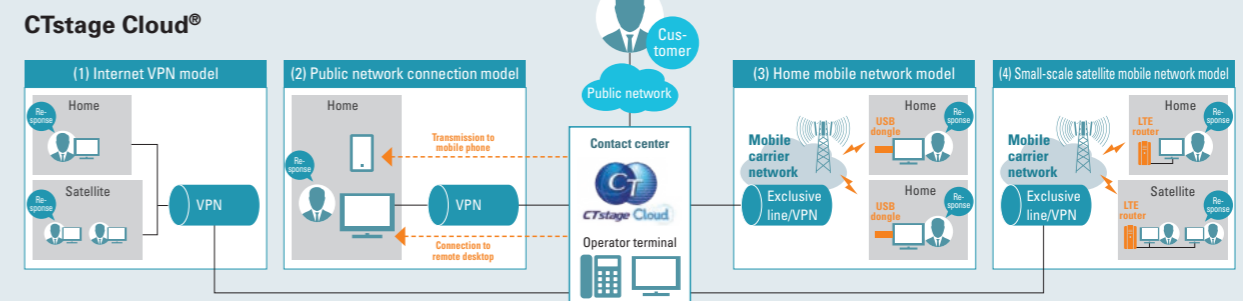
**Public Solutions**

We make it easier to carry out maintenance and management analysis by providing platforms that digitize the state of aging infrastructural structures such as bridges and tunnels. Our solutions are easy to install thanks to the use of highly workable edge sensors.



**DX Platforms**

We are responding to the growing digitization of contact centers—a shift that is being accelerated by COVID-19—by offering CT-stage as a cloud service. This enables rapid establishment of contact centers that possess high degrees of freedom both in terms of their location and the communication methods they use.



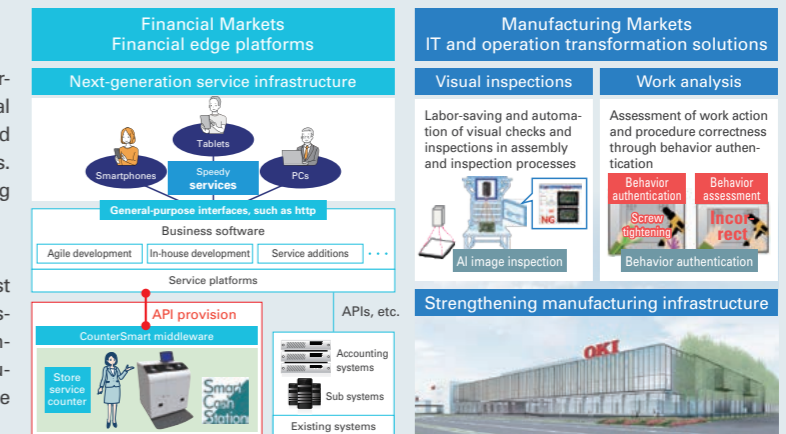
**Enterprise Solutions**

**Financial Markets**

Through the use of "SmartCashStation," a customer-operated network-based deposit and withdrawal machine, we are reducing workloads associated with dealing in cash from over-the-counter services. It is capable of providing timely services by utilizing an API that connects to business software.

**Manufacturing Markets**

Using AI and local 5G, we analyze and digitize vast volumes of information related to expert craftsmanship. We support high-quality on-site manufacturing through the provision of diverse solutions, ranging from demonstrations at in-house plants to visual inspections.



OVERVIEW OF OPERATIONS

# Components & Platforms Business

We will contribute to society and achieve growth through Mono-zukuri as a backstage role “Delivering OK! to your life.”

**Masatoshi Saito**  
Senior Vice President and Member of the Board, Head of Components & Platforms Business Group



**Business Policy** Grow sustainably by solving social issues through Mono-zukuri

Medium-Term Business Plan 2022

**Targets: Net Sales of ¥225.0 billion and Operating Income of ¥8.5 billion in FY2022**

- ▶ Promote partner strategy and strengthen comprehensive Mono-zukuri services
- ▶ Increase sales in focus areas by 1.5x (compared to FY2019)

**Strengths**

- Hardware, mechanical and electrical optimizing technologies
- Product sales footprint
- Production for high levels of difficulty/various kinds, various volume, various flows

**Opportunities and Risks**

- Paperless, cashless development
- Increasing needs for automation, manpower reduction
- Customers' issues (fixed cost reductions, concentrating management resources on core processes, achieving high precision and high quality)

**FY2020 Results**

The Components & Platforms business recorded net sales of ¥196.5 billion, down ¥19.8 billion or 9.1% year on year. COVID-19 had a deep impact on overseas markets centered around printers. In addition, due to the prolonging of the pandemic, markets have stagnated more than anticipated in Asian countries which are growth markets for our Automation Systems business, and the impact has further spread to parts of the EMS business in Japan as well.

