

## OVERVIEW OF OPERATIONS

### ICT

We aim to achieve sustainable growth by generating new businesses through co-creation with partner firms and developing products that strengthen our IoT business platforms.

Senior Vice President,  
Head of ICT  
Business Group  
and Member of the Board

**Masashi Tsuboi**



#### ► FY2018 Business Results

Net sales increased ¥11.6 billion or 6.7% year on year to ¥184.3 billion. Revenues were up due to increased sales from transport-related and other social infrastructure system projects, and from telecom carriers, as well as brisk sales from some public sector projects.

Operating income increased ¥1.2 billion year on year to ¥14.7 billion due to increased sales and a better product mix.

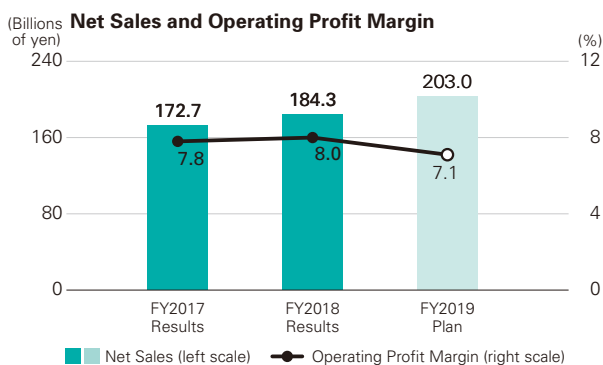
With the aim to create new businesses, we have hastened our efforts in co-creation businesses with partner firms since fiscal year 2017 in areas such as measuring aging infrastructure using fiber-optic sensors, services utilizing ETC 2.0 probe data, and a remote control overhead

video monitoring system for construction machinery, for which numerous experimental trials were conducted. The number of partner firms exceeded 60 at the end of fiscal year 2018.

#### ► Outlook for FY2019 and Future Strategy

In the ICT business in fiscal year 2019, we are planning net sales of ¥203.0 billion and operating income of ¥14.5 billion. While we anticipate a further increase in projects from public agencies, we also expect to increase sales from social infrastructure systems mainly associated with transport-related projects and from telecom carriers. On the other hand, we are aiming to keep operating profit almost unchanged from the previous fiscal year to continue ramping up our R&D investments as the previous fiscal year, for the purpose of bolstering our business in next generation transportation and IoT platform-driven co-creation businesses.

The environment surrounding the ICT business is constantly changing. Financial institutions are working on developing new services in collaboration with companies in other industries while promoting efficiency in bank branches and office work. In retail stores where there is a shortage of labor and payment services have been diversified, new solutions that match these changes and needs are required. In addition, the introduction of the 5G network from 2020 will see the realization of previously



