

OKI Business Strategies

- Mid-term business plan -

February 16, 2010

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.

Contents

1. Corporate strategies for the mid-term business plan
2. Mid-term business targets
3. Changes in business structure
4. Sales and profits plan
5. Initiatives to expand sales
6. Initiatives to enhance profitability
7. Balance sheet targets

1. Corporate strategies for the mid-term business plan

- OKI provides products and services to contribute to the development of the information society.
Joint efforts by sales and marketing, technology development, production, and maintenance
- OKI aims to become a company that makes steady growth by generating profit stably.

<OKI's approach>

1. Shift to a consolidated group management
2. Enhance “monozukuri” (manufacturing)
3. Strengthen service business
4. Create new businesses based on unique technologies

2. Mid-term business targets

Mid-term business target (FY end. March 31,2013)
 Net sales:500.0B yen Operating income:18.0 B yen

	FY end. March 31,2010 (projections)		FY end. March 31,2013 (plan)	Main measures
Net sales	456.0 B yen	➔	500.0 B yen	- Increase sales in focusing business domains
Operating income	14.0B yen		18.0 B yen	- Reduce costs from a view of total optimization - Select and concentrate businesses

In the mid-term business plan up to FY ending March 31,2013, OKI will establish a business structure which is capable of generating profit stably without depending on sales expansion even under the severe business environment.

3.1 Changes in business structure

■ Enhance business profitability by changing business management units

- Maximize profitability with consolidated groups by changing to business management based on products
- Clarify business responsibility by matching business management and organization

New business segments

FY end. March 31, 2010
approximate projections

Solutions & services

80.0B yen

Telecom systems

80.0 B yen

Social infrastructure systems

45.0 B yen

Mechatronics systems

55.0 B yen

EMS

46.0 B yen*

Printers

150.0 B yen

*including "Others"

■ Enhance accessibility to customers by consolidating sales functions

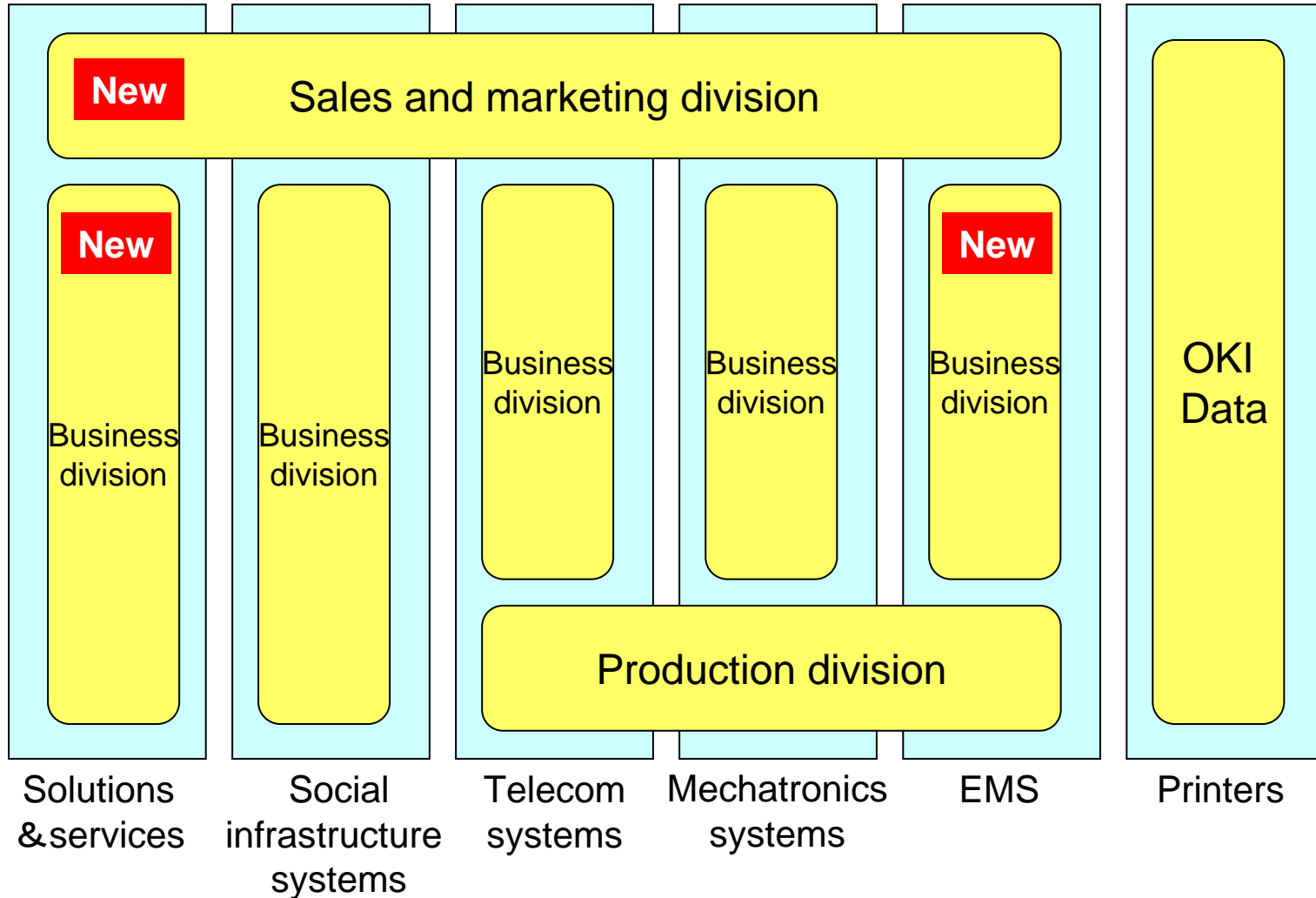
- Consolidate sales departments which were in each business division to a sales and marketing division
- Reorganize structure to offer OKI's products to customers by a one-stop solution

