
OKI Business Strategies

- Printer business -

March 28, 2013
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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OKI Data President, Representative Director

- Trend of financial results and projections
- Mid-term business policy and targets
- Measures for the enhancement of management base
- Scenario for business growth
- Products/sales strategies

Printer Business in the OKI Group

Hideichi Kawasaki

OKI President, Representative Director

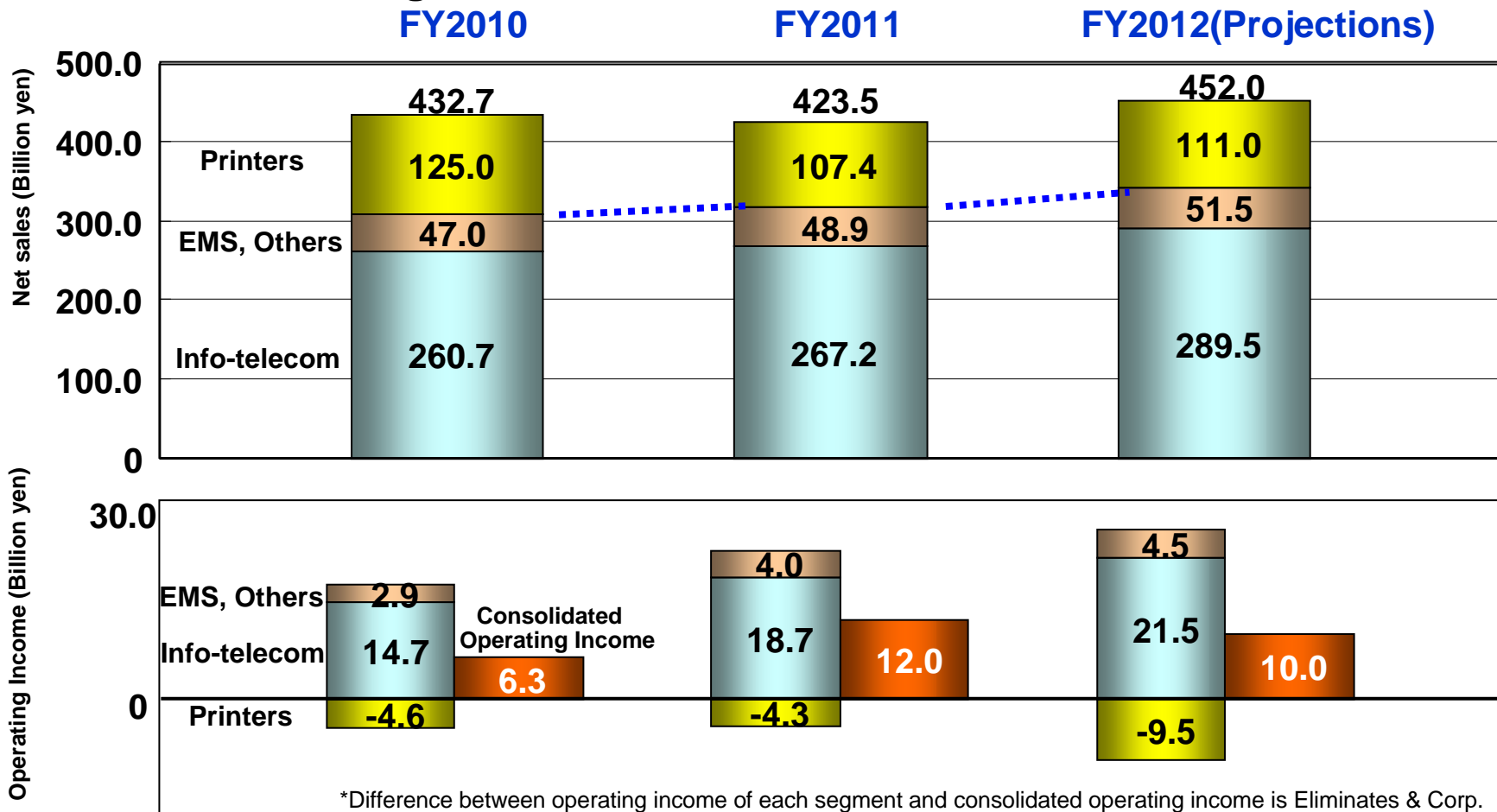
- Business condition of the OKI group
- Positioning of Printer business
- Policy for revamping Printer business

Business condition of the OKI group

● **Info-telecom, EMS, and Others: Profitability improved due to the steady progress of structural reform and business expansion.**

⇒ OKI expects continuous growth in FY 2013.

● **Printer business: Profitability worsened due to the delay in responding to environmental changes.**



Positioning of Printer business

■ OKI's persistence

Provide customer value treasuring human interface

⇒ **Printers are important products for delivering OKI's solutions**

■ Vanguard for global deployment

Build longstanding favorable relationship with good customers around the world

⇒ **The bridgehead in overseas market development for ATMs and ticket issuing terminals, etc.**

■ Technical strengths

Technology to control papers + LED technology

⇒ **Demonstrate products ideal for high-end and professional specification.**

The Printer business, as one of the core businesses to execute the OKI Group's growth strategies, OKI will revise its strategies in order to improve profitability.

