



Business Strategy Meeting

EMS Business

May 31, 2018

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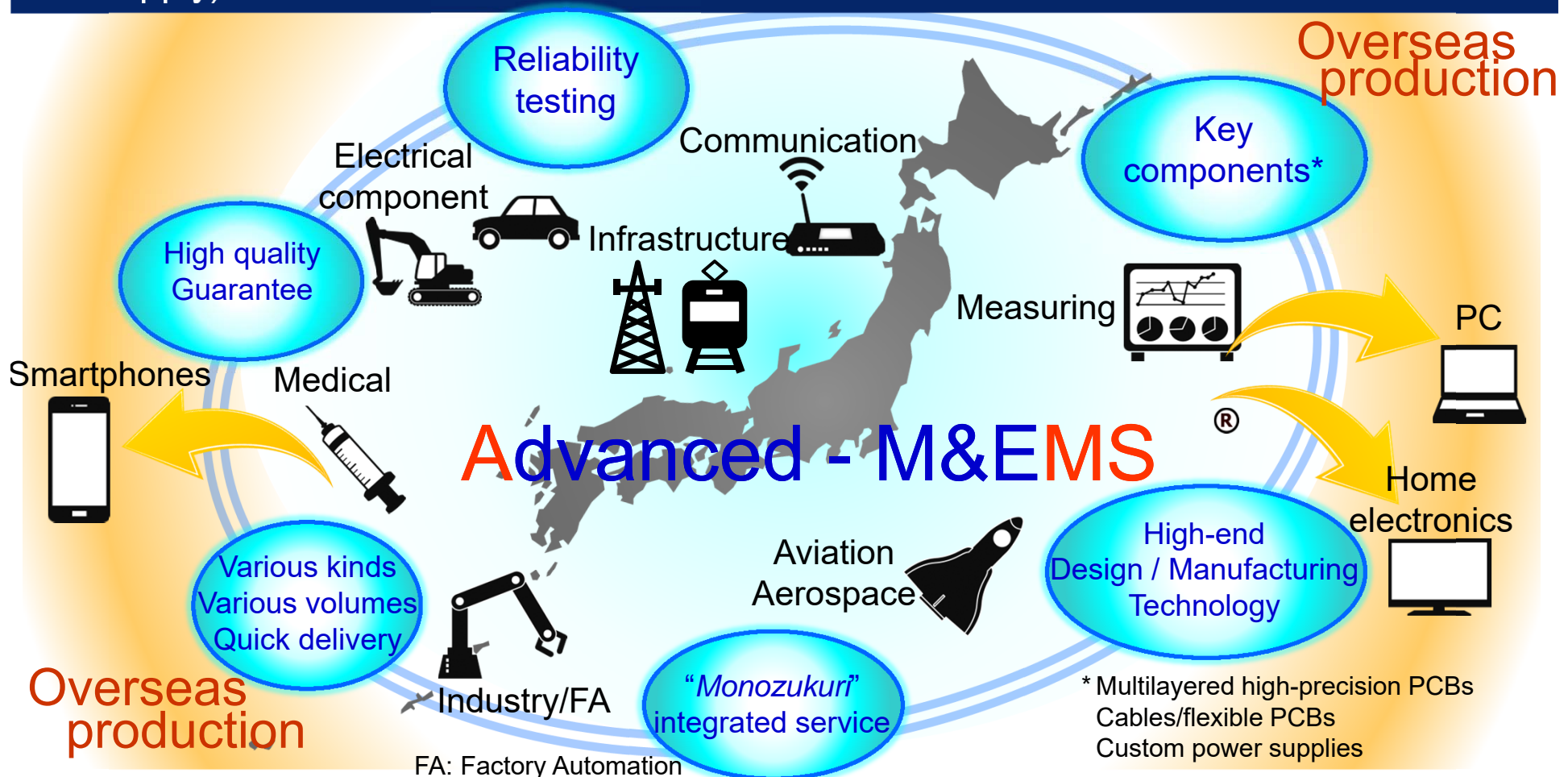
Executive Vice President,

Head of Electronics Manufacturing Services Business Group

Oki Electric Industry Co., Ltd.

