

OKI Group Medium-Term Business Plan 2025

Takahiro Mori

President, Representative Director

Ok Electric Industry Co., Ltd.

May 10, 2023

Corporate Philosophy

The people of OKI, true to the company's "enterprising spirit", are committed to creating superior network solutions and providing excellent information and communication services globally to meet the diversified needs of communities worldwide in the information age.

Key Message

"Delivering OK! to your life."

Material issues (Materiality)

- Providing products and services that help solve social issues
- Reducing environmental impact through business activities
- Transforming into a corporate culture that continuously creates value
- Strengthening management foundation to support sustainable growth

Safe and
convenient social
infrastructure

Job satisfaction
and productivity
enhancement

Conservation of global
environment

Fields in which OKI contributes to
solving social issues

In our fields of contribution,
we aim to transform the social value we provide into tangible offerings

Safe and convenient
social infrastructure



Achieve safe and secure infrastructure use through on-site visualization and remote monitoring

Create safe and secure transportation methods using data

Conservation of global
environment



Provide products that contribute to the environment

Preserve the environment and utilize resources through ocean data visualization

Job satisfaction and
productivity
enhancement



Address labor shortages through self-service and automation

Improve operational efficiency with real-time sensing

Amid drastic changes in the external environment,
 fell short of targets in the Medium-Term Business Plan 2022

We reframed FY22 as a crisis response year and transitioned to a single-year plan, but we fell short

(Billions of yen)

	FY22 MTBP	FY22 Plan	FY22 Results
Net sales	465.0	425.0	▶ 369.1
Operating income	20.0	9.0	▶ 2.4
Net income	12.0	3.0	▶ ▲2.8
Shareholders' equity ratio	30%		▶ 25%
ROE	10%		▶ ▲3%

Declining profitability and financial base

Medium-Term Business Plan 2022 Review

External factors

Direct impact of COVID-19 and supply chain issues

Internal factors

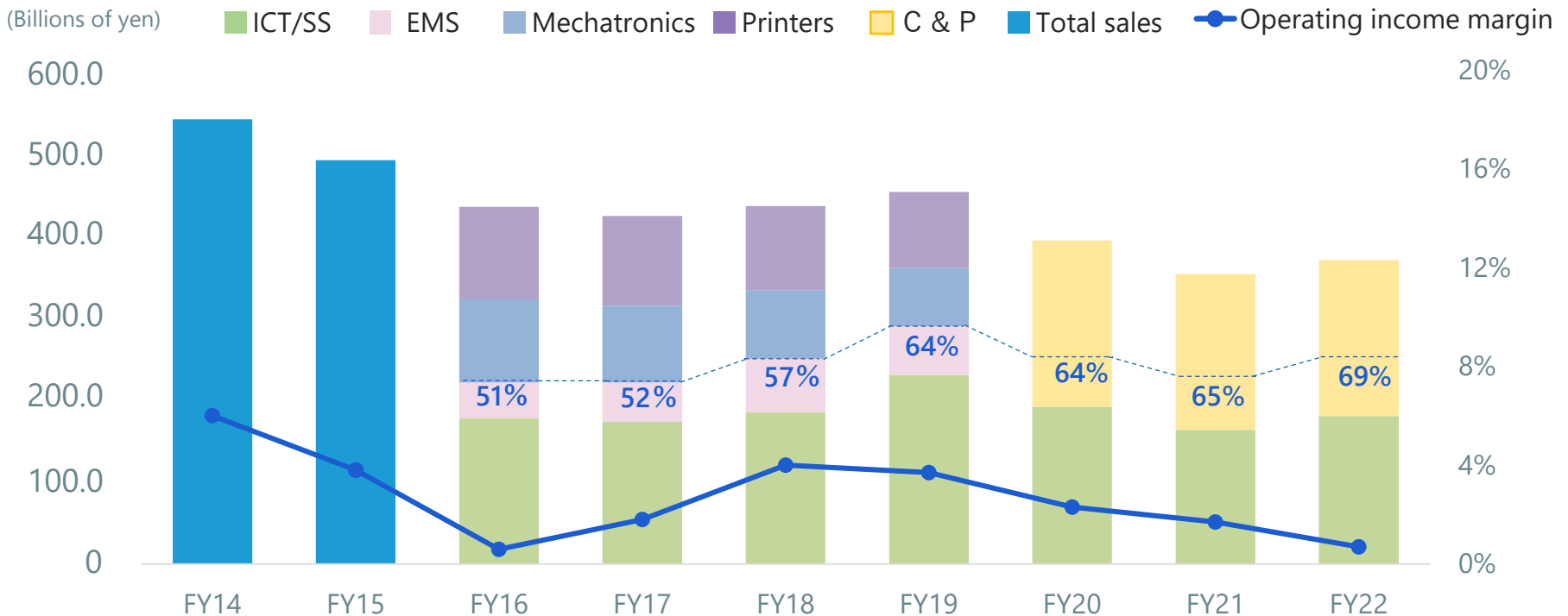
Delayed recovery due to lack of response to environmental changes

- Ability to procure and adjust production against difficulty in procuring components
- Cost reduction and price pass-through against increased costs
- Currency hedging ability against sharp currency changes

- Subdivided multilayered structure (two business groups / eight divisions)
- Vertically divided, conservative corporate culture
- Domestically oriented business structure

Despite restructuring our portfolio towards profitable businesses, performance remained at the downward trend

Trend of Net sales and Operating income margin



*The figures in the graph show the ratio of the Solution Systems business + EMS business to total sales.
 Solution Systems business: ICT segment (FY16-19)/Solution Systems segment (FY20-22)
 EMS business: EMS segment (FY16-19)/Mono-zukuri Platform subsegment (FY20-22)

Steer toward growth and break free from the downward trend

Themes of Medium-Term Business Plan 2025

- (1) Return to FY19 levels of performance and restore the weakened financial foundation
- (2) Create future business for FY26 and beyond



Steering toward growth 1st Stage

1. Revision of Business Portfolio
2. Strengthen sales, technology, and production functions
3. Create future businesses
4. Improve financial foundation and effective investment
5. Practice sustainability management