Policy for revamping Printer business

Shift to a Printer business structure focusing on securing profit

● Revamp structure to generate stable profits

- ✓ Establish a business structure which can achieve surplus even when sales level is as the same in FY2012
- ✓ Maximize profitability by redefining strategic focus on geographic area and product segments

● Launch new business areas and establish new business domains promptly

- ✓ Office-solution area/professional area
- ✓ Strengthen cooperation with OKI's solution businesses

Printer Business Strategies

Takao Hiramoto

OKI Senior Vice President and Member of the Board

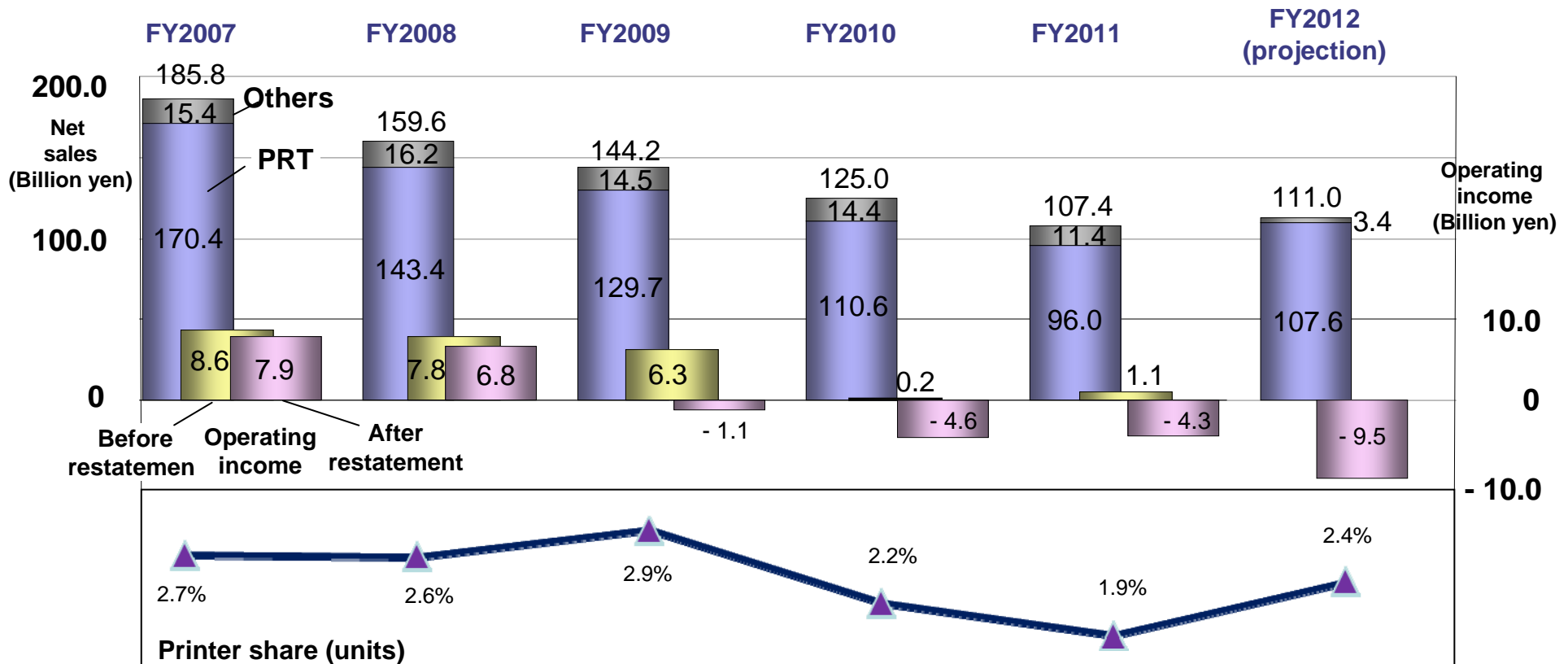
OKI Data President, Representative Director

- Trend of financial results and projections
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Printer business trend of financial results and projections

- Profitability declined significantly as structural reform could not catch up with the fall in net sales.
- Impact of the Thai flooding in FY2011 was recovered by offensive sales approach for sales increase in FY2012.
- Inappropriate accounting processes in Spain added to the business downturn.

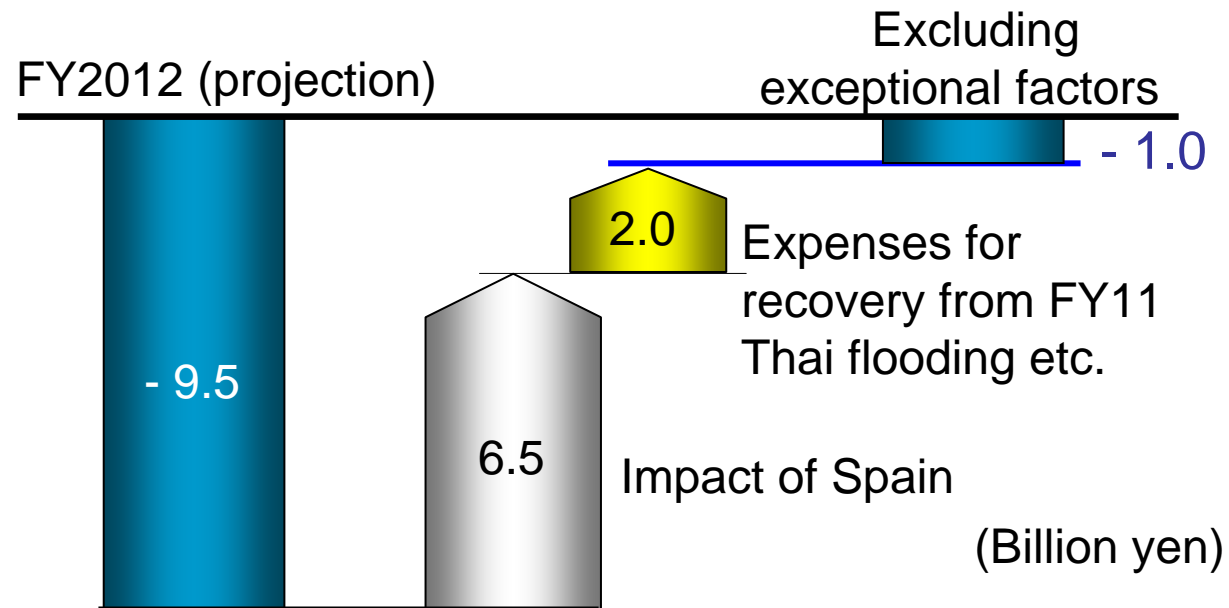
Drastic structural reform needed to recover profitability



