MESSAGE FROM THE CFO

The OKI Group aims to be a corporate group supporting a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of "Mono-zukuri" and "Koto-zukuri."*

Through our business activities, we will pursue to create economic value and contribute to society, so that we can be recognized as an indispensable company. In order to achieve that goal, it is necessary to provide products and services that meet new needs and address them in a timely manner to respond to changes in society. Aggressive investment in innovative technologies and developing new fields is essential for growth.

Meanwhile, there is no end of instances where the misjudgment of risk has damaged corporate value and, in turn, caused a crisis in the sustainability of a corporate entity. It's vital to learn from these mistakes so that they don't occur to us, I believe that it's the responsibility of the CFO to balance offensive (growth investment) and defensive (financial discipline) forms in order not to deviate from the path of sustainable growth.

Going forward, we will strive to meet the expectations of shareholders and investors. We look forward to your continued support and understanding for the future of the OKI Group.

*Please see the notes (*) on page 3 for "Mono-zukuri" and "Koto-zukuri."

OKI's basic concept of capital policy is as follows:

Capital Policy

Basic Concept
As a company deeply rooted in society, we strive to contribute to society by improving corporate value sustainably, and make returns to stakeholders.

Basic Policy
1. Make investments for growth
2. Secure the strong financial base
3. Sustain steady shareholder returns

Financial Soundness
- Maintain an adequate level of shareholder's equity within a risk allowance, while making growth investments
- Pursue the right balance between capital efficiency and securing stable growth investment funds, namely, optimal capital structure
- Disclose shareholders' equity and DE ratios as indicators of financial soundness

Shareholder Returns
- Aim to raise shareholder value continuously by increasing EPS through reinvesting the profits generated by business activities into growth areas
- Return profits to shareholders in accordance with our business results
- Strive to maintain stable dividends
- Emphasize on rewarding long-term shareholders

Asset Efficiency
- Maximize shareholder value by striving to improve asset efficiency
- Improve total asset turnover: Strive to optimize capital allocation and working capital

Analysis of Financial Position and Business Achievement

FY2018 Business Results

In fiscal year 2018, the Group reported net sales of ¥441.5 billion, an increase of ¥3.5 billion year on year. The steady performance of the ICT business and the effects of the newly consolidated OKI Electric Cable in the EMS business offset sales decline in the Mechatronics Systems and the Printers businesses. Operating income improved by ¥9.8 billion to ¥17.5 billion, upon the sales increase and earnings improvement from sales mix in the ICT business and the effects from structural reforms in the Mechatronics Systems business. Moreover, the impact from weak yen and the fixed cost reduction along with structural reforms in the Printers business also boosted up the results.

Ordinary income was ¥15.5 billion, an increase of ¥7.0 billion year on year, due to the increase in operating income though a foreign exchange loss of ¥1.3 billion was recorded as a non-operating expense. Despite posting extraordinary losses of ¥3.5 billion for business structure improvement expenses and ¥2.9 billion for impairment loss in the Mechatronics Systems business, profit attributable to owners of parent was ¥8.4 billion, an increase of ¥2.5 billion year on year. The result was also assisted by a ¥1.4 billion gain on sales of property, plant and equipment, and ¥1.0 billion gain on sales of investments in securities as extraordinary income.

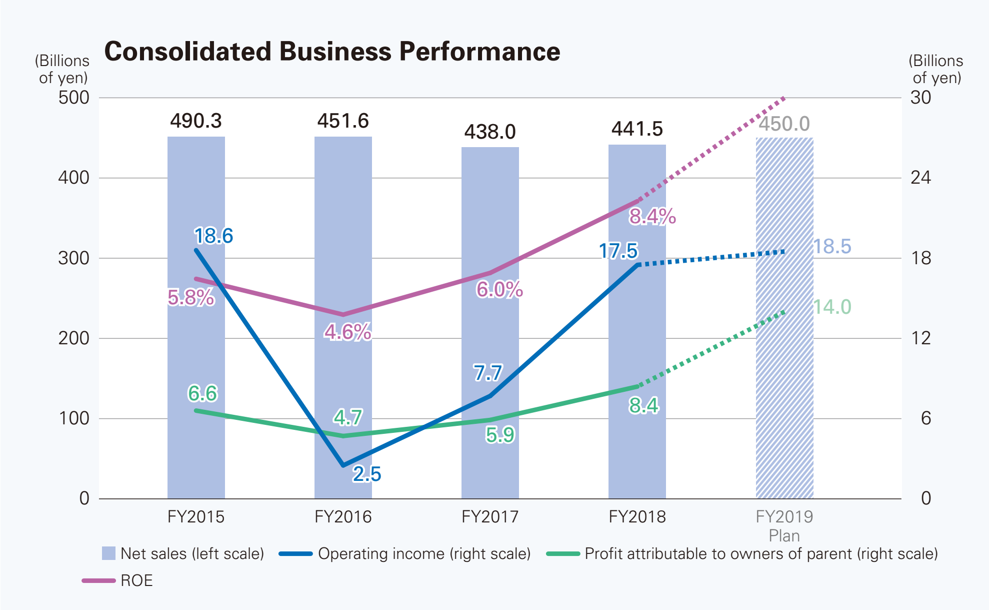
In terms of financial position, total assets decreased by ¥1.0 billion from the end of the previous fiscal year, to ¥365.5 billion.