## TOPICS 1

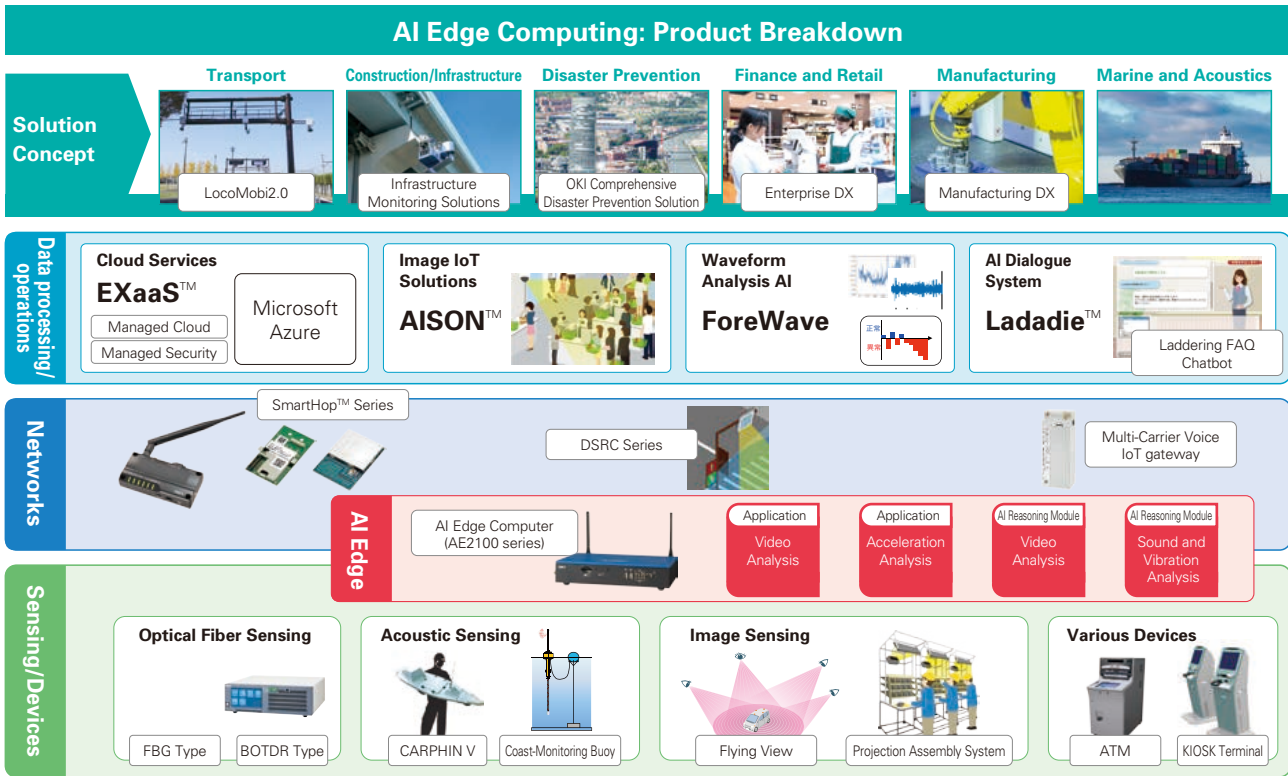
### Expanded the Range of Bridge Monitoring Applications by Speeding Up Optical Fiber Measurements

In collaboration with Maeda Corporation, we developed monitoring technology which can be applied to reinforced concrete bridges during its entire life cycle by speeding up measurements with OKI's unique fiber-optic sensing technology. When detecting cracks and measuring deflections upon monitoring bridges, it is necessary to select and employ the appropriate monitoring technology for the indicator applied, which differs according to its deterioration process. This technology, on the contrary, covers a variety of monitoring requirements of infrastructure deterioration, with a single measuring instrument only, throughout the useful life of typical infrastructure, which is about 50 years. As a result, it greatly reduces the overall cost.



Load fatigue test using RC beam specimen

## AI Edge Computing: Product Breakdown



unprecedented real-time controls in areas like automated driving vehicles and remote control of medical robots. Changes in technologies or customers' businesses may cause the shrinkage of our existing businesses, but may be our opportunities for business. We will strive to create new businesses as we respond to these changes.

We will continue to promote co-creation efforts with our partner firms to create new businesses. In areas such as transport, construction, infrastructure, disaster prevention, finance, retail, manufacturing, marine and acoustic technologies, we will strive to create projects where we can accelerate the growth of and take them from PoC\*1 up to the business phase by combining our partners' know-how with OKI's strengths in data processing, sensing, and network technologies.

In addition, the advent of the IoT era has seen explosive growth in the use of data, requiring efficient high-speed processing at the edge of networks, instead of processing all data in cloud. For more than 130 years, always striving to solve

its customers' operational issues, OKI has provided customized edge terminals and networking for each customer. We keep going this way even now with accelerated digital transformation. Thus in the future, we will build an ecosystem\*2, which is a collaboration model with various partners and goes beyond the conventional framework, thereby working on the development and deployment of AI edge computing products that enable the advanced use of data.