Printer business FY2012 projection

- **Operating loss of - 9.5 B yen projected for FY2012 due to impact of Spain etc.**
- **Operating income excluding exceptional factors is - 1.0 B yen.**

■ Operating income projection



Printer Business Mid-term business policy and targets

■ Mid-term Business Policy

**Complete structural reform and regenerate
Printers as OKI's core business**

■ Business Targets

(Billion yen)

| | FY2013 | FY2014 | FY2015 | Reference FY2012 (projections) |
|------------------------|--------|--------|--------|--------------------------------------|
| Net sales | 115.0 | 120.0 | 130.0 | 110.0 |
| Operating income | +4.0 | +7.0 | +10.0 | - 9.5 |
| Operating income ratio | 3.0% | 6.0% | 8.0% | - 9.0% |

[Measures]

1. Enhance Printer business management base
 - ① Reduce fixed costs
 - ② Reform design and procurement functions
 - ③ Strengthen management
2. Launch high value-add products to growing market segments

Enhance management base 1 [reduce fixed costs]

FY2012

- ★ Cease sales activities of Spanish sales office
(* Resolution of board of directors on March 28, 2013)

FY2013 Reduce indirect fixed costs

- ★ Sales: Reform SCM, warehouse, configuration
Shared service on indirect operation
 - ★ Manufacturing: Reform operations /
Improve direct/indirect ratio
- Personnel reduction: 700 – 800



Impact of reduction (vs. FY2012)

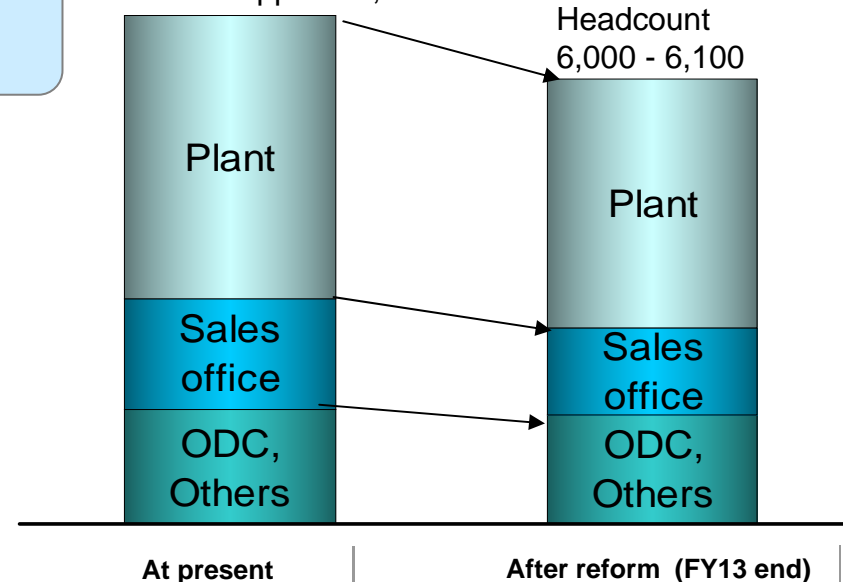
FY2013: 2.0 B yen/year
FY2014: 2.5 – 3.0 B yen/year

FY2012 : Record extraordinary loss: 4.3 B yen

FY2013: Expected costs to enhance management base: approx. 1.5 – 2.0 B yen

Personnel Plan

Headcount approx. 6,800

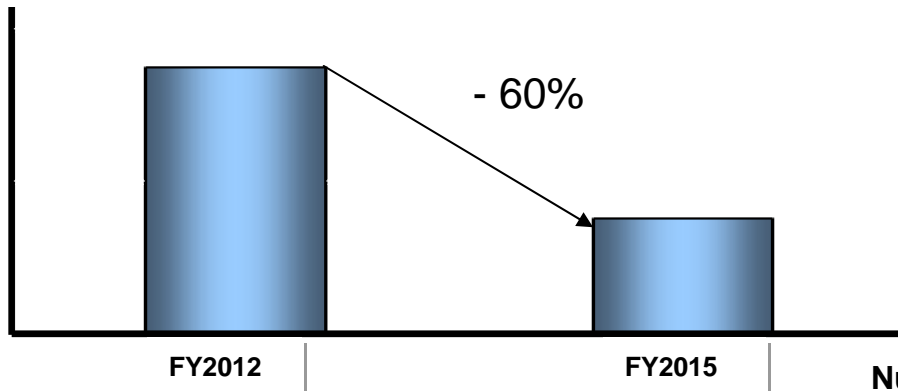


Enhance management base 2 [enforce “*Monozukuri*” through design and procurement reform]

Improvement target: Reduction : 2.0 B yen/year
 ▪ 5%/year (reduction of materials)
 ▪ 30% improvement in engineering efficiency

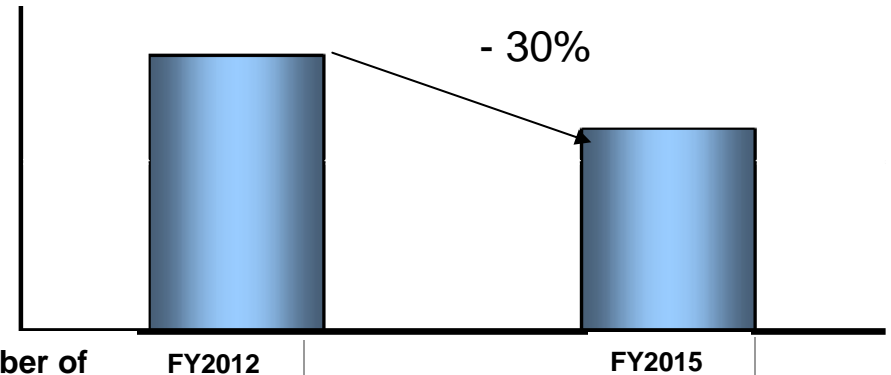
[Standardize engine platforms]