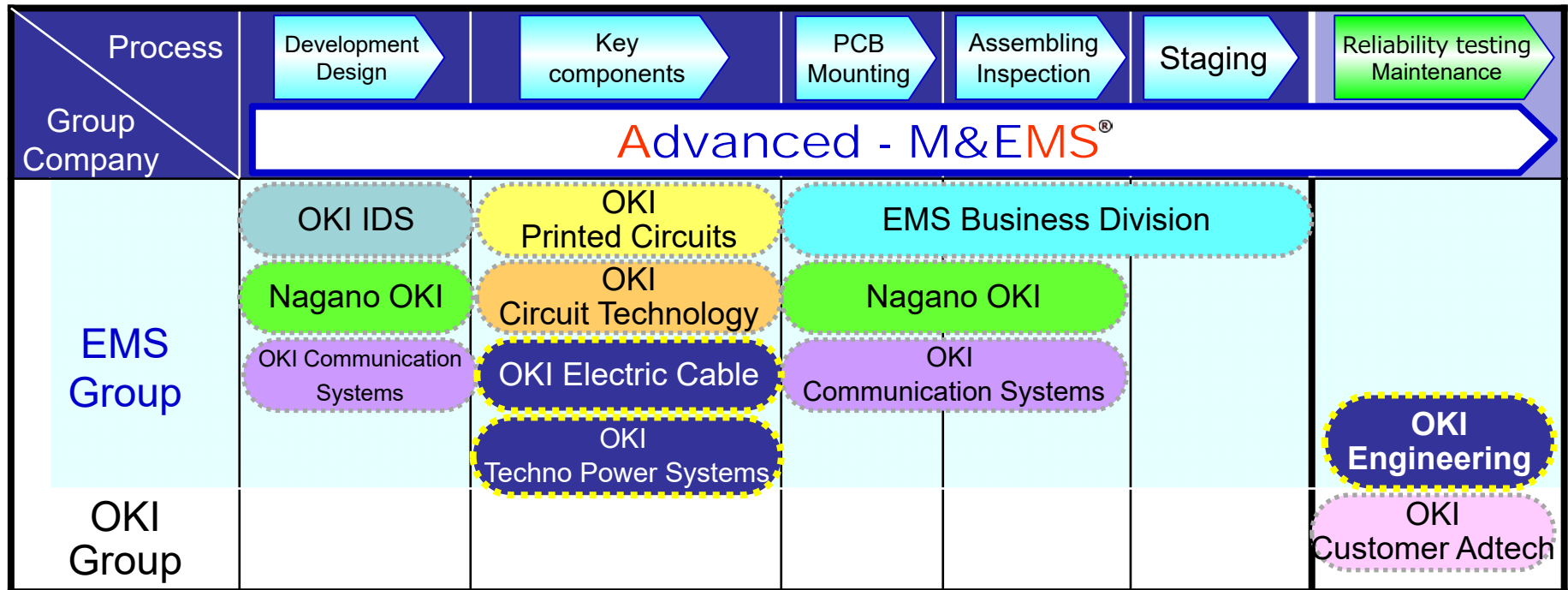
Business Summary - Business Contents -

- Focus on high-end segment, based on domestic production
- Offer integrated manufacturing (*monozukuri*) service, exploiting features of “Made in Japan”
- Services that deliver safety and security (track record: high quality, long-term stable supply) and ease of use



Business Summary - Business Structure -



- Enhance one-stop services from sales through design, manufacture, and evaluation by reorganizing the EMS Business Group
 - ✓ Made OKI Electric Cable a subsidiary (takeover bid); added OKI Engineering (reliability testing) and OKI Techno Power Systems (power supplies) to the EMS Group
- Provide design and manufacturing service of high-end products for various markets with comprehensive strength of OKI Group