Despite recording profit attributable to owners of parent of ¥8.4 billion, shareholders' equity decreased by ¥0.3 billion to ¥99.9 billion from the end of the previous fiscal year, upon a ¥4.9 billion decrease in accumulated other comprehensive income and ordinary dividend payments of ¥2.6 billion. As a result, shareholders' equity ratio stood at 27.3% and the DE ratio was 0.8 times, maintaining the same financial level as at the end of the previous fiscal year.

In fiscal year 2018, the Group was able to achieve solid accomplishment. As a whole, sales and profits both increased year on year. Looking at each business segment, we were able to win project orders and complete structural reforms upon the steady implementation of business measures.

Outlook for FY2019

For fiscal year 2019, we forecast net sales of ¥450.0 billion (up ¥8.5 billion year on year), operating income of ¥18.5 billion (up ¥1.0 billion), ordinary income of ¥17.0 billion (up ¥1.5 billion) and profit attributable to owners of parent of ¥14.0 billion (up ¥5.6 billion). Profitability has already been well established, with profit attributable to owners of parent to improve greatly with the end of structural reforms. We strive to achieve steady results that lead to sustainable growth.



Structural Analysis

Sales Composition and Overview

The overseas sales ratio in fiscal year 2018 was approximately 23%. By region, Europe was about 9%, the Americas was about 6%, and others were about 7%.

By business segment, the ICT business accounted for approximately 42% of the total. With regards to our ICT customers, they are mainly highly creditworthy in Japan, such as public institutions including the government agencies and local government or other highly public large private companies including telecommunications carriers, megabanks, railway companies and airlines. As we don't depend on specific customers or specific industry sectors, we ensure a certain level of stable sales every year.

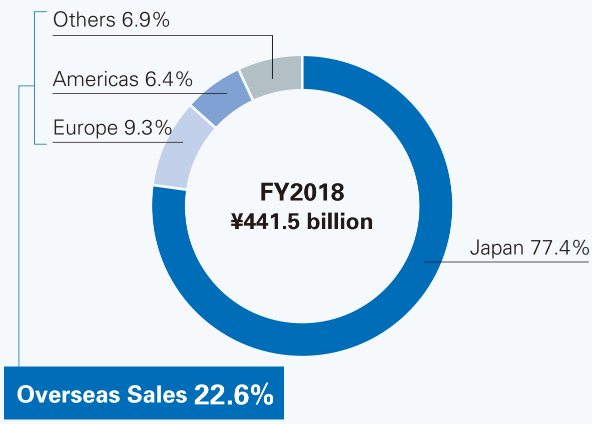
The Mechatronics Systems business segment accounts for approximately 19% of total sales. We have top-class market share in the number of ATMs installed in Japan, especially in the retail market as represented by convenience stores, we have over 70% market share* in the number of ATMs installed. ATMs are the main product in this business, but about half of segment sales come from cash handling equipment, such as open recycling withdrawal/deposit machines and retail auto cashier, KIOSK terminals, and other services.

The Printers business comprises approximately 23% of total sales with about three-quarters of sales coming from overseas. In fact, most of the OKI Group's overseas sales come from this business.

