



Business Strategy Meeting

ICT Business

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Business Summary

Based on an installed customer base accumulated over the past 137 years, OKI provides a wide range of solutions, products, and services that support social infrastructures, including an array of distinctive devices, sensing technologies featuring acoustic and optical sensors, network technologies, data processing/operation technologies, and know-how.

Products that support social infrastructures

Solutions

- Flight control systems/ETC/VICS/firefighting systems/disaster prevention/self-defense systems, etc.
- Government ministry operating solutions
- Bank branch systems/VTM/bankbook application services, etc.
- Railway ticketing systems/automated airport check-in systems



Platforms (products and services)

- Carrier networks/video distribution, etc.
- PBX/business phones/contact centers
- Sub-GHz-band multi-hop wireless
- Cloud services/maintenance services/construction services



Data processing/operations

Data processing/operation technologies and know-how developed in the solutions and services business and social infrastructure systems business

Networks

Cable/wireless communication network technologies developed in the telecom systems business and social infrastructure systems business

Sensing

Distinctive sensor technologies (e.g., acoustic/optical sensors) and signal processing technologies developed in the social infrastructure systems business

Array of distinctive devices



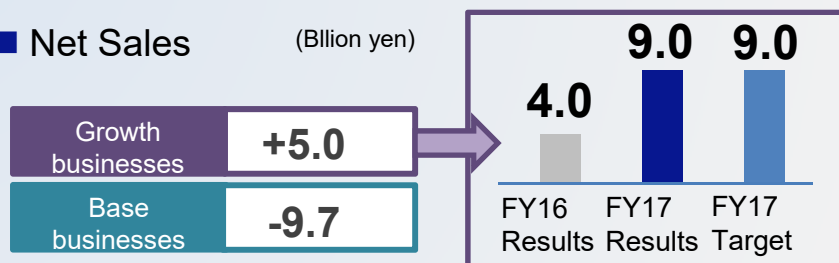
Retain an installed customer base accumulated over the past 137 years

Review of FY2017

- While net sales fell slightly from the previous fiscal year, stable earnings have been sustained (according to plan).
- Base businesses declined more than anticipated due to worsened market conditions and tough competition.
 - Municipal disaster prevention business, network business, etc.
- Due in part to proactive communication efforts, growth businesses proceeded according to plan, with sales growth of 5.0 billion yen vs. FY2016.

Business Performance Comparison

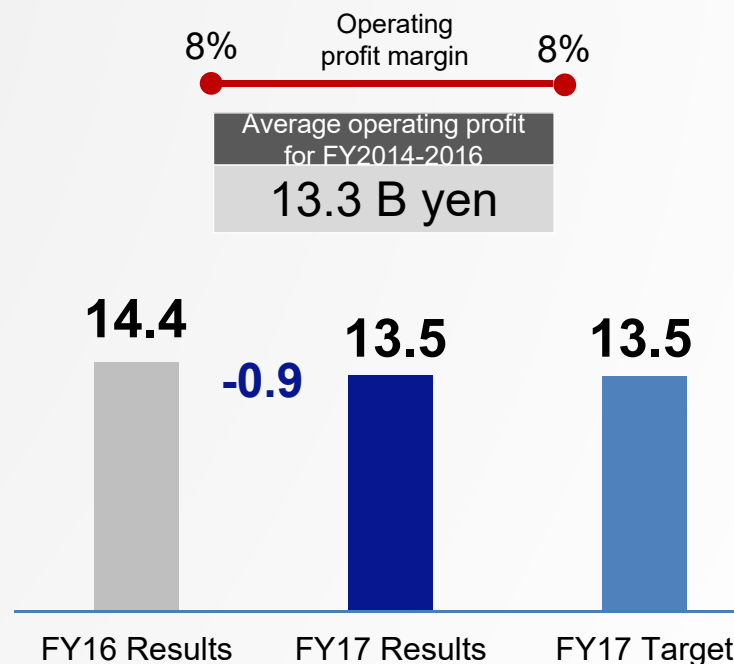
Net Sales (Billion yen)



177.4
-4.7
172.7
-10.3
183.0

FY16 Results FY17 Results FY17 Target

Operating Income (Billion yen)



8% Operating profit margin 8%

Average operating profit for FY2014-2016
13.3 B yen

14.4
-0.9
13.5
13.5

Review of FY2017 (Progress on 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

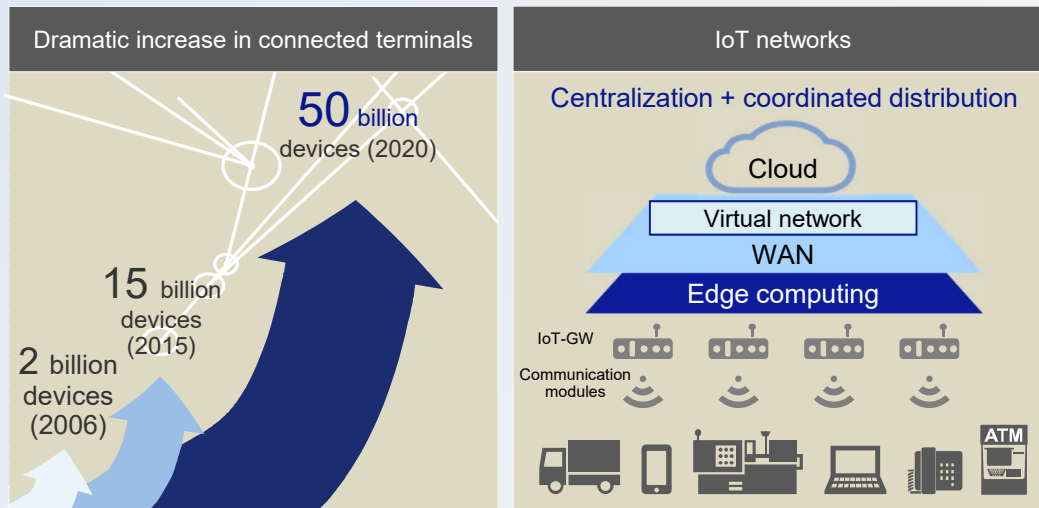
Keyword	Description of Measures
Social infrastructure × IoT	<p>Grew to 9.0 billion yen vs. 16.0 billion yen revenue growth target in FY2019 (compared to FY2016)</p> <ul style="list-style-type: none"> Now implementing co-creation with 49 companies Accelerating product development to enhance IoT business platforms <p>About the top priority for the next-generation transport field</p> <ul style="list-style-type: none"> Launched sales of OKI's LocoMobi2.0 ITS service Opened an ITS test course at the Honjo Plant <p>Accelerate fusion of information, communications, and the public sector; enhance social infrastructure × IoT efforts</p>

Macroeconomic Conditions

No changes in macroeconomic conditions; digital transformations continue to accelerate faster than expected.