3.2 Business segment profile

Biz. segment	Biz. outline	Main products
Solutions & services	Business offering solutions and services utilizing core know-how, cultivated by business systems for finance, traffic and retail industry, and manufacturing.	Bank branch systems, various business systems, personnel and salary systems, ATM monitoring services, LCM services
Telecom systems	Business providing telecom equipments, etc. to telecom carriers	Telecom equipments for telecom carriers, software development, etc.
	Business offering communication systems such as voice and video, etc.	IP-PBX/KTS, contact center systems, IP-conference systems, etc.
Social infrastructure systems	Business providing customized systems for the social infrastructure	Firefighting navigation systems, VoIP bulletin systems, ETC, self-defense equipment
Mechatronics systems	Business offering products, with the core in mechatronics technology.	ATMs, cash handling equipments, bank branch terminals, ticket reservations and issuing terminals, check-in machines, etc.
Printers	Business offering printers leveraged by its unique LED technology	MFPs, SFPs, SIDMs, etc.
EMS	Consigned manufacturing business based on manufacturing technology cultivated within our group	High-end type EMS

High-end type EMS: Consigned manufacturing service focused on substrates and units which require small lots and high-density mounting.

3.3 Business segment and organizational structure



4.1 Business expansion

Aim for 500.0 B yen sales in FY ending March 31,2013

Sales:500.0 B yen

Sales:456.0B yen			
Mechatronics systems		+20.0 B yen	Expand business as the world top vendor in mechatronics
EMS		+10.0 B yen	Expand business by enhancing cooperation among group companies
Solutions & services		+10.0 B yen	Expand business by offering strong products as services
Printers		+10.0 B yen	<ul style="list-style-type: none"> - Shift products from SIDM to LED-MFP/SFP - Focus on products strategy by region
Telecom systems		Telecom carrier systems: Concentrate on competitive domains Enterprise NW systems: Enhance by alliances	
Social infrastructure systems		Secure current profit level based on the government's new growth strategy	

4.2 Enhance profitability

With consolidation and total optimization in view, implement measures for reducing costs and establish a solid business structure without depending on sales expansion

Business segment: Operating income (Billion yen)	FY end.Mar.31, 2010 (projection)	FY end.Mar.31 2013 (Plan)
Solutions & services		
Telecom systems	12.0	15.0
Social infrastructure systems		
Mechatronics systems		
Printers	8.0	7.0
EMS/Others	0.5	2.0
Corporate /Eliminate, etc	(6.5)	(6.0)
Total	14.0	18.0

**Projection for FY end.
Mar.31,2010**

14.0 B yen

Net sales:456.0B yen
Operating income: 14.0 B yen
Operating income ratio:3.1%

Optimize
treatment

Expand
sales

Select and
concentrate

Reduce
costs

Risks,
environmental
changes, etc

**Minimum
target level**

- Enhance profitability of software
- Reorganize hardware manufacturing sites
- Strengthen procurement functions
- Shift to shared service
- Eliminate and consolidate group companies

**Plan for FY end.
Mar.31,2013**

18.0 B yen

Net sales:500.0 B yen
Operating income:18.0 B yen
Operating income ratio:3.6%

5.1 Expand mechatronics systems business - ATM -

Enhance overseas business focusing on the Chinese market as well as expanding domestic market share steadily.

