

TO OUR STAKEHOLDERS



**We aim to build a business foundation
for sustainable growth, sowing seeds
for new business creation.**

Profile

Date of birth Feb. 9, 1959

Career
Apr. 2016 President, Representative Director
Apr. 2015 General Manager, Corporate Planning Division, Chief Compliance Officer
Jun. 2014 Director and Senior Vice President
Apr. 2014 Chief Technology Officer
Apr. 2012 Senior Vice President
Apr. 2011 Executive Officer and General Manager, Systems Hardware Business Div.
Apr. 2010 General Manager, Automated Business Dept., Systems Hardware Business Div.
Apr. 2001 General Manager, Hardware Development Dept.-2, Systems Hardware Business Div. Systems Solution Company
Apr. 1981 Joined Oki Electric Industry Co., Ltd.

A handwritten signature in black ink that reads "S. Kamagami". The signature is fluid and cursive.

Shinya Kamagami
President
Oki Electric Industry Co., Ltd.

Greetings from Our New President

I want to respectfully express my sympathies to the people afflicted by the 2016 Kumamoto Earthquakes in southern Japan, and let them know that everyone in the OKI Group hopes from the bottom of our hearts that they are safe and recover quickly. In my new capacity as the president and representative director of the OKI Group, I would also like to extend a warm greeting to all our stakeholders.

The global economy faces a dizzying array of changes. Emerging countries were until recently an engine for the global economy but they have slowed sharply, affecting our earnings considerably. I believe, however, it is precisely in such an environment that an unremitting growth strategy is necessary.

Regardless of how much the environment around us changes, the OKI Group seeks to increase its corporate value. As a company that supports social infrastructure development, we believe the basis for boosting corporate value is providing products and services that contribute to

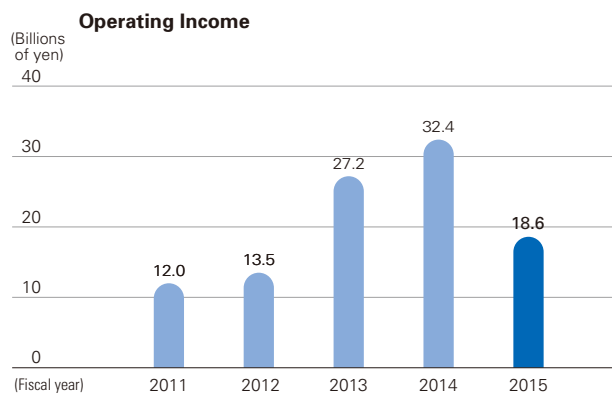
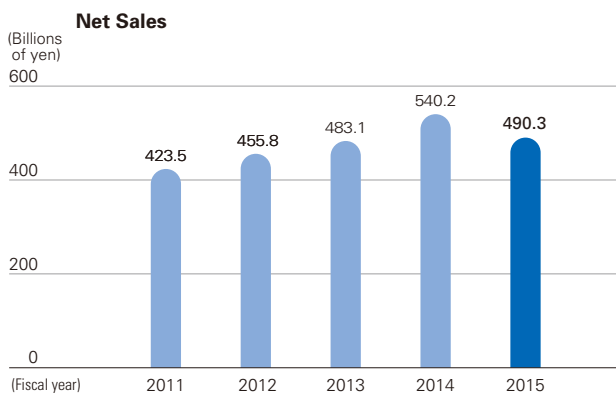
the creation of a safe, comfortable society and retaining the trust of our stakeholders while constantly ensuring our clients feel secure.

In the thirty years since I joined the OKI Group, I have been involved in many fields, ranging from technical development in mechatronics systems, which centers on ATMs, to marketing and business management. "Frontline first" has always been my motto. No matter how challenging a situation has seemed, I have always overcome such challenges by seeking input from those closest to the issues at hand whether the issues involved design, manufacturing, sales or problems requiring us to visit customers. From here, the OKI Group will prepare seeds for future growth, factoring in the changing business environment, while listening closely to the voices of those in the field and factory floor. We will devote all our strength and resources to managing the Group in a way that enables us to achieve sustainable growth and respond to the hopes of our stakeholders.

Fiscal Year 2015 Business Results

In fiscal year 2015, the business environment changed sharply, coming off a strong first year for the Mid-term Business Plan 2016 as the OKI Group reported strong performance in fiscal year 2014. Net sales came to ¥490.3 billion, a decline of ¥49.9 billion year on year, and operating income to ¥18.6 billion, a decline of ¥13.8 billion year on year. These declines reflected slower economic growth in emerging countries, exchange rate fluctuations, and the ongoing suspension of ATM shipments to a sales partner in China. Ordinary income was ¥11.4 billion, a ¥26.5 billion decrease year on year due to the swing to foreign currency losses this fiscal year against gains in the prior fiscal year in non-operating income and expenses. Profit attributable to owners of parent was ¥6.6 billion, a ¥26.5 billion decrease year on year.

As for our financial position, total assets came to ¥411.8 billion, a decrease of ¥27.6 billion from the previous fiscal year-end. While there were no major changes in the asset mix versus the previous fiscal year-end, shareholders' equity declined by ¥12.9 billion to ¥106.7 billion from the previous fiscal year-end. Despite booking net income and adding to retained earnings, valuations of our shareholdings and pension assets declined due to flagging stock markets. In addition, accumulated other comprehensive income fell as a result of shifts in translation adjustments stemming from foreign exchange impacts. The shareholders' equity ratio of 25.9% was 1.3 points lower than the level of the previous fiscal year-end, and the DE ratio of 1.1 times was 0.2 points higher than the level of the previous fiscal year-end.



