

FEATURE

YEAR TWO OF THE MID-TERM BUSINESS PLAN 2016

Fiscal year 2015 will be the second year of the OKI Group's Mid-term Business Plan 2016. During the year, we will solidify the business foundation to achieve the fiscal year 2016 target of ¥34.0 billion in operating income and provide a base for continuing growth in the future.

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Fiscal year 2014 review Substantially improved financial foundation

OKI posted total net sales of ¥540.2 billion and operating income of ¥32.4 billion in fiscal year 2014 supported by strong results in all business segments, particularly digital wireless communication systems for firefighting and ATMs for the China market. In spite of record-high net income of ¥33.1 billion and dividend payments, shareholders' equity rose to ¥119.6 billion and the shareholders' equity ratio improved to 27.2% due to accumulated retained earnings. In the four years since the start of the previous mid-term business plan, OKI has roughly tripled shareholders' equity and the shareholders' equity ratio while reducing interest-bearing debt by approximately 30%. As a result, during the period we reduced the debt-equity ratio by more than 25% to its current level of 0.9 times, thereby achieving the Mid-term Business Plan 2016 target ahead of the plan.

In addition, the conversion of preferred stocks to common stocks was also completed, providing a qualitative improvement in the solidity and stability of the financial foundation.

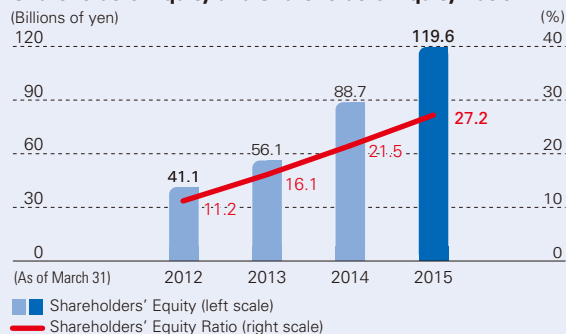
Mid-term Business Plan 2016 Targets

Operating profit margin: **6%** (¥34.0 billion)

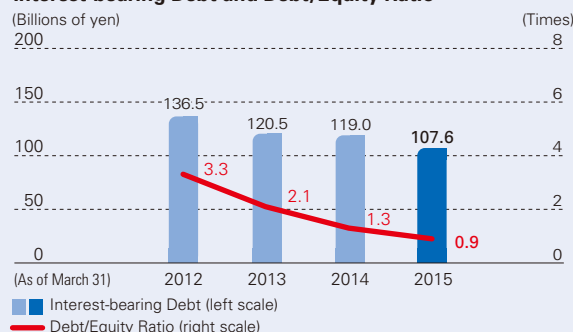
Shareholders' equity ratio: More than **30.0%**

DE ratio: Less than **1.0** times

Shareholders' Equity and Shareholders' Equity Ratio



Interest-bearing Debt and Debt/Equity Ratio



2

Fiscal year 2015 initiatives in the second year of the plan

Mid-term Business Plan 2016 seeks to realize business growth in overseas markets. OKI is already generating tangible results for its highly competitive cash recycling ATMs and LED printers, and will take steps to further accelerate business in fiscal year 2015.

ATMs are becoming increasingly common in China, and we expect the growth in our ATM unit shipments to remain at high levels, though the growth is becoming moderate. We are also implementing various strategies to accelerate ATM penetration in Brazil even as the country confronts severe macroeconomic conditions. In addition to ATMs, banks have also approached OKI about their increasing need for teller cash recyclers (TCRs), which we see as presenting a potentially significant business opportunity.

In LED printers, we will launch new A3 color multifunction printers. We believe there is strong demand for A3 high-end

FY2015 Targets

Net sales: **¥545.0** billion

Operating income: **¥30.0** billion

Net income: **¥22.0** billion

FY2015 Key Initiatives

- Expand sales in the growing areas
- Fully respond the domestic market conditions
- Invest in growth for business expansion

printers in the office solutions market and expect the A3 product line to provide a measurable contribution to our earnings.

In the domestic market, although we anticipate a leveling off of business in the financial, telecommunications, and social systems, we are preparing to take full advantage of emerging business opportunities we are anticipating in other areas, particularly in the social infrastructure systems business including transportation related systems, etc.

In the EMS business, the purchase of the printed circuit board factory and other measures have positioned OKI for steady growth going forward, and we will continue actively investing to expand the business. Through these efforts, we plan to establish a firm footing in fiscal year 2015 for achieving the fiscal year 2016 performance targets.



ATMs shipped out to around China, at the factory in Shenzhen, China.

3 Preparation for future growth

We anticipate ongoing rising demand in Japan related to resolving social issues: aging existing infrastructure, labor shortage, natural disaster, aging society and declining birthrate, and regional revitalization as well as from social infrastructure construction in preparation for the 2020 Olympics and Paralympics.

OKI will continue to apply its strength in info-telecom, sensors, and other technologies to meet future social infrastructure demand for next-generation transport systems, systems to improve tunnel inspection efficiency, wireless networks for river and shoreline monitoring systems, and other systems and advance the Group's business development. We believe our technologies can help provide safety and security to people while also fueling OKI's future business growth by creating a business of providing solutions for reducing costs, insufficient resources, and other challenges.

Overseas, the ATM business earnings have been expanding but we still see significant room to grow the business considering the large number of cash dispensers (CDs) of overseas vendors in use worldwide. The amount of bills in circulation is also increasing in India and Indonesia and other

emerging countries in Asia advancing toward future economic development. We believe this trend along with bank needs to improve operating efficiency and customer service point to ongoing increasing demand for ATMs. We are responding to these conditions by establishing distributor companies, forming tie-ups with reliable partners, and other development measures in emerging countries. In the countries where we are already generating sales results, we are positioning OKI for even stronger business expansion in the future.



A line of Indians wait outside an ATM booth. ATM demand in India is expected to grow.

4 Use of free cash flow and available funds

OKI's solid earnings performance and measures to enhance the usage efficiency of working capital are creating a steady stream of free cash flow. Management will make decisions concerning the use of funds while maintaining a balance between the aims to solidify the financial foundation, invest in growth, and return profit to shareholders. While realizing the mid-term business plan targets to build up

shareholders' equity and reduce interest-bearing debt, we will also actively invest in growth, such as the M&A efforts to enhance the ATM business in Brazil and the M&A in EMS business. The use of funds will also take into account the priorities to maintain a consistent and stable dividend rate depending on the level of earnings.