FY end.Mar.31,2010
Sales projection: 40.0 B yen

FY end.Mar.31,2013
Sales plan: 50.0 B yen*

* Excludes maintenance service

[Domestic market]

40% top share

Expand market share
by releasing new
models

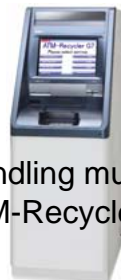
- ◆ Products strategy
Expand market share with next-generation ATMs
- ◆ Market strategy
Ensure replacement demands of ATMs for banks and the retail market

[Overseas market]

Top vendor in the
Asian market

Enhance overseas
deployment focusing
on the Chinese market

- ◆ Products strategy
Complete development of strategic products responding to the global market
- ◆ Market strategy
 - China Expand market share by releasing G7, based on established achievements
 - Korea Expand in growing convenience-store market
 - Europe/ N. America/ S. America
Initiate a measure with G7 in the replacement market for ATMs



Capable of handling multiple banknotes
ATM-Recycler G7

5.2 Expand mechatronics systems biz.- cash handling equipments -

Integrate marketing functions, develop and deploy products adapting to business categories, based on elemental technologies established with ATMs

FY end.Mar.31,2010
Sales projection:3.0 B yen

- ◆ Complete product lineup; integrated cash management system, recycling withdrawal/deposit machine, coin and banknote change machine
- ◆ Focus on financial market

Expand sales of cash handling equipment

FY end. Mar.31,2013
Sales plan: 11.0 B yen

- ◆ Develop and deploy products adapting to business categories
- ◆ Focus on the expanding retail market
 - Acquire channels by cooperating with Slers in each business categories
 - Address replacement demands for products which will be delivered at the time of new banknote issuance



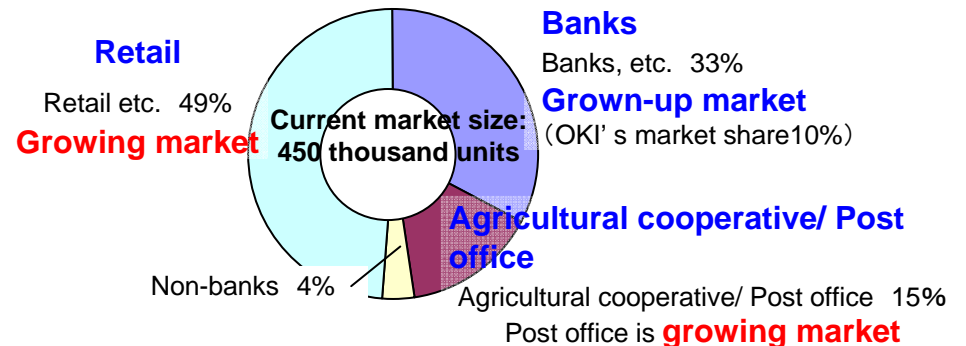
Integrated cash management system (CM21)



Recycling withdrawal/deposit machine (USCOS)



Coin and banknote change machine (SST)



Running units at the end of March,2008

Source : Japan Vending Machine Manufacturers Association

5.3 Printer business - shift business structure

Shift to a MFP/SFP-driven profitability business structure

FY end.Mar.31,2010
sales projection:150.0 B yen

- ◆SIDM: shrunk market
- ◆Developed countries :
 - Modest recovery
 - Shift from SFP to MFP
- ◆Emerging countries:
 - Rapid recovery
 - Expand MonoSFP/MFP

Shift
profitability
structure

FY end. Mar.31,2013
Sales plan : 160.0 B yen

- ◆Products strategies
 - Expand MFP products lineup
 - In addition to color, expand mono products lineup.
- ◆Sales strategies
 - Expand sales sites in emerging countries
 - Proactive deployment of MPS business by matching the change in needs, from possession to usage
- ◆Cost strategies
 - Self-manufacture main modules
 - Cost reduction brought by standardizing MFP/SFP engines