In the ICT business, we will continue to support OKI Group's sustainable growth by accelerating the co-creation with partners and the creation of products which strengthen the IoT business platform, and contributing to provide business solutions that support social infrastructure to solve the social issues.

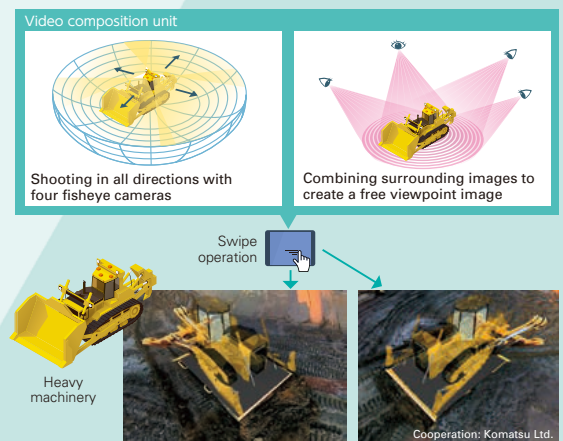
\*1 PoC (Proof of Concept): A simple test to demonstrate the feasibility of a new concept or theory

\*2 Relationship of co-existence and co-prosperity among partners such as companies and customers through a division of labor and collaboration

## TOPICS2

### Conducted Remote Control Experimental Trials of Construction Machinery Using Vehicle Overhead Imaging

The Flying View, which enables overhead video monitoring, was adopted for a system of remote control for construction machinery at Komatsu Ltd. and a 5G experimental trial was carried out. The trial applying the Flying View was able to process high-capacity, high-resolution video, in real-time using a compact power-saving system. In addition, it enabled real-time, seamless, bird's-eye view monitoring of the entire area of a construction machinery site with almost no blind spots.



Overview of the Flying View overhead video monitoring system

# Mechatronics Systems

In addition to expanding our recurring revenue business, we will challenge issues related to the cashless market and labor shortages with automation technology to steadily generate profits by capturing domestic and new overseas demand.

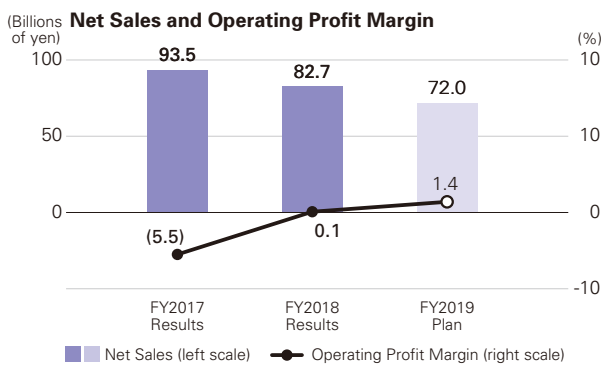
Senior Vice President,  
Head of Mechatronics  
Systems Business Group  
**Kenichi Tamura**



## ► FY2018 Business Results

Net sales decreased ¥10.8 billion or 11.6% year on year to ¥82.7 billion. The decline in sales mainly owed to the impact of a review of our business due to structural reforms and the disappearance of positive earnings from the standardization of fiscal periods at its Brazilian subsidiaries in the previous year. In the overseas ATM market, unit sales decreased in China, but sales mainly in Asia excluding China and other regions were brisk. In Japan, ATM sales were relatively unchanged from the previous fiscal year's level, whereas sales of ATM services and cash handling equipment increased.

Operating income was ¥0.1 billion, an improvement of ¥5.2 billion year on year, mainly due to the effects of fixed cost reductions achieved through structural reforms, despite the impact of a decline in sales.



## ► Outlook for FY2019 and Future Strategy

In the Mechatronics Systems business in fiscal year 2019, we are planning net sales of ¥72.0 billion and operating income of ¥1.0 billion. In the domestic market, large-scale cash handling equipment projects from the previous fiscal year will disappear. However, the market environment for cashless payments should see sales increase on the back of replacement demand for ATMs at financial institutions and convenience stores. In addition, we are looking to expand our recurring revenue business centered on ATM full outsourcing service. In the overseas markets, ATM sales in India, Indonesia, and Russia are also expected to grow.