Outlook for Fiscal Year 2016

Fiscal year 2016 is the final year of the Mid-term Business Plan 2016, which was announced in November 2013. Our new forecasts for fiscal year 2016 factor in major changes to the business environment such as a slumping economy in Brazil, a falloff in ATM sales due to the suspension of shipments to a sales partner in China, and foreign exchange rate volatility, to go along with printer market contraction and fiercer sales competition. On this basis, we forecast net sales of ¥500.0 billion and operating income of ¥20.0 billion.

Our policies for fiscal year 2016 are “securing stable profitability,” “generating growth businesses,” and “consolidating a financial foothold.” As for “securing stable profitability,” we will work to further expand earnings by securing profits at stable-earnings businesses aimed at domestic markets by leveraging our high-grade customer base. With regards to “generating growth businesses,” we announced major changes to our organization structure that came into effect on April 1, 2016. Mechatronics systems had been subsumed in the former info-telecom systems segment but with its growth as a core business for the OKI Group, we spun it off as a standalone segment so it can work to further step up its global expansion. Moreover, we established the ICT Business Division via the merger of the solutions & services business, the telecom systems business, and the social infrastructure business in an effort to create new businesses that would work to fuse together info-telecom fields. As for “consolidating a financial foothold,” we are working to further enhance our balance sheet via a reduction of working capital and the generation of cash flows.

We expect the ICT business to fare well mainly on the back of transportation infrastructure-related systems for road traffic, flight control, and the like. We look for the

mechatronics systems business to continue remain robust on domestic sales of cash handling equipment. As for overseas sales of ATMs, we are working to rebuild our China business, and we will continue to expand in markets globally. The printer business will strive to achieve deeper penetration with a high-value-added, niche strategy of developing markets in specific industries such as medical care and design. Moreover, the business will also expand sales in professional printing markets via sales synergies with the wide format printer business. As for the EMS business, sales are expected to remain brisk.

FY2016 Targets

Net sales	¥500.0 billion
Operating income	¥20.0 billion
Profit attributable to owners of parent	¥12.0 billion

Policies for FY2016

- **Secure stable profitability**
- **Generate growth businesses**
- **Consolidate a financial foothold**

Our Thinking on Corporate Governance

With the adoption in fiscal year 2015 of the Japan's Corporate Governance Code, the OKI Group has taken steps to bolster the effectiveness of the Board of Directors such



as nominating two outside directors to the Board and setting up the Personnel Affairs and Compensation Advisory Committee as a voluntary committee to secure transparency in decision-making processes for appointments of board members and executive officers and remuneration for them.

We believe it is vital to reinforce risk management and ensure compliance is deep rooted across the Group, improve fairness and transparency in management, and further speed up decision-making processes to answer the trust our stakeholders place in us and endeavor to enhance corporate value over the medium- and long-term and sustainable growth. With these as our basic policies, we will continue to strive to improve and strengthen corporate governance.

To Fulfill Our Social Responsibilities

Amid further global business expansion, we are making governance at the Group level even stronger so we can advance the notion of responsible management. At the same time, we believe it is important to contribute what we can to creating a sustainable society in terms forming an accurate recognition of social issues from various angles in our corporate activities.

The OKI Group strives to fulfill its social responsibility in accordance with its corporate philosophy. To that end, OKI established the OKI Group Charter of Corporate Conduct as a statement of values that OKI Group companies need to share and it set up the OKI Group Code of Conduct to be conformed to by all OKI executive officers and employees, and it is working to ensure thoroughgoing adherence to them. To advance proactive initiatives to reduce the Group's environmental impacts, we adopted the OKI Group Environmental Vision 2020 that sets targets for 2020 in four areas: realization of low-carbon societies, prevention of pollution, resource circulation, and biodiversity conservation. In recognition such activities should

be advanced properly based on international norms, OKI joined the United Nations Global Compact in 2010 and engages in activities concerning human rights, labor, the environment, and anti-corruption in support of the Compact's ten principles.



Returning Profits to Shareholders

OKI considers shareholder return to be a management priority and endeavors to return profits to shareholders in a continuous and stable manner. Our per-share dividend payment in fiscal year 2015 was an interim dividend of ¥2 and a year-end dividend of ¥3 for an aggregate full-year dividend of ¥5. In view of the business plan mentioned earlier and our policy on returning profits to shareholders, our per-share dividend plan for fiscal year 2016 is for an interim dividend of

¥2 and a year-end dividend of ¥3 for an aggregate full-year dividend of ¥5.

As a plank in our efforts to strengthen our financial base, we are building up our shareholders' equity with a target of increasing our shareholders' equity ratio to over 30%. Our aim is to pay dividends in a stable and continuous manner while taking into account how to balance returning profits to shareholders with other considerations.

In Conclusion

2016 will mark 135 years since our birth in 1881. Since our founding we have contributed to social progress, responding to change at each and every juncture and overcoming difficulties while facing an environment where change has been the only constant. The social trust we have earned over the years and the wonderful customers who do business with us are a treasure we would not trade for anything. With the expectation the years ahead will continue be shaped by groundbreaking change, we will grow as a

socially responsible corporation drawing on the "enterprising spirit" that informs our corporate philosophy. As we strive to increase our corporate value, we will provide products and services that contribute to realizing a safe, secure society by leveraging our strengths in info-telecom and mechatronic technologies, which we have honed unceasingly over our long history. I look forward to support and cooperation from all our stakeholders.

July 2016