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# “ Mid-term Business Plan 2016 ”

## FY2014 ~ FY2016

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November 12, 2013

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.

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1. OKI's goal
2. Business environment
3. Corporate policy
4. Financial targets
5. Management strategies

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# 1. “ Mid-term Business Plan 2013 ” Summary

## FY2011 ~ FY2013

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1. Summary of the whole group
2. Summary of program for the enhancement of management base
3. Summary of program for growth

# 1. Summary of the whole group

- OKI projects achieving the business targets, excluding net sales.
- Resumption of dividend (3 yen) in FY2013 is planned.

## < Program for the enhancement of management base >

Achieved reducing costs drastically as planned

- Revised retirement benefit scheme
- Reduced procurement costs
- Implemented assignment of appropriate personnel at the right places, etc.

## < Program for growth >

Net sales unreachd its target by about 8% though OKI achieved some positive results.

- Grew exceeding the plan in Mechatronics systems and Social infrastructure systems.
- Unaccomplished growth target in S&S and Printers

	FY10(Results)	FY13(Proj.)	FY13(Biz.target)
Net sales	432.7 B yen	480.0 B yen	520.0 B yen
Operating income	6.3 B yen	24.0 B yen	22.0 B yen
Shareholders' equity ratio	10%	20%	More than 20%
Net debt equity ratio	1.9 times	1.0 times	Less than 1.0 times
Dividend	-	3 yen	Early resumption

## 2.Summary of program for the enhancement of management base

### ➤ Planned measures were accomplished.

#### Cost reduction

- Expect to reduce more than 20.0 B yen (planned value) from the cost level in FY09.
- Expect to achieve more than 6.0 B yen by manufacturing renovation and effects of integrating procurement functions, etc.

Compared to FY09 (billion yen)	FY13(Proj.)	FY13(Biz.target)
Revised retirement benefit scheme	3.5	3.5
Assignment of appropriate personnel, etc.	11.0	11.5
Compared to FY09 (billion yen)	FY13(Proj.)	FY13(Biz.target)
Manufacturing renovation, etc.	More than 6.0	5.0
Effects of integrating procurement functions		

#### FCF and strategic investment

- FCF of 2.6 B yen expected
- Amount of strategic investment \*1 of about 26.0 B yen is expected, as planned.

Cumulative total value for 3 years (billion yen)	FY13(Proj.)	FY13(Biz.target)
FCF	2.6	5.0
Strategic investment	26.2	26.0

\*1 Amount of investment is based on cash flow.

## 3. Summary of program for growth

➤ Growth of ATM in China exceeded our plan.

### Main results

- Grew ATM in China as our core biz.
- Acquired demands for systems for fire fighting and disaster prevention as planned.
- EMS biz. grew as planned.

Sales	FY10	FY13(Proj.)
Mechatronics sys.	63.3 B yen	⇒ 88.0 B yen (Annual shipments of ATM in China 11,800 units → 32,000units)
Social infrastructure sys.	32.0 B yen	⇒ 50.0 B yen
EMS	31.0 B yen	⇒ 39.0 B yen

### Reflection points

- Services biz.: Failed to utilize its strength in creating products and sales activity
- Printer biz.: Revised business strategies to respond to environmental changes. ⇒ Recover its profitability as structural reform proceeds robustly.

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## 2. Overview of “ Mid-term Business Plan 2016 ” FY2014 ~ FY2016

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1. OKI's goal
2. Business environment
3. Corporate policy
4. Financial targets
5. Management strategies

# 1. OKI's goal and positioning of " Mid-term Business Plan 2016 "

## OKI's goal

To be a high-value added creation business group, contributing to the realization of safe and comfortable society.

## Mid-term Business Plan 2016

Group's business plan with milestones to reach the " goal " in FY2016.

