

OVERVIEW OF OPERATIONS

ICT

We aim to achieve sustainable growth by generating new businesses through co-creation with partner firms and developing products that strengthen our IoT business platforms.

Senior Vice President,
Head of ICT
Business Group

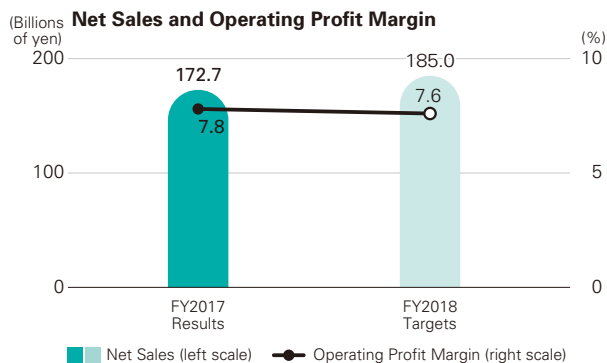
Masashi Tsuboi



Fiscal Year 2017 Business Results

Net sales declined ¥4.7 billion or 2.6% year on year to ¥172.7 billion. Although some public sector projects were brisk, sales declined mainly due to the winding down of transport-related projects that had continued since fiscal year 2016, a decline in disaster-prevention projects for local governments, and some projects, mainly for network systems, being pushed forward to fiscal year 2018.

Operating income came to ¥13.5 billion, a decrease of ¥0.9 billion year on year, as the decline in sales was compensated for by product mix improvement and reduced costs.



Outlook for Fiscal Year 2018 and Future Strategy

In the ICT business in fiscal year 2018 we are targeting net sales of ¥185.0 billion and operating income of ¥14.0 billion. While we anticipate an increase in projects from a public agency, we are also aiming to secure more financial systems and social infrastructure systems, such as for roads. We are also planning to ramp up our R&D investments in order to bolster our business in transport-related fields and IoT platform-driven co-creation businesses with a view to ensuring future growth.

As a core business of the OKI Group, the ICT business has generated stable earnings and cash flow owing to an installed customer base it has built up over 137 years. As digital transformation continues to accelerate, we expect to see a dramatic rise in the number of network-connected devices and subsequently, further expansion in the scale of the domestic IoT market. As a result, we think our business domains in the ICT business will also continue to expand along with advancements in co-creation.

In our co-creation business with partner firms that we accelerated the launch of in fiscal year 2017, we currently have ongoing projects with 49 companies. We are stepping up product development to strengthen IoT business platform by harnessing integrated technologies in our expert fields of data processing, sensing, and networks. In transport solutions,

TOPICS 1

Established Next-generation Transport Business Hub “ITS Test Course”

We opened an “ITS Test Course” on the premises of our Honjo Plant with the aim of providing a better environment to test our technology in the area of infrastructure-cooperative ITS* services. With the arrival of ETC 2.0 compatible on-board devices, services to help drivers drive safely and avoid traffic congestion have already commenced and we predict they will be promoted for many other uses up ahead, such as paying parking fees and controlling vehicle operations, in addition to accelerating initiatives towards automated driving. OKI will utilize this test course to contribute to the development of next-generation transport solutions.

*ITS: Intelligent Transport Systems



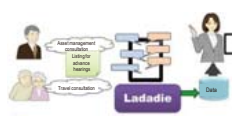
Tape-cutting ceremony to commemorate the opening of the ITS Test Course

IoT Business Platforms

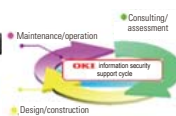
Data processing/ operations



ITS service
LocoMobi® 2.0



AI interaction engine
Ladadie™



EXaaS™ managed
security service



Integrated operation
management solution
Opt-AI



Store-operation
improvement support
solution VisIoT™

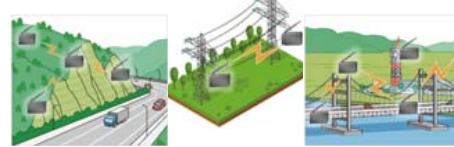
Networks



Image IoT gateway
(AISION™)



920MHz band
wireless multi-hop power-saving
technology SmartHop®



Wireless acceleration sensor system

Sensing/ Devices



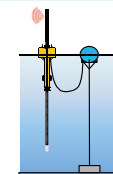
Fiber-optic sensor



AI assistant terminal



Networked ultrasonic
water-level gauge



Coast-monitoring buoy



CARPHIN V multibeam
depth sounder

a key focus area for the ICT business, we are asserting our dominance in the infrastructure-cooperative ITS market by, for example, setting up an ITS test course at our Honjo Plant and bringing to market our ITS service “LocoMobi2.0.” Through such initiatives, we seek to solve various challenges associated with vehicle operations including logistics.