Profitability of the Brazil business has improved as a result of structural reforms, but it was difficult to see further growth in the future. Thus we decided to spin off the business into a new subsidiary, transfer the shares and concentrate our efforts on providing ATM modules for our partners. Going forward, we take into account the market environment for each country to expand business appropriately to generate profits.

In the Mechatronics Systems business, based on the profit established through structural reforms, we will steadily generate additional profits by increasing the number of ATMs sold in the Japanese and overseas markets. We will also make investments for the future to promote the development of products that address the trend towards cashless payments as well as customers' needs for maximizing operational efficiency at financial institutions and labor-saving equipment.

## TOPICS

### Won Order from State Bank of India for 3,500 ATMs and Related Services

OKI won a contract from India's largest bank, State Bank of India, to supply 3,500 of its cash-recycling ATM, ATM-Recycler G8 and associated services. Being a largely cash-based society, there are currently 220,000 ATMs and CDs (cash dispensers) in operation in India, but this figure is expected to exceed 270,000 units by 2022 as economic growth drives demand for depositing sales takings and remitting funds with the use of ATMs. Demand for efficient cash-recycling ATMs is also growing at financial institutions due to the need to better streamline cash deposits and withdrawals.

Related website <https://www.oki.com/en/press/2019/06/z19017e.html>



ATM-Recycler G8 at State Bank of India



# Printers

We aim to further improve profitability by accelerating the shift to the industrial printing market by launching new products.

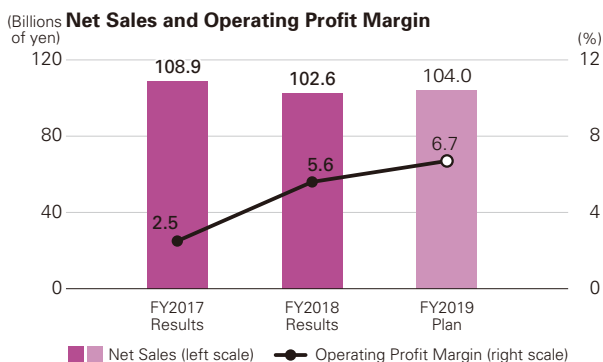
Senior Vice President  
President, Oki Data  
Corporation  
**Toru Hatano**



## ► FY2018 Business Results

Net sales declined ¥6.3 billion or 5.8% year on year to ¥102.6 billion due to the disappearance of the previous fiscal year's large-scale project and diminished sales in the office printing market as we continued to shift our focus towards the industrial printing market.

Operating income rose ¥3.0 billion year on year to ¥5.7 billion due to improved fixed cost structures through structural reforms conducted in the previous fiscal year and the effect of the weaker yen.



## ► Outlook for FY2019 and Future Strategy

In the Printers business in fiscal year 2019, we are planning net sales of ¥104.0 billion and operating income of ¥7.0 billion. Although the office printing market continues to shrink with the ongoing shift to paperless, it still continues to generate stable revenues. Since fiscal year 2017, we have been shifting our business to the industrial printing market. In industry-vertical markets that use a lot of consumables, we are striving to expand profits with the sales of consumables by aiming to secure even more new projects in medical and retail fields. To target the industrial market, we launched new label printers to add to our existing line of special color printers that have a strong presence in the design industry and wide-format printers. These new products leverage our strengths in LED technology to make the labels highly waterproof and weather-resistant. By launching new products, we will increase the sales ratio of industry printers and aim to increase profits from these hardware sales. Furthermore, we will expand our presence in the industrial printer market by strengthening our sales structure in Japan and overseas. In this way, we will accelerate our shift to industrial printing market to achieve higher sales and profits in fiscal year 2019.