Corporate policy

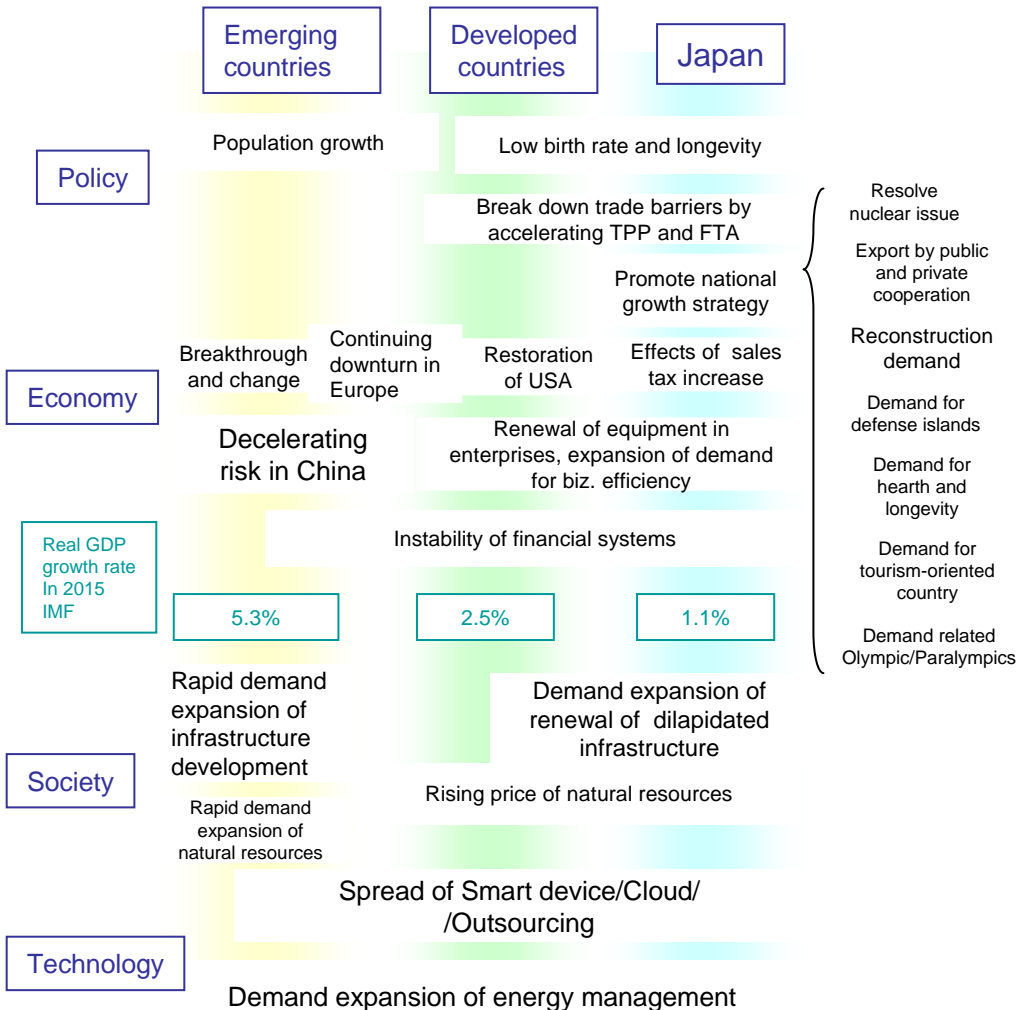
Financial targets

Management strategy  
Biz./Finance/focus points



## 2. Business environment

- Business environment is brisk for OKI.
- Key is to create business opportunities in growth areas.



### Biz. environment

- Expand customers' ICT investment and utilization of BPO for biz. efficiency (Japan, Developed countries)
- Stable demand for social infrastructure continues (Japan)
- Keep the high level of demand for infrastructure development in emerging countries

### Chances for new biz.

- Promote national growth strategy and accelerate demand related to the Olympics/Paralympics (Japan)
- Proceed ICT utilization as a measure against aging social infrastructure (Japan, Developed countries)
- Spread smart device/cloud

## 3. Corporate policy

### Corporate policy

Realize sustainable growth through continuous investment by securing stable profitability

#### Secure stable profitability

Support future sustainable growth by holding a lean business structure which generates stable profitability without relying on expansion of sales, and expanding profitability in areas of specialty.

#### Realize sustainable growth

To be a company that grows sustainably by concentrating biz. resources with the group's superiority as a core, promoting strategic alliances, and maximizing business chances in growth areas.

# 4. Financial targets

## Financial targets

● Operating profit margin  
6%

● Shareholders' equity ratio  
More than 30%

● Debt equity ratio  
Less than 1.0 times

## Original plan

Premise of currency exchange rate

¥95/\$

¥125/€

	FY13(Proj.)
Net sales	480.0 B yen
overseas sales	147.0 B yen
Operating income	24.0 B yen
Operating profit margin	5%
Shareholders' equity ratio	20%
Debt equity ratio	1.5 times
Dividend	3 yen

