



**Become a Company
with Stable Profitability,
and Establish a Base for
Achieving Sustainable
Growth and Evolution**

A handwritten signature in black ink that reads "S. Kamagami". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Shinya Kamagami
President
Oki Electric Industry Co., Ltd.

The latest digital technologies are giving rise to a new wave of innovation that is appearing in various situations in society. The digital transformation driven by progress in information and communication technology (ICT) is having a large impact on the business environment of our customers. Amid a future where such trends shape the environment, the OKI Group strives to always be a source of reassurance to its customers by providing services and products that contribute to realizing a safe, comfortable society as a company supporting social infrastructure. We seek to earn the trust of our stakeholders through corporate activities to realize sustainable growth and evolution.

Fiscal Year 2016 Business Results

In fiscal year 2016, the final year of Mid-term Business Plan 2016, domestic operations led by the ICT business performed in line with plan but sales volume declined at overseas units of the mechatronics systems business and the printers business. As a result, net sales declined ¥38.7 billion year on year to ¥451.6 billion. Operating income dropped ¥16.1 billion to ¥2.5 billion due to the provision of allowance for doubtful accounts related to the receivables in Chinese ATM business. Owing to the booking of ¥4.8 billion in foreign exchange losses at the level of non-operating expenses, ordinary losses came to ¥2.4 billion, a downswing of ¥13.8 billion. At the net income level, the Company reported extraordinary gains of ¥12.6 billion on the sale of shares of subsidiaries and gains of ¥7.8 billion on the return of assets from retirement benefits trust against losses of

¥2.4 billion on sales of fixed assets and losses of ¥2.5 billion related to the Anti-Monopoly Act. As a result of these factors, profit attributable to owners of parent declined ¥1.9 billion year on year to ¥4.7 billion.

As for our financial position, total assets dropped ¥51.1 billion from the prior fiscal year-end to ¥360.7 billion. Shareholders' equity sank ¥9.8 billion against the level of the prior fiscal year-end to ¥96.9 billion, reflecting the booking of ¥4.7 billion in profit attributable to owners of parent on the one hand and a decline in accumulated other comprehensive income of ¥8.2 billion and ¥4.3 billion for ordinary dividend payments on the other. The shareholders' equity ratio rose one point from the previous fiscal year-end to 26.9% and the DE ratio edged down 0.2 point from the previous fiscal year-end to 0.9 times.

Outlook for Fiscal Year 2017

For fiscal year 2017, the first year of Mid-term Business Plan 2019, the plan targets net sales of ¥455.0 billion, up ¥3.4 billion year on year, operating income of ¥13.0 billion, up ¥10.5 billion, and profit attributable to owners of parent of ¥8.0 billion, up ¥3.3 billion. Following on from Mid-term Business Plan 2016, we aim "to be a company that can secure stable profitability," and establish a base for sustainable growth and evolution.

The outlook by our business segment is as follows. At the ICT business, we are investing to support new businesses we expect to grow over the medium and long term while securing stable earnings at existing businesses. At the mechatronics systems business, with the ATM market trend in China leveling off, we expect improvement in the performance of the subsidiary in Brazil, and ATM sales expansion in other emerging markets. The printers business

is striving to secure stable earnings as its foremost priority as it implements structural reforms. Like it has done so far, the EMS business is working to expand while developing new fields.

FY2017 Targets

Net sales	¥455.0 billion
Operating income	¥13.0 billion
Profit attributable to owners of parent	¥8.0 billion

Review of Mid-term Business Plan 2016

Under Mid-term Business Plan 2016, we set business targets of increasing the shareholders' equity ratio to 30% or more, reducing the DE ratio to 1.0 times or less, and achieving an operating profit margin of 6%, and carried out business activities with the aim of "securing stable profitability" and "realizing sustainable growth."