New members of the EMS Group

EMS's Strengths

- Respond flexibly to customer needs such as one-stop solutions, small-lot production of diversified products, and other measures with the comprehensive strength of the EMS Business Group

Process		Strengths
Design, development		Medical device development (ISO 13485, IEC 62304), wireless, EtherCAT P®*1 Advanced driving development support systems 
Key components	PCBs	Large, high-precision multilayered PCBs (more than 100 layers); only supplier in Japan to earn full JAXA certification FPCs (long lengths, high-speed transmission, can be used in moving parts, compatible with high electrical currents, etc.)
	Cables	High-mobility, high-reliability cables (e.g., robot cables) Optical control cables (long distance, high capacity)
	Power supply	Small-medium capacity custom power supplies
Mounting		Large multilayer, high-density mounting technologies, 3D X-ray (ultrahigh speed, for 100% piece/pin inspection)
Assembly, testing		High-speed network-testing technologies, carrier-grade QA, medical certification (ISO 13485, Pharmaceuticals and Medical Devices Act)
Reliability testing		Various reliability testing services (e.g., for onboard devices, aerospace, medical devices) Certified as an independent testing lab for EMC, electronic component evaluation under ISO/IEC 17025 

*1 EtherCAT and EtherCAT P® are registered trademarks and patented technologies, licensed by Beckhoff Automation GmbH, Germany.

Review of FY2017

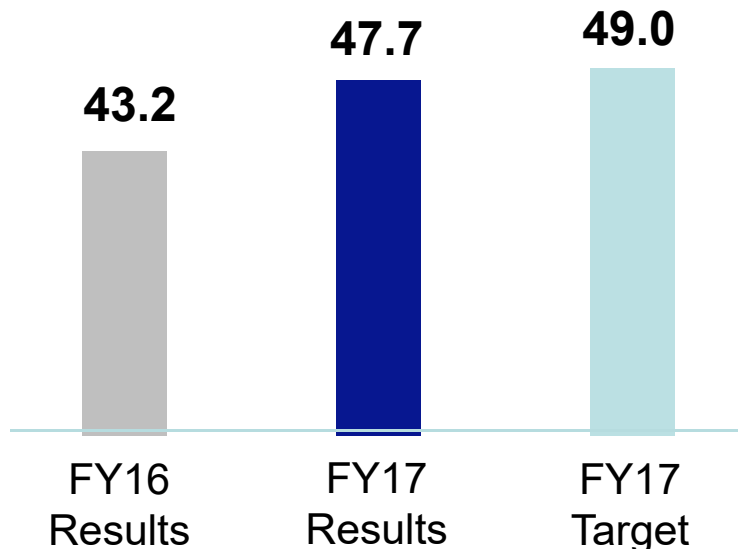
1. Market conditions

Positive conditions centered on semiconductor-related markets

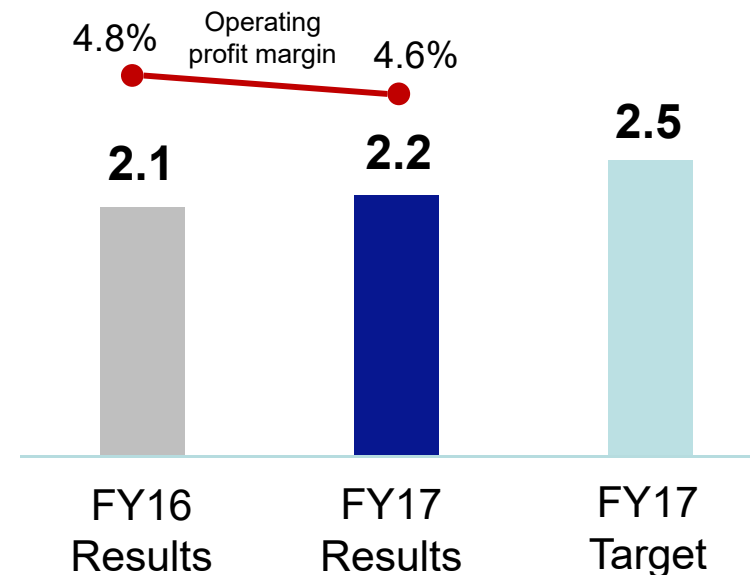
2. Net sales and operating income increased from the previous fiscal year thanks to favorable market conditions.