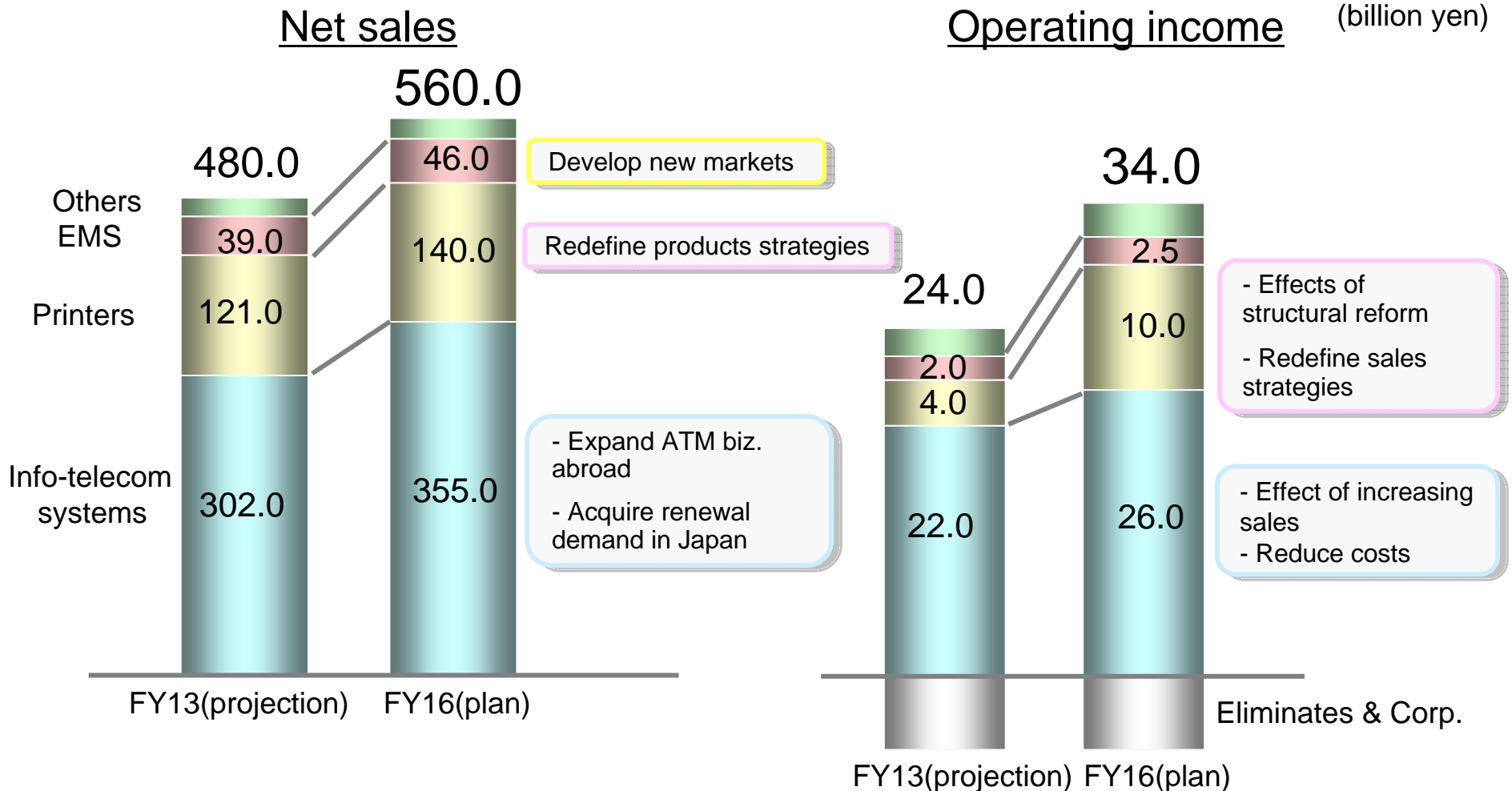
Expand profitability  
in areas of specialty

Realize sustainable  
growth

FY16(biz.target)
560.0 B yen
220.0 B yen
34.0 B yen
6%
More than 30%
Less than 1.0 times
Stable dividend

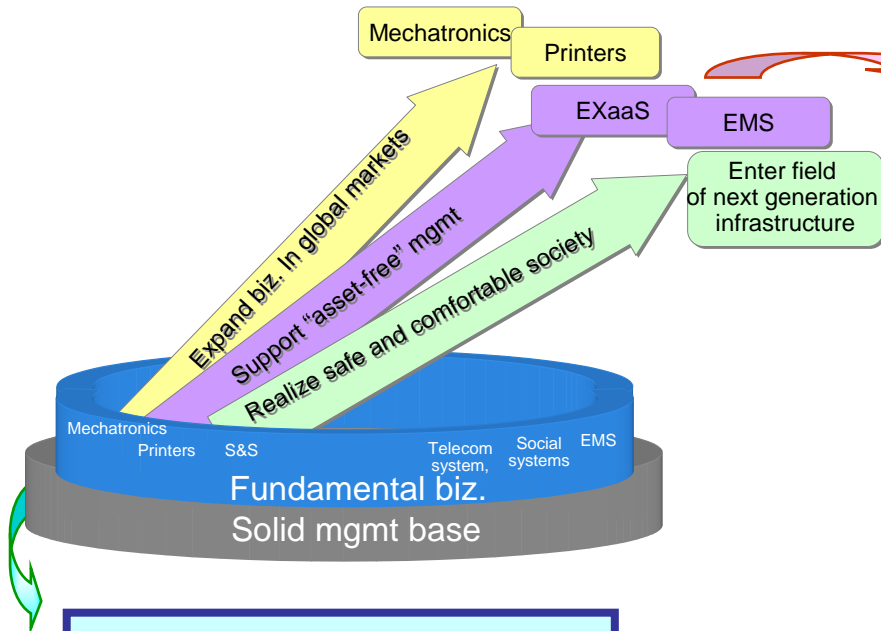
## 4. Financial targets (Plan of each segment)

- Net sales is expected to increase by 80.0 B yen mainly in overseas.
- Operating income is expected to increase by 10.0 B yen mainly in Info-telecom systems and Printers.



## 5. Management strategy (Business strategies)

- Increase share in brisk biz. environment / Secure renewal demand and maximize profitability
- Strengthen biz. overseas and enter domain of next- generation social infrastructure



### Realize sustainable growth

- Expand biz. in global markets
  - ✓ Develop new ATM markets and launch subsidiary in Brazil
  - ✓ Launch high value-add printers
- Support customers' "asset-free" management
  - ✓ Enforce EXaaS services leveraging ATM, information terminals, Printers, and develop markets
  - ✓ Open up medical and new energy areas with maintenance and high-end EMS
- Enter fields of next- generation social infrastructure  
 (ICT realizing safe and comfortable society)
  - ✓ Measures for disaster prevention and reduction, aging social infrastructure leveraging sensing and network, etc.

