
Mid-term Business Plan 2019 Review & Future Business Direction

1. Mid-term Business Plan 2019 Review
2. Future Business Direction

May 13, 2020

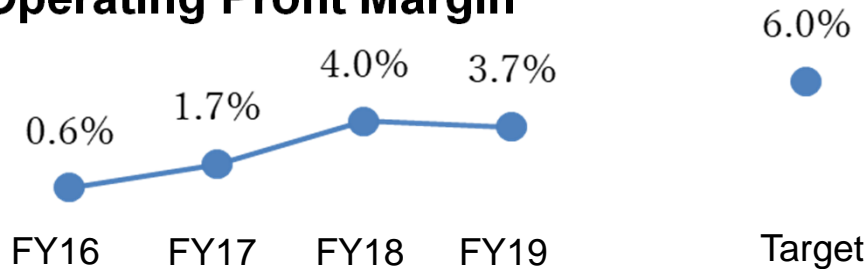
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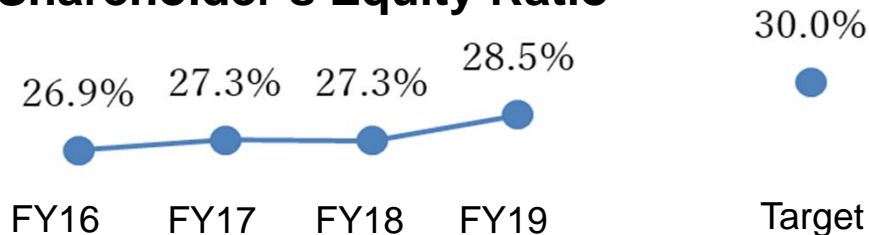
1.1 Business Targets

- Fell short of operating profit margin target, due to the failure of getting Mechatronics Systems back on a growth track
- Shareholder's equity ratio target unachieved, though internal control and financial position steadily improved

Operating Profit Margin



Shareholder's Equity Ratio



Business Results by Segment

(Billion yen)

Business		FY16 Results	FY19 Results	FY19 Target
ICT	Net sales	174.4	229.1	205.0
	Operating income	14.4	20.8	16.0
	OP margin	8.3%	9.1%	7.8%
Mechatronics Systems	Net sales	100.9	70.7	120.0
	Operating income	(11.8)	(0.3)	9.0
	OP margin	(11.7%)	(0.4%)	7.5%
Printers	Net sales	112.4	92.3	105.0
	Operating income	1.0	2.8	7.0
	OP margin	0.9%	3.0%	6.7%
EMS	Net sales	43.2	59.8	60.0
	Operating income	2.1	2.1	3.5
	OP margin	4.9%	3.5%	5.8%
Consolidated Results	Net sales	451.6	457.2	500.0
	Operating income	2.5	16.8	30.0
	OP margin	0.6%	3.7%	6.0%

1.2 Focus Measures

Business Strategies	Outcomes
◆ ICT	
Secure stable profitability, Create new businesses	<ul style="list-style-type: none"> Secured stable earnings through collaboration and integration of each business in addition to acquisition of renewal demand Acquired many partners in its growth areas. Commercialization in progress
◆ Mechatronics Systems	
Get back on a growth path	<ul style="list-style-type: none"> Completed structural reforms at overseas bases, solidified base, but failed to return to growth path Entered retail field. Monetized services business. Still, business transformation is on the way
◆ Printers	
Secure stable profitability by strategic transformation	<ul style="list-style-type: none"> Reduced BEP through cost structure reform Deterioration in earnings due to delayed shift to industrial printing, including new products and systems
◆ EMS	
The points along the way to build EMS into 100.0 B yen business	<ul style="list-style-type: none"> Continued growth in sales through capital investment and M & A Growth slowed due to insufficient development of new business fields, increased customer needs, and changes in major market environments
Common Measures	<ul style="list-style-type: none"> Improvements in working capital and CCC Awareness of corporate governance improved, though cost increased upon strengthening

1.3 Challenges for the Next Medium-Term Business Plan

- Resource reallocation within the broad framework of "hardware business"
 - Strengthen development system to respond to changes in the environment and launch products in a timely manner
 - Respond to upstream design demand for production outsourcing services
- Strengthening of market accessibility, cost structure reform

	Challenges for the Next Medium-Term Business Plan
ICT	<ul style="list-style-type: none"> • Expand business portfolio to build stable earnings base
Mechatronics Systems	<ul style="list-style-type: none"> • Create growth engines to replace ATMs using automation technology • Overseas strategies such as maintenance revenue and module sales expansion
Printers	<ul style="list-style-type: none"> • Review business models as the office printer market shrinks and other companies shift away from the office printer market
EMS	<ul style="list-style-type: none"> • Improve market portfolio balance by developing new customers • Strengthen system to respond to upstream design needs
Common Measures	<ul style="list-style-type: none"> • Strengthen governance by standardizing operations. Reduce costs by promoting sharing and efficiency of operations

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2.1 Market Environment Surrounding OKI

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Environmental Changes :

● Global

- Uncertainty (Economic fluctuations, conflicts, regionalism, etc.)
- Environmental issues (Climate change/water/resources/waste)
- Frequent natural disasters
- Innovation (5G, AI, etc.)