Understanding
macroeconomic
conditions

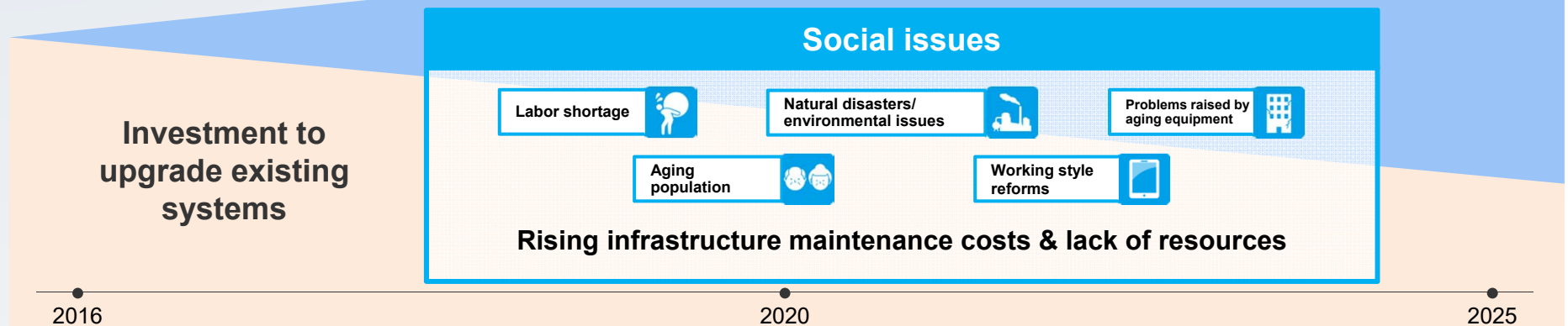
- Overall Japanese ICT market expected to show steady annual growth of 1.3% up to 2019
- Expand ICT application opportunities and investment to resolve various social issues projected to emerge
- Japanese IoT market predicted to grow to 1 trillion yen by 2020 with CAGR 19.5%



Rapid acceleration in digital transformations

Overall Japanese ICT market	1.3% annual growth*1
Japanese IoT market	CAGR 19.5%*2

Investment in digital transformations

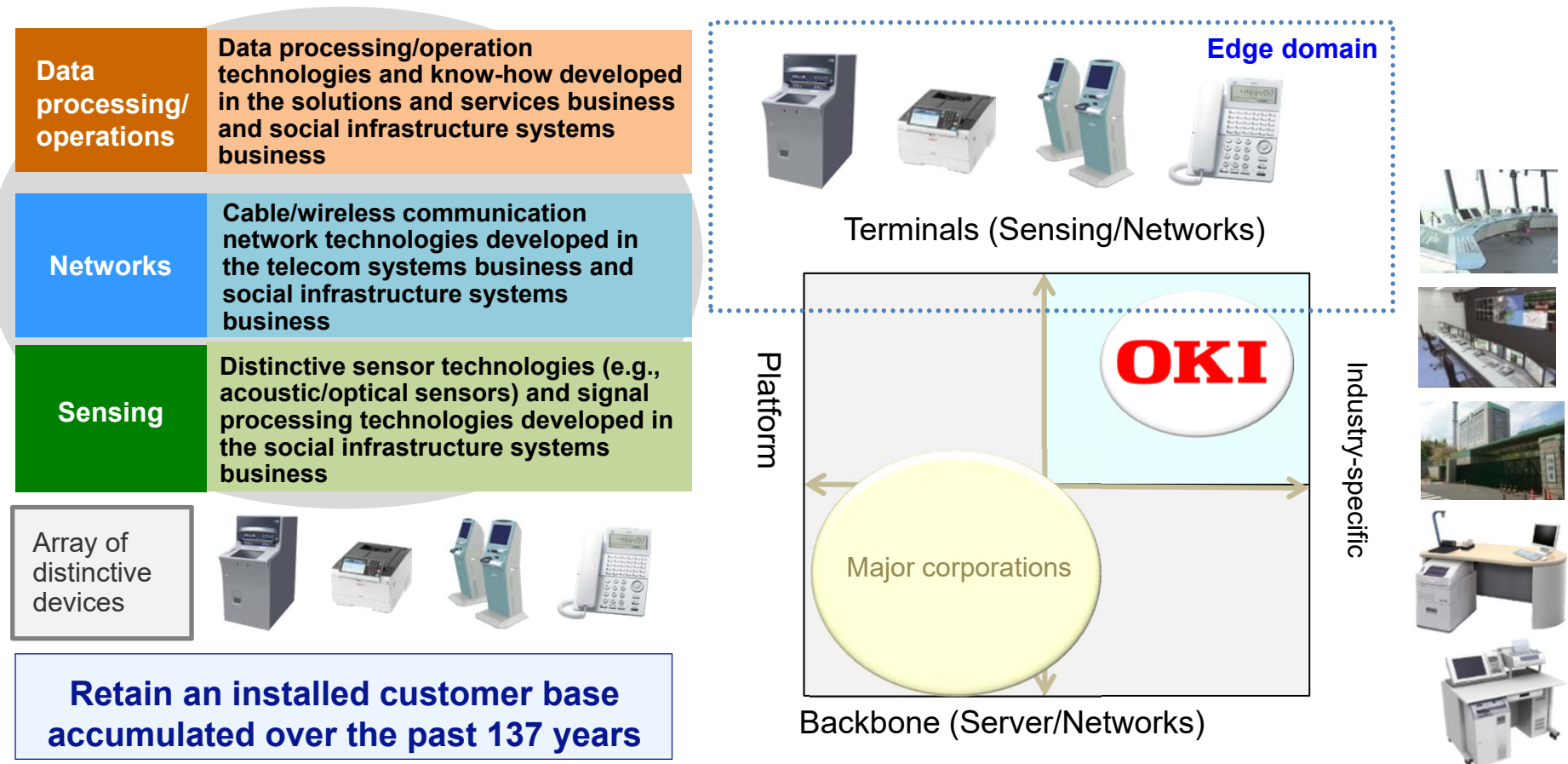


*1 IDC JAPAN forecast

*2 Source: "2015 M2M Communication Module/Service Market Outlook," SEEDPLANNING, Inc.

