
OKI Business Strategies

- Mid-term business plan -

October 8, 2010

Oki Electric Industry Co., Ltd.

• The projections and plans in this material are subject to change depending upon the changes of business environments and other conditions.

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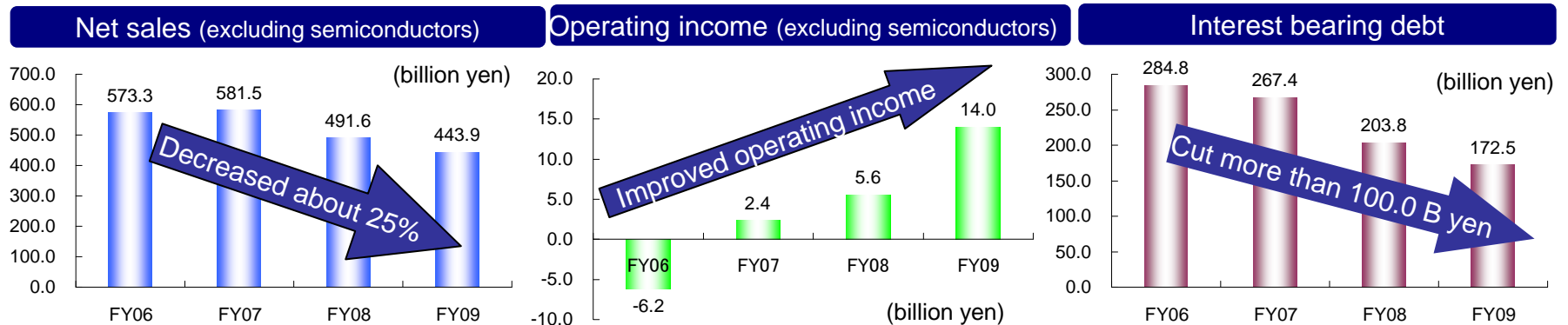
1. Positioning of today's explanation
2. Corporate strategies for the mid-term business plan
3. Program for the enhancement of management bases
4. Program for growth

1-1. Past efforts and achievements for enhancement of management bases

- Faced rapid and significant changes in external environment, such as the worst world economic situation caused by the financial crisis and the strong yen.
- Executed revamping the business structure, aiming to become capable of generating profit stably without depending on sales expansion.
- Formulated and announced “the Mid-term business plan” in Feb. 2010, which was on the subject of completing the enhancement of management bases and implementing growth strategies for the future.

< Main measures >

- ✓ Accelerated business selection and concentration: spun off of semiconductor business and transferred 95% of shares and trimmed other unprofitable businesses
- ✓ Reduced various costs: personnel cost, procurement cost, reduced costs by enhancing development efficiency, etc.
- ✓ Improved cash flows: reduced investment in plant and equipment, saved on inventory

