

ICT

We aim to achieve sustainable growth by creating new businesses with the digital transformation as drivers of change and by maintaining or expanding stable earnings at core businesses.



Senior Vice President,
Head of ICT Business Division
Masashi Tsuboi

► Fiscal Year 2016 Earnings

Net sales declined 7.2% year on year to ¥177.4 billion. In the enterprise solutions business, sales dropped owing to effect of front-loaded demand in the previous fiscal year in systems for domestic financial institutions. In the corporate solutions business, sales trended steadily on progress in securing new projects. In the telecom systems business, sales declined due to the ending of sales of existing network systems to telecom carriers in the previous fiscal year. In the social infrastructure systems business, sales fell as large projects in public sector systems slumped and demand for switching to digital wireless communication systems for firefighting wound down.

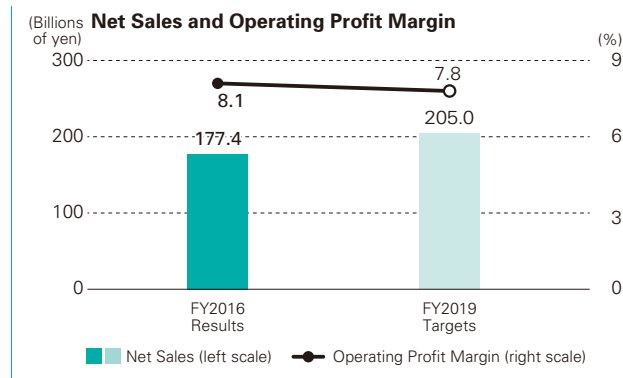
Operating income came to ¥14.4 billion for an operating profit margin of 8.1%. Despite the impact of weaker sales volume, profitability improved thanks to structural reforms. An increase in products expected to drive future growth such as 920MHz band wireless multi-hop systems and an improvement in product mix also contributed.

► Mid-term Business Plan 2019

Through the merger of three business divisions implemented in fiscal year 2016, the ICT business has built a business framework to be an early mover in executing an IoT-based growth strategy. We seek to create new businesses that harness the IoT-based digital transformation as drivers of change, while also raising the earnings baseline by securing large-scale

renewal demand orders in existing markets using merger synergies from this new framework. Combining our technologies in the three areas of sensing, networks and data processing, we seek to address a wide array of social issues in focus fields such as traffic, construction and infrastructure, disaster prevention, medical, finance and retail, and manufacturing.

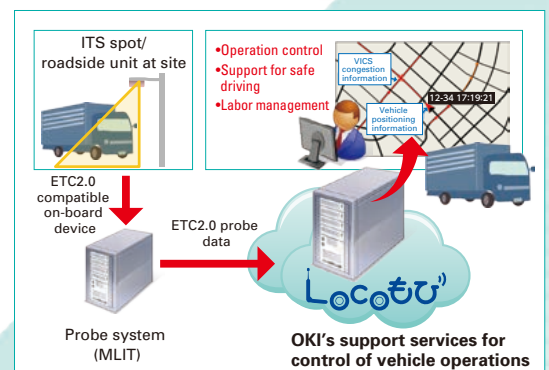
The ICT business aims for net sales of ¥205.0 billion and operating income of ¥16.0 billion in fiscal year 2019 under Mid-term Business Plan 2019, drawing on its strengths in “Mono-zukuri” manufacturing, technology assets, and an installed customer base it has built up over 136 years as an OKI Group core business.



TOPICS

Launched Pilot Social Project “ETC2.0 Services Supporting Control of Vehicle Operations”

OKI, along with Marubeni Corporation, is jointly participating in a pilot social project where the National Institute for Land and Infrastructure Management (NILIM), a national research organization affiliated with Ministry of Land, Infrastructure, Transport and Tourism (MLIT), publicly sought corporate partners. The pilot social project has been running as an experimental service to support control of vehicle operations for logistics companies using ETC2.0 since March 2017. This project provides services supporting control of vehicle operation, including dynamic management, using ETC2.0 probe data. The support service aims to improve operational efficiency, and evaluates the effectiveness of services using ETC2.0.



Conceptual Diagram of Pilot Social Project “ETC2.0 Service Supporting Control of Vehicle Operations”

Mechatronics Systems

We are a global supplier of products based on mechatronics technologies, and seek to return to growth by developing emerging markets and expanding sales of cash handling equipment in the domestic retail market.



Senior Vice President,
Head of Mechatronics
Systems Business Division

Kenichi Tamura

► Fiscal Year 2016 Earnings

Net sales declined 11.2% year on year to ¥100.9 billion. ATM sales for China declined sharply on the loss of the two months sales we had in the previous fiscal year to our local partner, as well as the demand in large urban centers leveling off. At businesses in emerging markets, the economy in Brazil has continued to slow since fiscal year 2015, so customers are curtailing investment, causing sales there to decline. In other regions, sales grew steadily, led by Southeast Asia. At our domestic business, in contrast, sales of cash handling equipment to service industries were robust.