FY2023 onwards

FY2026 onwards

Steering toward growth 2nd Stage

Expand future business

Safe and convenient social infrastructure

Job satisfaction and productivity enhancement

Conservation of global environment

2031

OKI's 150th anniversary

**Management
Targets**

Net sales

Operating income

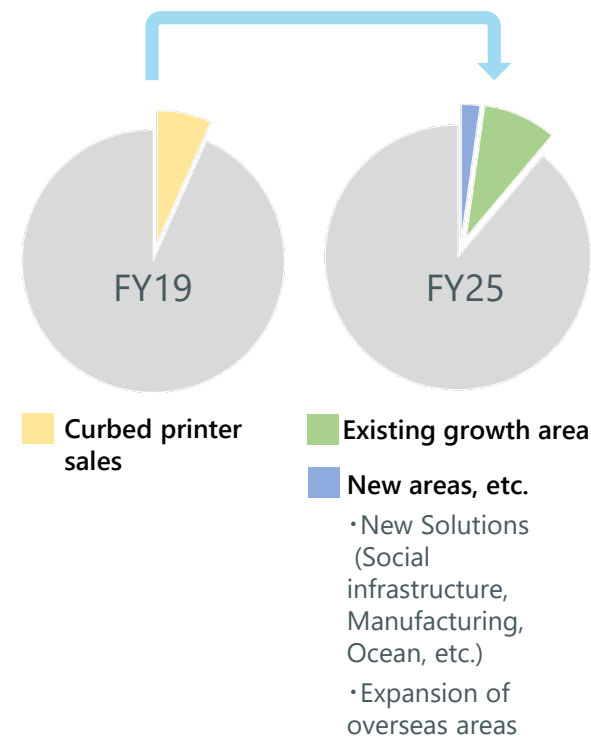
Shareholders'
equity ratio¥**450.0** billion¥**18.0** billion**30%**

Break free from the downward trend and achieve net sales and operating income at FY19 levels, while restoring the financial foundation

		(Billions of yen)	FY19 Results	FY22 Results	FY25 Plan
Growth potential	Net sales		457.2	369.1	450.0
	Operating income		16.8	2.4	18.0
	Net income		14.1	▲2.8	10.0
Profitability	Operating income margin		4%	1%	4%
Financial soundness	Shareholders' equity ratio		29%	25%	30%
Capital efficiency	ROE		14%	▲3%	8%
Shareholder returns	Dividend payout ratio		31%	—	30% or more

Normal levels before impacts of the pandemic and supply chain issues

Aim for long-term ROE of 10% or more



Restructure business portfolio and bring performance to FY19 level

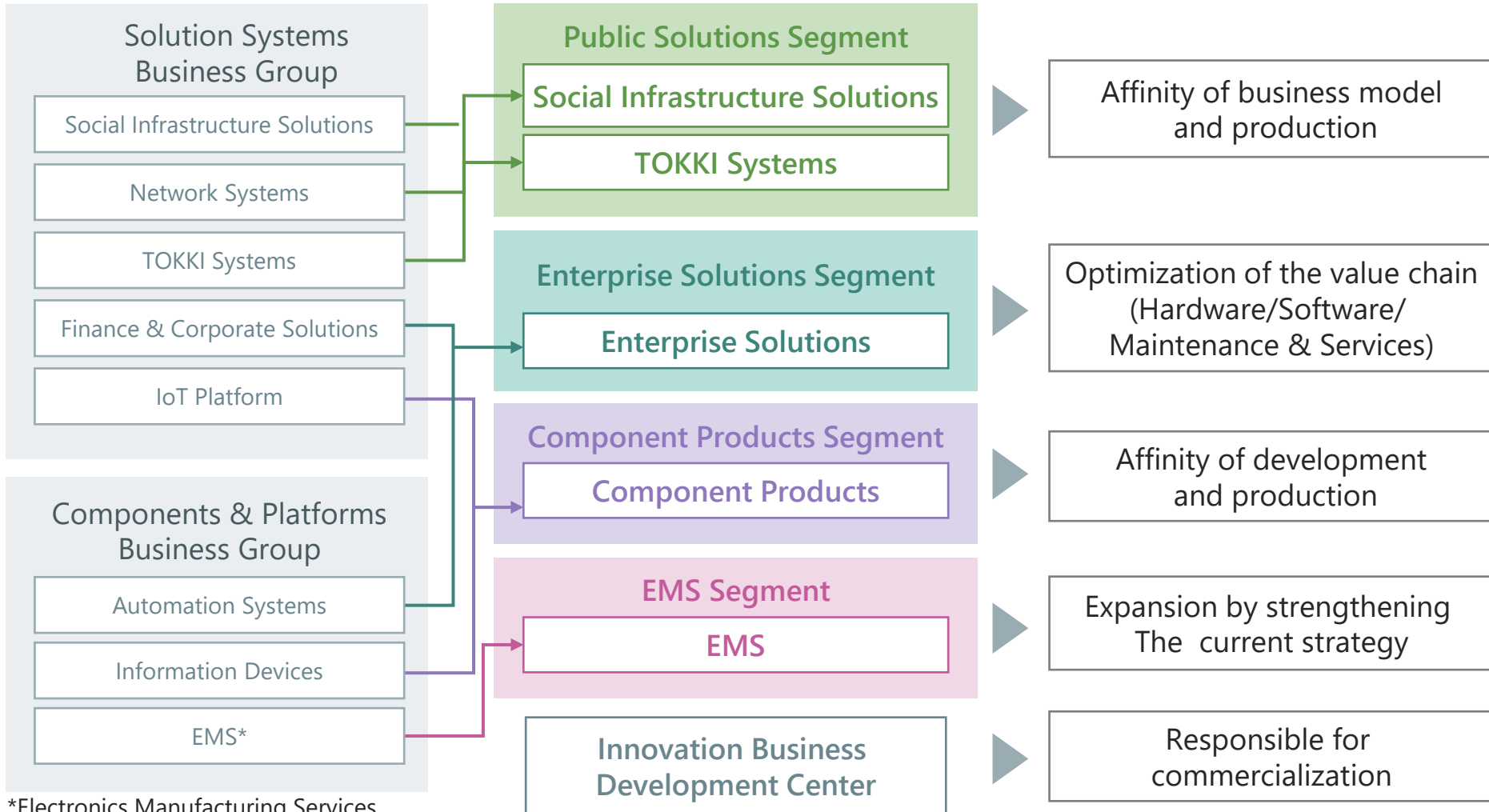
1. Rationalization of business scale

2. Optimization of the value chain of the business

3. Strengthen business management

Up to FY2022

FY2023 onwards (8⇒5divisions)



