

October 31, 2018

Oki Electric Industry Co., Ltd.

**Summary Translation of Q&A for the First Half
of Fiscal Year Ending March 31, 2019**

Q: The forecast for the full year has been remained the same, which you have confidence to accomplish with higher performance. Is this because there is a possibility that future exports of printers from China to the US will be subject to tariffs? I would like to ask you to comment a little on what kind of grasp OKI has on these situations.

Also, if there is a concern about anything other than the Printers business, I would appreciate you telling us about them.

A: I think that the point of your question was to find out why we did not make any upward revisions to our projections for the full year, and our understandings on the impact of US-Chinese tariffs, especially on our Printers business.

With regard to the Printers business, we were able to raise our numbers higher than anticipated in the first half of the fiscal year. In detail, we could maintain the excess profits of the first quarter until the first half end. There are three big factors in such excess profits. First, consumables increased, mainly because of our sales routes in the US have been aggregated. So this is a temporary effect. Next, OKI announced price rises considering the effect of US-China trade friction on prices. Thereby the purchases of consumables and others might be advanced. And then, proceeding to the industry printing business, some of the projects that we thought would happen in the second half of the year were started in the first half. Thus, we could accomplish steady performance in the first half, especially for consumables.

In terms of management, however, if these things were part of that early move, I would like to see a bit more about what kind of impact they will have on the business plan for the second half of the year. For example, it is obvious that by making an early move due to the

announced price rises, conservative buying will naturally result, and these kinds of effects should be seen properly. Then, regarding the business with big customers, I would like to determine a bit more about what kind of movement will be happening from now on.

In terms of influence of US-China trade, we concern a new tariff since our main factories are located in China. In particular, some impact could be made on sales of toners. But this is not the only big factor.

Then, in other businesses, especially at present, the ICT business and the EMS business are said to be moving at a steady pace but I think their growth is slightly stronger than that.

The Mechatronics Systems business, as promised, definitely stopped any decline. Because our goal, however, is the Mechatronics Systems business to come out even, on the contrary paying off the loss of the first quarter is something that must be done here. We are working on it and have some feedback. We would like to see a bit more that the numbers here are secure on the positive side.

Q: Concerning the impact of the exchange rate on the first half of the year, could you please tell us about the extent of the impact on sales and profit year on year for each segment?

A: For profits, the major breakdown of the 1.5 billion yen resulting from currency fluctuations is an extra 0.2 billion yen for the Mechatronics Systems business and about 1.0 billion yen for the Printers business. For sales, this has had a negative impact of 1.0 billion overall with negative numbers of 1.5 billion yen for the Mechatronics Systems business and only plus 0.5 billion yen for the Printers business.

Q: With projected sales of 40.0 billion yen and the actual performance being 38.5 billion yen for the Mechatronics Systems business, what caused this loss of 1.5 billion yen in projected sales?

A: Mainly the difference in model mix is the factor.

Q: Sales are 1.5 billion yen less than forecast but profits are reduced by only 0.2 billion yen for the Mechatronics Systems business. Has the impact of the structural reforms come as expected? Is it along with your plan? Could you explain a little bit about how the progress and effects surrounding structural reforms will appear?

A: The whole of the Mechatronics Systems business until now has had losses of about 1.5 billion yen on a quarterly basis. So, the restructuring has been started in the beginning of July in our Brazilian subsidiary, since the big factor of losses was in Brazilian business. The Brazilian subsidiary is involved in the business of maintenance work, manufacturing, and retail. Among these, there were many deficits in the manufacturing business and some in maintenance. These areas, however, were restructured, so the costs to manufacturing were almost nil and the deficits ceased to appear.

Then, in regards to maintenance, because it became possible for maintenance to do more than simply break even, it is very obvious that Brazilian subsidiary's structure has become strengthened into one in which no big deficits have occurred after July.

Q: No deficits expected at manufacturing. Is it correct to understand that the fixed costs have been sufficiently reduced even if, for example, sales might not reach the projected targets in the future?

A: Yes, basically that's the understanding. As for maintenance, it has become a solid business than before or at least enough to be in a position from which I believed that we were able to rebuild from a large deficit.

Q: I think you said that the orders of consumables in the printers' inventory were quite large in the first quarter. Could you please tell me the results of second quarter and the current situations?

A: Looking only at the results for the second quarter, no significant backlash has occurred, and we are progressing at a steady rate and in line with our business forecast. As for what

will happen from the third quarter onward, I would indeed like to see what happens.

Q: I'd like to ask about is in regards to the figures on the number of ATMs.

A: In this fiscal year, the cumulative total result in the first half year is 4,700 units, including 3,400 units for convenience stores, for all of Japan. 3,700 units, including 2,600 units for convenience stores, were sold in the same period last year. So, 1,000 units were increased in this first half. In China, we sold 700 units this fiscal year. In the same period last year, it was 1,200 units, with a year-on-year loss of 500 units. Global other than China, 1,900 units were sold in this first half. Last year was 1,600 units, 300 units increased.

Q: Although I think that profitability is improving as a result of improved efficiency in project management of those in development by the ICT business, I would be very pleased to ask you to explain a little more about this.

A: For the projects related to IoT in ICT business, we work on big project management with a variety of companies, and not only by ourselves. Also, we have many new projects and unexpected costs unfortunately have occurred until now. Concerning profitability management, this is not to say that we did something in particular here, but from the head of ICT business on down they took a closer look at projects where these were likely to happen. The result of improving things little by little while handling these issues earlier and earlier is that these improvements could be made this fiscal year without any significant costs.

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.