From 2020 the next-generation 5G network supporting ultra-high-speed, ultra-low-delay, and multiple simultaneous connections is expected to be rolled out in earnest. Owing to this technology, we expect to be able to realize real-time controls in areas such as automated driving vehicles and remote control of medical robots. To make such a society a reality, we will need to beef up existing network infrastructure that OKI has contributed to thus far in order to address the growing volume of traffic. And given the importance of edge

networks that connect a wide-range of IoT devices, including vehicles, we think significant business opportunities lie await in areas where OKI excels, such as ETC and “SmartHop.”

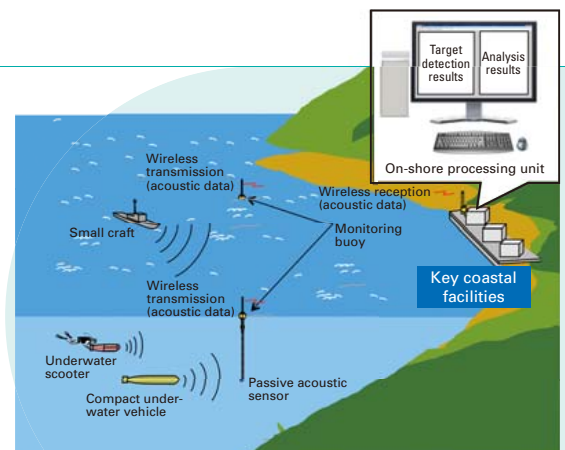
In addition, as an initiative aimed at new growth opportunities, we are aiming to create new businesses in fields that harness maritime and acoustic technologies. We aim to create and roll out higher-value-added solutions through sequential expansion of solutions such as maritime resources development, coastal monitoring, and facilities monitoring by leveraging maritime and acoustic technologies developed over many years for self-defense systems.

The ICT business will continue to help solve the challenges of society and underpin sustainable growth in the OKI Group by delivering solutions to support social infrastructure as a company specializing in IoT.

TOPICS2

Developed an “Underwater Acoustic Coastal Monitoring System” and Started Evaluation Kit Deliveries

By harnessing acoustic sensing technology, we developed an “Underwater Acoustic Coastal Monitoring System” to detect in real-time any intrusions toward key coastal facilities by unidentified objects or persons on or in the water. While crisis management systems at key facilities continue to be enhanced, measures to prevent intrusion from the sea, compared to intrusion on land, are lagging way behind. Monitoring threats to key plants or infrastructure facilities like power plants or airports located in coastal areas enables us to take border controls.



Conceptual image of “Underwater Acoustic Coastal Monitoring System” in operation

Mechatronics Systems

We seek a quick turnaround in earnings by partially reviewing our business strategies in response to changes in the market environment, branching out into the sales of ATM modules overseas, and strengthening our domestic service business.

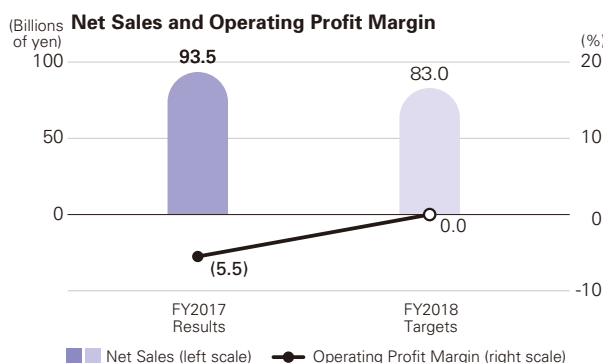
Senior Vice President,
Head of Mechatronics
Systems Business Group
Kenichi Tamura



Fiscal Year 2017 Business Results

Net sales declined ¥7.4 billion or 7.3% year on year to ¥93.5 billion. The decline in sales owed to the impact of weak ATM sales in overseas markets, despite a sales boost from the standardization of the fiscal periods of our Brazilian subsidiaries. While we aimed to expand sales of our new “ATM-Recycler G8” in overseas emerging markets, our delayed market entry meant we were unable to respond quickly enough to the rapidly changing business environment, including tougher competition, lower prices, and market stagnation owing to the increased use of cashless payments. In the domestic market, sales of cash handling equipment for small and medium businesses in the retail market were brisk.

Despite the sales volume decline, operating loss narrowed ¥6.7 billion year on year to ¥5.1 billion owing to the



absence of the one-off loss recorded previous fiscal year for the provision of an allowance for doubtful accounts.