*Electronics Manufacturing Services

Clarify business positioning and improve profitability

(Billions of yen)

		Net sales	Operating income
Public Solutions	<p>Grow</p> <ul style="list-style-type: none"> • Securing renewal demand in firefighting and disaster prevention, and expanding existing businesses • Responding to needs based on the policy of strengthening defense capabilities • Creation of new solutions in focused areas and global expansion 	<p>FY22: 95.7, FY25: 130.0</p>	<p>FY22: 3.4, FY25: 9.5</p>
Enterprise Solutions	<p>Stabilize</p> <ul style="list-style-type: none"> • Securing rollover deals and renewal demand in financial markets • Improve profitability by streamlining development and production systems • Creating products to help solve labor shortages/ Shift to recurring business 	<p>FY22: 112.9, FY25: 140.0</p>	<p>FY22: 1.5, FY25: 9.0</p>
Component Products	<p>Stabilize</p> <ul style="list-style-type: none"> • Accelerate shift to OEM business • Improve profitability by streamlining development and production systems • Expand overseas products by using overseas sales offices 	<p>FY22: 84.6, FY25: 83.0</p>	<p>FY22: 1.6, FY25: 4.0</p>
EMS	<p>Grow</p> <ul style="list-style-type: none"> • Enhancing DMS functions to boost profitability • Expansion of parts business (Capital investment/ Global expansion) • Overseas expansion centering on existing blue-chip customers 	<p>FY22: 75.3, FY25: 95.0</p>	<p>FY22: 2.3, FY25: 4.5</p>

Strengthen functional divisions and boost business capabilities

<p>Sales</p>	<ul style="list-style-type: none"> • Revamp responsibilities, moving from region-specific to a market-specific focus (Raising the level of sales expertise) • Establish a Global Business & Marketing Division to restart overseas business <div style="display: flex; justify-content: space-around; margin-top: 10px;"> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">Public Office Marketing & Sales Division</div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">Public & Social Infrastructure Marketing & Sales Division</div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">Financial, Retail & Transportation Marketing & Sales Division</div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0;">Industry & Manufacturing Marketing & Sales Division</div> <div style="border: 1px solid #ccc; padding: 5px; background-color: #4CAF50; color: white;">Global Business & Marketing Division</div> </div>
<p>Technological Development</p>	<ul style="list-style-type: none"> • Specializing in R&D and prior technology development <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0; margin-top: 10px; width: fit-content;">Technology Division</div> <div style="border: 1px solid #0070C0; padding: 10px; margin-top: 20px; background-color: #0070C0; color: white; text-align: center;"> <p>R&D investments</p> <p>Prioritize and invest in focus areas</p> <p>¥35.0 billion</p> <p>(cumulative total over 3 years)</p> </div>
<p>Software</p>	<ul style="list-style-type: none"> • Consolidate software engineering resources; reduce costs associated with quality loss <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0; margin-top: 10px; width: fit-content;">System Center</div> <div style="border: 1px solid #0070C0; padding: 10px; margin-top: 20px; background-color: #0070C0; color: white; text-align: center;"> <p>Cost reduction</p> <p>Quality loss, procurement, processing, and logistics costs</p> <p>¥16.5 billion</p> <p>(cumulative total over 3 years)</p> </div>
<p>Production</p>	<ul style="list-style-type: none"> • Consolidate all production plants and procurement Optimize production efficiency and QCD under the Virtual One Factory concept <div style="border: 1px solid #ccc; padding: 5px; background-color: #f0f0f0; margin-top: 10px; width: fit-content;">Production & Procurement Management Division</div> <div style="text-align: center; margin-top: 20px;"> <p>The diagram illustrates the 'Virtual One Factory' concept. A central blue circle labeled 'Virtual One Factory' is connected by lines to ten surrounding plant locations, each with a small image of the plant and its acronym: OVNM, ODMT, ODMES, OTM, OPNT, OJIP, NISHIYOKOTE Plant, KOMINE Plant, NUMAZU Plant, and HONJO Plant.</p> </div>