OKI's IoT Strategies

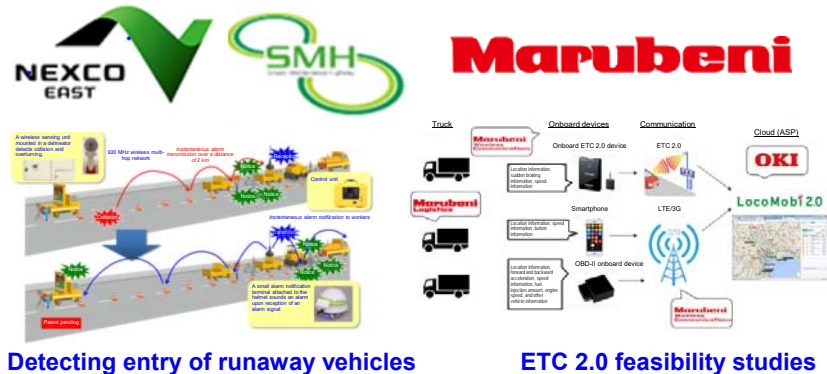
- OKI's strengths lie in the installed customer base accumulated over the past 137 years, technical assets, and its strong *monozukuri*.
(Particularly in sensing and network businesses and a distinctive array of products)
- OKI is capable of integrally providing products, solutions, and services to meet the needs of digital transformations. It has a strong customer base thanks to its focus on industry-specific businesses.
- Positioning to facilitate alliances with major corporations to gain an increasing share of the IoT market



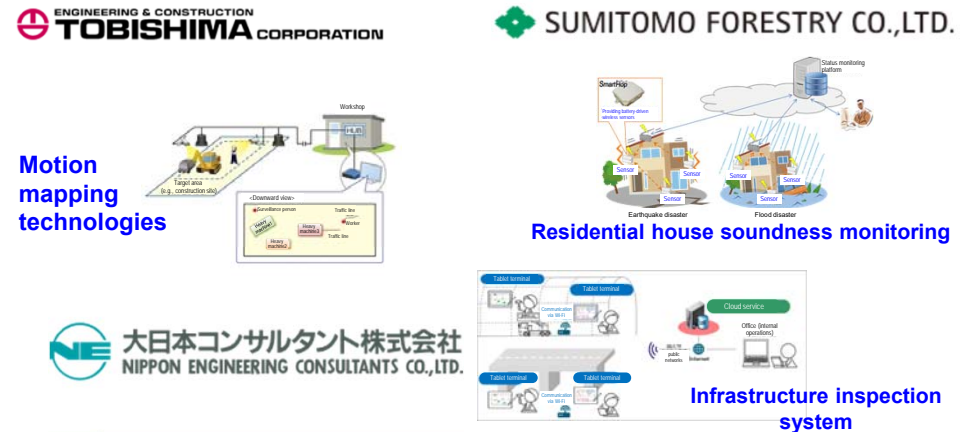
State of Co-creation Initiatives

■ Now involved in co-creation with 49 companies

① Transport



② Construction, infrastructure, disaster prevention



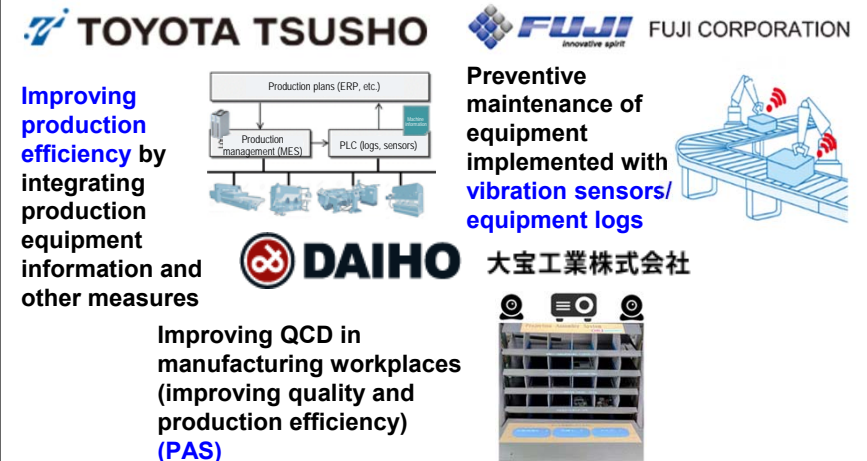
③ Medical care



④ Finance, distribution



⑤ Manufacturing



Progress on Product Development

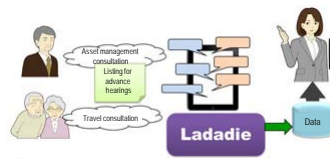
■ Accelerate product development to enhance IoT business platforms

IoT business platforms

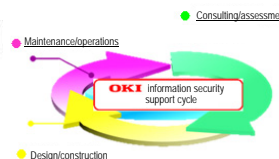
Data processing/operations



LocoMobi2.0
ITS service



Ladadie
AI interaction engine



EXaaS
managed security service



Opt-AI integrated
operation management
solution

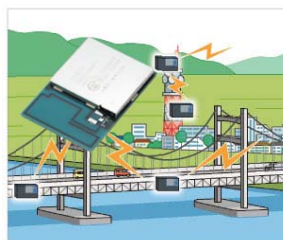


VisIoT store-operation
improvement support
solution

Networks



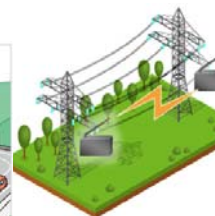
Image IoT gateway
(AISION)



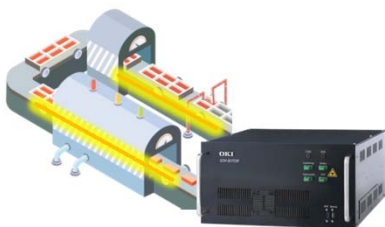
SmartHop 920MHz band
wireless multi-hop power-saving
technology



Wireless acceleration sensor system



Sensing/Devices



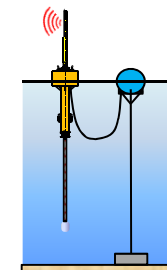
Fiber-optic sensor



AI assistant terminal



Networked ultrasonic
water-level gauge



Coast-monitoring
buoy



CARPHIN V multibeam
depth sounder

Mid-term Business Plan 2019 - Business Strategy 1 -

- Maintain and expand stable profits for base businesses thanks to stable investment in social infrastructure
- Target growth through active investment using digital transformations (IoT) as drivers of change

Figures indicate sales growth (compared to 2016)

Growth businesses

- Target growth using digital transformations (IoT) as drivers of change
- Resolve customer issues through co-creation of applications with customers
- Active investment in IoT to resolve emerging social issues



Focus areas



+ 16.0 B yen

Base businesses

Solutions

- Flight control systems/ETC/VICS/ firefighting systems/disaster prevention/self-defense systems, etc.
- Government ministry operating solutions
- Bank branch systems/VTM/bankbook application services, etc.
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Platforms (products and services)

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Overall social infrastructure investment is strong and stable

- Operate strong business areas with eye on M&A
- Active investment in growth business with efficiency improvements