### Secure stable profitability

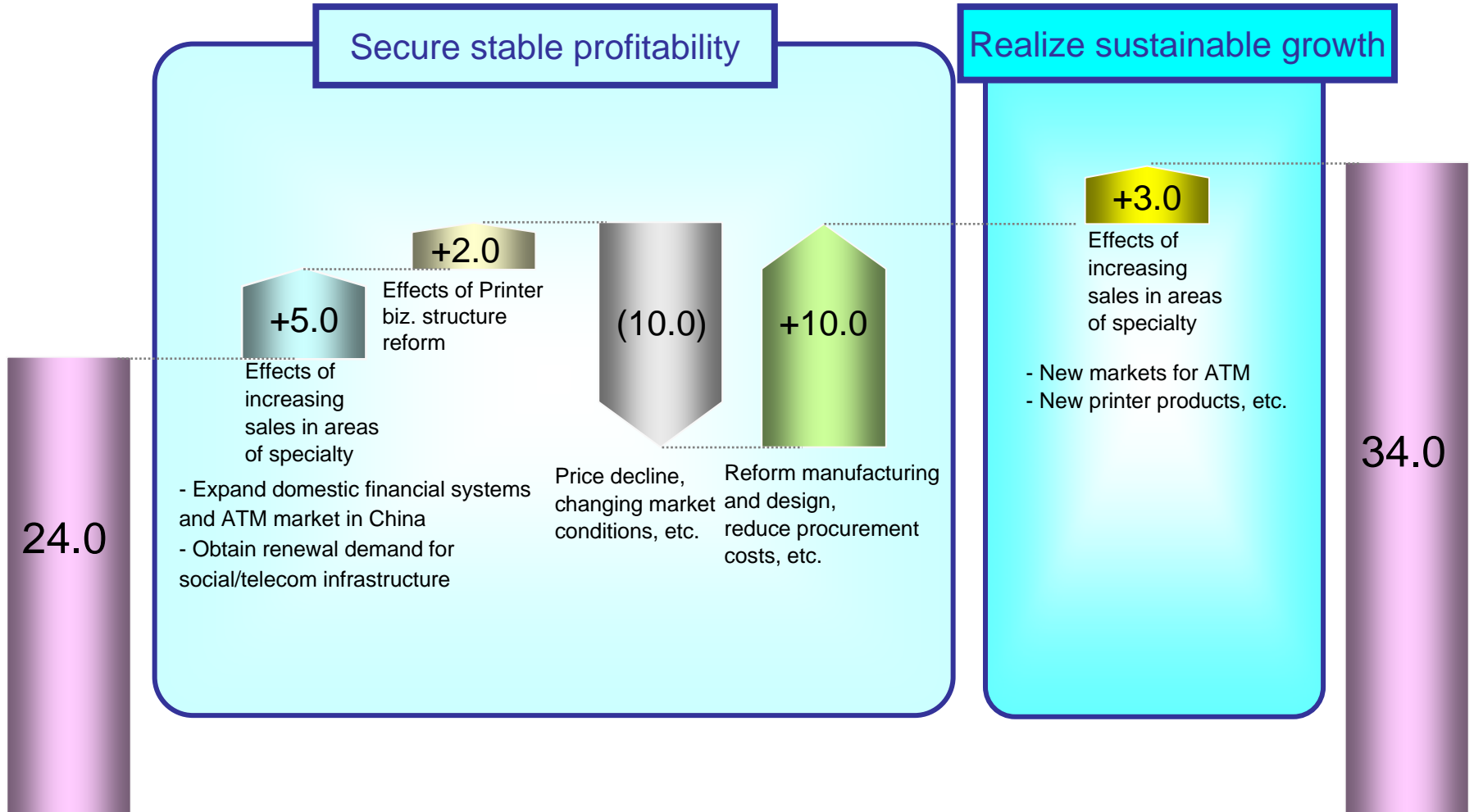
- ✓ Expand domestic financial systems and ATM market in China
- ✓ Obtain renewal demand for social/telecom infrastructure
- ✓ Effects of Printers biz. structural reform