Leveraging OKI's strengths and know-how to solve social issues in focused areas

Safe and convenient
social infrastructure

Conservation of global
environment

Job satisfaction and
productivity enhancement

Ocean



Social infrastructure

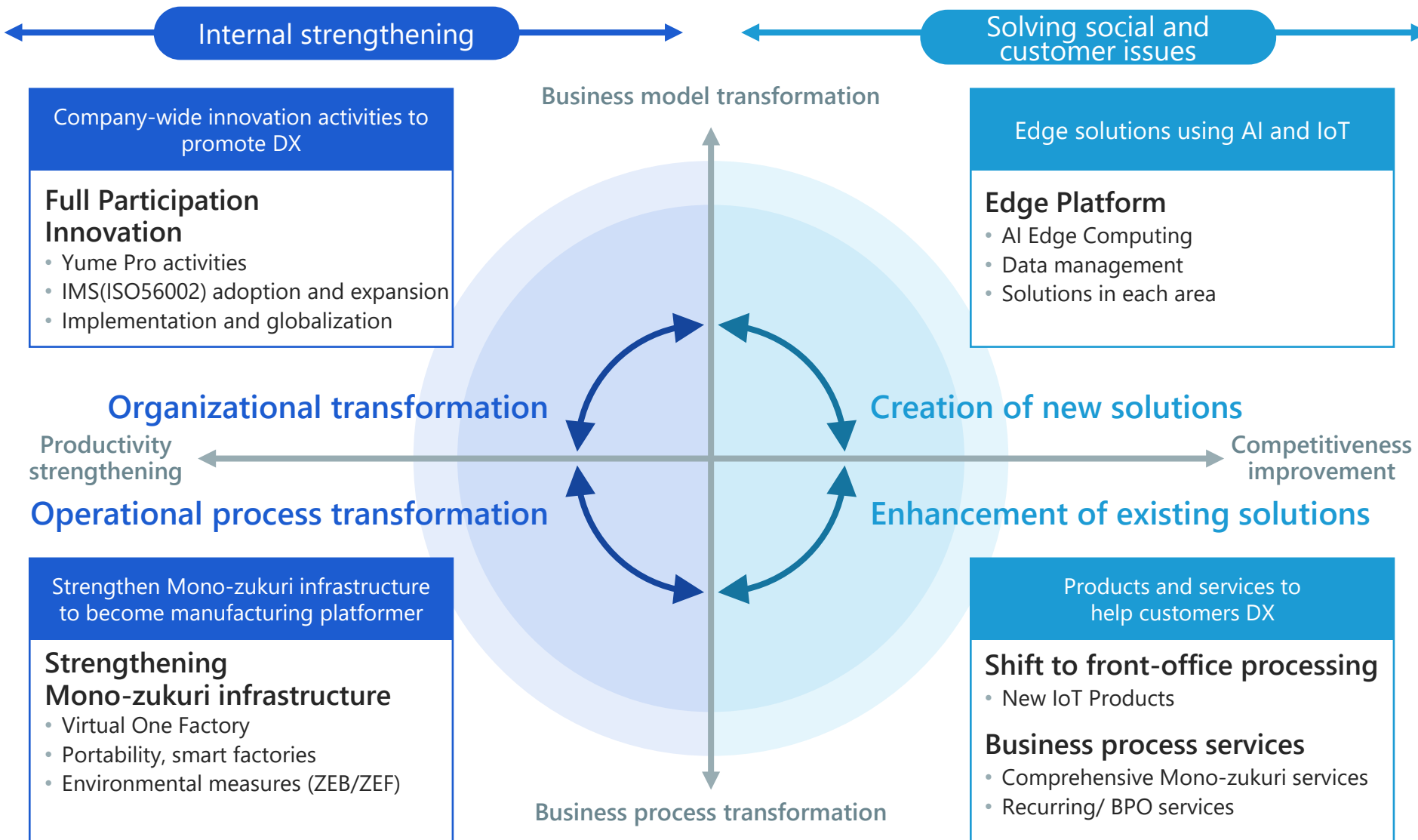


Manufacturing







Visualizing, analyzing,
and
predicting on-site data



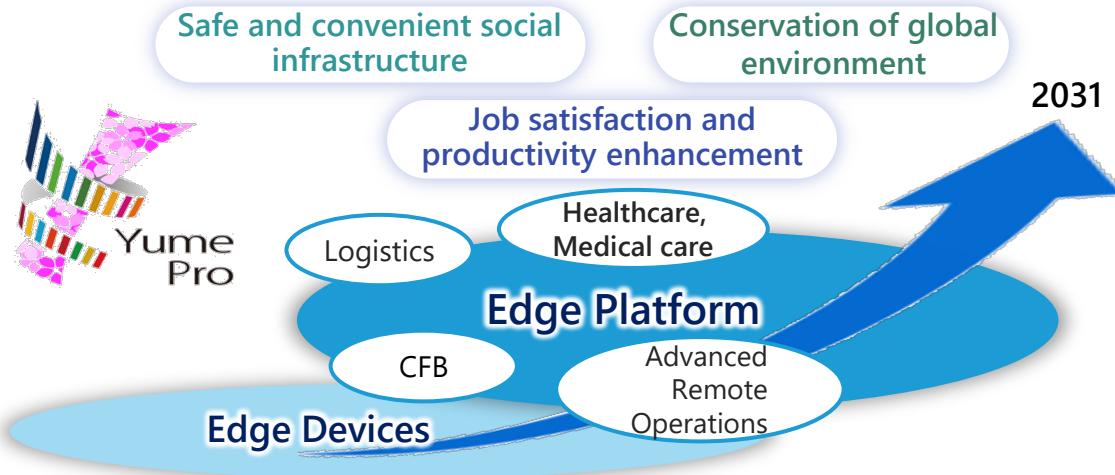
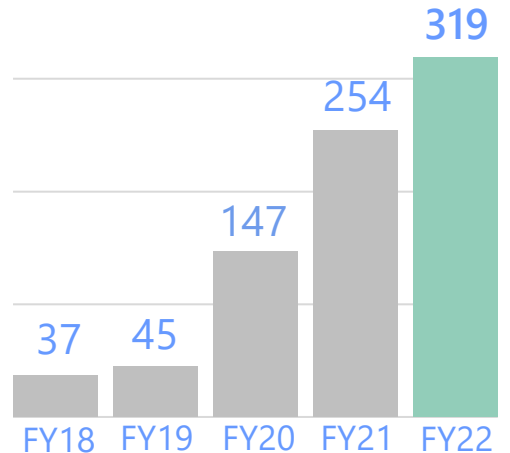


Innovation Business Development Center : Practice and Globalization of Innovation Activities

New Areas	Issues	OKI's strengths x Entry strategy
 <p>Advanced Remote Operations</p>	<ul style="list-style-type: none"> • Labor shortages • Productivity enhancement 	Efficiency of security, facility management, manufacturing, and construction site operations through the use of remotely operated platforms and multi-vendor edge modules
 <p>Logistics</p>	<ul style="list-style-type: none"> • Labor shortages • CO₂ reduction 	Optimize transport routes from feeder lines to trunk lines with real-time AI sensing Link this with warehouse integrated platforms to optimize the entire supply chain
 <p>Healthcare, Medical care</p>	<ul style="list-style-type: none"> • Labor shortages • Health Management 	Support health promotion and testing with behavioral change, wireless vital/biosensing, and medical device manufacturing
 <p>CFB (*1)</p>	<ul style="list-style-type: none"> • Labor shortages • Power saving 	Apply CFB technology developed in LED printer heads High-brightness displays, various semiconductor wafers/functional films

*1 CFB : Crystal Film Bonding
Semiconductor bonding technology cultivated in the LED printer business

The number of applications for the business idea contest



Enhance edge technology and connect data to increase value, and reinforce with a view to global expansion

Key points of technology enhancement

- Sensing technology that uses analog (optical, sound and wireless) and AI processing to produce edge data
- Toughness x AI Edge: AI edge with high quality, environmentally resistant device mobility that keeps moving
- A platform for collecting AI edge data via wired and wireless networks and thoroughly utilizing it to expand added value