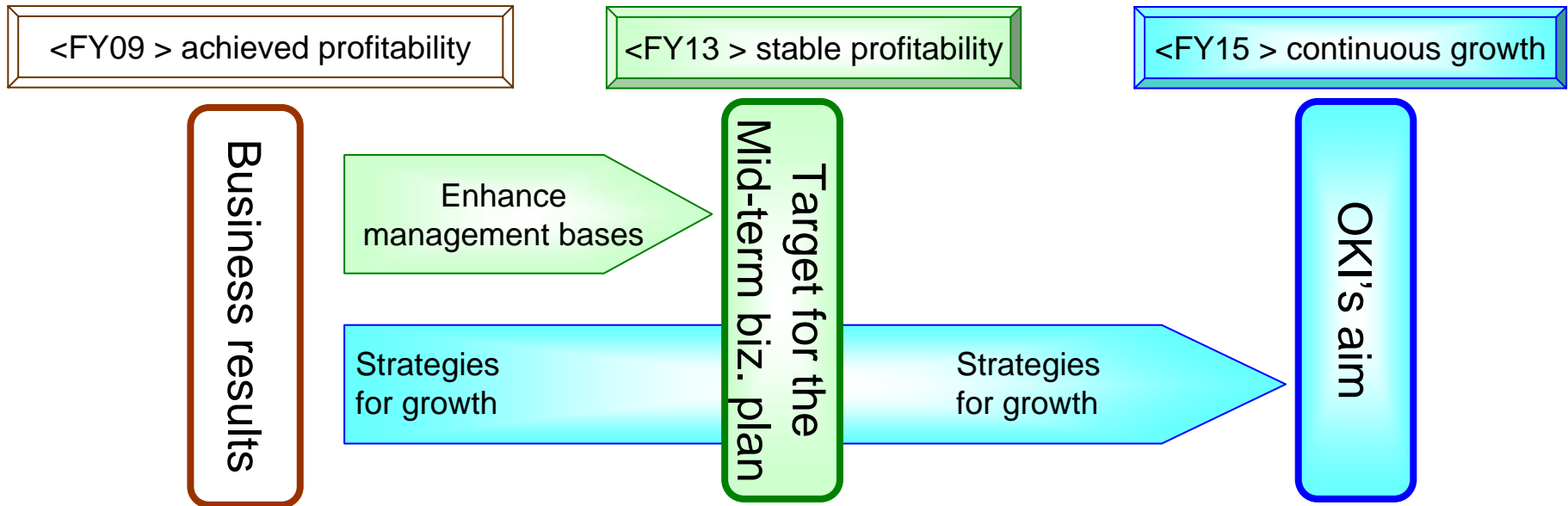


FY: Fiscal Year

1-2.Positioning of today' s explanation

- Brushing up “ the Mid-term business plan” announced in Feb. 2010
 - ✓ Establish a structure which is capable of achieving early resumption of dividends and payment of stable dividends continuously.
 - ✓ Program for the enhancement of management bases: tangible measures for stable profitability
 - ✓ Program for growth: growth strategies for the what the OKI group aims to be.

Achieve early resumption of dividends/continuous payment of stable dividends



The last fiscal year for “the Mid-term business plan”:FY12 → FY13

2-1. Corporate strategies for the mid-term business plan

- OKI provides products and services to contribute to the development of the information society through joint efforts by sales and marketing, technology development, production, and maintenance.
- OKI aims to become a company that makes steady growth by generating profit stably.

<OKI' s approach>

1. Shift to a consolidated group management
2. Enhance “monozukuri” (manufacturing)
3. Strengthen service business
4. Create new businesses based on unique technologies

2-2. Mid-term business targets

<Corporate strategy> generate stable profitability

OKI will establish a business structure which is capable of generating profit stably without depending on sales expansion even under the severe business environment, and **accomplish solid management bases supporting business growth in the future.**

<Corporate strategy> company making steady growth

To contribute to the development of the information society, **OKI will seize global business chances and aim to become a company** that grows stably by concentrating limited management resources and driving strategic alliances, with a focus on the OKI Group advantages.

Achieve early resumption of dividends/continuous payment of stable dividends

	FY09(Results)		FY13 (Mid-term biz. target)		FY15 (OKI's aim)
Net sales	443.9 B yen	Enhance Management bases	520.0 B yen	Strategies for growth	600.0 B yen
Operating income	14.0 B yen		22.0 B yen		30.0 B yen
Shareholders' equity ratio	15%	More than 20%	Stable growth		
Net debt equity ratio	1.8 times	Less than 1.0 times			