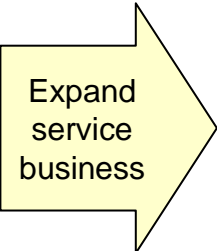
5.4 Enhance service business

Increase proportion of stock-type businesses, aiming to generate stable income
 Leveraging on OKI's strength, expand businesses based on the existing maintenance/operation services
 Respond to changes in needs, from possession to usage. Focus on service business by establishing a new business segment

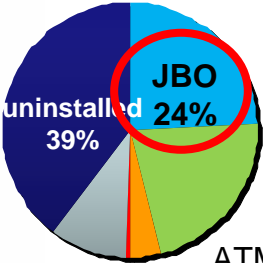
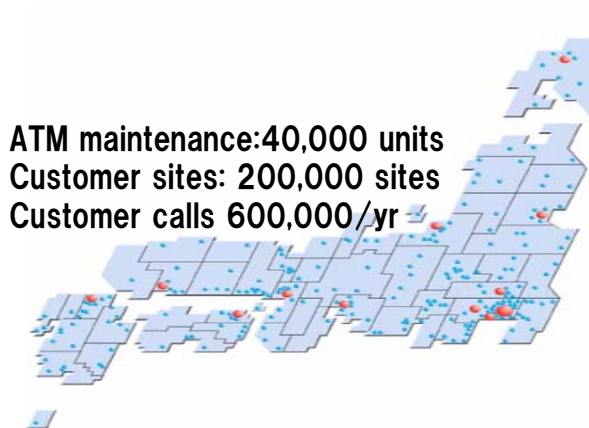
FY end.Mar.31,2010
 sales projection:80.0 B yen

FY end. Mar.31,2013
 Sales plan : 90.0 B yen

- ◆ Mechatronics/systems maintenance service
 250 maintenance sites in Japan
- ◆ ATM monitoring service
 Top share based on ATM strengths



- ◆ Increase profitability by upgrading maintenance, streamlining, enhancing quality
- ◆ Expand business domain to serve an overall operation practices related to ATMs
- ◆ Capitalizing on OKI's strength, expand centered-administration systems by providing it as a service to be used jointly



ATM monitoring service share

5.5 Expand EMS business

Focus and expand EMS business by positioning it as one of OKI's pillars
 ⇒ Consolidate EMS businesses within the OKI Group and plan to extend high-end type EMS business

FY end.Mar.31,2010
 sales projection:25.0 B yen

FY end. Mar.31,2013
 Sales plan : 35.0 B yen

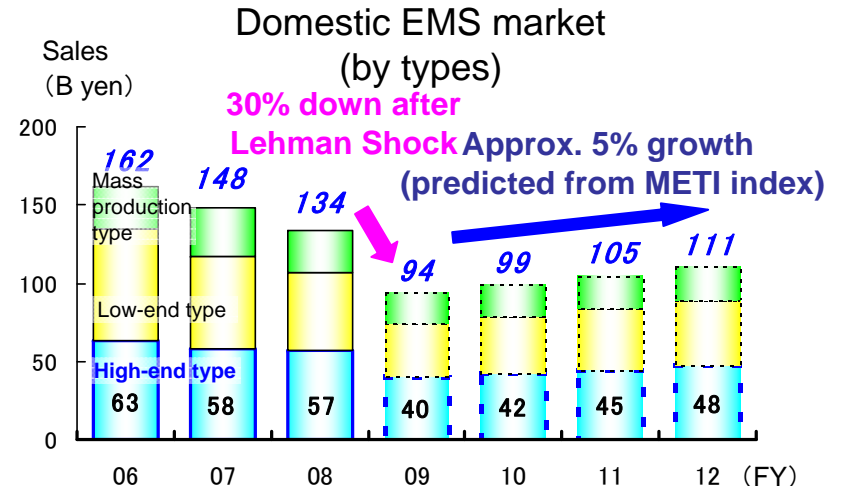
Factories and Group companies individually deploy by utilizing the high manufacturing technologies leveraged by OKI's info-telecom business



- ◆ Consolidate processes within the Group that are characteristic to OKI and provide a one-stop EMS solution
- ◆ Expand sales by an integrated sales structure
- ◆ Efficiency brought by reorganizing duplicate functions