Number of printer engine platforms



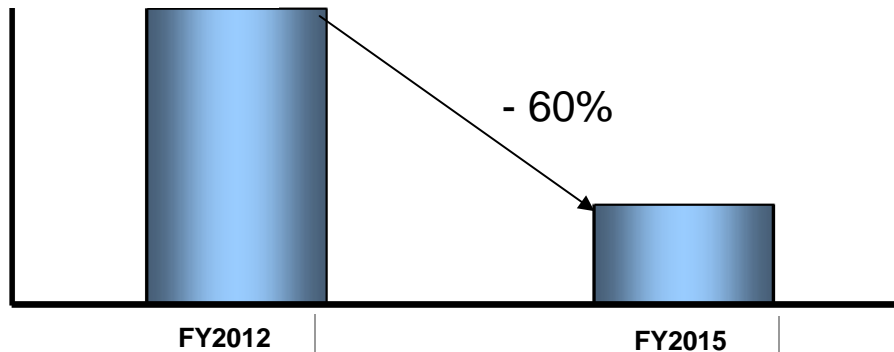
[Shorten development TAT]

Development term (months)



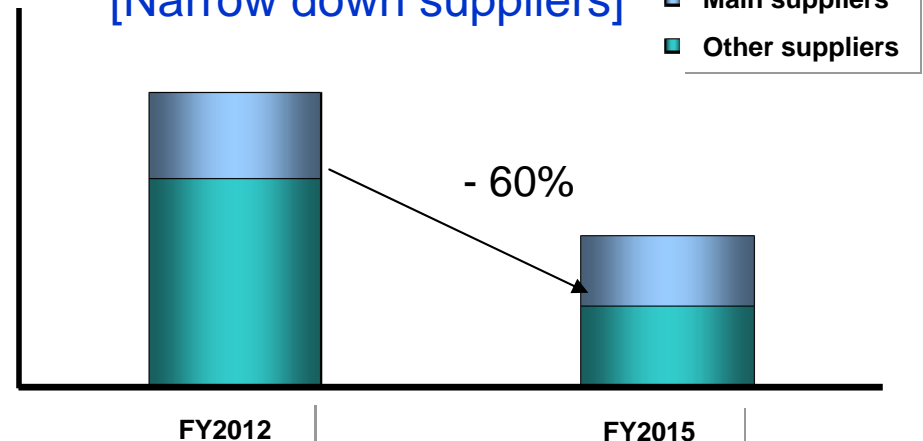
[Standardize software platforms]

Number of software platforms



Number of suppliers

[Narrow down suppliers]