2-3. Mid-term business targets Changing factors of operating income

<Corporate strategy> generate stable profitability

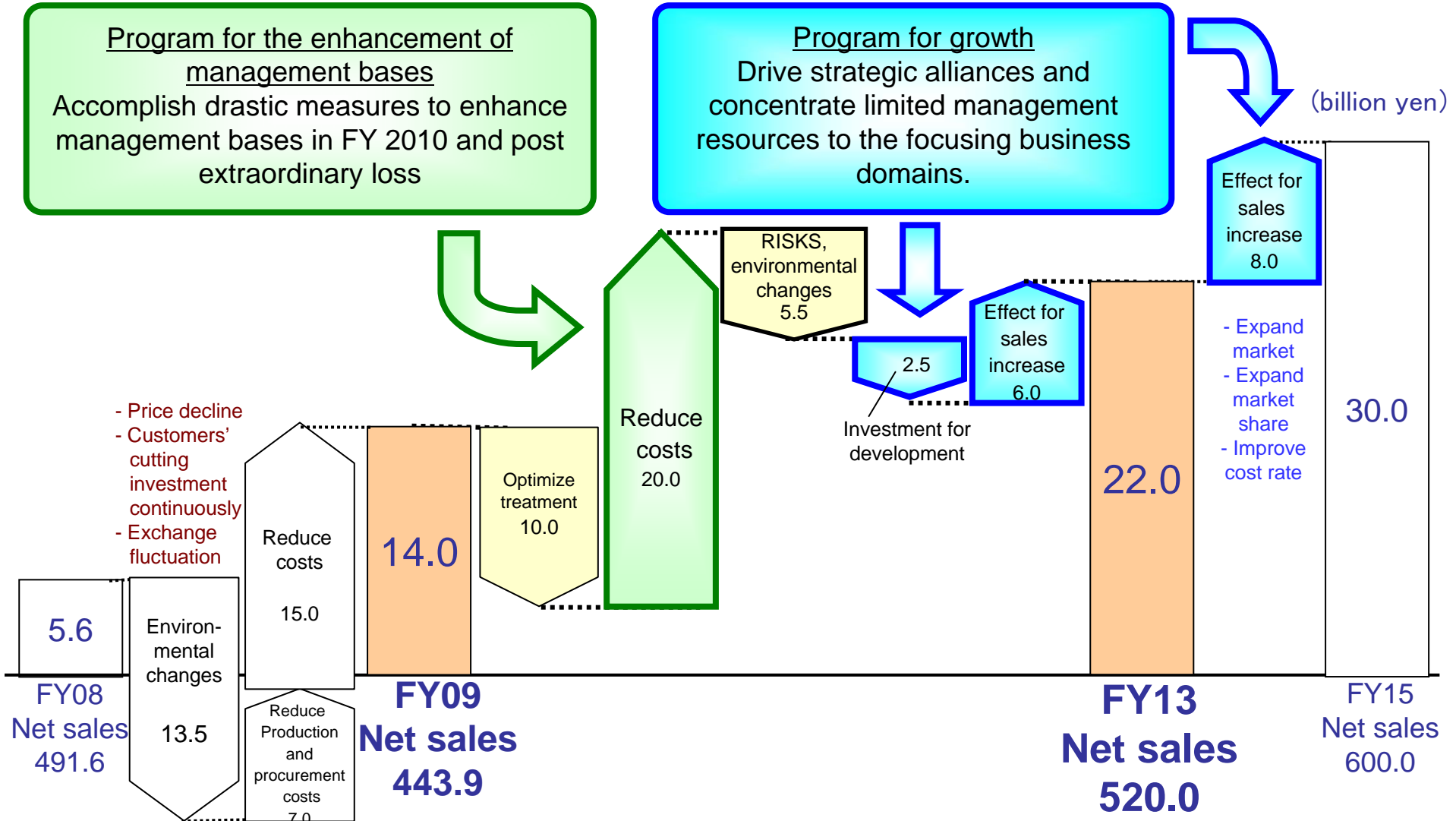
<Corporate strategy> company making steady growth

Program for the enhancement of management bases

Accomplish drastic measures to enhance management bases in FY 2010 and post extraordinary loss

Program for growth

Drive strategic alliances and concentrate limited management resources to the focusing business domains.