Structural reforms of the Peripheral Products business have progressed as planned, and while the effects of the reforms have made a contribution, the significant impact of the decline in overseas sales caused an operating loss of ¥0.1 billion, down ¥5.3 billion year on year.

**Progress of Medium-Term Business Plan 2022 and Future Initiatives**

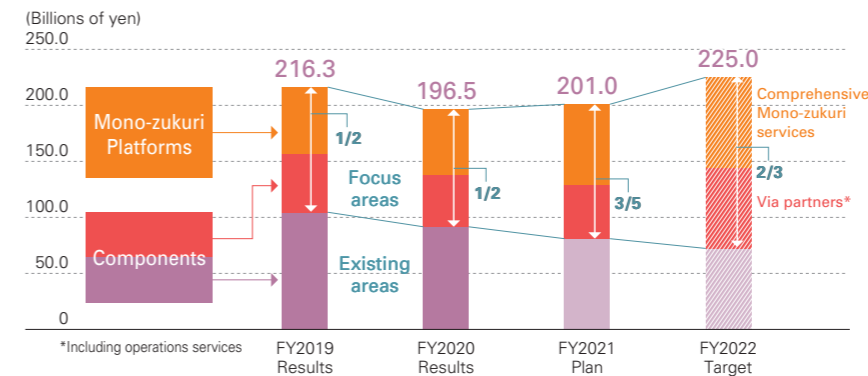
The Components & Platforms business is advancing its shift to a business model that will serve as a foundation for growth based on Medium-Term Business Plan 2022, aiming to achieve sustainable growth by resolving social issues through Mono-zukuri. In terms of focus areas, we aim to expand the ratio of sales for product, module, and service provision for partner companies in the Components business and comprehensive Mono-zukuri services overall in the Platforms business from

one-half in fiscal year 2019 to two-thirds in fiscal year 2022. Our keyword for growth is playing a backstage role in our mission of “Delivering OK! to your life.” OKI will support society and our customers providing social infrastructure in resolving the issues they face through Mono-zukuri and achieve growth.

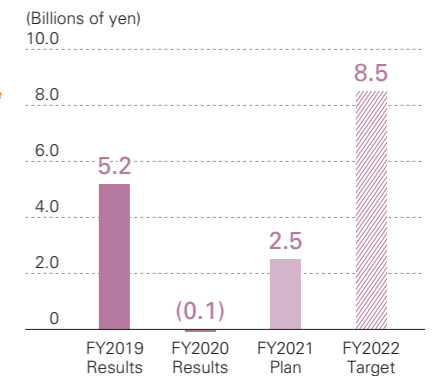
In order to achieve this growth, we are steadily progressing as planned with structural reforms, such as reducing personnel, consolidating sites, and reorganizing production sites in line with our revised overseas sales strategy. The 700-employee development team and global production sites established through the integration of our three former businesses are concentrating on fields of focus, with the majority devoted to the development of new fields such as retail and DMS (Design & Manufacturing Services). In addition, in order for customers to recognize us as a trustworthy partner, we are also working to refine and increase resources for the Business Collaboration Division newly established in fiscal year 2020. In fiscal year 2021, we will continue to optimize our personnel and resource allocations for new product development.

On the other hand, due to the prolonged impact of COVID-19 and other factors, we were unable to achieve sales growth in our focus areas for fiscal year 2020, and as a result, our business model shift has been delayed by a year. Demand recovery from our main customers for comprehensive Mono-zukuri services has been delayed, and in terms of business through our partners, orders for distribution/retail fell short of expectations.