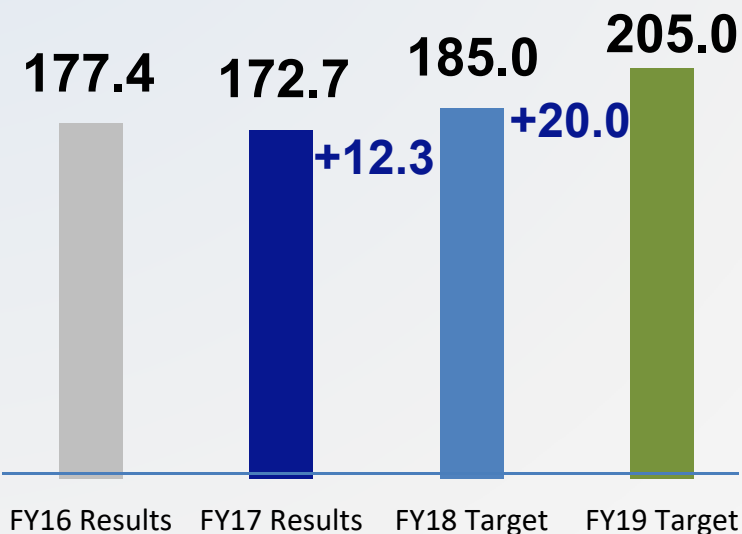
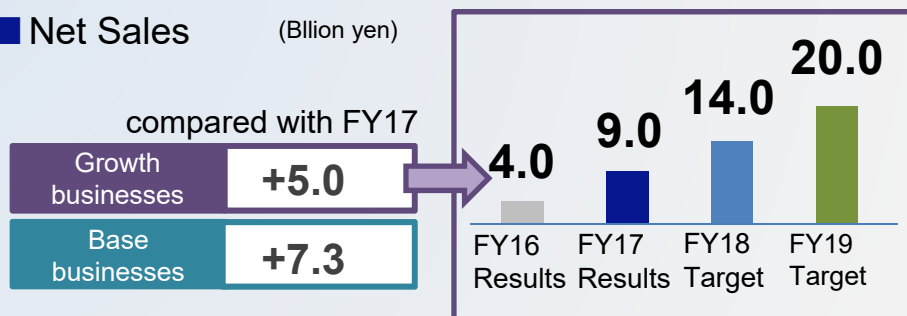
+ 12.0 B yen

FY2018 Plans - Net Sales, Operating Income -

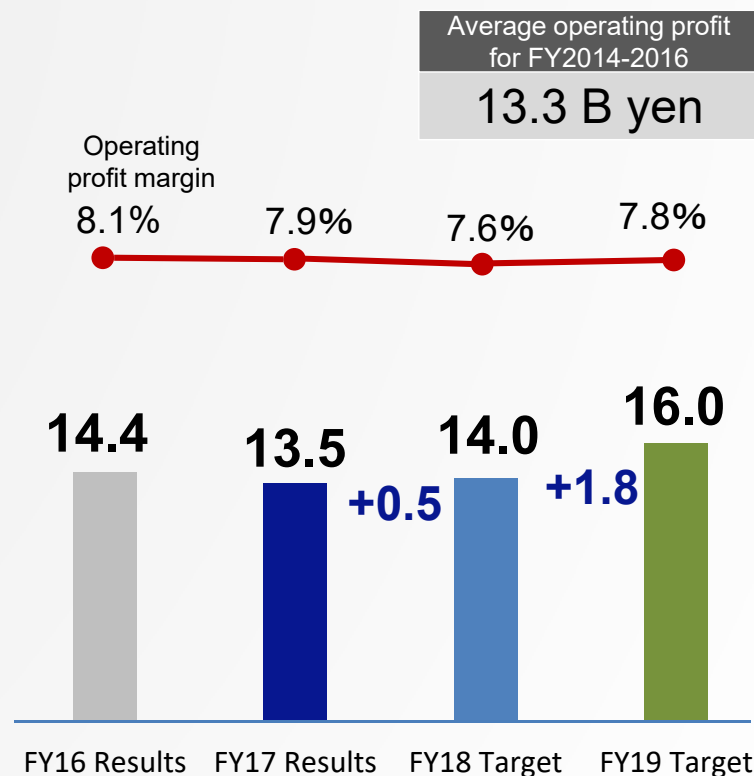
- Put base businesses on a recovery track since the previous year and further expand the scale of some public-sector businesses
- Further growth of 5.0 billion yen is planned in the growth businesses—a step toward growth of 16.0 billion yen (compared to FY2016) by FY2019.
Internal shift of about 100 staff to growth fields

Business Performance Comparison

Net Sales (Billion yen)



Operating Income (Billion yen)



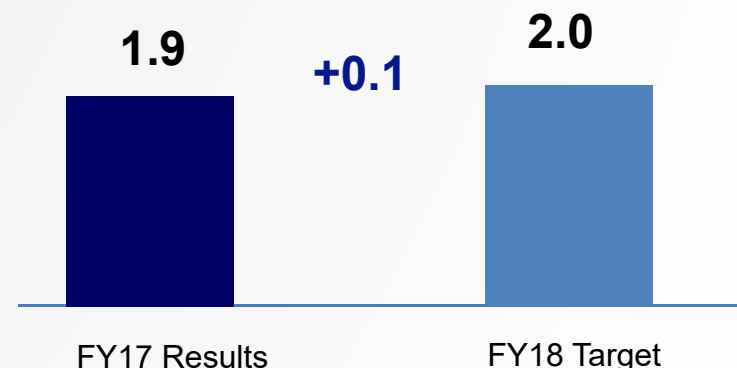
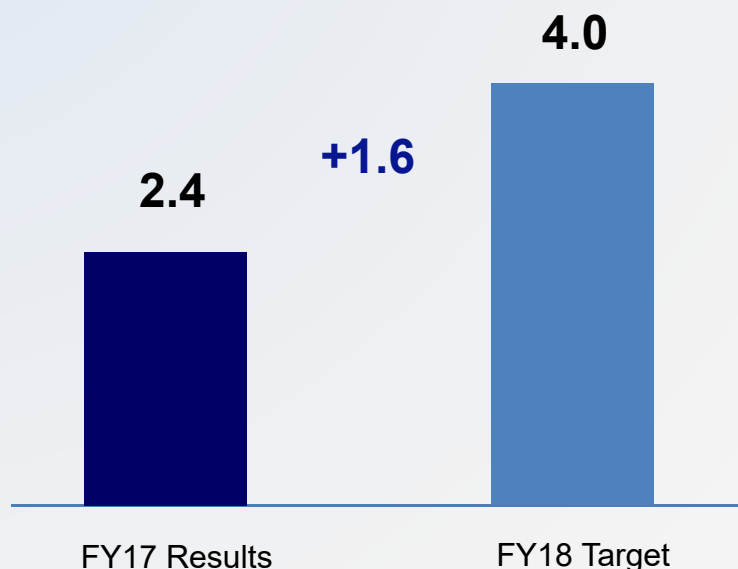
FY2018 Plans - Investment -

- Achieve targets for FY2019 and invest proactively toward further growth in FY2020 and beyond
- Focus R&D costs on the transport field and IoT platforms with accelerating investment in further growth fields
- Focus capital investment on new products and large-scale project development and production equipment in existing businesses
- Seek out strategic investments centered on enhancing base businesses