● Japan

- Labor shortage
- Falling birthrate and aging population
- Aging infrastructure

◆ Paradigm Shift Brought by COVID-19

- From globalism to nationalism
- Personal behavior changes, changes in consumption and its downsizing
- Expansion of non-face-to-face services such as online medical care and the touchless economy

Risks: Decrease in demand for existing products due to individual behavior changes

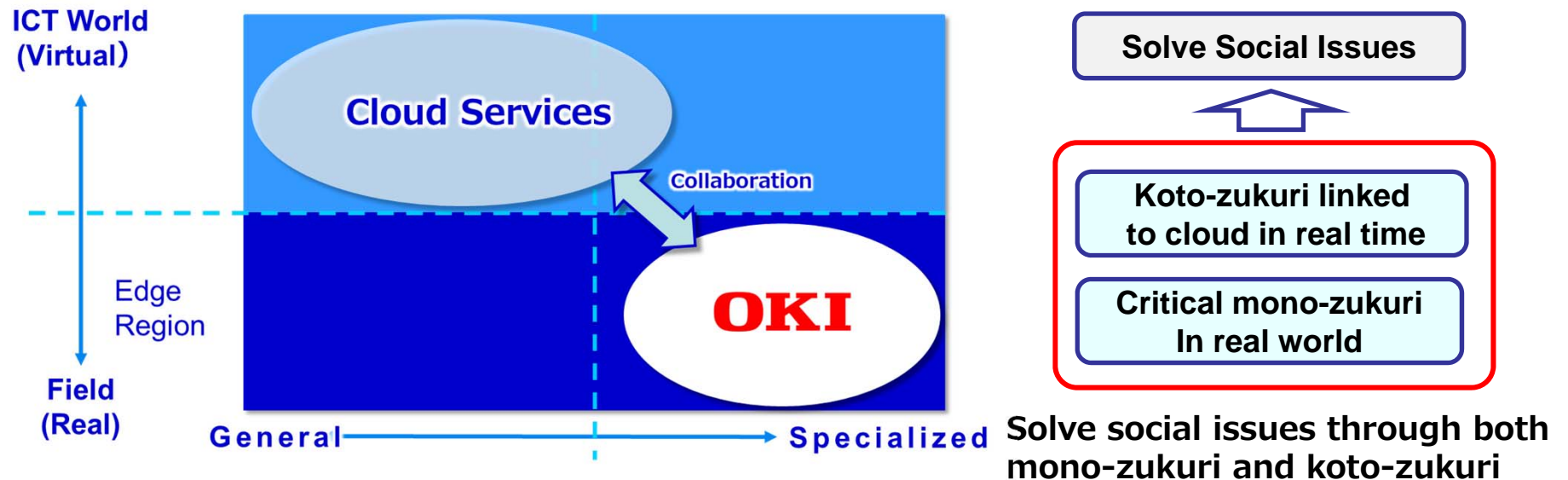
Chances : Expansion of new service needs, needs to accelerate product development in response to change

Solving Social Issues through Critical *Mono-and-Koto-Zukuri*

◆ OKI's Strength = Customer Base × Install Base × Technologies

- Customer Base : OKI's customers, mainly social infrastructure service providers
- Install Base : Devices installed in the edge regions and solutions based on them
- Technologies : Critical* mono-zukuri and capabilities to connect to networks in real time

*:High reliability, high availability, fault tolerance, environmental resistance, etc.