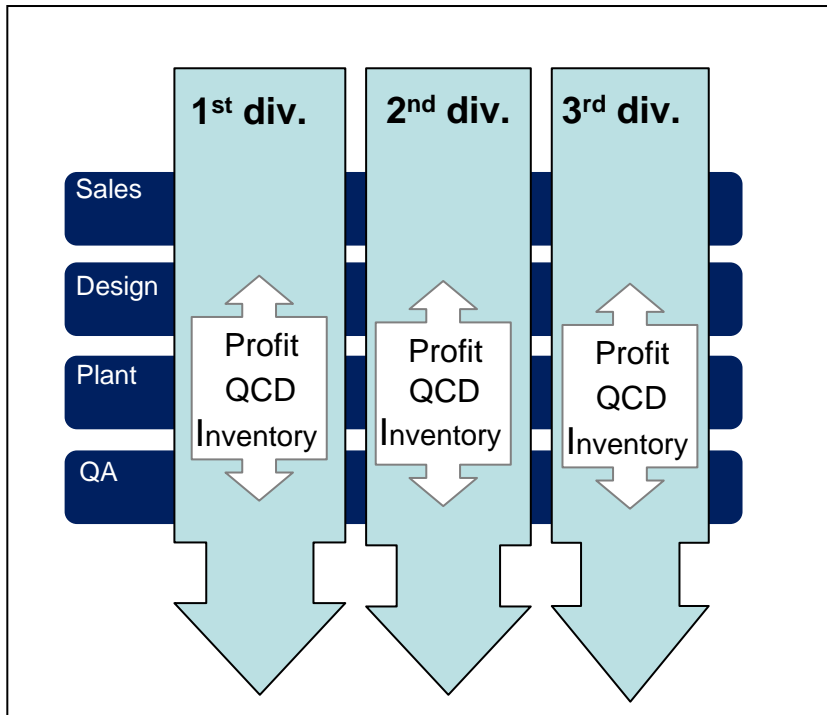


■ Main suppliers
 ■ Other suppliers

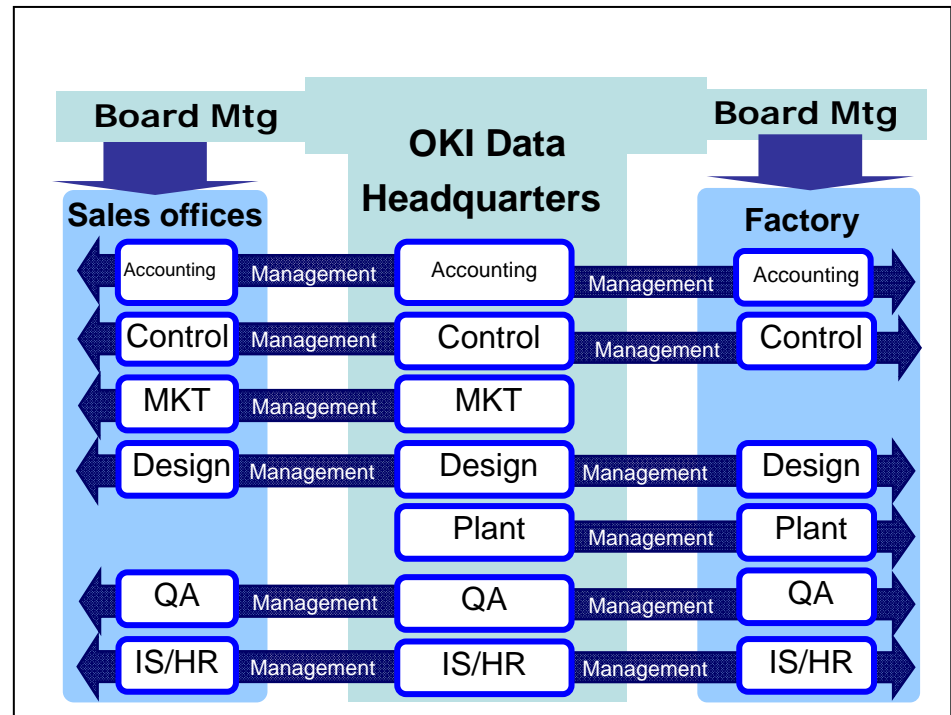
Enhance management base 3 [strengthen management style]

- Introduce division system based on products and clarify responsibility of profit and loss, QCD, as well as inventory.
- Enhance governance and reduce costs through horizontal management by functions.