Year on Year Comparison

■ R&D costs (Billion yen)

■ Capital investment (Billion yen)



Mid-term Business Plan 2019 - Business Strategy 2 -

- Provide solutions to resolve emerging social issues
- Specialize in industry-specific, sensing and network businesses to take advantage of an installed customer base for 137 years, together with technical assets and *monozukuri* strengths

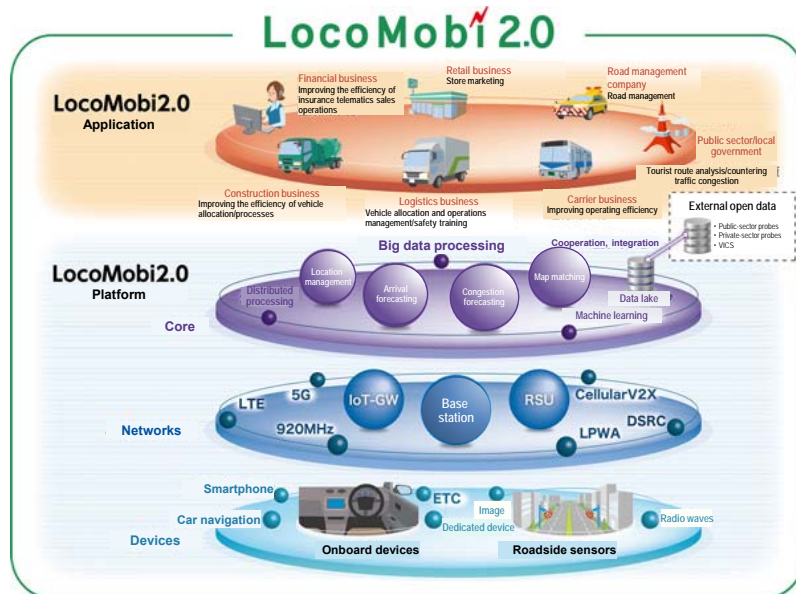


Next-Generation Transport Solutions

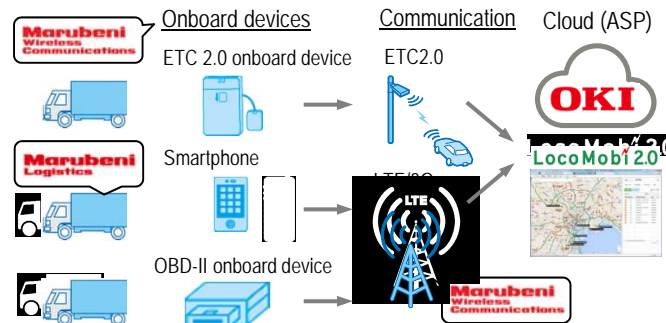
Top priority

Next-generation transport

- Sales of OKI's ITS service LocoMobi2.0 began in November 2017.
- Opened an ITS test course at the Honjo Plant
- Cellular V2X feasibility studies by six companies conducted in FY2018; we plan to secure superior market positions through infrastructure cooperative ITS.



ETC 2.0 logistics feasibility studies

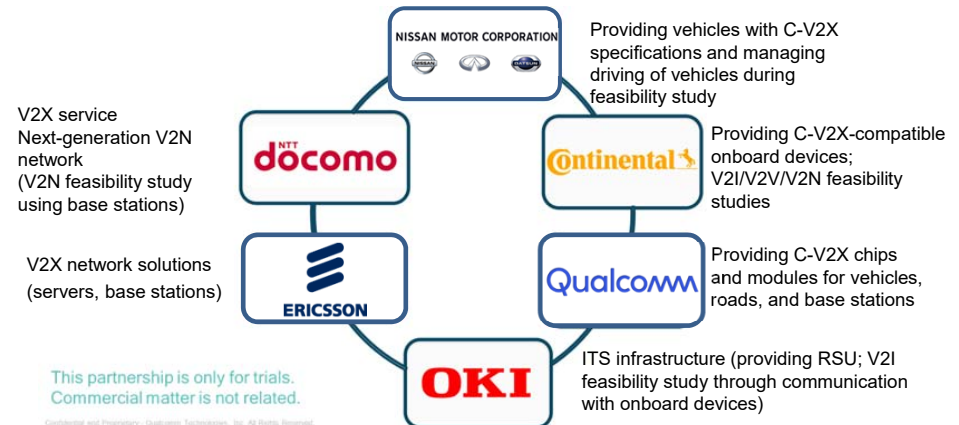


Opened an ITS test course



5G × self-driving (5GAA)

Cellular-V2X Trial



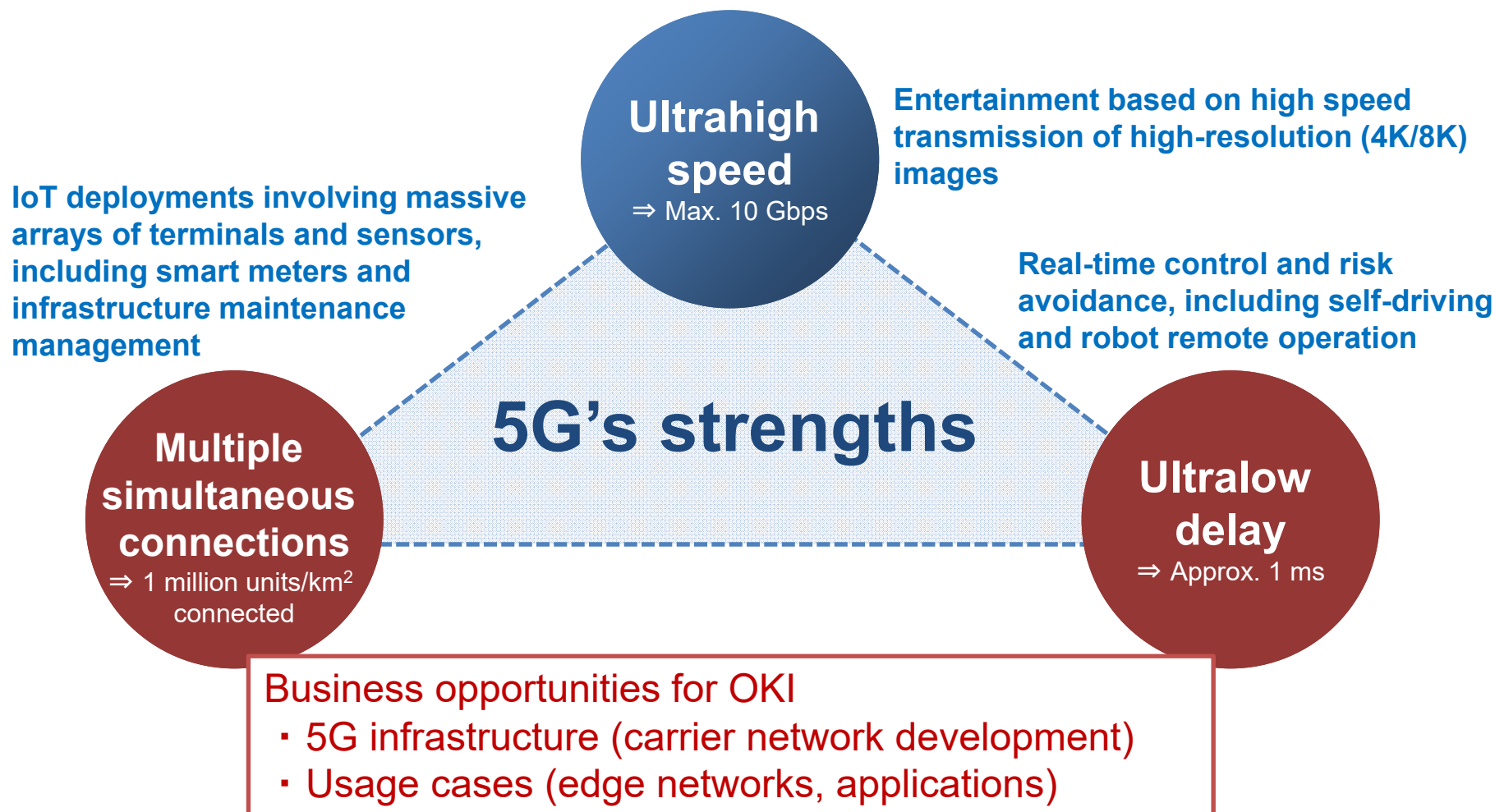
RSU: Roadside Unit (roadside wireless device)