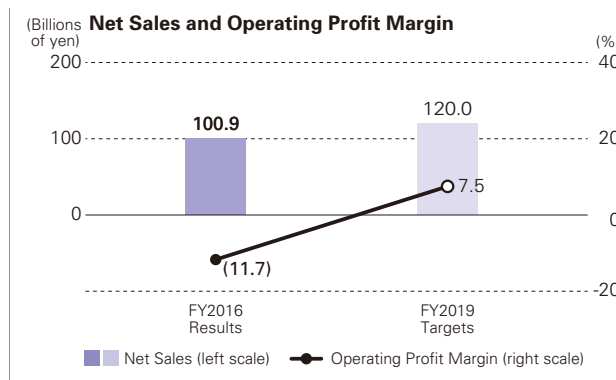
Operating losses came to ¥11.8 billion. This reflected the impact of production adjustments due to lower sales volume and inventory corrections, in addition to the provision of an allowance for doubtful accounts related to the receivables at the Chinese ATM business.

► Mid-term Business Plan 2019

At the mechatronics systems business, we expect earnings to lag as we rebuild our businesses in Brazil and China through fiscal year 2017 under Mid-term Business Plan 2019. From fiscal year 2018 onward, plan calls for the subsidiary in Brazil to move into profit and earnings at the China business to stabilize. In emerging markets, especially India and Southeast Asia, we plan to launch strategic products that compete effectively on cost with the aim of expanding our businesses. Along with coordinating and cooperating

with our sales and maintenance partners to turn our global business framework into an effective, reliable system, we will proceed with the restructuring of our overseas production sites with the aim of further bolstering our cost competitiveness.

In contrast, we are stepping up our approach to the domestic retail market, improving and expanding our product lineup, with cash handling equipment as our mainstay. Through such initiatives, the mechatronics systems business aims to achieve net sales of ¥120.0 billion and operating income of ¥9.0 billion in fiscal year 2019 under Mid-term Business Plan 2019.



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Launched Strategic “ATM-Recycler G8” for Emerging Markets

We have commenced sales of “ATM-Recycler G8,” a new cash recycling ATM for overseas markets. This new model is a strategic product with higher speed and greater capacity for responding to growing cash demand and higher future scalability. As part of its plans to further expand its mechatronics systems business overseas, OKI plans to sell 150,000 units of this model over the next five years in emerging markets such as India and Southeast Asia, where market expansion is expected.



ATM-Recycler G8

Web site <http://www.oki.com/en/press/2017/05/z17009e.html>

Printers

We seek to bolster our profitability by switching to a niche strategy focused on the industrial printing market.



Senior Vice President
President, Oki Data
Corporation

Toru Hatano

► Fiscal Year 2016 Earnings

Net sales declined 9.8% year on year to ¥112.4 billion. Although there was a boost from consolidating OKI Data Infotech Corporation, which was established in October 2015, the printer market environment continued to deteriorate. In LED printers, this meant a sideways trend in shipment volumes of high-value-added strategic products such as color multifunction printers (MFPs) and a slump in single-function printers (SFPs), which account for a high ratio of overall printer sales. In addition, progressive yen strengthening was a millstone depressing sales.

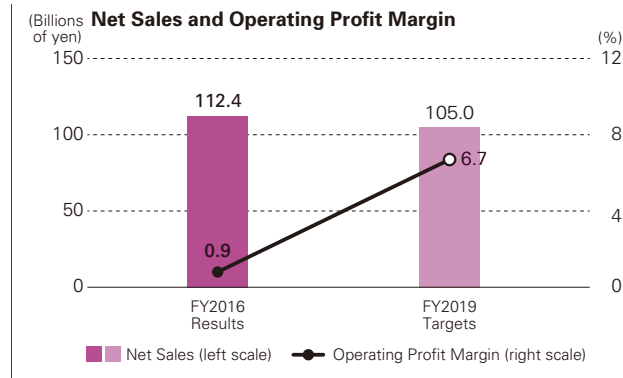
Operating income dipped ¥0.4 billion year on year to ¥1.0 billion. The decline reflected lower sales volumes in existing products and the downward pressure on sales from a stronger yen but thanks to an improved product mix and thoroughgoing efforts to streamline fixed costs, the business stayed profitable.

► Mid-term Business Plan 2019

The environment facing the printer market continues to be challenging due to slumping office printing demand and stiffer price competition. Under Mid-term Business Plan 2019, we intend to focus on streamlining in the office printing market and shifting to development of niche segments in the industrial printing market to secure stable profitability at the printers business. We aim to secure our market position, leveraging our ability to realize high-quality printing on

multiple media ranging from wide format to compact label printing as a source of competitiveness. Attendant with this strategic transformation, we will narrow down our product lineup for offices and restructure our overseas sales companies, production footprint and head office functions in a bid to make our organization lighter and nimbler. Leveraging OKI's strength in LED technology, we will bolster our competitiveness and expand external sales of LED print heads.