Safe and convenient social infrastructure

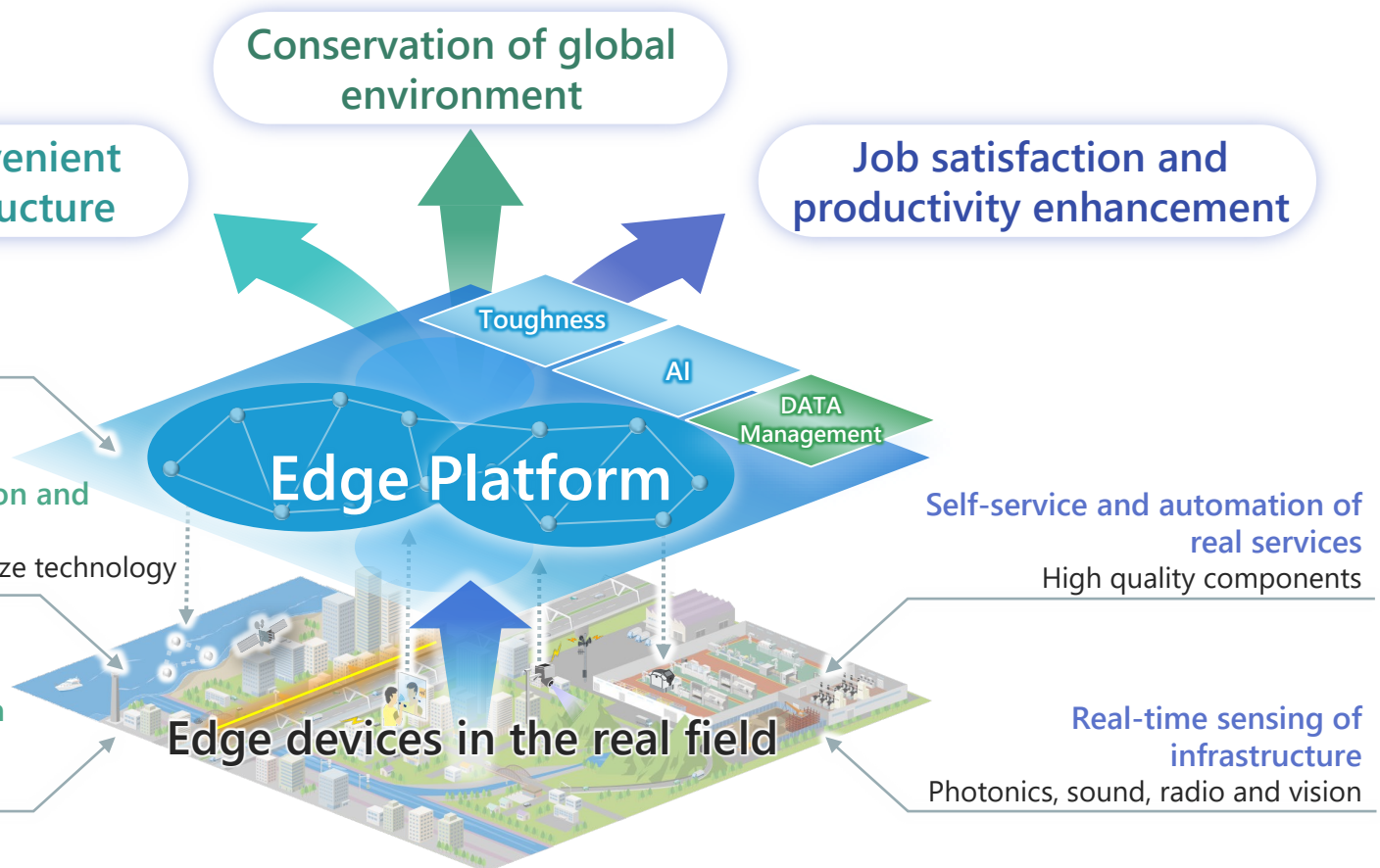
Conservation of global environment

Job satisfaction and productivity enhancement

Cross-sectional utilization of infrastructure data
Multimodal Data Infrastructure

Expansion of disaster prevention and ocean IoT infrastructure
High-definition networks/Ruggedize technology

Advancement of transportation infrastructure
V2X/Real-time interaction



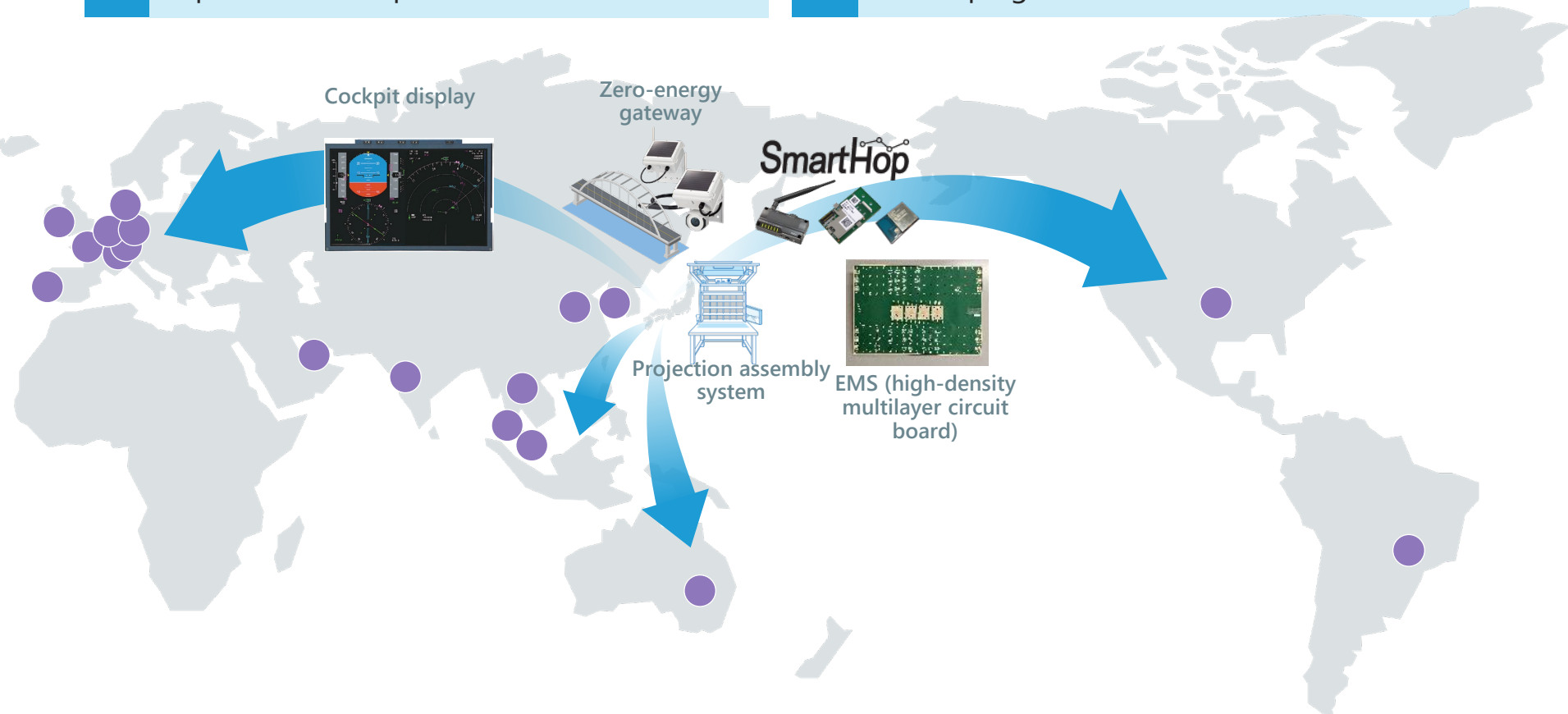
Transforming sales companies by business (printers and ATMs) to front-line bases for all OKIs