3-1. Program for the enhancement of management bases < The Whole Picture >

Establish a business structure which is capable of generating profit stably and accomplish solid management bases supporting business growth in the future

- Drastic measures to enhance management bases
 - ✓ Amount of effects for reducing costs 20.0 B yen (FY2013/FY2009 comparison)
 - 1. Revise retirement benefit scheme 3.5 B yen
 - 2. Reduce procurement costs (enforce Group procurement) 5.0 B yen
 - 3. Accelerate business selection and concentration (efficient operation and assignment of appropriate personnel in the whole Group) 11.5 B yen
- Post costs strategically to enhance management bases
 - ✓ Post extraordinary loss 29.0 B yen(FY2010)*
- Raise funds for capital reinforcement and strategic investments for growth
 - ✓ Issue preferred stocks by allocation to a third party 30.0 B yen(FY2010)

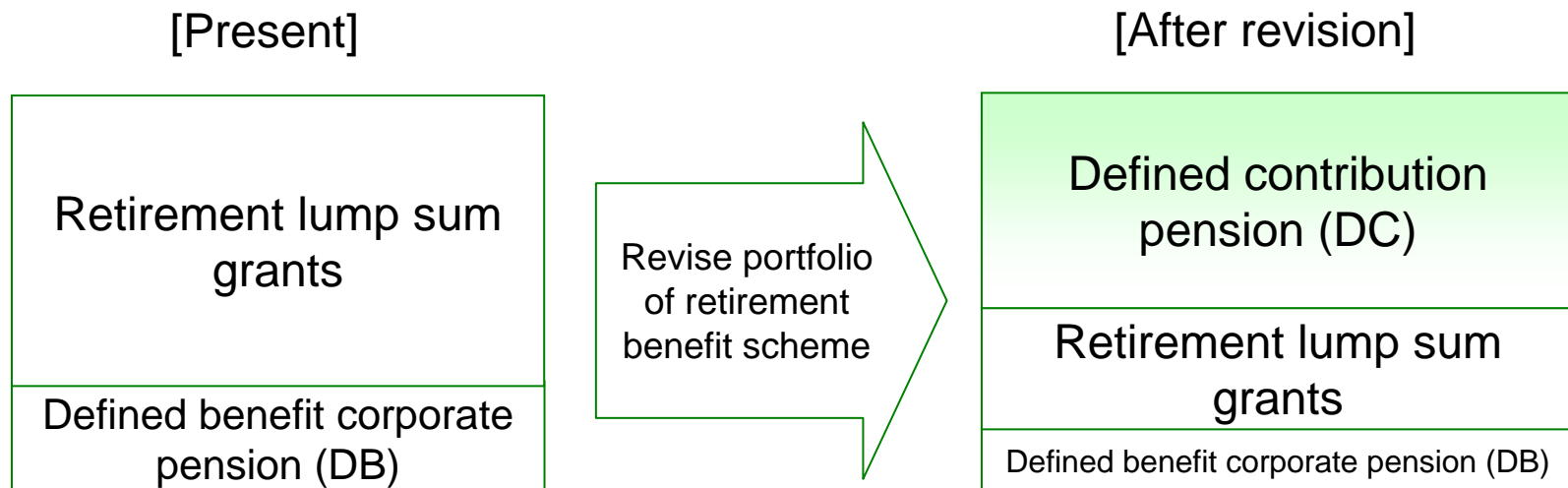
*Amount of posting extraordinary loss as costs to enhance management bases

3-2. Program for the enhancement of management bases < Measure 1 >

< Revise retirement benefit scheme ⇒ 3.5 B yen >

- Decrease projected benefit obligation and reduce amount of retirement allowance payments in outyear by half
- Reduce management risk for retirement benefit assets and decrease future financial defrayment

Revise whole portfolio of retirement benefit scheme for the generations still working, from FY2011.
 [Introduce defined contribution pension (DC) system]



3-3. Program for the enhancement of management bases < Measure 2 >

< Reduce procurement costs: enforce Group procurement capability ⇒ 5.0 B yen >

- Enforce Group procurement capability by integrating procurement functions
- Aim for further reduction of procurement costs