Mid-term Business Plan 2019 envisions the printer business securing stable earnings without reliance on large-scale sales, and on this basis, it aims for net sales of ¥105.0 billion and operating income of ¥7.0 billion in fiscal year 2019.



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Succession of New Wide-Format Printers Launched

OKI Data Infotech launched a succession of new wide format printers in fiscal year 2016. Two models are in the wide format inkjet printer category: the ColorPainter™ E-54s and E-64s. Six models are in the wide format LED multifunction printer category: the Teriostar LP-2060 and LP-2060-MF, Teriostar LP-1050 and LP-1050-MF, and Teriostar LP-1150 and LP-1150-MF. Through these new product launches, we improved and expanded our wide format printer lineup. The printers business aims to continue to expand sales to industrial printing markets in Japan and overseas.



ColorPainter E-54s

Web site <http://www.oki.com/en/press/2016/09/z16036e.html>

EMS

With our proprietary high-end electronics manufacturing services, we aim to expand annual sales to ¥100.0 billion, leveraging our strength in combining high-mix, low-volume manufacturing with high quality and reliability.



Executive Officer, Head of Electronics Manufacturing Services Business Division

Yoshiyuki Nakano

► Fiscal Year 2016 Earnings

Net sales rose 1.9% year on year to ¥43.2 billion. Despite the effects of a delay in consignment orders from a large existing customer, the overall trend at the business was steady. In orders for the measuring instruments market, the EMS business added new customers and increased sales through M&A. Operating income declined ¥0.2 billion year on year to ¥2.1 billion.

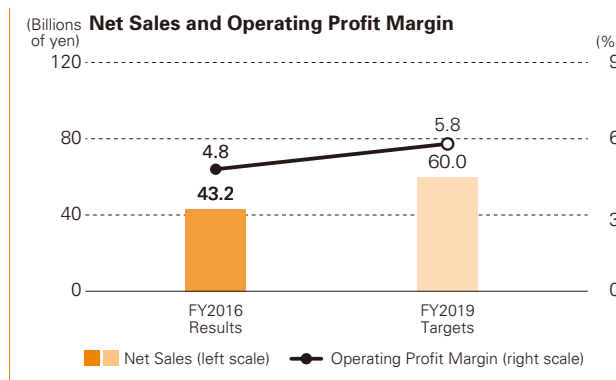
► Mid-term Business Plan 2019

Since its founding, the EMS business has grown steadily as a specialist business that draws on the comprehensive “Monozukuri” capabilities OKI has honed over many years. What we see as key market trends to watch are the downtrend in domestic production and the shift to overseas production, so we expect opportunities for customers to use EMS to increase. The EMS business draws on OKI’s strength in providing one-stop design and production consignment service and the brand power it has built up in the market to delve deeper in pursuit of customers in the tele communications, industrial applications, measurement instruments and medical sectors. Moreover, we aim to develop the field of trial production of electrical components, an area that is expected to grow over the medium and long terms, even as we ramp up sales in the field of aviation and aerospace.

Combining these efforts with active pursuit of M&A opportunities in keeping with our approach so far, we seek to secure new customers and technologies and expand capacity. On the

latter point, we plan to invest ¥5.0 billion over three years to bolster production capacity. We will further strengthen our Monozukuri capabilities by obtaining more certifications for standards across the Group as a whole and investing in high-density mounting and quality assurance technology while we work to reinforce marketing activities through group collaboration.

We will focus on the domestic high-end market, where we excel, while staying close to our customers so we can understand their needs. Under Mid-term Business Plan 2019, the EMS business targets net sales of ¥60.0 billion and operating income of ¥3.5 billion in fiscal year 2019, with the aim of expanding sales to ¥100.0 billion as soon as is practicable.



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Reinforcing Our Printed Circuit Board Business

We acquired the printed circuit board (PCB) business of Nippon Avionics Co., Ltd. It primarily supplies high degree-of-difficulty, high reliability PCBs for aviation and aerospace uses as well as for semiconductor inspection equipment. The acquisition is aimed at leveraging synergies with OKI’s stronghold in PCBs for high-end products and propelling the EMS business to share leadership in the domestic market for large-scale, multilayer circuit boards. We will also work to strengthen the EMS business by expanding consignment orders for integrated production that goes from PCBs through to final product assembly.



The PCB business acquired from Nippon Avionics has been relocated to OKI Circuit Technology.

Web site <http://www.oki.com/en/press/2016/07/z16020e.html>