1 R&D on proprietary product technologies

2 Strengthen Air Display Business

3 Expand the EMS parts business

4 Developing Global Human Resources



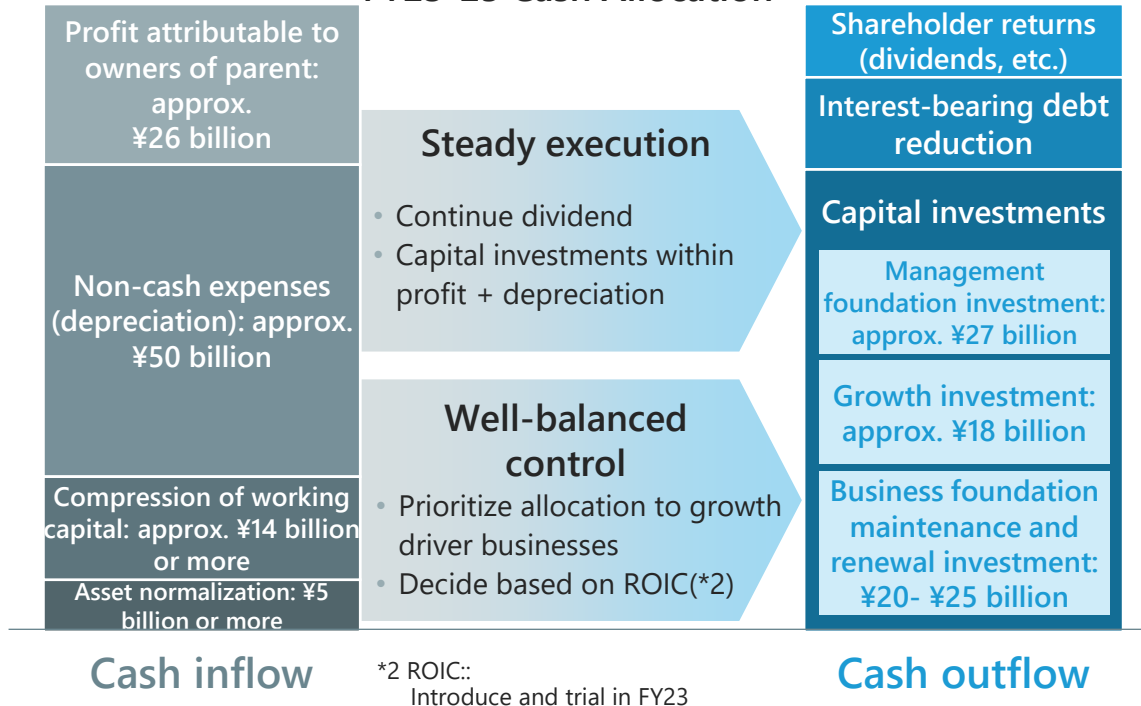
Execute investments aimed at further business expansion, while maintaining a BBB(*1) credit rating

- Secure and capture rollover and large-scale projects, turning them into profit.
- Normalize the excess working capital caused by supply chain disruptions at an early stage
- Optimize held assets, including policy-held stocks: aiming to achieve a ratio of policy-held stocks to net assets in the range around 20%
- Inclusive investment in growth businesses based on ROIC perspective

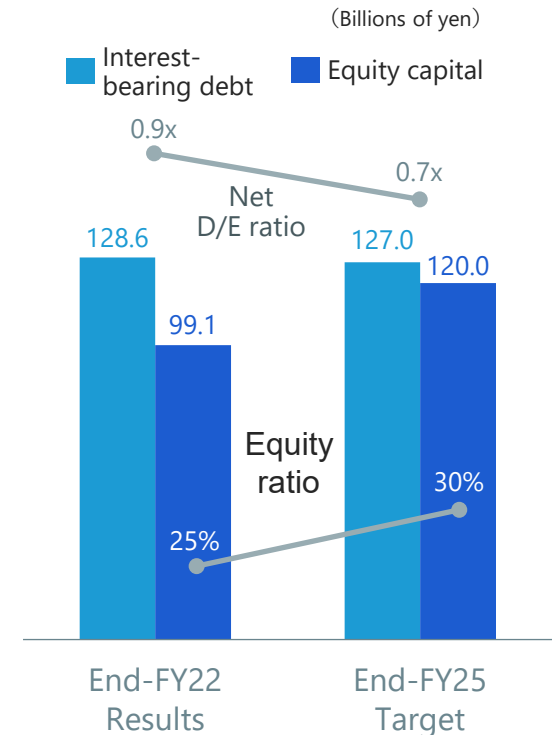
*1 Rating and Investment Information, Inc. (R&I)

With the recovery of the financial foundation as a premise, target an ROE of 10% or more in the long term

FY23-25 Cash Allocation



Financial Foundation



Reduce environmental impact through business activities

Advance efforts based on OKI Environmental Vision 2030/2050 global warming prevention targets (revised in September 2022)

FY2030 42% CO₂ emissions reduction at OKI sites and 25% CO₂ emissions reduction at suppliers and from the use of products (compared to FY2020)

FY2050 Virtually zero CO₂ emissions at OKI sites, virtually zero power consumption by new products



Initiatives

- Reduce environmental impact at our own sites

FY2025 targets

- Reduce CO₂ emissions at OKI sites by 21% (compared to FY2020)

Transform to a corporate culture that continually creates value

Promote measures that enable diverse talent to proactively thrive

- Maximize employee performance through the realization of "diversity" and "proactivity"
- Establish an appropriate personnel structure in line with business strategy, and achieve continuous optimal placement of talent

Invest in human capital for growth
Increase of ¥4.0 billion
 (compared to FY2022)
 Talent development, recruitment, revision of grading system, etc.