5G's Strengths

For the future

5G

- Three major features distinguish next-generation 5G networks: ultrahigh speed, ultralow delay, and multiple simultaneous connections.
- As key technologies in building the IoT infrastructure, 5G is expected to enable a shift from business centered on 4G smartphones to creation of markets in new fields.



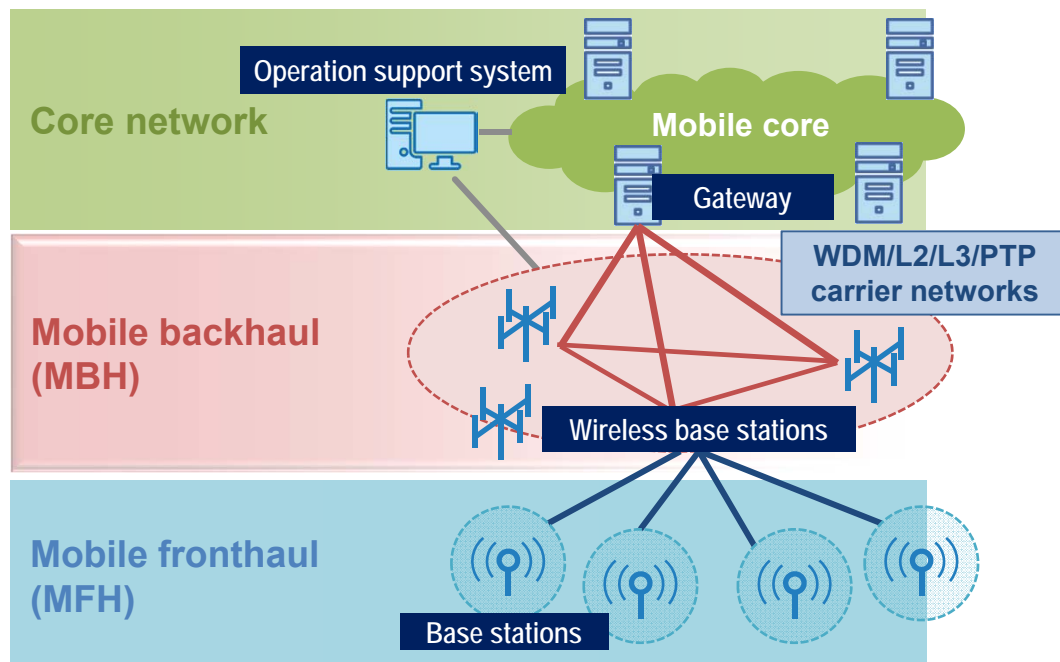
Business Development in 5G Networks

For the future

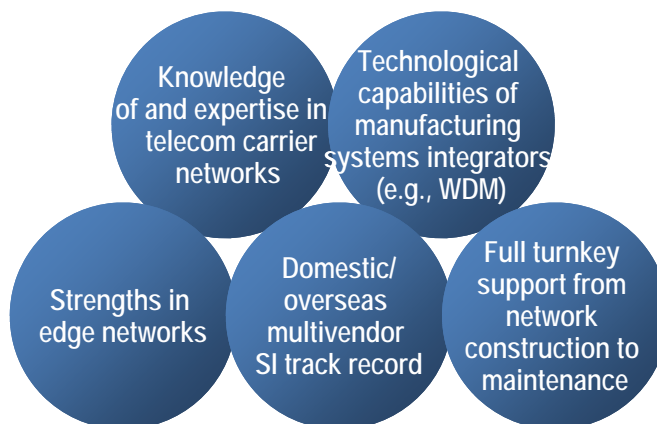
5G

- 5G infrastructure: Focus on business development through global cooperation centered on mobile backhaul
- Usage cases: Grow application businesses applying edge networks and 5G by leveraging the installed customer base accumulated over 137 years (e.g., infrastructure cooperative ITS services)

5G infrastructure



OKI's strengths, track record



Linking together

Usage cases



Maritime/Acoustics 1

For the future

Maritime/acoustics

- Leverage OKI's core maritime/acoustics technologies to create new businesses in the maritime/acoustics field
- ◆ Gain new market foothold through deployment of core products (step 1)
 - ◆ Steadily expand solutions in maritime resource development, coastal monitoring, and facilities monitoring, etc., and collect maritime data (step 2)
 - ◆ Use maritime data infrastructure to create and supply new solutions with higher levels of value (step 3)

Step 1 (2018)

Develop new fields through core products

Step 2 (2020)

Enhance solutions for maritime data collection

Step 3 (2022)

Develop maritime data infrastructure/
Use maritime databases to realize new solutions

Use existing products and technologies
Create maritime business opportunities

Defense businesses (Core technologies)

Underwater acoustic technologies

Product evaluation facilities

Mounting technologies
(high environmental resistance)

Construction, installation

Existing products

Acoustic positioning/communication

Fiber-optic sensors

Ultrasound sensors

Acceleration sensors

Image sensors

Audio sensors

- ◇ Current direction, current speed
- ◇ Vessel structural monitoring
- ◇ Underwater moving body detection
- ◇ Ascertaining oceanographic conditions