Division system



Enhance horizontal management by functions

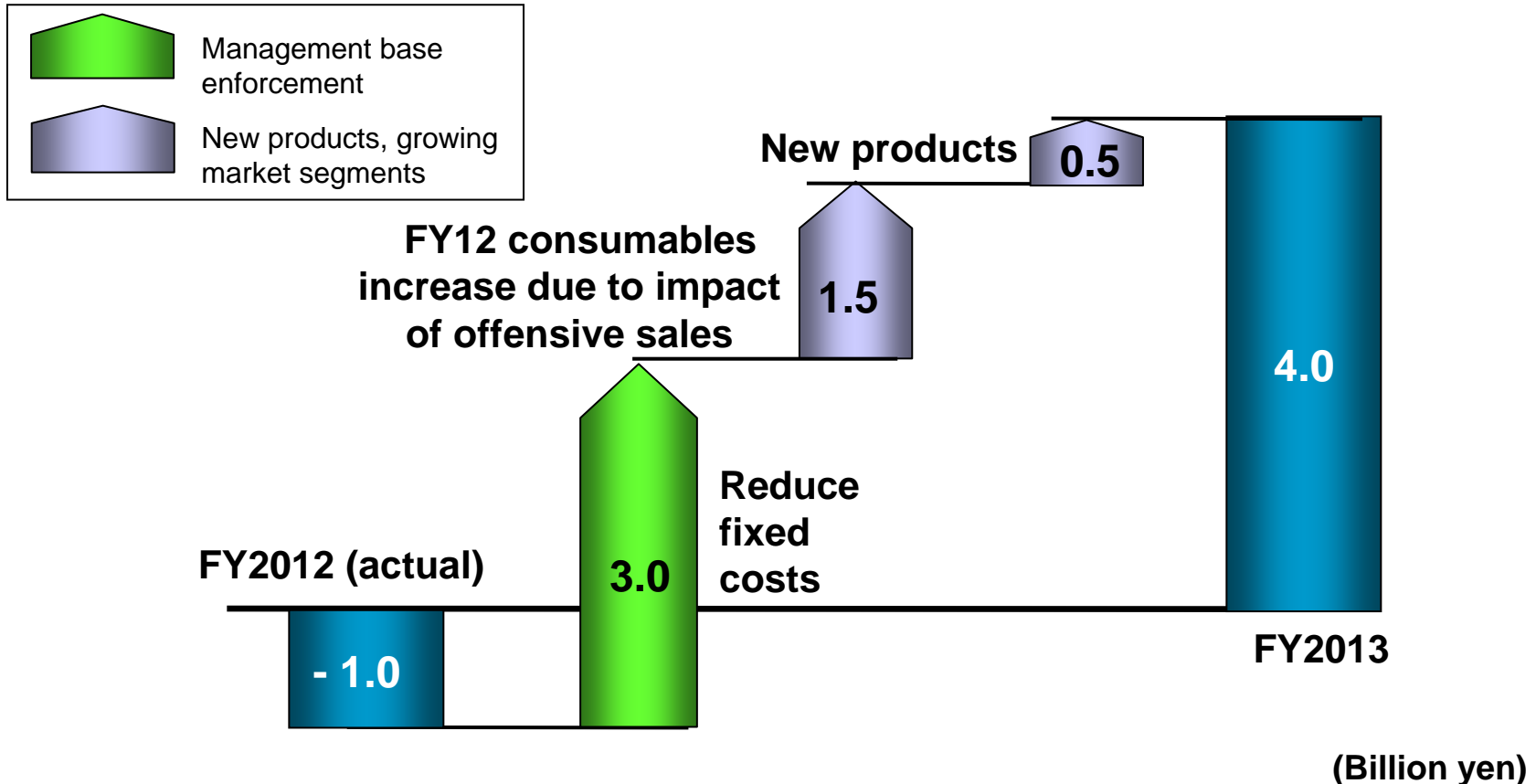


QA: Quality Assurance MKT: Marketing IS: Information System

FY2013 Operating income target

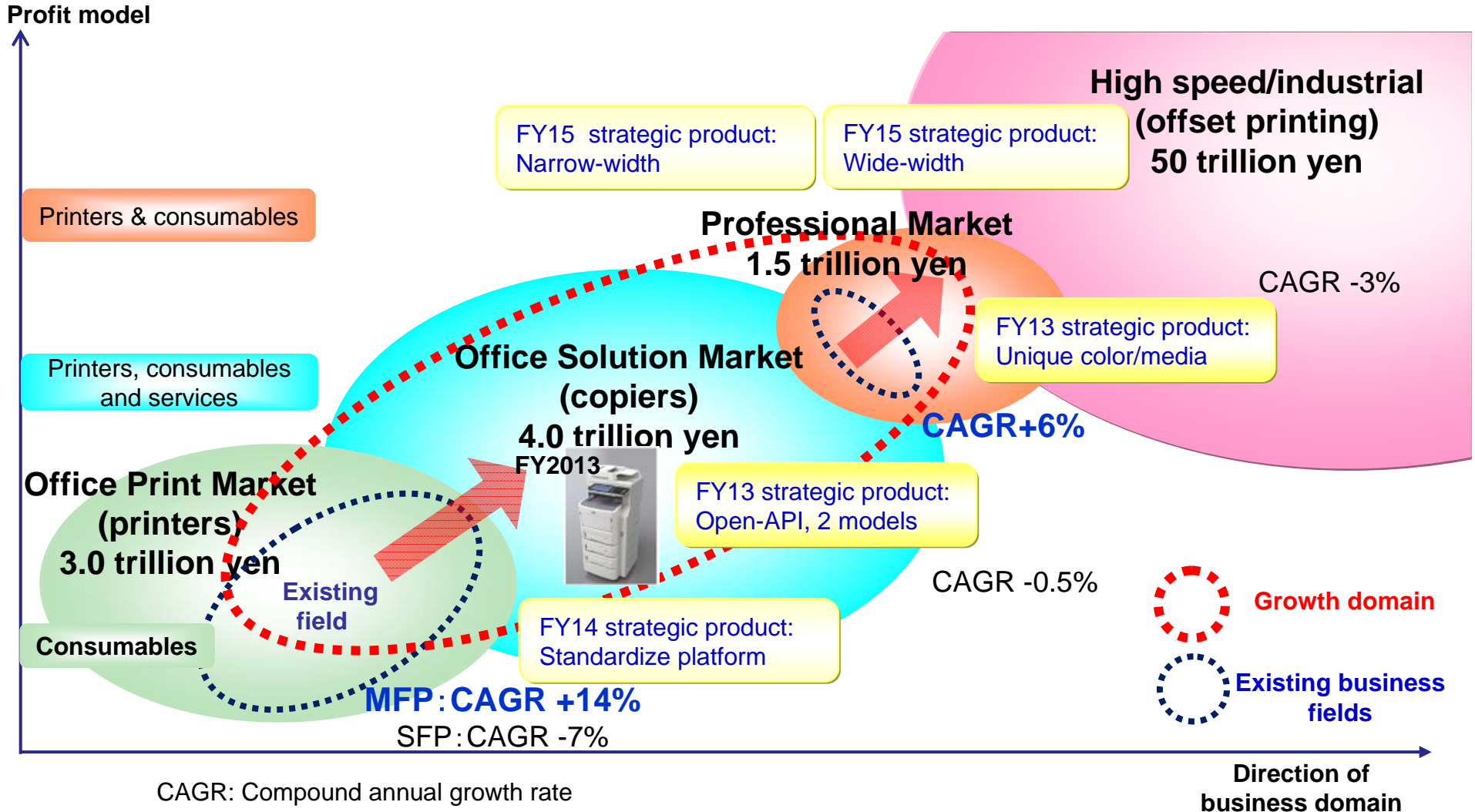
FY2013 target : 4.0 B yen Operating income

End of FY2013 target : A structure to generate 5% operating income ratio



Scenario for business growth

- FY13/FY14: Launch new products to the A4 MFP market where growth is significant
- FY13/FY15: Launch new products to the professional market such as on-demand printing



[Office solution market: competitive strategy]

Provide solutions with advantages of low TCO and flexibility in selecting applications

| | | |
|-------------------|---|---|
| | <p style="text-align: center;">Copier MFP</p> <p style="text-align: center;">Maintenance fixed cost Unique software</p> <p style="text-align: center;">Closed API</p> <p style="text-align: center;">Application server</p> | <p style="text-align: center;">OKI</p> <p style="text-align: center;">App Cloud Open collaboration</p> <p style="text-align: center;">+ ISV partners</p> <p style="text-align: center;">Open API</p> |
| Maintenance | Maintenance by service personnel | Self-maintenance |
| API | Closed API | Open API |
| Software | Develop unique software | Select software required |
| Hardware | Expensive (copier-based) | Affordable (printer-based) |
| Total cost | High | Low |

API: software component interface specification ISV: independent software vendor

Growth strategy [1.Office print market: sales strategies (existing business)]

Maximize profitability by redefining products and sales strategies

Market size: 3 trillion yen
 MFP: CAGR +14%
 SFP: CAGR -7%

■ Product Strategy

- Reinforce product capability of compact and high-performing MFP
- Strengthen mobile printing functions
- Enhance cost competitiveness by standardizing platform