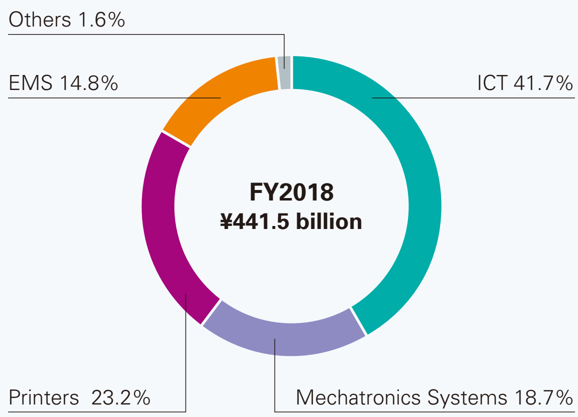
The EMS business constitutes about 15% of the overall sales. The number of customers exceeds 1,000; they come mainly from the domestic manufacturing industry. We rise stable sales with repeat orders from existing customers.

*Research by OKI

Sales Composition by Region



Sales Composition by Business



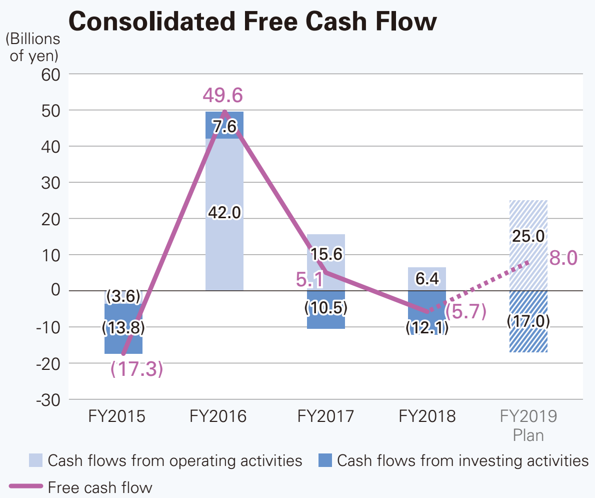
Effect of Exchange Rate Fluctuation on Earnings

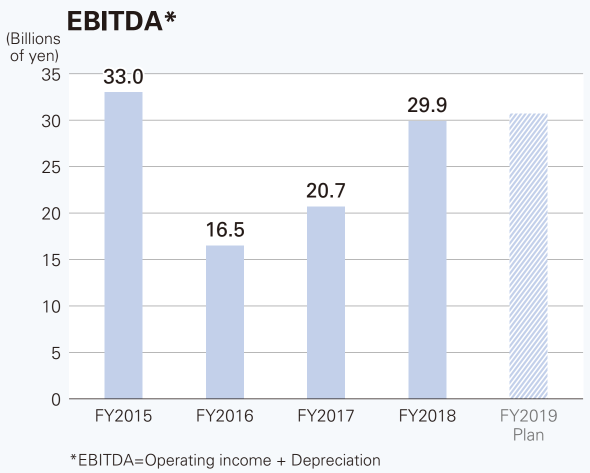
Overseas sales account for about 23% of the OKI Group's total sales with the bulk coming from the Printers business. Approximately 40% of Printers business sales are in Euro. For this reason, if the yen appreciates against the Euro, it will result in a decrease in sales and cause a negative impact on operating income.

On the other hand, OKI's main factories are located in Shenzhen in China for the Mechatronics Systems business, and for the Printers business, in Shenzhen in China and Ayutthaya in Thailand. At each factory, major materials procurements are conducted in U.S. dollars. U.S. dollar denominated trading volume exceeds overall sales. For this reason, regarding the amount after offset, the appreciation of the yen against the U.S. dollar causes a reduction in material costs while providing a positive impact on operating income.

Cash Flow

The ICT business does not require large-scale capital investment as system integration is its main business activity. Although, the Mechatronics Systems and Printers businesses require capital investment for hardware production, they do not require the installation of expensive equipment since they are basically involved in assembly. Like the other businesses, the EMS business does not require a large-scale capital investment since it provides a high-mix low volume production service. For the reasons outlined above, cash flows from investing activities do not significantly exceed depreciation expenses in normal production activities. As EBITDA shows, fundamentally, it can be said that this business structure generates stable cash flows.





Balance Sheet

For non-business assets, we have established a periodic verification process to continuously review the significance of ownership. We are striving to downsize non-business assets by prioritizing and selling as appropriate. With regards to business assets, each business has a monthly reporting and verification system in place to monitor changes in working capital, such as notes and accounts receivable and inventories. Surplus funds are used to repay interest-bearing debt to improve overall asset efficiency. As a result of these efforts, our financial position remains stable and sound.