At the same time, operating profit margin declined due to increased capital investment and the rising component prices.

■ Net Sales (Billion yen)



■ Operating Income (Billion yen)



Review of FY2017 (Progress of Measures)

Business Strategies by Segment

Business	Positions in Mid-term Business Plan 2019	Keywords
ICT	Secure stable profitability Create new businesses	Next generation infrastructures, IoT
Mechatronics Systems	Get back on a growth path	Emerging countries, Retail market, Strategic products
Printers	Secure stable profitability by strategic transformation	Niche market, LED, Streamlined management
EMS	The points along the way to turn EMS into 100.0 B yen business	New market domains, M&A

Keywords

Description of measures

New market domains

Medical

Completed the obtaining medical certification of design process and resulted in the establishment of an integrated structure for contracted manufacture starting from the design stage

Aviation Aerospace

Obtained JAXA certification; completed transfer of business from Nippon Avionics (PCBs)
Began receiving orders for PCB mounting prototyping

Electrical components

Enhanced onboard system reliability testing
Completed development of new type of platform for developing self-driving technologies

FA

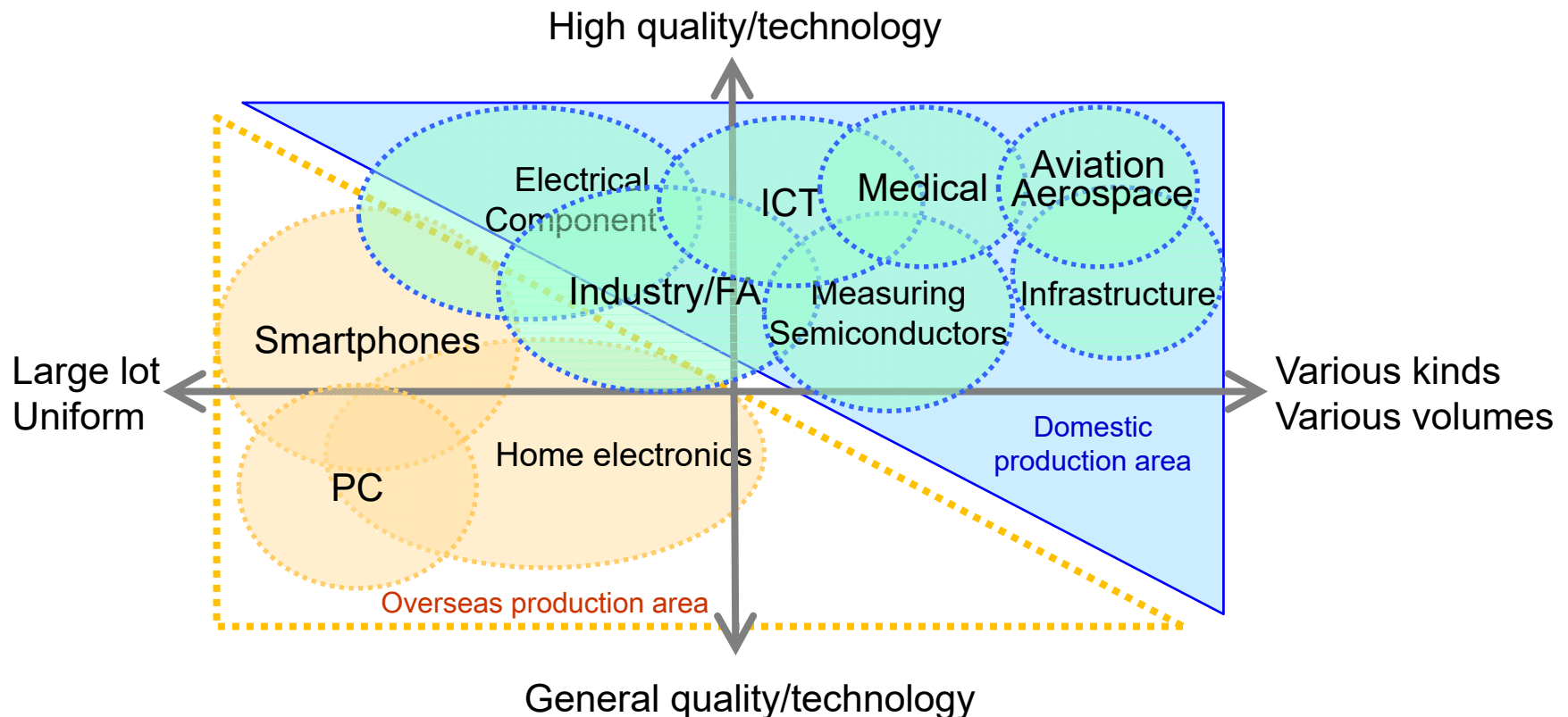
Added the rapidly growing FA market as a priority domain
Welcomed OKI Electric Cable to the Group and launched efforts to enhance sales activities