Initiatives

- Secure and employ a diverse and sufficient pool of talent
- Foster a culture where individuals and organizations align their goals and proactively thrive

FY2025 targets

- Female management ratio: 5%
- OKI Work Engagement: 70% job satisfaction score

Strengthen the management foundation to support sustainable growth

Embed risk management and reinforce compliance awareness: Evolve management structures and implement continuous education

Implement initiatives based on the OKI Group Human Rights Policy (established in October 2022): Develop systems and promote due diligence

A group of people are running through a lush green field towards a bright sun, creating a lens flare effect. In the foreground, the legs and feet of a person wearing blue jeans and sneakers are visible, suggesting they are also running. The scene is bright and energetic, with a clear blue sky and tall grass.

OKI *Open up your dreams*

Delivering OK! to your life.

Practice sustainability management as a company that "Delivering OK! to your life."

OKI's vision and contribution fields

Material issues (Materiality)

Providing products and services that help solve social issues

- Contribute to safe and convenient social infrastructure
- Contribute to job satisfaction and productivity enhancement
- Contribute to conservation of the global environment

Reducing environmental impact through business activities

- Reduce environmental impact at our own sites

Transforming into a corporate culture that continuously creates value

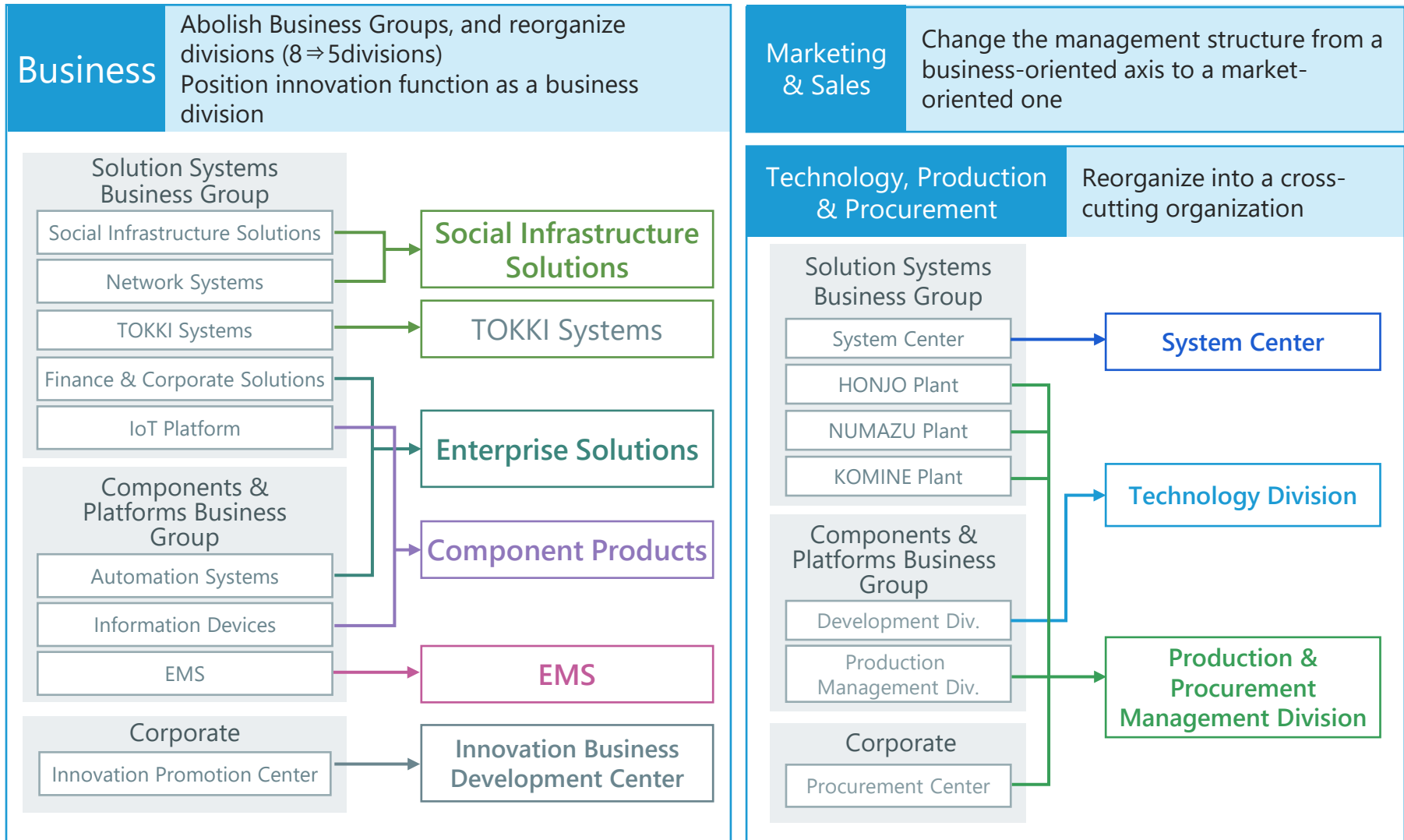
- Create value by "full participation innovation"
- Promote initiatives that enable diverse talent to proactively thrive