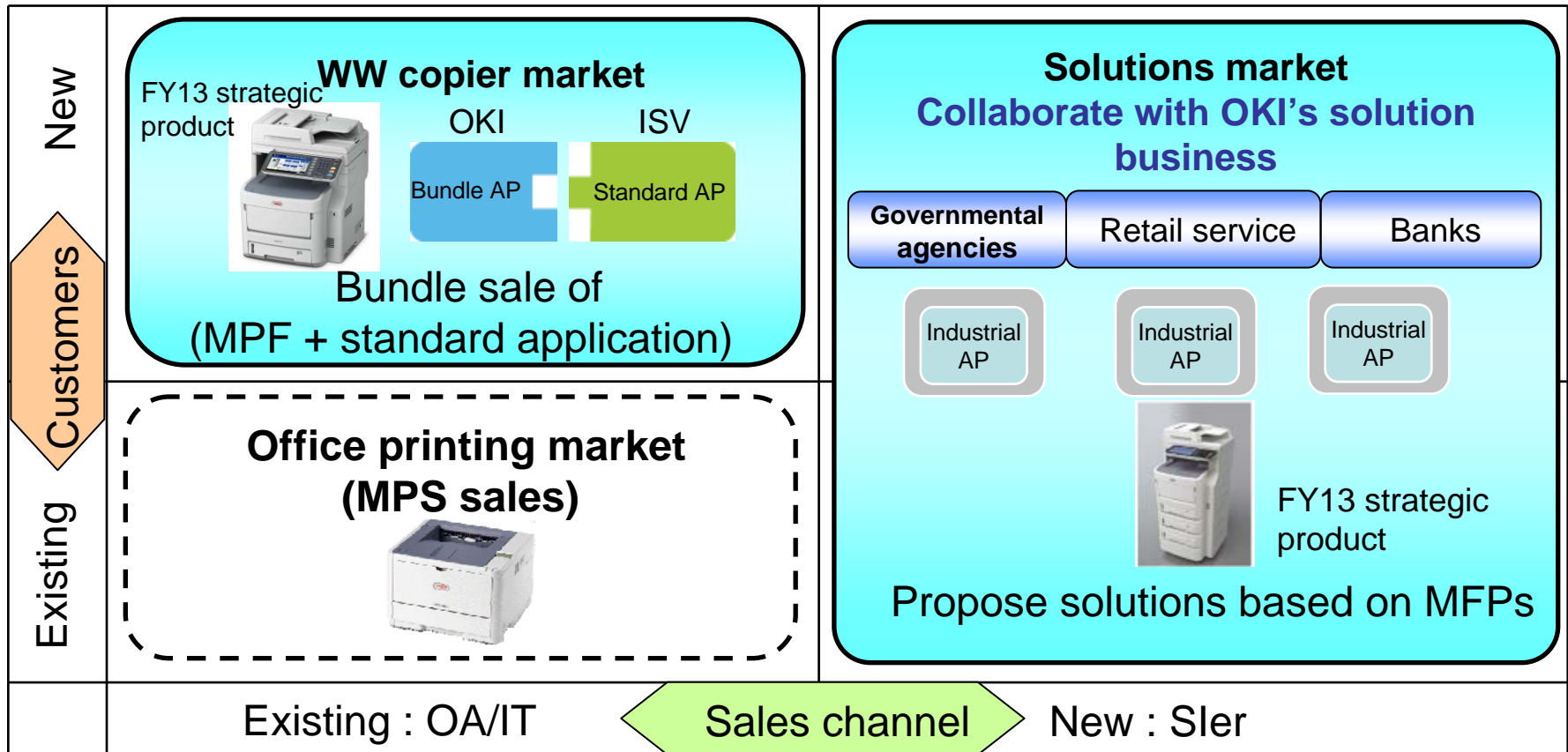
■ Sales Strategy

| | Standard products | High value-added products |
|---|---|--|
| Developed countries (Japan, USA, Europe) | <div style="border: 1px dashed gray; padding: 5px; transform: rotate(-90deg); transform-origin: left top;"> Control sales of low-priced products </div> | More focus on high-performance channel partners Balanced sales investments |
| | | Utilize B2B e-commerce channel |
| Emerging countries | | Specialize in bid tenders for governmental agencies where high use of consumables are expected |

Growth strategy [2.Office solution market: sales strategies]

Develop MFP-based solutions by enabling collaboration between strategic products and applications