Businesses using core technologies

Shipping, shipbuilding



Marine resources



Maritime defense, security/ crime prevention



Maritime civil engineering/structures, disaster prevention



Maritime database businesses

MDA* capacity enhancement
Smart fishing

Maritime monitoring

Marine safety

Environmental protection

R&D

Fish distribution

Fish catch forecast

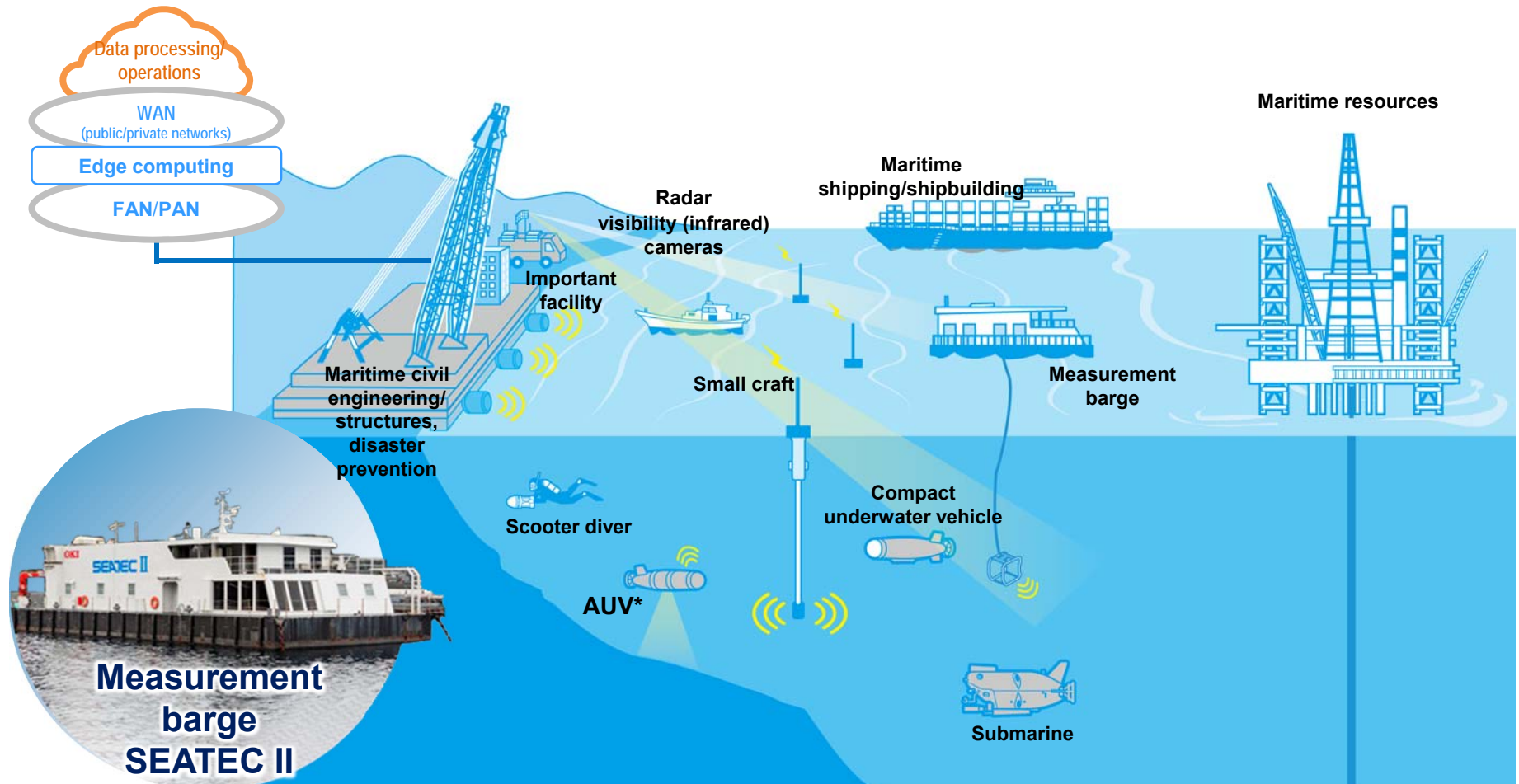
*MDA: Maritime Domain Awareness

Maritime/Acoustics 2

For the future

Maritime/acoustics

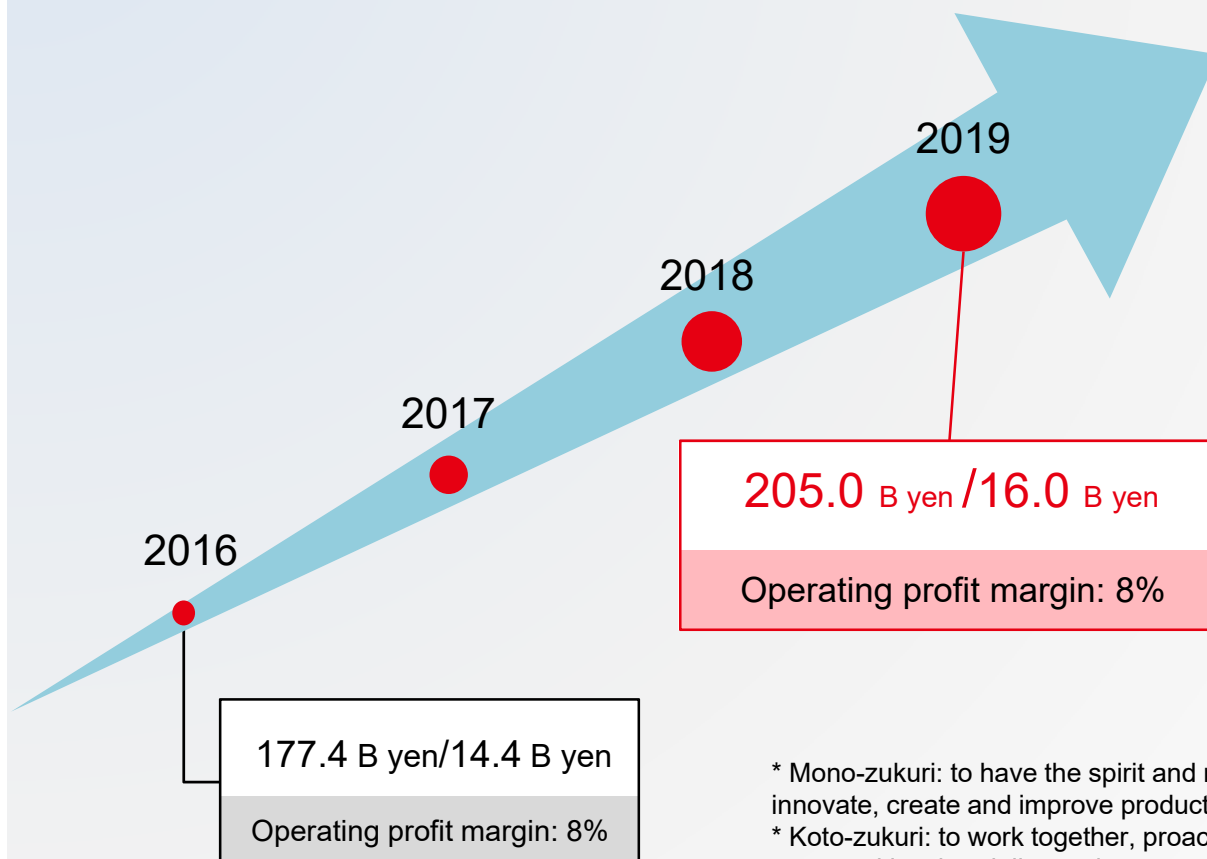
- Improve the efficiency of monitoring of intrusions into territorial waters/oceanographic observation leveraging underwater acoustic-sensing technologies
- Complete with SEATEC II, the only maritime testing facility operated by a private-sector firm in Japan, stable underwater environmental testing is possible in an environment providing the same feel as working in a land-based laboratory.