Outlook for Fiscal Year 2018 and Future Strategy

In the Mechatronics Systems business in fiscal year 2018, we are targeting net sales of ¥83.0 billion and break-even operating income. In addition to partially reviewing our strategies outlined in Mid-term Business Plan 2019 in response to changes in the market environment, we aim for a quick improvement in earnings by undertaking drastic structural reforms.

Firstly, in the overseas ATM business, in light of market conditions, we are branching out into the sales of core modules to partners on an OEM basis in addition to traditional direct sales of ATM finished products. In conjunction with this, we are proceeding to restructure our sales structure and production sites. In our domestic business, in order to respond to changes in the market environment, notably the spread of cashless payments and the diversification of transaction services, we aim to transform our business model from providing equipment to providing service infrastructure including recurring revenue business. Moreover, to realize a quick return to profitability, we are implementing a number of short-term measures, such as shifting our domestic workforce to growth sectors, streamlining our human resources at our overseas sites, mainly in Brazil, employing variable cost measures, and reviewing the timing and content of our investments. Our aim in fiscal year 2018 is to arrest the losses in the Mechatronics Systems business, focus on rebuilding a business structure that can generate revenue, and create a roadmap for a return to growth.

TOPICS

Sales Launch of Change-dispensing Electronic Money Charger

We commenced sales of our “CZ-20 Series” electronic money charger for stores in the retail distribution and food & beverage industries. The machine is capable of giving change, meaning customers who only have large denomination notes can easily charge their pre-paid cards with a minimum of ¥1,000. The machine is operated easily via a touch screen and notes fed in are recycled and dispensed, thereby contributing to enhanced customer convenience and more efficient cash register operations.



CZ-20 Series

Printers

We continue to steadily shift our business to the industrial printing market and further bolster earnings power acquired through structural reforms.

Senior Vice President
President, Oki Data
Corporation

Toru Hatano



Fiscal Year 2017 Business Results

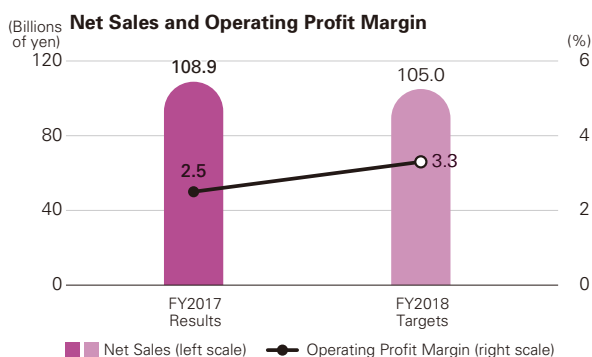
Net sales declined ¥3.5 billion or 3.1% year on year to ¥108.9 billion. Despite a boost from yen depreciation, net sales declined due to diminished sales in the office printing market as we continue to shift our focus towards the industrial printing market.

Operating income rose ¥1.7 billion year on year to ¥2.7 billion due to the effect of business structural reforms and a weaker yen. As part of our structural reforms, we endeavored to reduce costs through reviewing and streamlining our organization, which included turning some sales subsidiaries in Europe into branch offices and relocating the head office of our North American sales subsidiary.

Outlook for Fiscal Year 2018 and Future Strategy

In the Printers business in fiscal year 2018 we are targeting net sales of ¥105.0 billion and operating income of ¥3.5 billion. As the market continues to shrink due to going paperless, we are continuing to shift our business to the industrial printing market, a process we started in fiscal year 2017, and aim to build out a business structure capable of steadily generating profits with sales in the vicinity of ¥100.0 billion. In industry-vertical markets that use a lot of consumables, we are striving to expand profits with the sales of consumables by aiming to secure even more new businesses in the medical and distribution fields where we have a track record. As for special-purpose/wide-format printers, we will launch new unique products in fiscal year 2018 that leverage our strengths in LED technology, including a label printer and ticket printer. The sales of the printer hardware will shore up earnings in the Printers business.

We will also improve and beef up our global sales structure as we expand into more industries. By implementing these measures, we aim to shift our business focus from offices to industrial printing, accelerate the strengthening of our resources, and establish a business framework that can deliver sales and profit growth in fiscal year 2019.



TOPICS

Supplied LED Printers to Major US Drugstore Chain Walgreens

The major drugstore chain Walgreens, which operates around 8,000 stores in the US, has adopted our “C931e” LED printer. Drugstores in the US offer on-demand printing services for photo books and greeting cards. Walgreens was impressed with the features of our LED printer, namely its high-definition, high-quality printing and the ability to print on multiple media, including both sides of thick paper. In fiscal year 2017, 2,000 units were installed for use. Going forward, we will work on expanding sales in industry-vertical markets by leveraging the features of our LED printers.