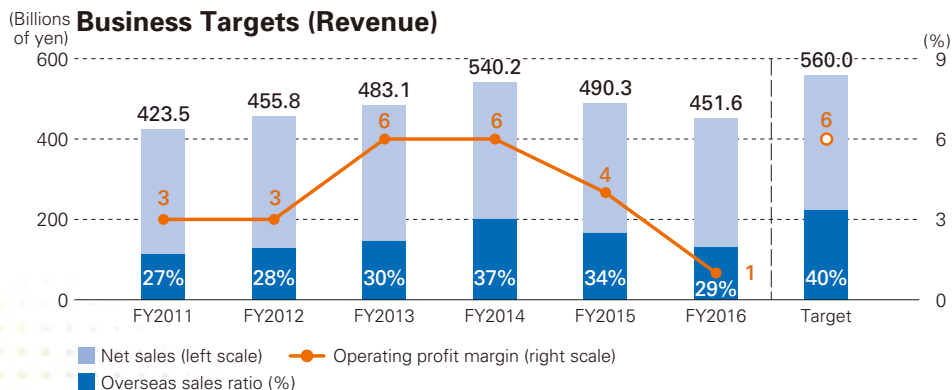
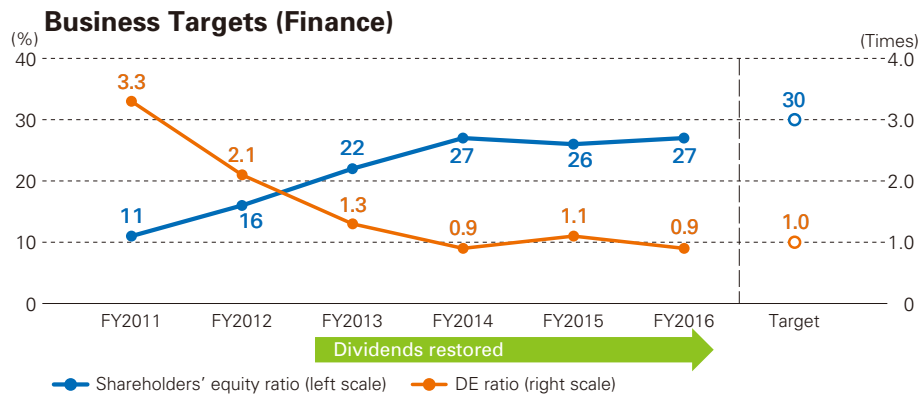
In fiscal year 2016, the plan's final year, the shareholders' equity ratio improved five points and the DE ratio fell below the target for 1.0 times or less, so the financial position clearly improved, reflecting results from activities over the plan's three-year span. Moreover, the profitability of the ICT business improved, the EMS business achieved sustainable growth, and, on the whole, we achieved our plans to sow seeds to foster next-generation social infrastructure fields and growth businesses in emerging markets for the mechatronics systems business.

That said, despite attaining the operating profit margin target in the plan's first year, we need to learn from our inability to respond swiftly to rapid changes in the business environment since fiscal year 2015 as earnings at overseas businesses in mechatronic systems and printers flagged, obstructing our efforts to continue to reinforce our earnings

power. We believe this may have stemmed from our inability to reinforce our earning capacity, and looking back, we have broadly speaking identified three causes underlying this setback;

- 1) we were unable to make management decisions in a timely manner in response to rapid shifts in the business environment in overseas markets;
- 2) strategy due diligence and management at overseas businesses, which were the basis for our business decisions, were too optimistic and lacked objectivity; and
- 3) our overall earnings structure had become too reliant on a single market, China.

On this basis, one challenge we see for the new mid-term business plan is to swiftly rebuild the mechatronics systems business and the printers business while accelerating reforms to group governance systems, a process that has been underway since fiscal year 2016. The other main challenge is fostering next-generation social infrastructure fields and growth businesses in emerging markets for the mechatronics systems.



Mid-term Business Plan 2019

▶Basic Policies

In May 2017, OKI released Mid-term Business Plan 2019, a three-year plan that ends in fiscal year 2019. "To be a company that can secure stable profitability," we will make reinforcing earning capacity as our top focus and strive to establish a base for achieving sustainable growth and evolution. For that reason, we will bolster our capacity to develop distinctive technologies and products, a source of strength for OKI, as well as reinforce the business know-how we have built up over many years with our customers. By combining these strengths with our partner strategy of making active use of external capabilities concerning co-creation activities that give birth to new businesses as well as business processes, we will succeed in reinforcing earning capacity.

As for business segment strategies, we will secure a baseline earnings level at the ICT business, and swiftly rebuild the earnings power of the mechatronics systems business with the competitive strategic products. At



the printers business, we seek to achieve stable profits through strategic transformation. At the EMS business, which continues to grow smoothly, we will pursue further growth. In addition to these focal points, we aim to create and nurture new growth businesses such as next-generation social infrastructure.

▶Business Targets

Mid-term Business Plan 2019 targets an operating profit margin of 6% and shareholders' equity ratio of 30% or more. In fiscal year 2019, the plan's final year, it sets as targets net sales of ¥500.0 billion, operating income of ¥30.0 billion, and shareholders' equity of ¥120.0 billion. While making improvement in profitability via earning capacity reinforcement a priority, we aim to improve our financial position and return a steady level of profits to shareholders.

Business Targets

Operating profit margin	6%
Shareholders' equity ratio	30% or more

Revenue Targets

	FY2016 Results		FY2019 Targets
Net sales	¥451.6 billion	Reinforce earning capacity	¥500.0 billion
Operating income	¥2.5 billion		¥30.0 billion
Shareholders' equity	¥96.9 billion		¥120.0 billion
Shareholder returns	Dividend of ¥50 per share		Stable dividend

Exchange rate assumptions: ¥110/\$ ¥115/€

▶Business Strategies by Segment

Clarifying what we see as the focus fields for each business, we will carry out business activities. At the ICT business, we aim to create new businesses with the Internet of Things (IoT) as drivers of change while securing stable earnings, mainly from the social infrastructure market as a core business for the OKI Group. At the mechatronics systems business, we aim to expand net sales and earnings by launching strategic products with top-notch cost competitiveness in emerging markets and broadening and

improving our product lineup for the domestic retail market. At the printers business, we are switching to a niche strategy with a focus on the industrial printing market where our capabilities in developing high-function, high-quality products are strengths. At the EMS business, our focus is on the domestic high-end market, and by actively pursuing M&A opportunities and developing new fields such as aviation, aerospace and trial production of electrical components, we look to build up annual sales to the ¥100.0 billion range.