2.3 Initiatives Toward Our Vision

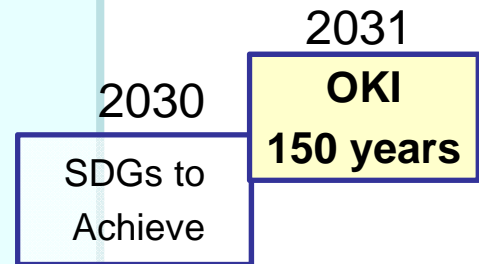
Restructure the business portfolio to achieve sustainable growth through the resolution of social issues

- ◆ OKI Business Features: Many social infrastructure service-related businesses
 - * Stable in the medium- to long-term, even if significantly affected in the short-term, such as COVID-19
- ⇒ Develop a business portfolio centered on this area

- GAP with market expectations
- Backlog of management issues



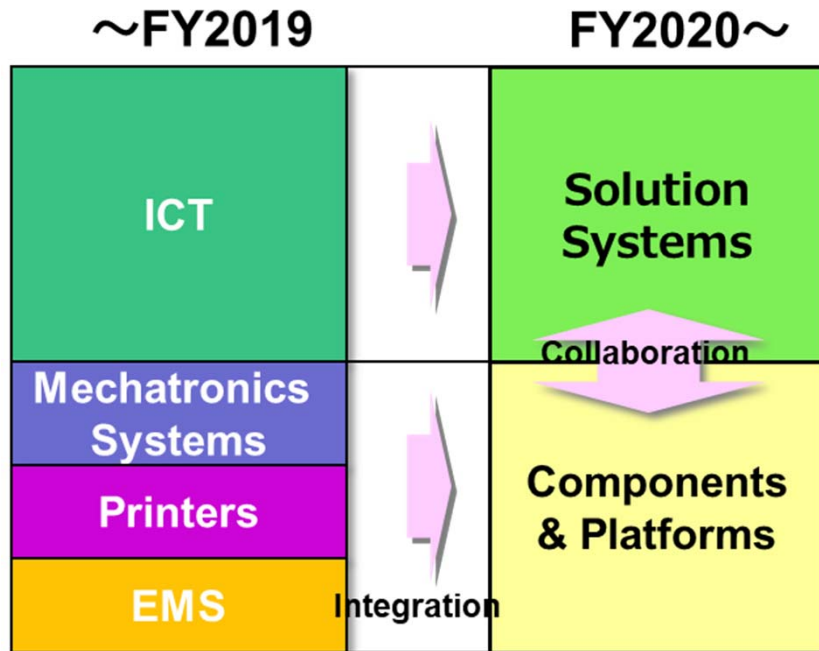
1. Restructure business portfolio to maximize our strengths
 - Promotion of commercialization of projects under proof of concept such as co-creation
 - Development from EMS to DMS
 - Downsize Printers from operating company to operating division
 - Create products based on new opportunities
2. Investment to strengthen manufacturing and promote commercialization
3. Strengthen management base and cut costs for corporate divisions



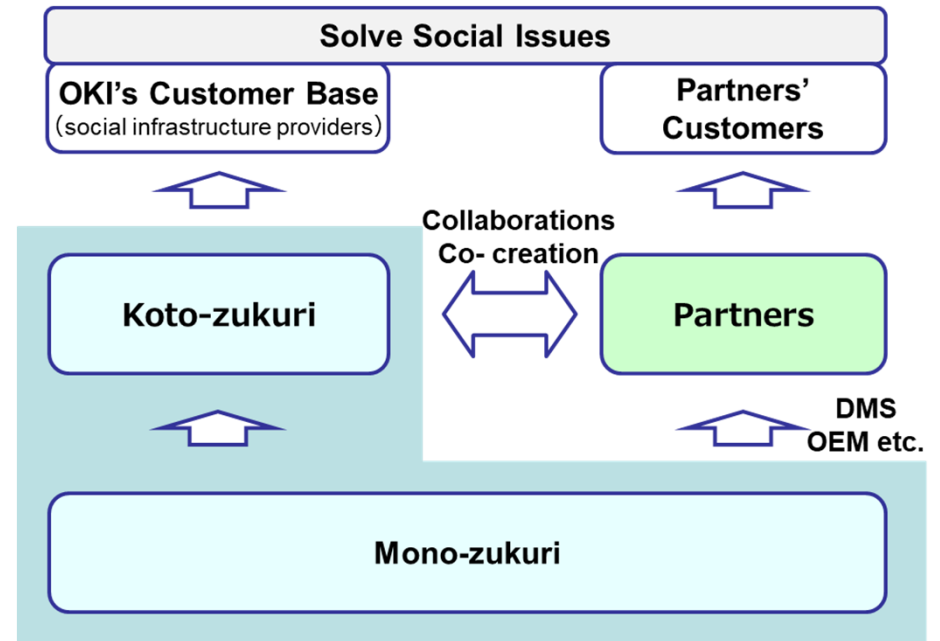
2.4 Building Team OKI

Merge and integrate technologies on a group-wide level to meet diversifying needs and strengthen product capabilities

- As its first step, united three hardware-centric businesses and reallocated design and development resources