Set up a Group procurement division (implemented in Apr. 2010)

- ✓ Pursue advantage of scale against the backdrop of the Group's total volume
- ✓ Promote fair order

Group procurement activity policy

- ✓ Standardize by applying the best terms of cost and payment term
- ✓ Implement preferential purchase with well-selected business partners
- ✓ Promote international procurement by cooperating with overseas sales offices

3-4. Program for the enhancement of management bases < Measure 3 >

< Accelerate business selection and concentration: efficient operation and assignment of appropriate personnel ⇒ 11.5 B yen >

- Accelerate appropriate personnel assignment by promoting further efficient operation in parallel with measures for reorganizing and integrating Group companies
- Improve future profitability by reducing entire costs, focusing on fixed costs

- ✓ Reorganize and integrate Group companies (underway), measures for consolidating and recovering unprofitable businesses in Group companies (underway)
 - Number of subsidiaries In Japan: 35 subsidiaries in FY2013
- ✓ Integrate manufacturing sites: revise roles of domestic and overseas manufacturing sites
Reorganize domestic sites (under review)
- ✓ Efficient development: reorganize and revamp the structure of wholly software development divisions (underway)
 - integrating common indirect operations/ unified project operation/ promoting self-manufacturing / standardization etc.
- ✓ Reduce personnel cost: cut personnel cost worth 1,000 people in Japan in FY2010
 - Reduce focusing on indirect divisions and personnel, and accelerate personnel re-assignment in focusing business domains in parallel
 - Introduce early retirement program in addition to existing outplacement program

3-5. Program for the enhancement of management bases

< Post costs strategically to enhance management bases >

➤ Improve future profitability by generating temporary loss from measures for the enhancement of management bases

✓ Post extraordinary loss in FY 2010: 29.0 B yen

- Recognize part of the projected benefit obligation in excess of plan assets, etc. about 22.0 B yen
- Special retirement expense About 7.0 B yen

< Capital improvement >

➤ Set a way for early resumption of dividends

✓ Capital reduction: resolve retained loss by reducing common stock and capital reserve

✓ Capital expansion: issue preferred stocks by allocation to a third party and raise 30.0 B yen

- Allocation: financial institutions, customers, business alliance partners etc. 14 companies

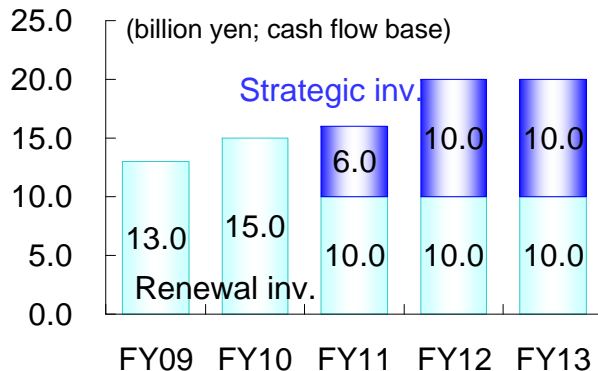
- Allocate large portion of procurement funds (26.0 B yen) to strategic investments for focusing business domains

4-1. Program for growth < The Whole Picture >

Aim to grow in each focusing business domains by concentrating limited management resources and driving strategic alliances

< Focusing domains, driver for growth, amount of strategic investments >

<Investment allocation >



S & S: Solutions & services
 LCM: Life cycle management
 MFP: Multi Function Printer
 MPS: Managed print service
 EMS: Electronics Manufacturing Service

