

## MESSAGE FROM THE PRESIDENT

**Based on the network technology and edge devices,  
OKI Group will support social infrastructure and  
contribute to solve social issues.**



A handwritten signature in black ink that reads "S. Kamagami". The signature is fluid and cursive, with a large, stylized "S" and "K".

Shinya Kamagami  
*President, Representative Director*  
*Oki Electric Industry Co., Ltd.*

## Capturing the Waves of Change, We will Realize in Maximizing the Business and Social Values.

OKI was founded by Kibataro Oki, an engineer in the Ministry of Engineering (Government office in the first year of the Meiji Era), who resigned his post to stake his life on the rise of the telecommunications industry. At the time, telephones were brought in from the United States, and to borrow a quote from Kibataro on the future of the information and communication industry, it was an era that- "It is difficult to presume the trend, civilization progresses so fast. No one can foresee or imagine the phenomenal progress to be made when it comes to the practical applications of electricity."

Later, OKI became the sole company to manufacture domestic telecommunication equipment. Then some U.S. company asked to form a partnership with OKI to enter the expanding Japanese telecommunications market. However, Kibataro was proud of its domestic technology and was resolute that his company remains a domestic public institution to serve society. Therefore, no alliance was formed as it would have been disdainful to have the telecommunications network or the nation's central nervous system supported by foreign capital.

This spirit at the time of foundation has been inherited as our corporate philosophy, "The people of OKI, true to the company's "enterprising spirit," are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age."

In OKI's 138-year history, the company has remained true to its origin by advancing society with its information and communication technology and as a good corporate citizen that supports and walks with the path of society, we listen sincerely to our customers and continue to grow with their support.

Regarding our attitude to stand close to our customers honestly with the public interest in mind, we often heard complimentary words such as "OKI-like" from our customers and I'm very honored to have received such comment as accumulated feedback over the years.

One of the things I have worked on since I became president in 2016, is innovation management reform. In

June of this year, the International Standard for Innovation Management System, ISO 56002, was adopted, but OKI had already begun its efforts in anticipation of this event. The Ministry of Economy, Trade and Industry also published the guidebook, "Guidelines of Value Creation Management for Japanese Corporations" following the adoption of ISO 56002. In fact, OKI's efforts in this area were introduced as an example of the challenges facing corporations.

"Yume Pro," a project to accelerate innovation creation activities started in April 2018, with an innovation room, based on the concept of a tree house opened in one corner of our head office showroom. It is used as a place for the co-creation activities with customers and employees to discuss ideas freely expanding their ideas.

In terms of business strategy, we have conducted M&A and TOB at an average rate of about one every two years to expand and strengthen our business.

Sometimes these new initiatives and proactive policy measures are met with surprise, with some saying that it is "Unlike OKI."

Traditionally through its founding spirit, OKI has been a company that kept abreast of the times by accurately predicting the trends and boldly taking on challenges without fear of failure. I personally think that is the original OKI-like quality. However, over the years, I feel that through our sincerity and honesty, the word conservative, has become more synonymous with OKI.

Now, a new wave of digital transformation is on the way that will dramatically change the structure of society. We believe that it is similar to the early days of the information and communications industry and I will seize this opportunity to steer this company in these times of change towards growth.

The OKI Group will continue to address the challenges of the future by being "Unlike OKI" while also maintaining its "OKI-like" reputation and qualities with deep appreciation of your evaluation. With this in mind, I ask our stakeholders to expect a great future with OKI.