C931e

EMS

We are accelerating growth with the aim of achieving net sales of ¥100.0 billion in fiscal year 2022 by further strengthening our one-stop services, from sales to design, manufacturing, and evaluation.

Executive Vice President,
Head of Electronics
Manufacturing Services
Business Group

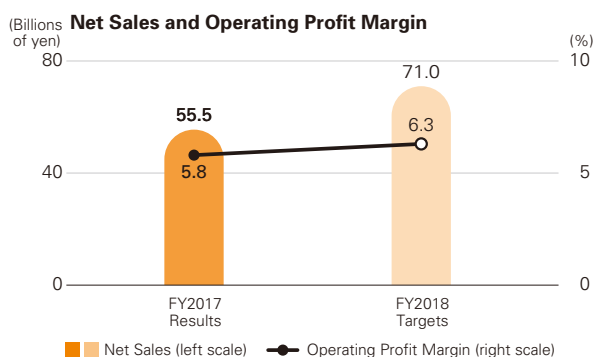
Masasuke Kishi



Fiscal Year 2017 Business Results

Net sales increased ¥4.5 billion or 10.5% year on year to ¥47.7 billion owing to brisk performances mainly in the printed circuit board (PCB) business chiefly for use in semiconductor-related equipment. Operating income inched up ¥0.1 billion year on year to ¥2.2 billion on increased sales volume. Despite the year on year growth in sales and profit supported by a favorable market environment, the operating profit margin declined against a backdrop of higher capital expenditure and surging component prices.

Due to the business segment's reorganization in fiscal year 2018, adjusted and restated sales and operating income in fiscal year 2017 came to ¥55.5 billion and ¥3.2 billion, respectively.



Outlook for Fiscal Year 2018 and Future Strategy

In the EMS business in fiscal year 2018, we are targeting net sales of ¥71.0 billion and operating income of ¥4.5 billion. In 2017, we reinforced our one-stop services from sales to design, manufacturing, and evaluation by incorporating into the EMS business segment consolidated subsidiaries, including OKI Electric Cable (OEC), following a tender offer. In addition, we will work to expand sales through cross-selling to our existing EMS customers and customers of OEC in the company's expert field of FA, and further promote the design, manufacturing, and consignment of high-end products by harnessing the comprehensive capabilities of the OKI Group.

In the PCB business with regard to aviation and aerospace applications, we acquired the only full Japan Aerospace Exploration Agency (JAXA) certification in Japan and put in place a system geared to expanding this business avenue. In addition to aviation and aerospace fields, we plan on making a full-fledged entry into the new market of trial production of electrical components field.

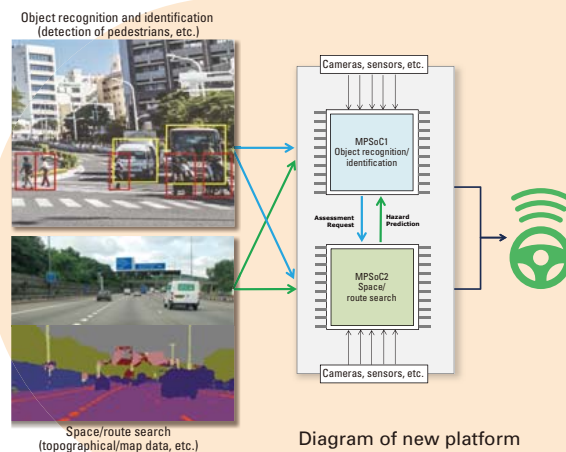
Furthermore, we plan to raise our three-year capital expenditure to ¥8.0 billion from the ¥5.0 billion originally slated in Mid-term Business Plan 2019, boost production line capacity for PCBs, which are benefiting from brisk demand from semiconductor-related equipment makers, and upgrade facilities at OEC. These efforts should secure all the increased business opportunities with customers. We will also leverage M&A opportunities up ahead to accelerate growth with the aim of expanding net sales to ¥100.0 billion in fiscal year 2022.

TOPICS

Joint Development of New Platform for Developing AI-driven Advanced Automated Driving Technologies

In cooperation with Avnet, Inc., we jointly developed a new type of development platform optimized for developing next-generation advanced automated driving technologies. The design is based on an open platform that can interface with next-generation ITS and process large volumes of data at high speeds required for SAE Level 4/5* autonomous driving systems. The platform can also detect obstacles 800 meters away, a requirement for stopping safely when driving at high speeds, and is equipped with full component specifications needed to enable automated driving functionality.

*SAE Level 4/5: Developed by the US NPO Society of Automotive Engineers to define levels of autonomous driving. Level 4 is defined as a high-level of automated driving, while Level 5 is fully automated.



*Space/route search source: University of Cambridge