EMS type

	Business characteristics
Mass production type	Consign mass production of home electrical appliances and information terminals
Low-end type	Consign simple mounting processes of electronic substrates
High-end type OKI's strength	Consign designing and manufacturing focusing on substrates and devices that require high density mounting and high seed inspection technology



*Definition of "Mass production", "low-end", "high-end" types are quoted from Mizuho Research Institute

*OKI's analysis and assumptions

5.6 Telecom systems business - selection and concentration -

Enhance profitability of telecom systems biz. by selection and concentration

Carrier telecom systems biz. – secure profitability by selection and concentration

Enterprise telecom systems biz. – increase share by expanding product lineup and alliances

FY end.Mar.31,2010
sales projection:80.0 B yen

FY end. Mar.31,2013
Sales plan : 80.0 B yen

[Telecom carriers]

- ◆ Secure stable profitability despite investment toward fixed telecom network business leveling out
- ◆ Establish profitable business structure

Maintain profitability through selection and concentration

- ◆ Focus on existing NW, optical access and migration
- ◆ Continue to converge unprofitable products such as core NW etc

[Enterprises]

- ◆ Strategy to win despite the declined domestic PBX market
- ◆ Secure product capability and sales force despite the transition of IP PBX to small capacity/KTS
KTS(IP):12%(2009)→38%(2012)

Share increase and win through enhanced product capability and alliances

- ◆ Significant share increase by partnering with Panasonic
- ◆ Enhance NW SI, sales and maintenance structure by making OWT a wholly-owned-subsiary
- ◆ Enforce product capability by converging technology resources for carriers

Portion of KTS(IP) in the overall PBX market

Products jointly developed with PSN to be sold from 10/3Q

5.7 Enhance Enterprise NW systems business

Aim of making OKI Wintech a wholly-owned subsidiary

- ◆ Enforce a further Group management and promote an agile network systems business
- ◆ Enhance sales/maintenance framework for enterprise network system business
- ◆ Offer one-stop service for network over its overall life cycle, from equipments' sales, system planning, maintenance through to operation

Aim of the strategic alliance with Panasonic System Networks (PSN)

- ◆ OKI : Enforce sales of IP-PBX for SMBs, leveraging on PSN's marketing strength in the domestic SMB and overseas markets
- ◆ PSN : Enhance product lineup of IP telephony products utilizing OKI's IP-PBX technology

Domestic PBX share target for FY2012:
20%

5.8 Promote energy and environment related businesses

Chemical substances in products management systems business

- ◆ Provide packaged information on chemical substances management and data collection system, originally designed for the OKI Group, to unaffiliated customers, which includes consulting
- ◆ Support customers' enhanced "Green Procurement" activities
- ◆ On-going deployment utilizing collaborating channels such as IBM



Solar tech business

- ◆ Currently running a joint evaluation with JFE Electrical and Control Systems
- ◆ Leveraging strengths in high-frequency isolation type and DSP full digital control, focus on thin-film panels where growth is expected
- ◆ Planning a joint evaluation with thin-film manufacturers



LED applied business

- ◆ Deploy LED and Epi Film Bonding technologies, cultivated by printer business, to LED applied business (display etc.)
- ◆ Succeeded in development of 1.1 inch QVGA high brightness LED display with low power consumption
- ◆ Enter the head-up display market (HUD) with mono display device and expand the business



6.1 Reorganize Group companies

Reorganize group companies aiming for a maximized profitability under consolidated management

Previously

- ◆ Dispersed Group companies according to markets and functions
- ◆ Duplicate functions and operational processes

Change in environment

- ◆ Enforced consolidated management with IFRS
- ◆ Increased number of companies to be consolidated

Future strategies

- ◆ Revise roles of OKI and Group companies
- ◆ Incorporate core process of businesses at the parent company and enhance product development and *monozukuri*
- ◆ Horizontally consolidate Group companies according to functional units and save on management costs

[Target] By the FY end. March 31, 2013
Halve consolidated affiliates by reducing the number of domestic companies by 60%

OKI

ODC

Production companies

Software companies

Service companies

Operation companies

6.2 Efficient indirect operation by shared service

Standardize all Group indirect operation processes and reduce management cost by 20%

Previously

- ◆ Adopting the existing shared service is part of the Group
- ◆ Limited service content
- ◆ Individual optimization of operation processes is allowed