M&A

Implemented takeover bid for OKI Electric Cable
Continuing to consider other M&A activities

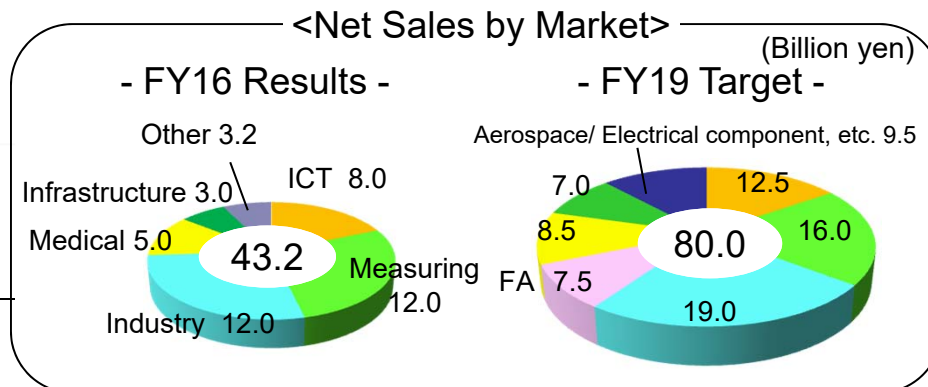
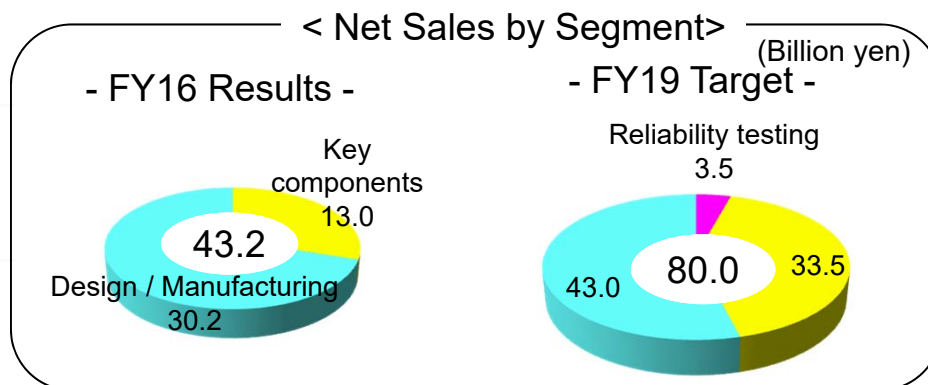
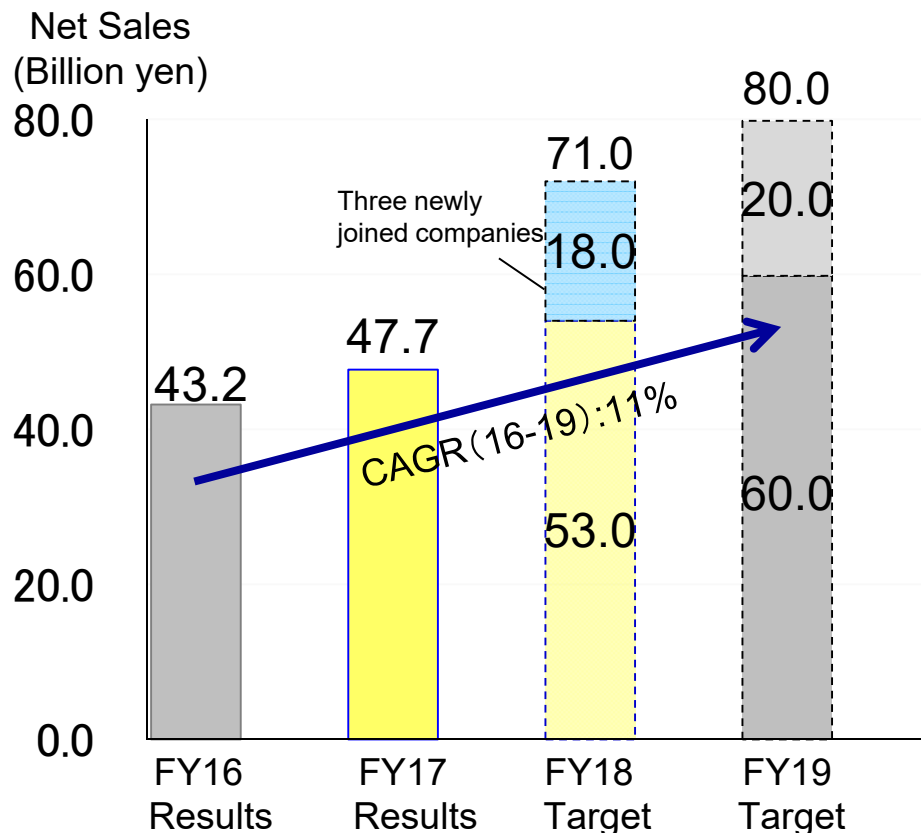
EMS Growth Strategies

- Maximize sales and production synergies with the addition of three companies as new members of the EMS Group
- Increase added value through design enhancement and grow sales by enhancing activities to secure orders to target high-end domains in which continued domestic production is expected and domestic growth markets
 - ✓ Full-fledged entry to new markets (aviation and aerospace, electrical components); adding rapidly growing FA as a priority market