Strengthening management foundation to support sustainable growth

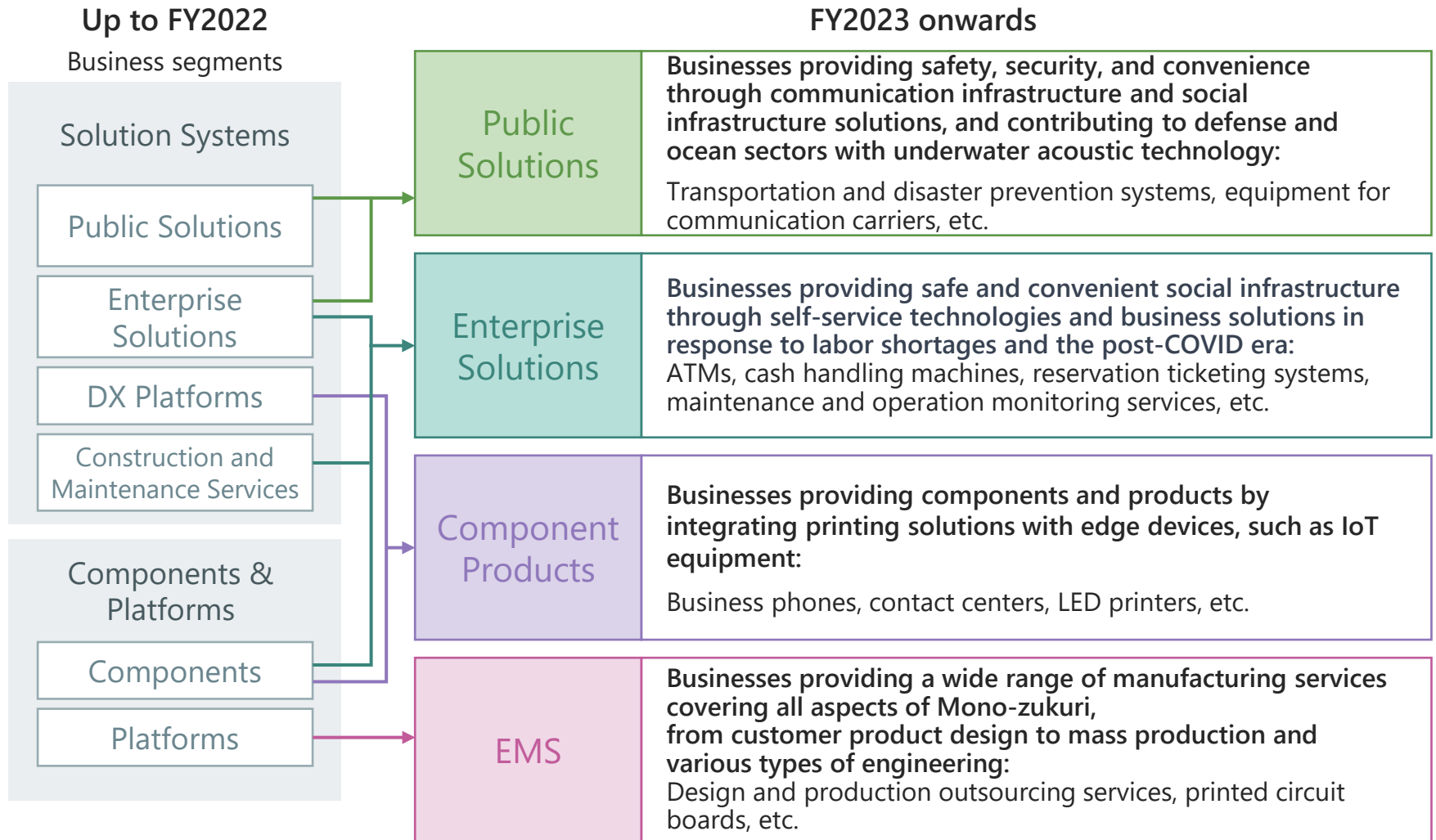
- Thoroughly manage risks and ensure compliance
- Ensure rigorous adherence to human rights
- Promote responsible procurement activities

Expectations/demands of society and stakeholders and the social issues confronting OKI

Organizational reforms centered on streamlining and enhancing overall capabilities



Transition to a management structure focusing on market alignment and value chain optimization



Terms	Explanation
Real-time sensing	Technology that enables real-time measurement of information from a target object using sensors and similar devices
Recurring	Business model offering a combination of equipment provision and business process outsourcing (BPO)
DMS	Development & Design Manufacturing Service: A comprehensive service that includes not only electronics manufacturing services (EMS) but also design and development
OVNM	OKI Viet Nam Co., Ltd. [Vietnam]
ODMT	OKI Data Manufacturing (Thailand) Co, Ltd. [Thailand]
ODMES	OKI Data MES Co., Ltd. [Japan (Fukushima)]
OTM	OKI TOMIOKA Manufacturing Co., Ltd. [Japan (Gunma)]
OPNT	OKI Precision (Thailand) Co., Ltd. [Thailand]
OJIP	OKI JIP Co., Ltd. [Japan (Saitama)]
IMS	Innovation Management System: A management system designed to foster innovation
AI edge computing	Technology that enables general-purpose AI processing at the 'edge' of a network, closer to the data source, while also interacting with cloud-based systems
Virtual One Factory	Production model designed to strengthen inter-factory collaboration by integrating operations of multiple factories as if they were a single entity
Portability, Smart Factory	Factory that enables cooperative production across multiple factory locations; Instead of relying heavily on manual labor, it leverages automation and IoT technologies to achieve efficiency and energy savings
ZEB/ZEF	Net Zero Energy Building/Factory: Structures or factories that achieve virtually zero energy consumption by employing energy-efficient equipment and renewable energy sources
Remotely operated platforms	Advanced technology platform for remote digital transformation (Remote DX); It integrates humans, a wide variety of robots, and different edge devices to enable intuitive, real-time responses to on-site situations from remote locations

Terms	Explanation
Edge module	Embedded modules that are installed in devices like robots, among edge devices
Warehouse integrated platforms	Platform that allows for more efficient, automated warehouse operations; It leverages sensing technology, AI, and production management expertise to transition away from traditional warehouse operations that depend on individual skills.
Wireless vital/biosensing	Technology that uses sensors to gather human health data, such as pulse rate and body temperature, then wirelessly transmits this information for continuous monitoring
Edge device	Devices, like equipment or sensors, that function at the 'edge' of a network, which is closer to real-world data sources or operational sites
Edge platform	Platform designed to increase the value derived from data by integrating and making sense of various types of data gathered from edge devices
Ruggedize	Technology that enhances the durability of products or systems, equipping them with qualities such as heat and cold resistance, waterproofing, dustproofing, and shock resistance, making them suitable for challenging environments
Multimodal	Capability to process various types and formats of data
V2X	Vehicle to Everything: Communication technology that connects vehicles with all types of objects
Vision	Advanced image recognition technology that offers high environmental durability, lightweight design, and fast performance, suitable for use in mobile devices and outdoor environments
Zero Energy Gateway	IoT gateway device that operates on solar power and enables wireless communication without the need for external power supply
Projection Assembly System	System that combines projection mapping and image sensing to provide visual support for factory workers' actions