<S&S> inv. ¥8.0 B

ATM-LCM,
 Cloud computing system for
 financial institutions and public
 offices

<Mechatronics> inv. ¥7.0 B

Deploy cash recycling
 ATMs to overseas market

<Printers> inv. ¥8.0 B

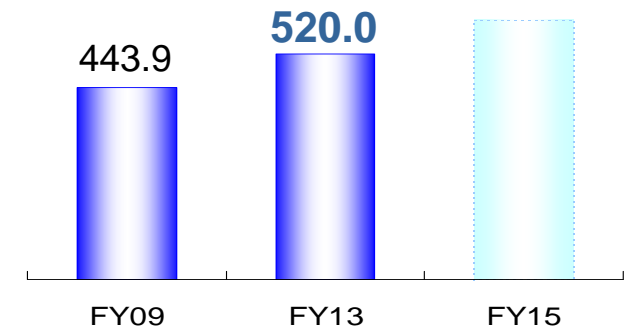
Focus on MFP, expand
 MPS business, Deploy
 LED-applied products

<EMS> inv. ¥3.0 B

Produce high-end products
 (medical, telecom, industrial
 equipment), and multiple-
 layer substrates

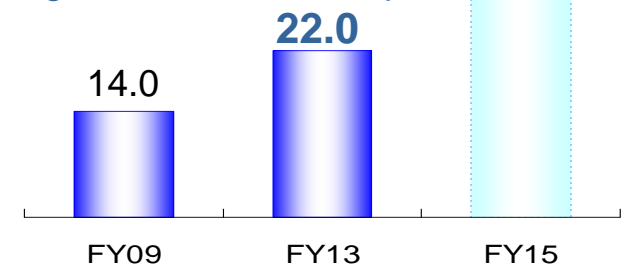
< Net sales >

Target for mid-term biz. plan 600.0 billion yen



< Operating income >

Target for mid-term biz. plan 30.0 billion yen



4-2. Program for growth < Solutions & services >

Driver for growth< ATM-LCM service and cloud computing system for financial institutions and public offices as a shared use service >

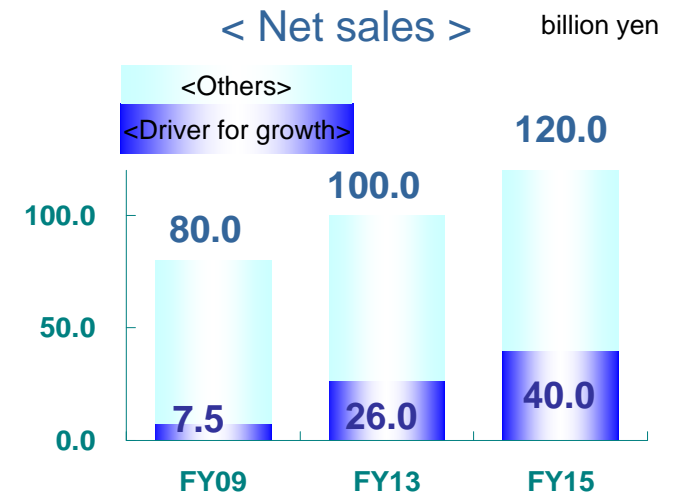
- Market opportunity: customers' tendency for reducing assets, "from possession to usage"
- Promote service businesses based on strong system products backed by a track record in financial and public markets
- Operate maintenance/operation companies (OCA/JBO/OWT etc.), utilize maintenance resources and know-how
- Drive alliances with security companies, major Slers, infrastructure providers (IT equipment, DC, NW)

<Market environment > (OKI group's assumptions)

- ✓ ATM-LCM: 90.0 B yen in FY 2015
 - Monitoring 20.0 B yen, overall operation 70.0 B yen
- ✓ Centered-administration processing system for financial institutions: 40.0 B yen in FY2015
 - Make new market for small and medium financial institutions by deploying services to be used jointly (shared use service)
- ✓ The government's "new growth strategy": about 200.0 B yen (market opportunity in OKI's target areas untill FY 2015)

<OKI's strengths >

- ✓ ATMs: maintenance 40,000 units, share for monitoring 40%
- ✓ Share for centered-administration and currency exchange system for financial institutions: 40%
- ✓ Share for personnel and salary system for government agencies: 30%
- ✓ The number of households adopting VoIP bulletin systems: about 200,000 households
- ✓ 250 maintenance sites in Japan