*AUV: Autonomous Underwater Vehicle

Achieve stable profitability and sustainable growth as a central pillar of the OKI Group

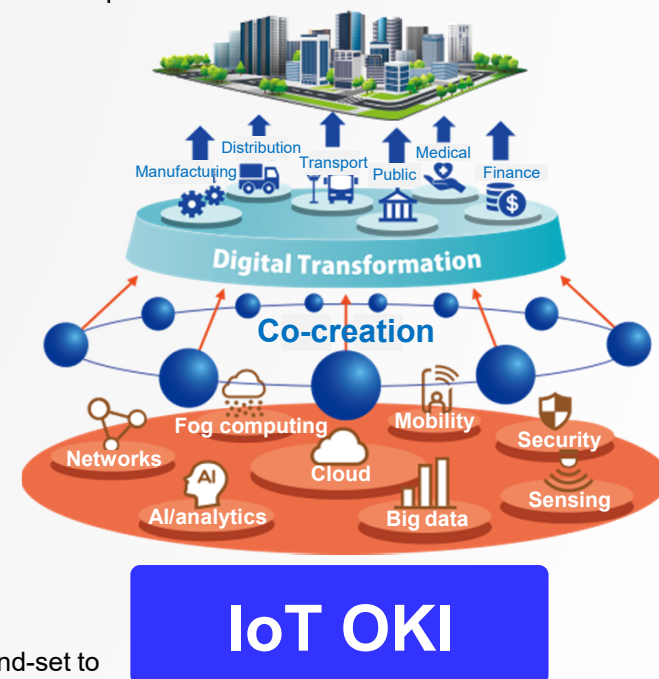
- Support the social infrastructure and achieve sustainable growth as “IoT OKI”
- Maintain high competitive strengths and earning power by improving organizational capabilities

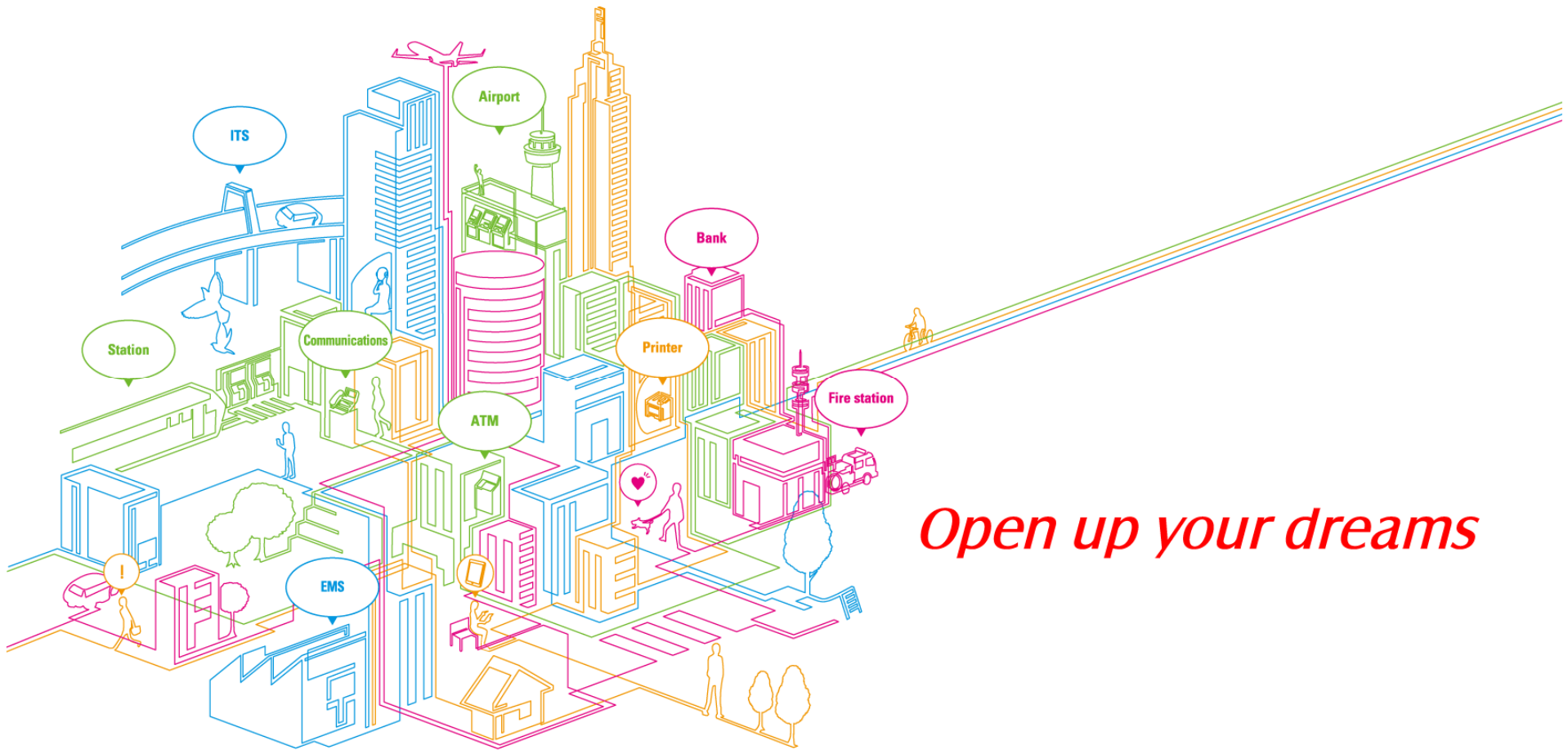


* Mono-zukuri: to have the spirit and mind-set to innovate, create and improve products
 * Koto-zukuri: to work together, proactively seeking opportunities that deliver value to customers

Vision

The OKI Group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of “Mono-zukuri” and “Koto-zukuri.”





Open up your dreams