## TOPICS

### Released Strategic Printer Products for the Industrial Printing Market

We released two models of the world's first narrow-format color LED label printers. In the food, beverage, and logistics industries, the number of items handled has increased with the diversification of needs and the rise in the number of products. There has been an increase in demand for label printing that can identify and highlight a product's special features. In response to these demands, we offer on-demand printing in small quantities for a wide variety of color labels, and with the prospect of white ink printing we are now able to show rich expressions on transparent film and colored labels.



Color LED label printer Pro1050 / Pro1040

# EMS

Strengthening our one-stop services, from sales to design, manufacturing, and evaluation, we will aim to target further growth by cultivating new customers and new business projects.

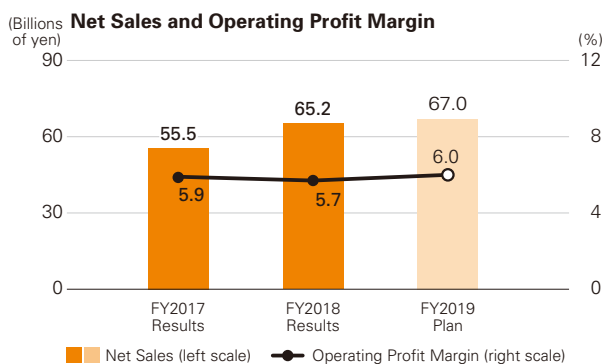
Executive Vice President,  
Head of Electronics  
Manufacturing Services  
Business Group

Masasuke Kishi



### ► FY2018 Business Results

Net sales increased ¥9.7 billion or 17.4% year on year to ¥65.2 billion due to the new consolidation effect of OKI Electric Cable (OEC). Despite market deterioration in the semiconductor and FA fields, sales for industrial equipment, medical equipment, as well as aviation and aerospace projects increased. Operating income increased ¥0.4 billion year on year to ¥3.7 billion due to an increase in sales volume.



### ► Outlook for FY2019 and Future Strategy

In the EMS business in fiscal year 2019, we are planning net sales of ¥67.0 billion and operating income of ¥4.0 billion. With our one-stop services from sales to design, manufacturing, and evaluation, strengthened through making OEC a consolidated subsidiary, we will aim to acquire new customers and increase orders for new projects from existing customers.

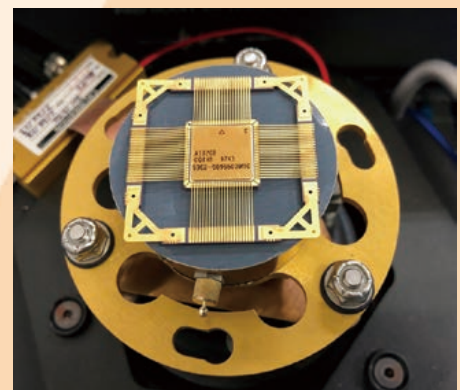
OKI's EMS business is not affected by business sentiment at certain industries due to the diversified nature of its business portfolio. The market deterioration in semiconductor and FA fields seem to continue for a while, due to the US-China trade friction and other issues. Therefore, in addition to focusing on the medical, aviation and aerospace fields where our business is brisk and expected to continue growing in the future, we will also need to secure profits in communications and industrial equipment fields.

In addition, domestic outsourcing needs remain firm against the background of a declining labor force. OKI will continue to provide safe and secure comprehensive "Mono-zukuri" services to its customers to respond to their needs, with the development of new production technologies and the expansion of production and inspection facilities. Moreover, we will consider leveraging M&A and alliance opportunities to implement initiatives aimed at future growth.

## TOPICS

### Started a Reliability Evaluation Service for Aerospace Electronic Components to New Entrants

OKI Engineering has started offering "a reliability evaluation service for aerospace electronic components." The service is to prevent defects in the manufacture of electronic components for civilian rockets and small satellites. In addition to expanding the evaluation of hollow packages which is critical for aerospace electronic components, we established a system that enables one-stop evaluation in a short period of time. New entrants to the aerospace business can now conduct efficient tests to secure reliability with this service.



Foreign matter analysis of hollow package devices