

May 9, 2019  
Oki Electric Industry Co., Ltd.

### **President Speech at FY2018 Financial Results Conference**

This is the final year of the Mid-term Business Plan 2019. I would like to share with you the current business environment and future direction from my perspective.

At the financial results briefing session for FY2017, I stated that I would return OKI to a path of sustainable growth. In terms of results, I believe it is quite a good thing that we were able to achieve higher-than-expected earnings in FY2018. Prior to that time, we were unable to meet our investors' expectations, and I feel that management and employees were united in implementing measures to achieve our targets in FY2018.

On the other hand, I believe that there are still issues that must be overcome before we can claim to have returned to a path of growth. I think the question is whether we can handle paperless and cashless trends, and changes in the business environment, such as digital transformation, and the resulting intensification of competition.

OKI is a manufacturing-based technology company. By combining our unique terminals and network technologies, we have solved our customers' problems. I believe that we have been an IoT company that has been able to build edge terminals and connect them through networks for more than 100 years. Therefore, I believe that the arrival of the IoT society will create many business opportunities for OKI.

OKI also has network technology, and is technologically capable of sensing technology, data processing, analysis, and business applications, and manufacturing highly reliable terminals. There are not many other companies with these technologies. I believe this is a major strength of OKI.

With this strength as a backdrop, we have a history of constructing systems that specialize in edge areas and flexibly select and connect optimized terminals through networks. As a result, the trust of customers and the knowledge of their business operations are a major asset, and the number of customers who co-create as partners is continually increasing.

As the advent of a full-fledged 5G era approaches, digitalization will accelerate further. The number of connected terminals will expand dramatically, and the amount of data will increase dramatically. If this happens, network infrastructure needs to be strengthened. Furthermore, in order to maintain an efficient and comfortable network environment, high-speed, real-time processing at terminals is also required, and edge computing needs to be more sophisticated.

In the past, smartphones and tablet devices have been rapidly spreading as IoT devices for consumers. We expect this market to grow rapidly in the years ahead, with industrial applications such as smart cities and smart factories, as well as automotive and medical devices. These areas are areas in which OKI has a strong track record in supporting social infrastructure. In a mission-critical world, where safety and peace of mind are demanded, we have business domains that we should aim for.

OKI will launch terminals with the higher level and more reliable interface required in this area. We intend to allocate resources for this development in the future.

In addition, we aim to resolve social issues. We intend to focus on developing automation equipment that will reduce the burden on medical care, distribution, and other workplaces, particularly those where labor shortages are growing increasingly serious, by utilizing our technologies and resources in the Printers and the Mechatronics System businesses.

In general, the majority of the Mechatronics systems are thought to be ATMs, but banknote processing is part of OKI's automation equipment technology and is not limited to this. Of course, ATMs are part of our mainstay products, but we intend to focus on labor-saving equipment with multiple functions with greater growth potential.

To implement measures to support social infrastructure and eliminate social issues, it is necessary to optimize resources. With a view to future business transformation, we will drastically allocate the necessary resources across segments from product outs and standalone hardware businesses.

Finally, we aim to expand our recurring revenue business. OKI has tens of thousands of installed terminals in various markets. The recurring revenue business based on these terminals has also begun and continues to expand year by year. We expect the expansion of this business to firmly support OKI's long-term performance.

I would like to explain the details of the new business structure at the time of the announcement of the next mid-term business plan.

I would like to ask for your continued support.