Market size : 4 trillion yen, CAGR: - 0.5%



Aim for FY15 : 10.0 B yen increase in sales

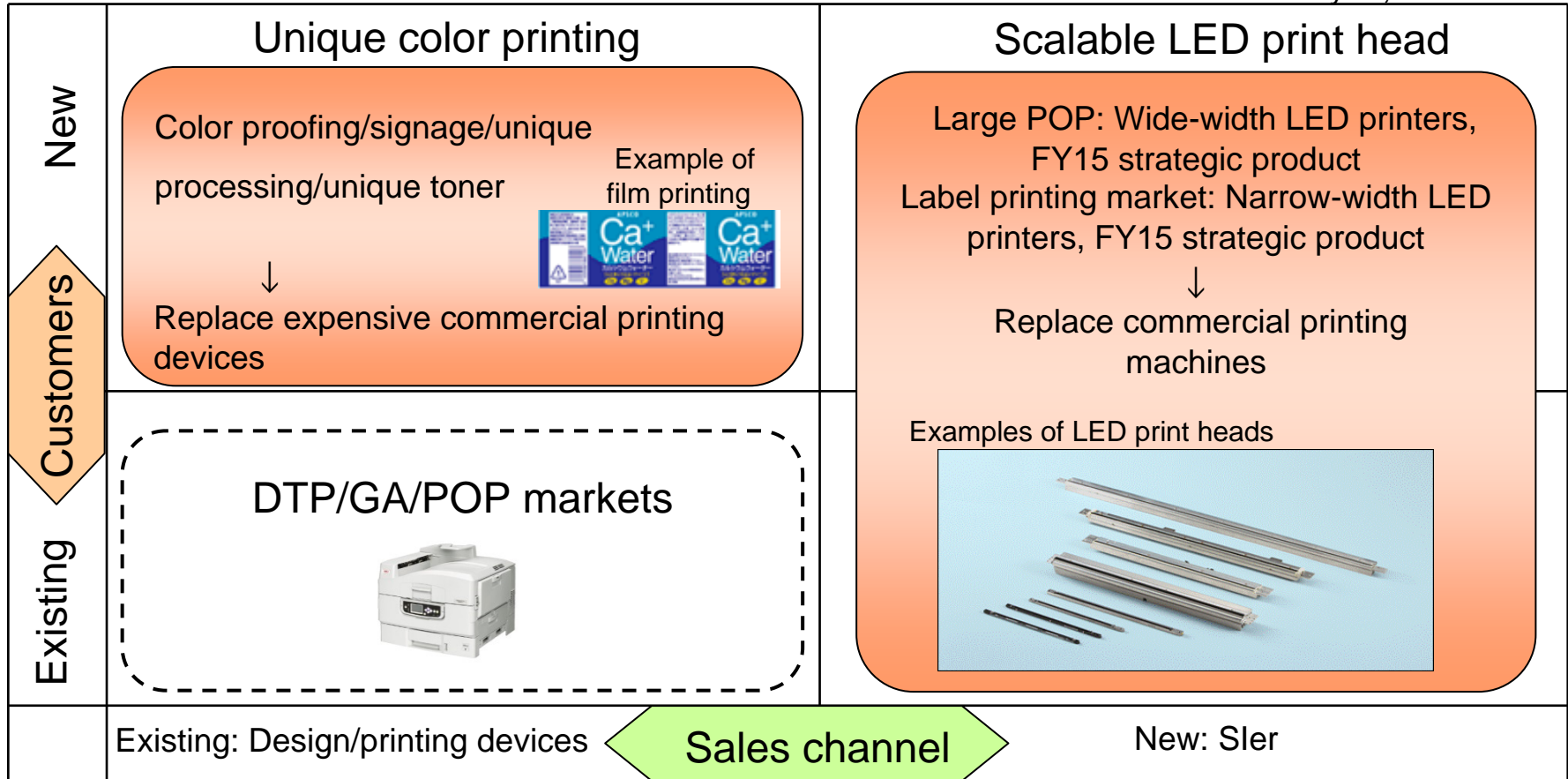
New market

ISV : independent software vendor OA : office automation channel IT : PC sales channel Sier : system integrator

Growth strategy [3. Professional market: sales strategies]

Replace expensive commercial printing machines with high value-added printers leveraging LED characteristics

Market size : 1.5 trillion yen, CAGR: + 6%



Aim for FY15: 5.0 B yen increase in net sales

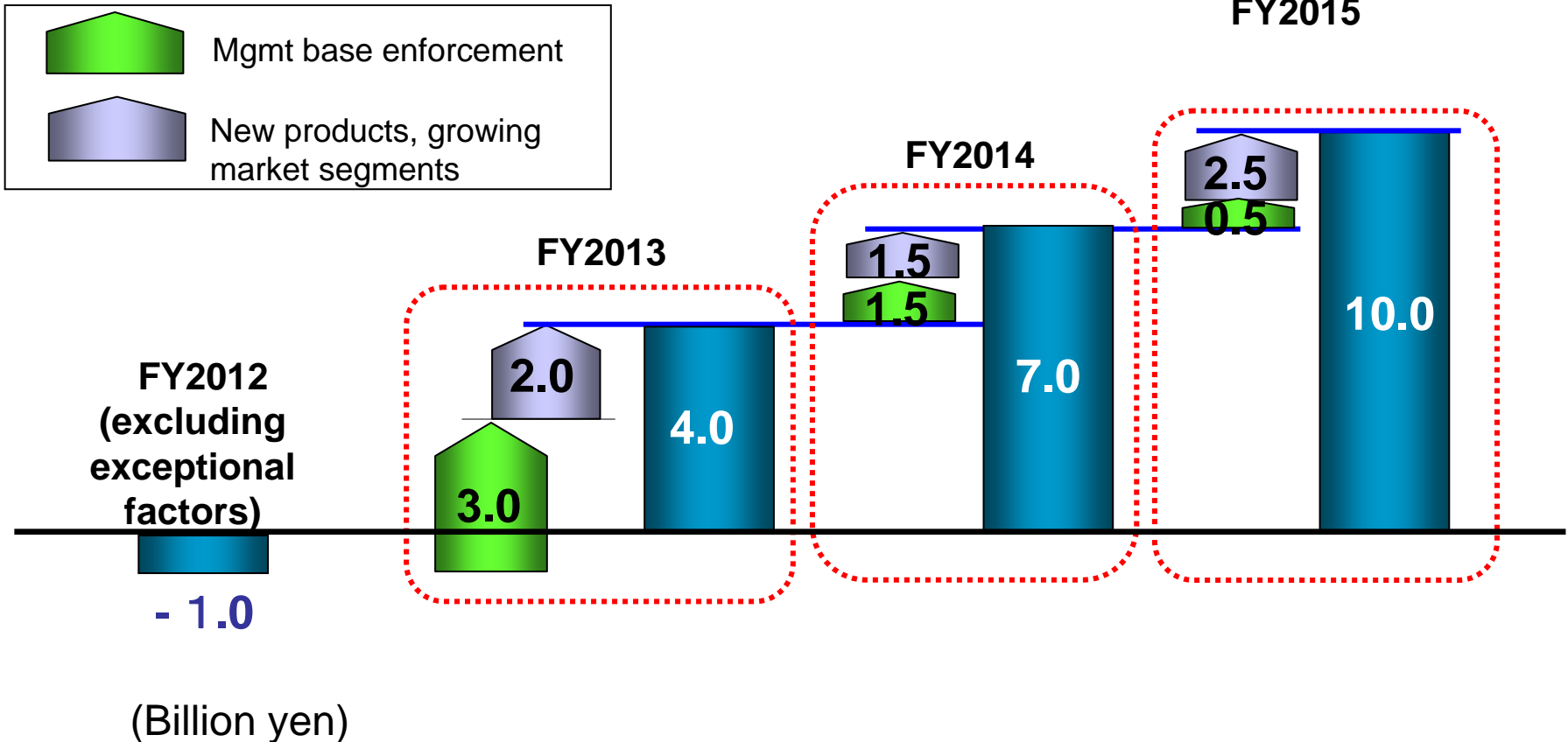
New market

DTP: Desk Top Publishing, GA: Graphic Arts, POP: Point of Purchase

Complete revamping structure and regenerate Printers as one of OKI's core business

End of FY2013: Achieve a structure to generate 5% operating income ratio

FY2015: 10.0 B yen (8%) operating income





Open up your dreams