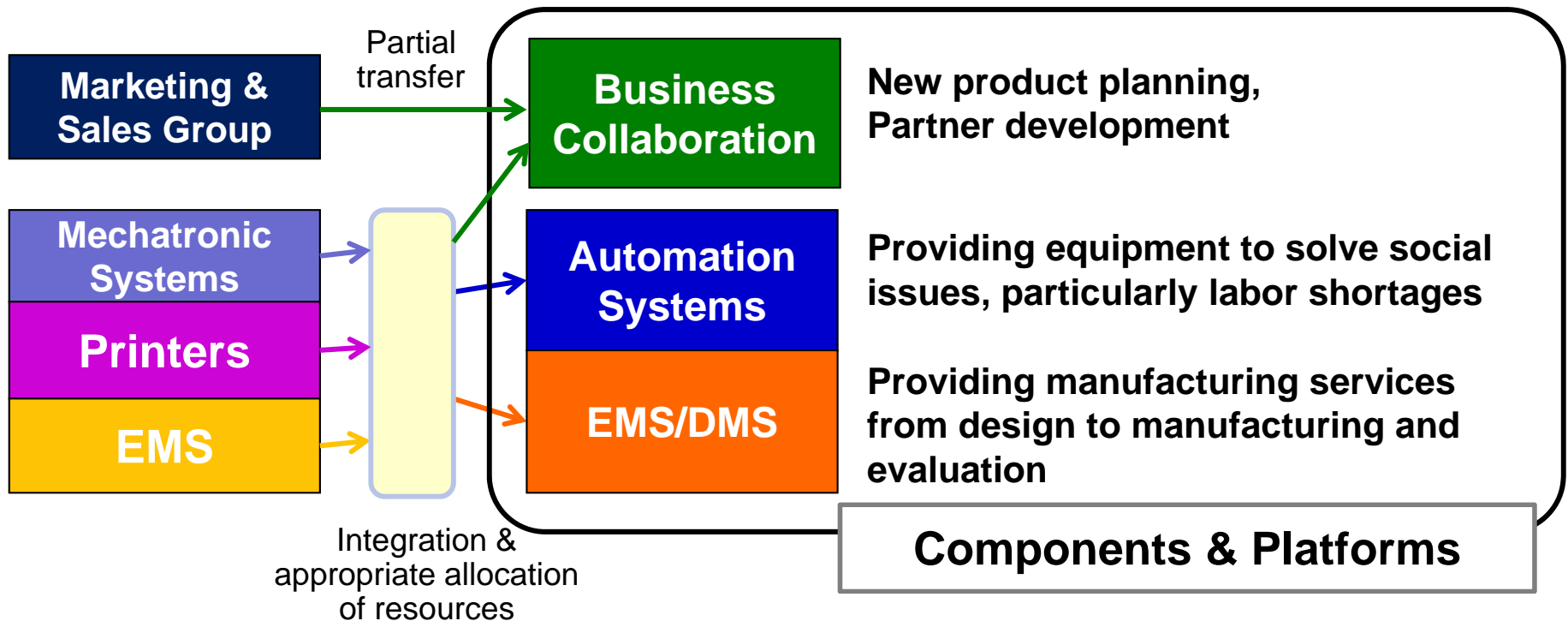
New Business Segment



Team OKI

2.4 Building Team OKI ~Synergies of Three Business Integration

- Business Collaboration: Transferred part of the Marketing & Sales Group to strengthen sales and marketing functions
- Automation Systems: Integration of development and design resources of Mechatronics Systems and Printers
- EMS&DMS: Shift Printers design engineers to strengthen upstream processes





Open up your dreams

Glossary

Word	Description
E M S	Electronics Manufacturing Service : Contract manufacturing service for electronic equipment
B E P	Break Even Point :
Service business	Business providing not just equipment but leasing, operation and maintenance, and call center operations as a total service to support customers' business without production resources
Industry printing	Printing market for industry filed. Ex.) Labels, tickets, in-store advertising, large outdoor posters and signs, car wrapping, traffic signs, and medical image printing
M & A	Mergers and Acquisitions : Transaction between companies, such as a merger or acquisition or business alliance
C C C	Cash Conversion Cycle: a metric that expresses the time (measured in days) it takes for a company to convert its investments in inventory and other resources into cash flows from sales
Touchless economy	A society in which devices and services can be used without touching screens or buttons by using various sensors
D M S	Design and Manufacturing Services: Service providing not just a contract manufacturing service (EMS), but comprehensive support from the development stage, including product concept study and design
Mono-zukuri	Creation of products; to have the spirit and mind-set to innovate, create and improve products
Koto-zukuri	Creation of service; to work together, proactively seeking opportunities that deliver value to customers