# 5. Management strategy (Changing factors of operating income)

Billion yen

Secure stable profitability

Realize sustainable growth



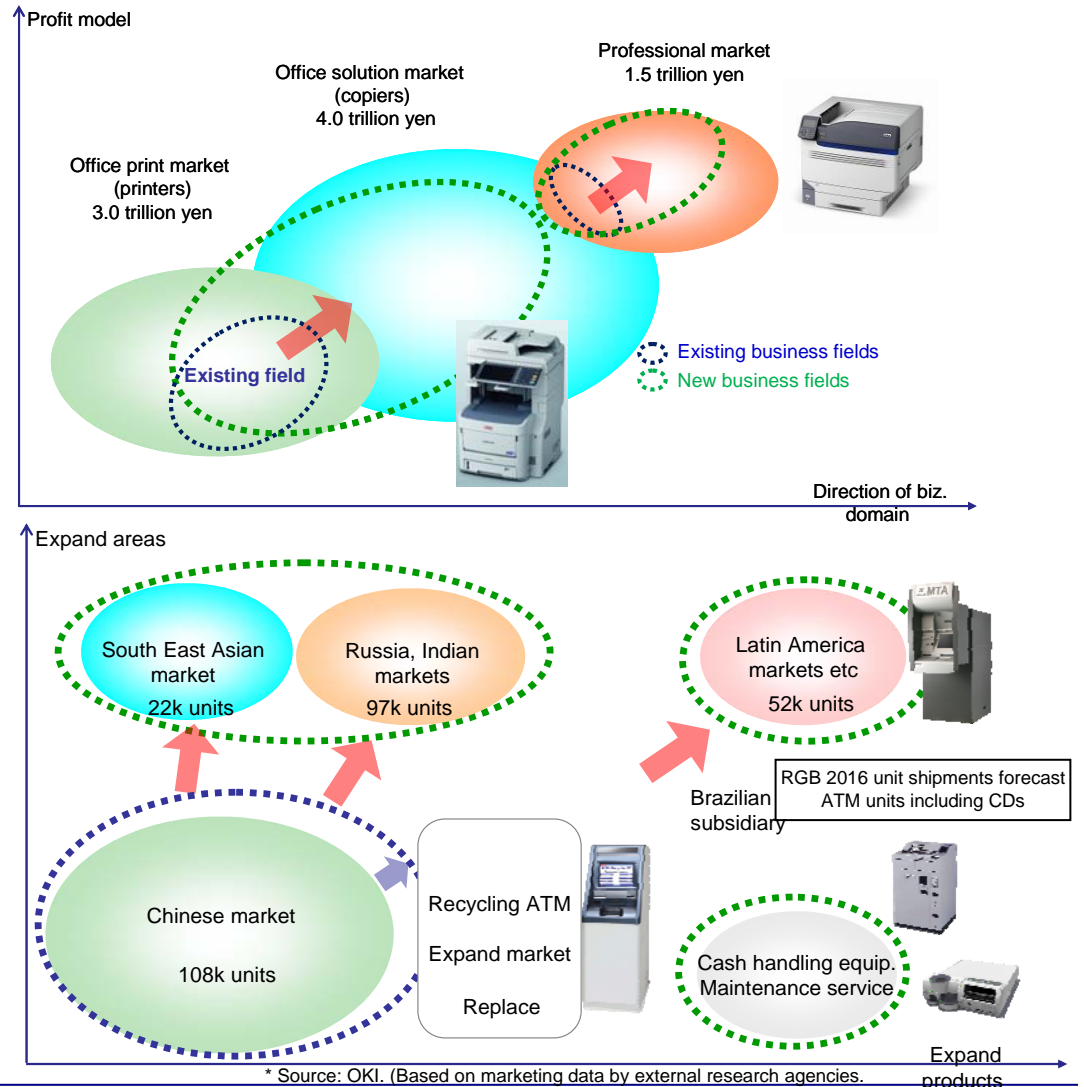
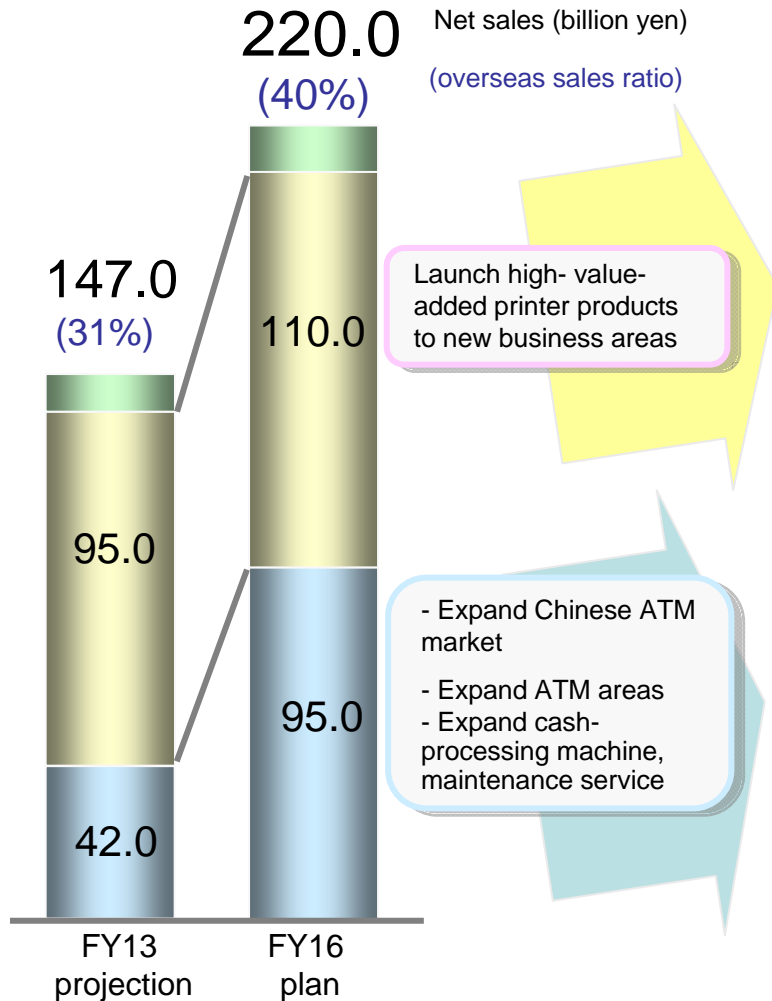
**FY13  
(projection)**

**FY16  
(Plan)**

# 5. Management strategy (Overseas strategies)

➤ Expand mainly in ATMs and Printers. Target 73.0 billion yen overseas net sales.