ATM maintenance: 40,000 units
 Customer sites: 200,000 sites
 Customer calls 600,000/yr



4-3. Program for growth < Mechatronics >

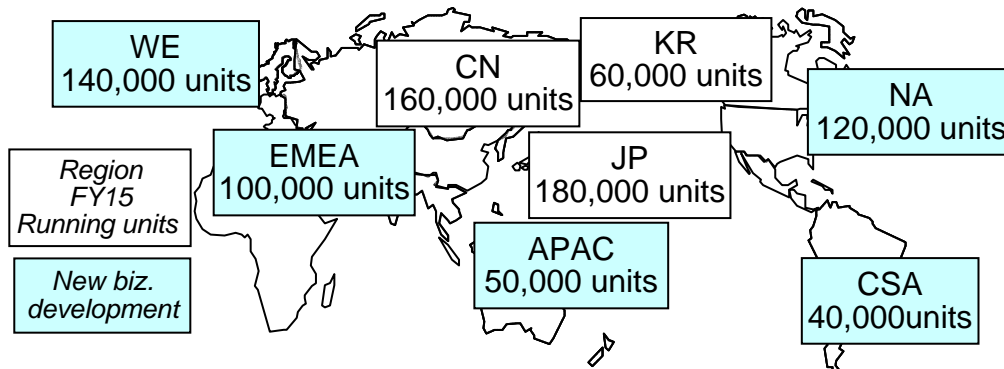
Driver for growth < Deploy cash recycling ATMs to overseas market >

- Market opportunity: economic development in emerging countries, and diversified needs for cash handling equipment in advanced countries
- Rapid expansion of demand for cash recycling ATMs in overseas market
- The greatest strength: track record for sales and maintenance in precedent markets such as Japan, China, and S. Korea.
- Enhance series of machines, that are capable of handling multiple banknotes, as strategic products
- Promote sales in new overseas market and alliances that complement maintenance network
- Aim for global market share 40%

<Market environment > (RBR2008 and OKI group's assumptions)

- ✓ Rapid expansion of potential market for cash recycling ATMs

WW 490,000 units(FY2009) ⇒ 850,000 units(FY2015)



<Competitive environment >

- ✓ Three global competitors' share for CD: 70%
- ✓ Japanese three vendors share a monopoly on technology for cash recycling ATMs

< Net sales >



<strategic products >
Capable of handling multiple banknotes
ATM-Recycler G7



4-4. Program for growth < Printers >

Driver for growth< Focus on MFP, Expand MPS business, LED-applied products >

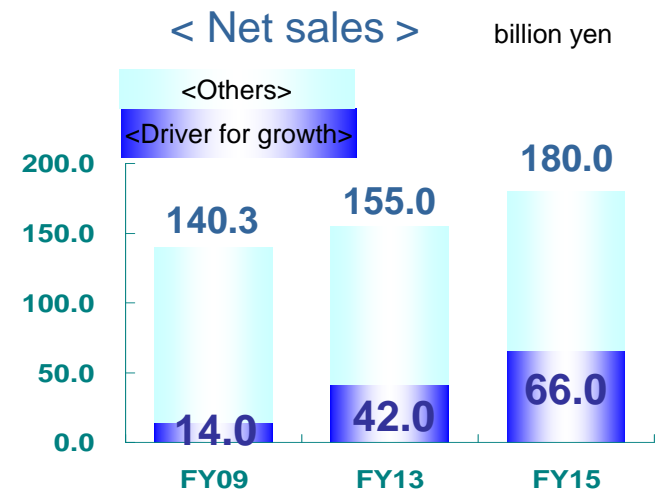
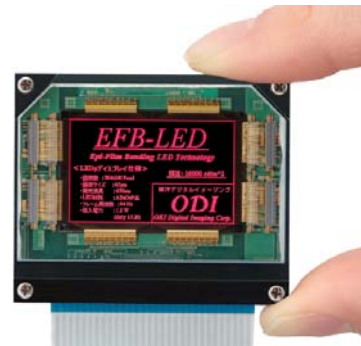
- Increase market share in main market (Europe, US, Japan) by expanding lineup of MFP products
- Secure stable profitability by expanding MPS business
- Increase sales in emerging countries by focusing on competitive mono products
- Strengthen reducing costs (promote self-manufacturing and standardizing, revise global Supply Chain Management)
- Challenge commercialization of LED-applied products