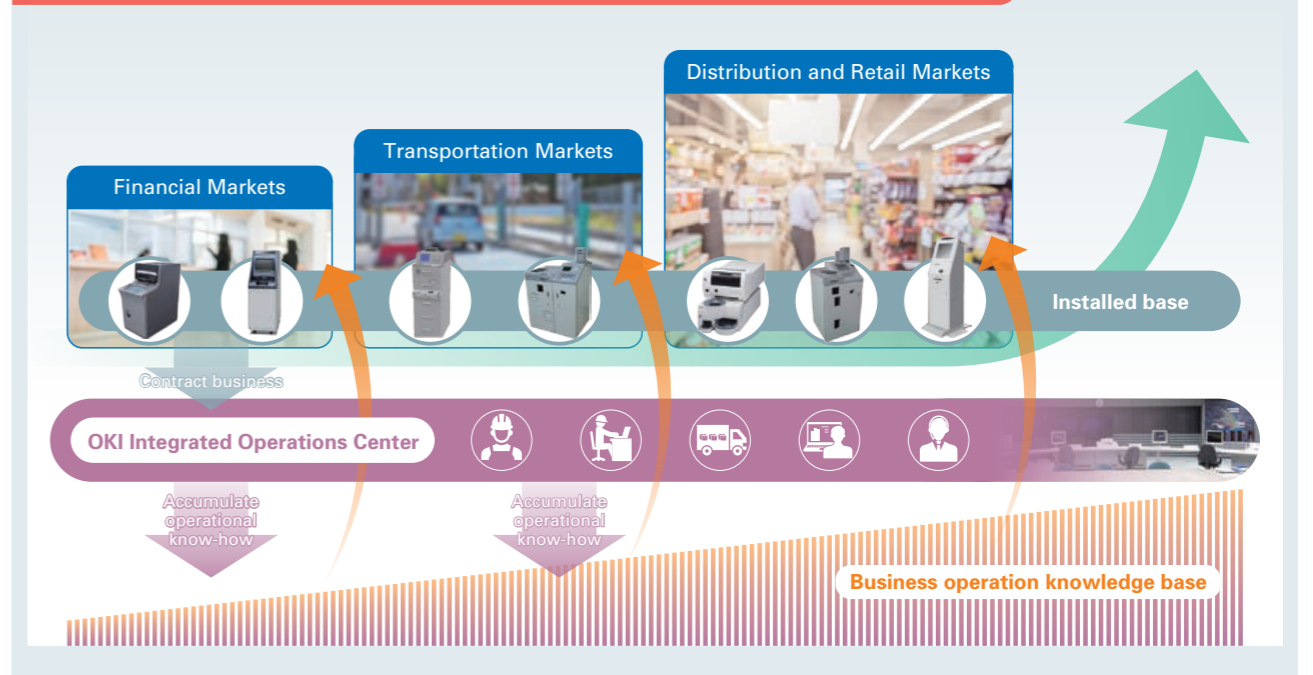
**Net Sales**



**Operating Income**



**Growth Through Cross-lateral Development of Operations Services Utilizing Installed Base**



**Components**

Labor shortages, work-style reforms, and non-contact/non-face-to-face solutions are common issues across various fields, and OKI's mission-critical, light-weight mechatronics, our area of expertise, are finding increasing opportunities to play an active role. While OKI has been providing automation and manpower reduction technologies primarily to financial markets, against this backdrop we have begun initiatives to resolve issues faced by industries we had not focused on until now, such as distribution and retail as well as medical care. We currently have several development projects underway, and are planning a sequential launch of new products from the second half of fiscal year 2021.

Similarly, we also aim to utilize our installed base of mechatronics products that we provide as social infrastructure mainly to financial markets to expand our maintenance, monitoring, and other operations services into a wide range of operational services for the transportation as well as distribution and retail markets.

**Mono-zukuri Platforms**

We aim to expand the range of services offered and increase sales through enhanced DMS. By promoting co-creation from the design stage, we can achieve efficient Mono-zukuri for our customers. Due to our proactive approach towards various industries and a high level of customer need, we receive a tremendous amount of inquiries and our business negotiations are growing steadily in number. By further increasing opportunities for business negotiations and enhancing our promotional activities that lead these negotiations to orders, we are working to ensure that customers can select OKI's Mono-zukuri with trust.