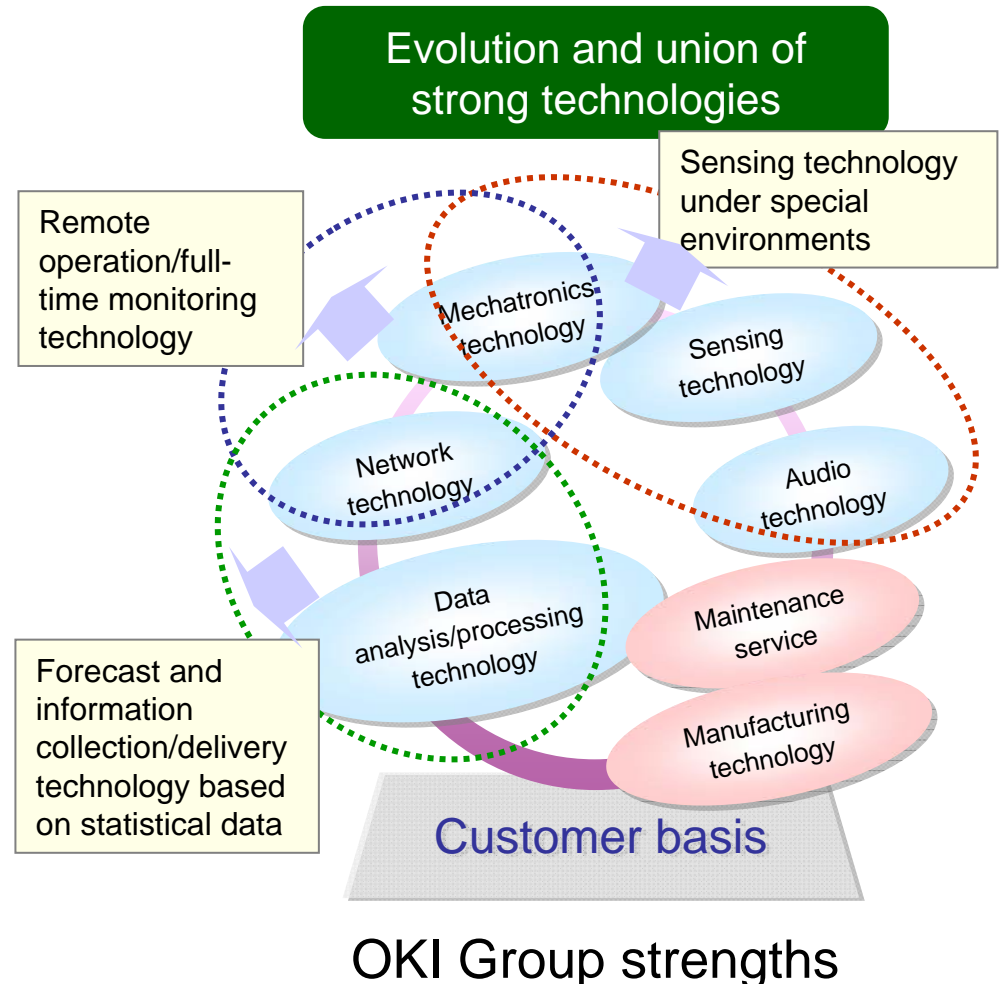
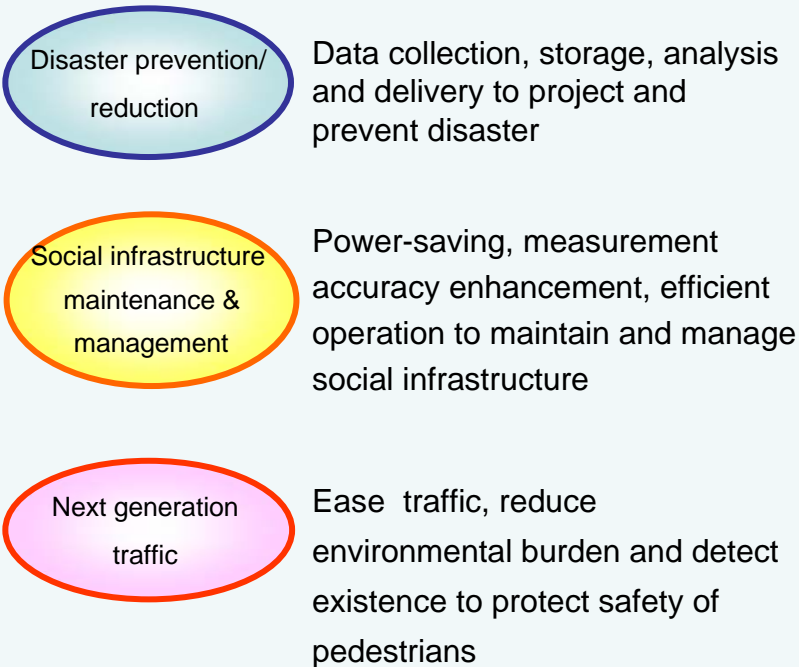
## Overseas net sales plan