Expanded shared service

Future strategies

- ◆ Establish shared service company for the OKI Group
- ◆ Expand the scope of existing shared service operations to be provided
- ◆ Expand target operations to be “shared”
- ◆ Improve efficiency by standardizing IT systems and operations

[Target] Reduce management cost by 20%

- ◆ Appropriate personnel assignment
- ◆ Reduce outsourcing costs
- ◆ Reduce duplicate administration man-hour
- ◆ Reduce costs by unifying IT systems

6.3 Enforce Group procurement functions

Enforce Group procurement with consolidated procurement functions and plan a further procurement cost reduction

Previously

◆ Each Group company deploy individually

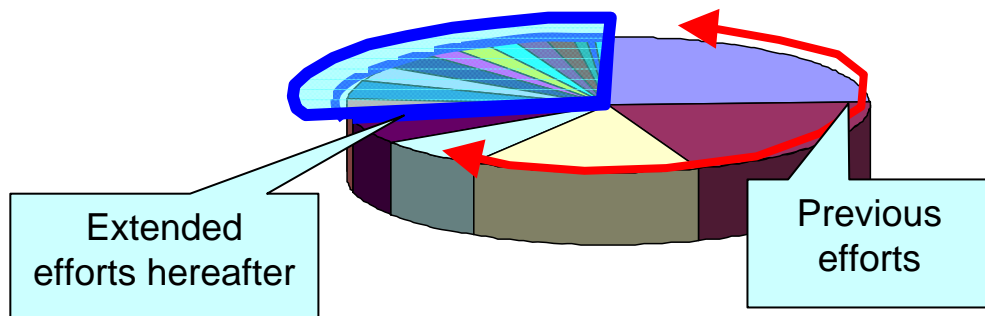
Group procurement

Future strategies

- ◆ Set up a Group procurement division
- Expand efforts made at main sites
 - Reduce costs through efforts in Group centered purchasing
 - Enhance procurement activities from the development stage
 - Enforce overseas procurement function

External purchasing results : 190.0 B yen
Number of accounts : over 5,000 companies

[Group company procurement costs (FY08)]



[Target]

FY end. March 31, 2013

Cost reduction : 10% of the total procurement costs

6.4 Enhance productivity

Enhance profitability in software

**Executed revamping all Group software divisions from FY end.
March 31, 2010**

Revamping measures

Consolidate common indirect divisions in software	Eliminate and streamline duplicate operations
Unified project operation with Group companies	Enhanced productivity
Promote self-manufacturing/reduce outsourced unit price	Reduce outsourcing costs
Standardize software and system design	Enhance productivity and quality

Reorganize hardware production sites

**Revise roles of domestic and overseas production sites and execute
reorganizing domestic sites**

[Overseas: mass production/Domestic: small lots/high value-added manufacturing]

Revamping measures

Enforce total manufacturing framework within the site	Shorten TAT and enhance efficiency
Reduce logistics costs between production sites	Reduce overhead and costs
Remove duplicate functions/facilities	Reduce fixed costs

7. Balance sheet targets

Strengthen balance sheet by generating free-cash-flows brought by accrued stable profits and improved working capital, under the aforementioned corporate strategies through to FY end.

March 31, 2013

- ◆ 3- year FCF target 30.0 B yen
- ◆ FY end. March 31, 2013 net debt equity ratio target 1.3 times

Glossary

P4	FY	Fiscal Year	P13	JBO	Japan Business Operations Co., Ltd.
P5	EMS	Electronics Manufacturing Service	P15	NW	Network
P6	ATM	Automated Teller Machine		OWT	Oki Wintech Co., Ltd.
	LCM	Life Cycle Management	P16	SMB	Small Medium Business
	IP	Internet Protocol	P17	DSP	Digital Signal Processing
	IP-PBX	IP-Private Branch Exchange		QVGA	Quarter Video Graphics Array
	KTS	Key Telephone System	P18	IFRS	International Financial Reporting Standard
	VoIP	Voice over IP		ODC	Oki Data Corporation
	ETC	Electronic Toll Collection	P19	IT	Information Technology
	LED	Light-emitting Diode	P21	TAT	Turn Around Time
	MFP	Multi Function Printer	P22	FCF	Free Cash Flow
	SFP	Single Function Printer			
	SIDM	Serial Impact Dot Matrix			
P11	SI	System Integration			
P12	MPS	Managed Print Service			

* Names of companies and products are trademarks or registered trademarks of the respective companies and organizations.