<Market environment >

- ✓ Moderately recovery in advanced countries, increase in MFP demand
- ✓ From recovery to growth in emerging countries, increase in shipment mainly mono products
- ✓ Increase in the proportion of providing services, rather than products

< LED-applied products >

- ✓ Cultivate new market which needs small size and high brightness
 - Succeeded in the development of 1.1 inch QVGA high brightness LED display with low power consumption, currently making a prototype



4-5. Program for growth < EMS >

Driver for growth< High-end EMS: manufacture medical, telecom, and industrial equipment, produce multiple-layer substrates >

- Market opportunity: customers' tendency for "fab-less" associated with upgrade, complexity, and high quality of products
- Produce high-end products such as medical, telecom, and industrial equipment, which require severe quality, and produce multiple-layer substrates
- Manufacturing technology, quality guarantee capability, and product management know-how (wide variety of products in small quantities and stable long-lasting supply) amassed through manufacturing financial and telecom equipment for social infrastructure that require high quality and high reliability

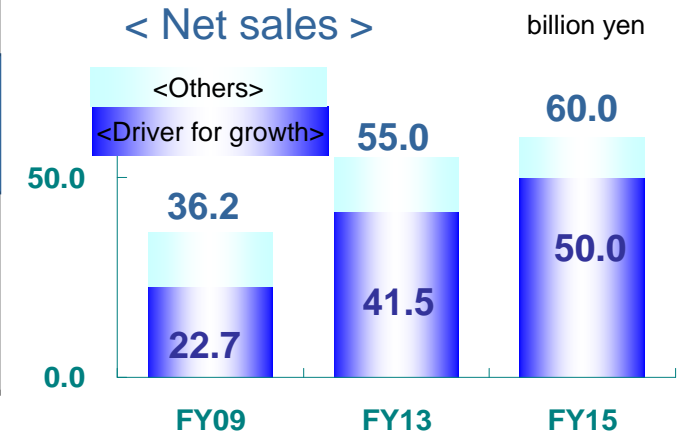
<EMS type>

	Business characteristics
High-end type	Consign designing and manufacturing focusing on substrates and devices that require high density mounting and high seed inspection technology
Low-end type	Consign simple mounting processes of electronic substrates
Mass production type	Consign mass production of home electrical appliances and information terminals

Definitions are quoted from Mizuho Research Institute

<Competitive environment >

- ✓ Mega EMS: focus on volume zone, high procurement ability
- ✓ Domestic EMS: enhance product-departmentalization of close/parent companies
- ✓ Domestic substrates vendors: focus on multiple-layer domains





Open up your dreams

The impact of projections for FY 2010

➤ Full year projections for FY 2010

Due to posting costs for revamping the business structure strategically to enhance management bases etc.,

- Recurring income will decline from 8.0 B yen to 5.5 B yen**
- Net income will decrease from 4.5 B yen to -28.0 B yen**

[Nonoperating expense]

- Costs from issuing preferred stocks by allocation to a third party and impact of the currency exchange, etc. About 2.5B yen

[Costs for revamping business structure]

- Recognize part of the projected benefit obligation in excess of plan assets with revising retirement benefit scheme (introduce DC system) About 22.0 B yen
- Special retirement expense due to applying early retirement program About 7.0 B yen

*For more information, please refer to “Notice of revising projections for the fiscal year ending March 2011 and posting extraordinary loss” announced today.



Open up your dreams