## 5. Management strategy (Enter the field of next generation social infrastructure)

- Enter business that provides establishment of ICT system/operation/monitoring/maintenance service leveraging OKI's strengths for the field of next generation social infrastructure which is becoming more important

Realize safe and comfortable society  
Important fields of utilizing ICT





## 5. Management strategy (Focus points)

- Invest proactively in growth areas and reassign human resource
- Reinforce cash-generating capability

### Secure stable profits

#### ➤ Respond to price fall/market changes

3 yr cumulative cost reduction [10.0 B yen]

- ✓ Enhance *monozukuri* (manufacturing) by engineering/production reform
- ✓ Enforce procurement cost reduction
- ✓ Enhance SI/service quality management

#### ➤ Reinforce cash-generating capability

3 yr cumulative working capital reduction [15.0 B yen]

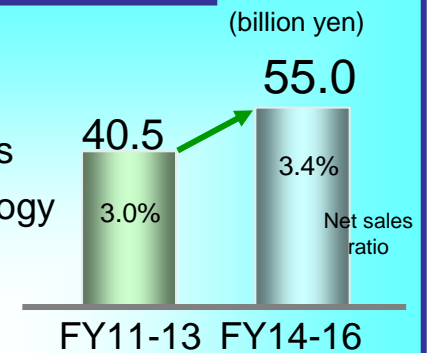
- ✓ Start activities with CCC as KPI

CCC: Cash conversion cycle

### Realize continuous growth

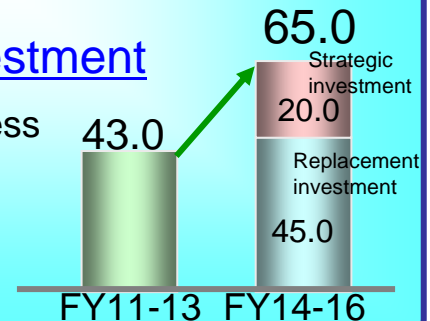
#### ➤ Enforce R&D

- ✓ Develop service products
- ✓ Sensor, network technology
- ✓ Enhance cost competitiveness



#### ➤ Strategic capital investment

- ✓ Expand overseas business
- ✓ Next generation social infrastructure
- ✓ Alliance



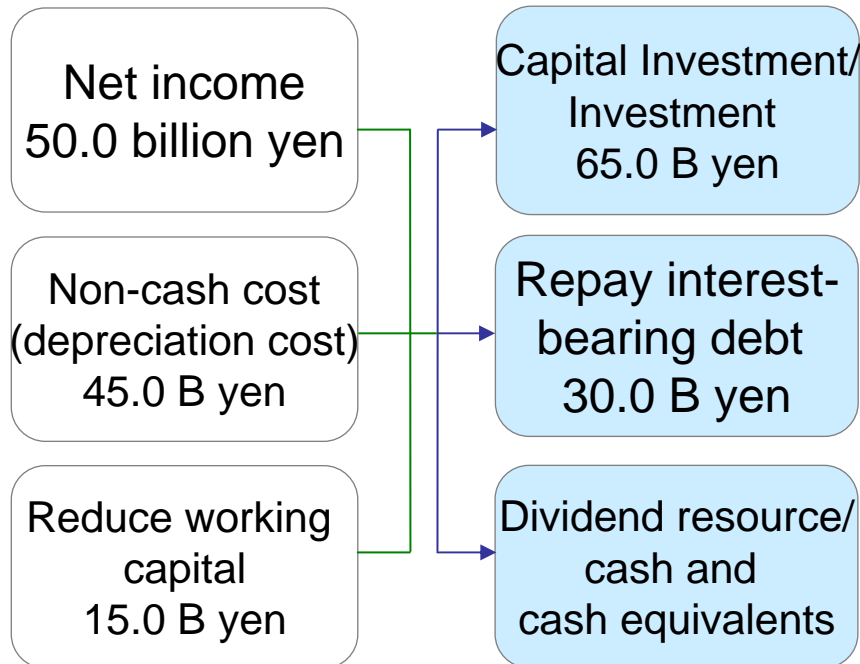
#### ➤ Enhance human resource (scale of 200 people)

- Reassign human resource to growth areas
- Hire global resource and train personnel
- Promote career opportunities for women