▶Common Measures Supporting Growth

R&D and New Business Creation

We have established two core R&D themes to further refine the technologies in which we excel. The first is “smart sensing” technologies where we draw on technologies we own to harness optical, acoustic and image sensing and analyze in-depth information from the field using advance sensing techniques. The other theme is “humane mechatronics” that achieves optimal personal services that are human friendly based on our view of mechatronic terminals as a contact point between people and society. We plan to make active investments of ¥45.0 billion in the three years to fiscal year 2019 into core R&D themes, including the aforementioned two themes. While working jointly with companies with strengths in specific fields based on distinctive technologies, we will actively harness open innovation with the aim of creating new businesses in our focus markets.

Bolstering Our Human Resources Management and Governance

As for the human resources important for achieving sustainable growth and evolution, a newly launched project team at OKI is also vigorously forging ahead with work style reform, in addition to advancing previously commenced initiatives to promote the role of women in the workplace, which is starting to yield results. We are improving our system for evaluating employee performance to foster a stronger sense of motivation so employees will through their actions assertively step up to the innovation challenge. As for corporate governance, we will reorganize our management environment into simpler frameworks in an effort to build a system that enables effective decision-making through a combination of proactive and defensive forms of governance.

Financial and Investment Policies

Drawing on cash flows and working capital generated through improvements to working capital and greater asset efficiency, we intend to selectively allocate more capital to growth and new businesses, directing ¥45.0 billion to ¥55.0 billion to such businesses in the three years to fiscal year 2019.





Toward Realization of Proactive and Defensive Forms of Governance

In February 2017, the Japan Fair Trade Commission issued a cease and desist order and ordered OKI to pay fines with regards to violations of the Anti-Monopoly Act concerning digital wireless communication systems for firefighting emergency use. Regarding this matter, we would like to extend our deepest apologies for the worries and difficulties it has caused all our stakeholders.

Based on reflection about this matter, OKI will strive to bolster risk management and do as much as it can to embed compliance into practices at the Group level, while working to

strengthen and improve corporate governance to realize higher corporate value over the medium and long term by improving management transparency and fairness and further accelerating decision-making processes. As part of our efforts to achieve this, we have advanced various initiatives that support stronger oversight functions such as ensuring at least two independent outside directors serve on our Board of Directors and establishing the Personnel Affairs and Compensation Advisory Committee. We will continue to debate matters such as a medium-term management strategy aimed at sustainable growth.

To Fulfill Our Social Responsibilities

OKI strives to fulfill its social responsibilities in accordance with its corporate philosophy. The OKI Group Charter of Corporate Conduct and the OKI Group Code of Conduct have been established as the basis for the OKI Group Values, and OKI is working to ensure thoroughgoing adherence to the Charter and the Code. With the aim of advancing proactive initiatives to reduce the Group's environmental impacts, the OKI Group Environmental Vision 2020 sets targets for 2020 in four areas: realization of

low-carbon societies, prevention of pollution, resource circulation, and biodiversity conservation.

As a signatory to the United Nations Global Compact, we continue to work to bolster our activities relating to the Compact's ten principles concerning human rights, labor, the environment, and anti-corruption. Concurrently, we strive to form an accurate recognition of social issues from various angles in our corporate activities so we can contribute to creating a sustainable society.

Returning Profits to Shareholders

OKI endeavors to return profits to shareholders in a continuous and stable manner and regards this as a top management priority. Our dividend payments in fiscal year 2016 were an interim dividend of ¥2 per share and a year-end dividend of ¥30 per share. Taking into account the reverse stock split where ten shares were exchanged for one share on October 1, 2016, the adjusted full-year dividend in fiscal year 2016 came to ¥50 per share. For fiscal year 2017,

based on our business plan and our policy of returning profits to shareholders, we aim to pay an interim dividend of ¥20 per share and a year-end dividend of ¥30 per share for a full-year dividend of ¥50 per share. As a way of improving our financial structure under Mid-term Business Plan 2019, we seek to build up shareholders' equity with a target to raise this ratio to 30% or more. On dividends, our aim is to pay dividends in a stable and continuous manner.

In Conclusion

2017 will mark 136 years since our founding. As we implement Mid-term Business Plan 2019, we think achievement of reinforced earning capacity and being a company that can secure stable profitability will enable us to meet the expectations of all those who support OKI. While pursuing sustainable growth and evolution in the years to come, we will

continue our efforts to build a brighter future connecting generations as we reach our 140th and 150th anniversaries and beyond in the future. I look forward to the continued support and cooperation from all our stakeholders.

August 2017