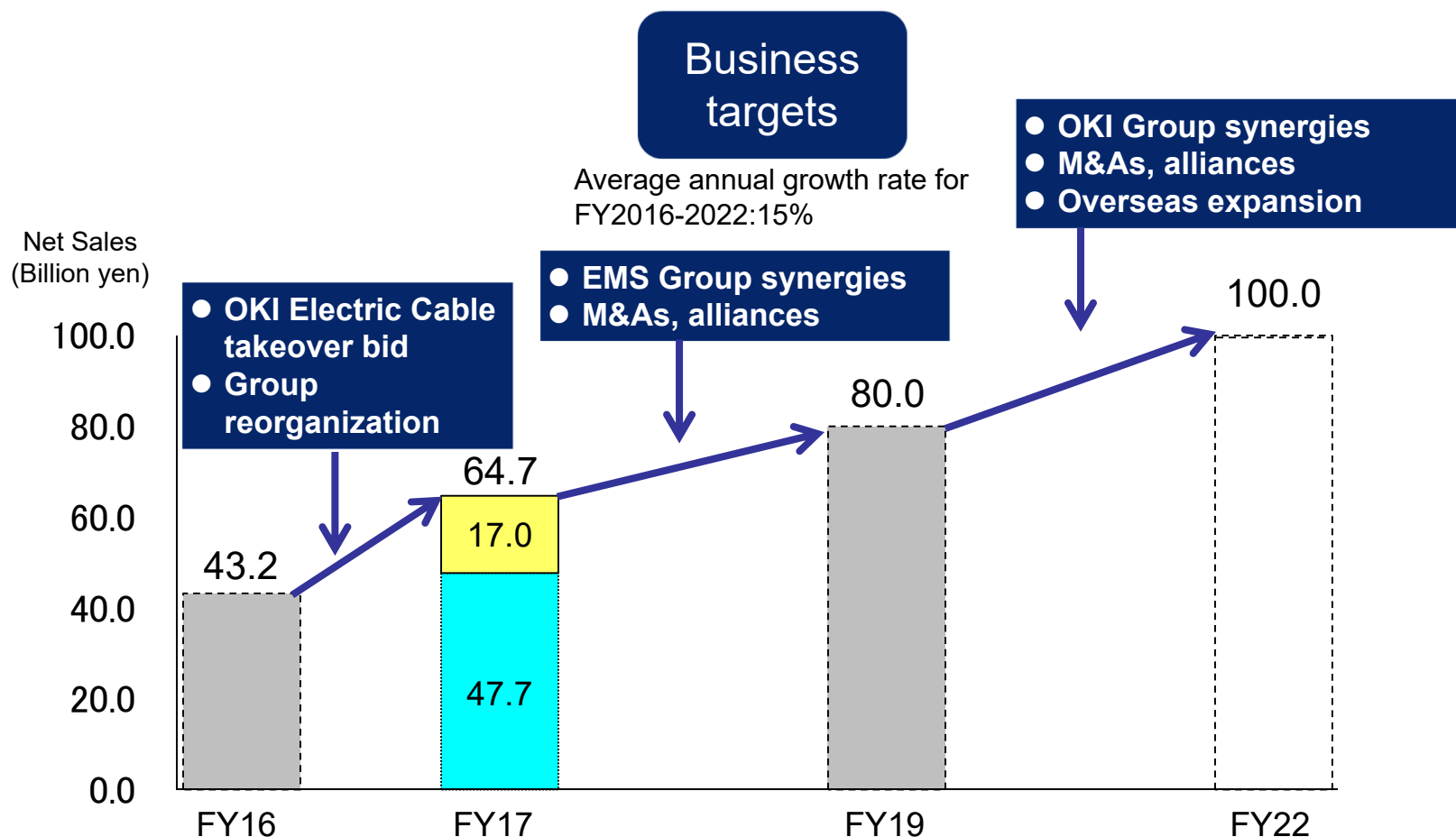
FY2018 Business Policies

- To enhance *monozukuri* and strengthen production capabilities, increase capital investment from 5.0 billion to 8.0 billion yen (FY2017–2018: investment of 5.6 billion yen projected)
- Accelerate business growth and profit generation by strengthening cooperation within the EMS Group in sales, design, and production (resource optimization and other cross-Group projects)



Business Targets

- Target 100.0 billion yen during the time covered by the next mid-term business plan (planned for FY2022)
- FY2018 and FY2019 are transit points toward a business scale of 100.0 billion yen.
- Continue M&As and alliances intended to enhance our strengths further
- Generate synergies with the OKI Group (ICT, Mechatronics Systems)





Open up your dreams

< Cautionary statements >

*The forward-looking statements in this material are based on business environments as of the date of publication, therefore the actual results may differ from those forecasts due to changes in business environments.