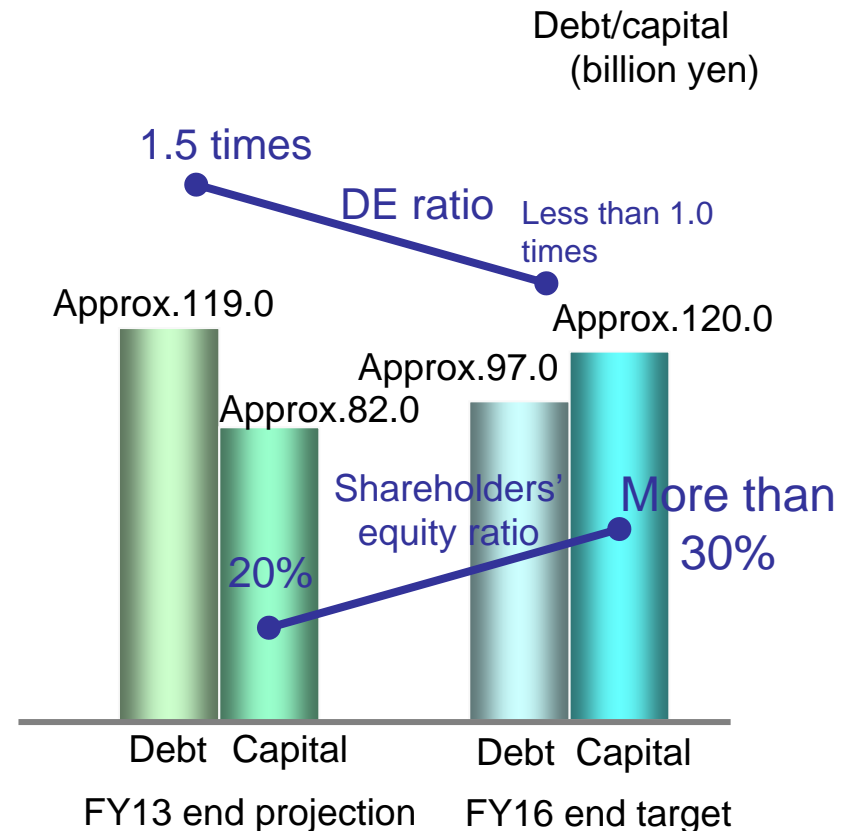
## 5. Management strategy (Financial strategy)

- Enhance financial foundation by securing profits and reducing working capital
- Promote conversion of preferred stock to common stock

### Cash flows plan (FY14-16 3 yrs cumulative)



### Financial foundation



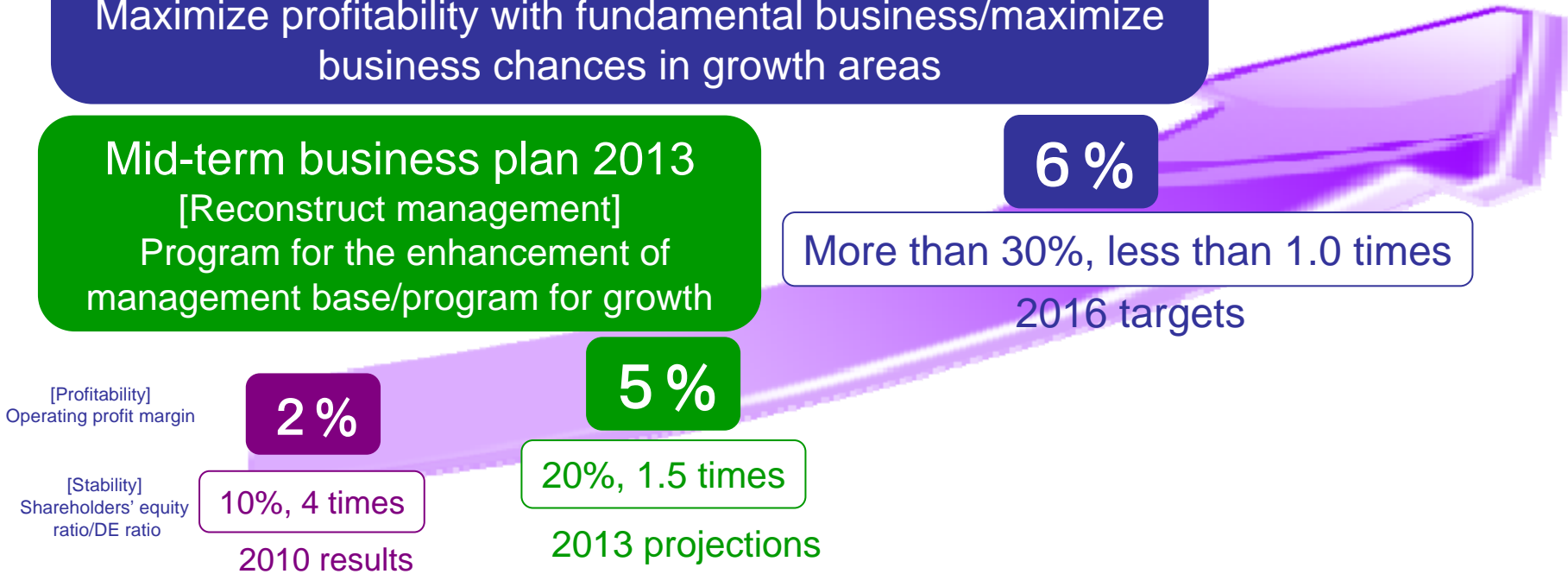
# Conclusion

**OKI** *Open up your dreams*  
 to become a high-value added creation group, contributing to the realization of safe and comfortable society

Change mode to “stable profitability/continuous growth”

**Mid-term business plan 2016**  
 [Stable profitability/sustainable growth]  
 Maximize profitability with fundamental business/maximize business chances in growth areas

**Mid-term business plan 2013**  
 [Reconstruct management]  
 Program for the enhancement of management base/program for growth





*Open up your dreams*