MESSAGE FROM THE PRESIDENT

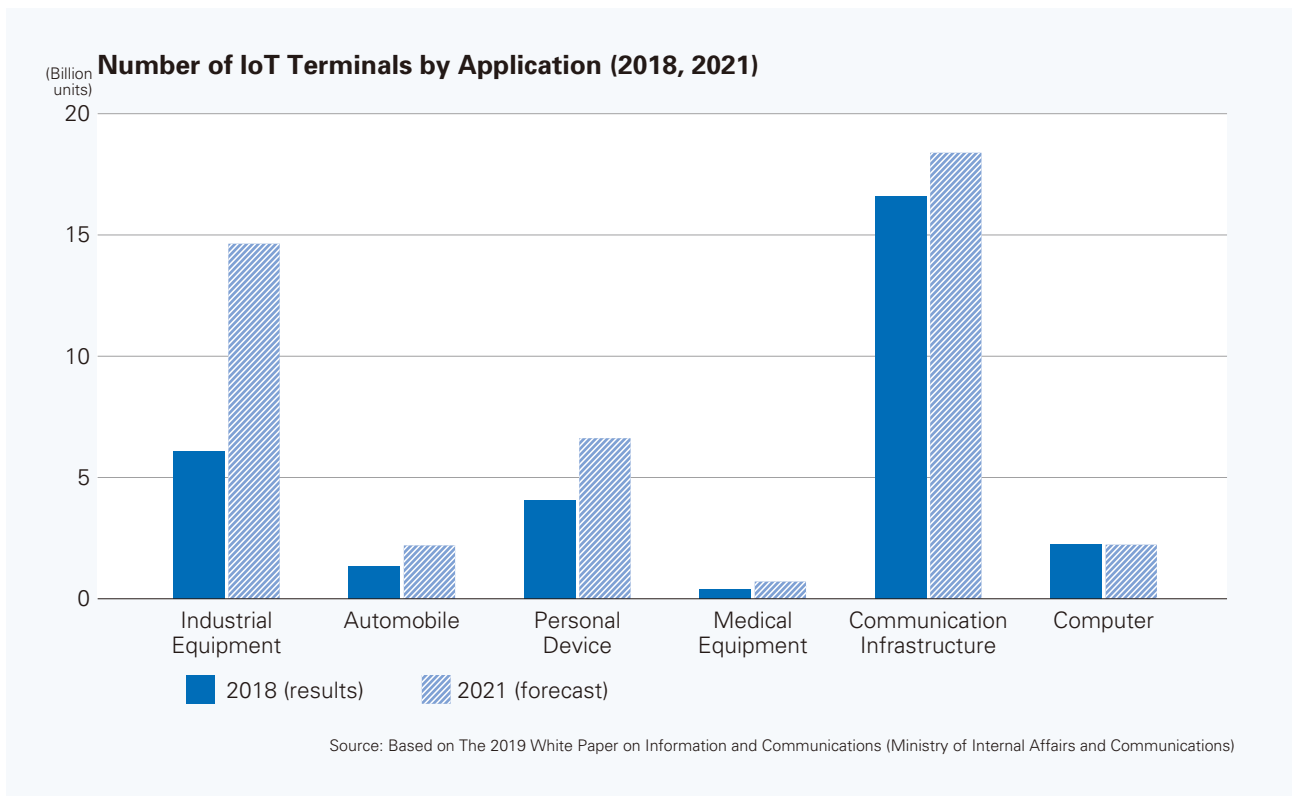
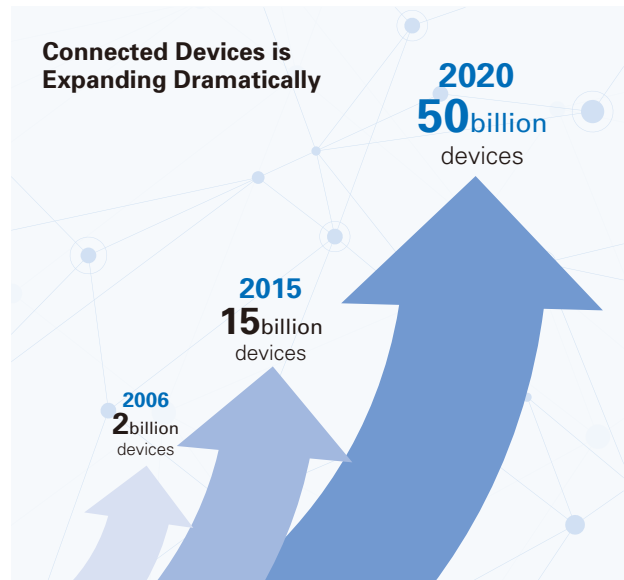
Recognition of Business Environment

Fiscal year 2018 was a year to work on returning the OKI Group back to a sustainable growth trajectory. In that respect, the increase in sales and profits can be viewed as a good sign. On the other hand, there are still several issues to overcome in order to ensure that we are truly back on a growth path. The question now, is how to respond to changes in the business environment brought on by digitization and entry of new paperless and cashless businesses, and change in the market by entering different industries.

Furthermore, I think that as the full-scale 5G era approaches, digitalization will accelerate further. The number of connected devices will expand dramatically along with an explosive increase in the amount of data. If that happens, it will be necessary to reinforce the communication infrastructure. In order to maintain an efficient and pleasant communication environment, we will require more sophisticated edge computing with high-speed and real-time processing at terminals.

Until recently, smartphones and tablet devices have been popular as IoT devices for consumers. However, in the future, it is expected that terminals for industrial use will expand rapidly, especially for smart cities and factories, as well as for automobiles and medical use.

In addition, the labor shortage is becoming more serious, and the areas that can be replaced with AI and ICT are still limited, and as a result the need for automated equipment is expected to widen.



## Initiatives Aimed at Future Growth

OKI is a technology company with its foundation based on manufacturing. Until now, we have solved the customer's problems by combining our unique terminals and network technology. We are an IoT company that has been manufacturing edge devices for over 100 years and connected them to networks and we therefore believe that the arrival of the IoT society will only bring many more new business opportunities.

OKI has network technologies, including sensing, data processing, data analysis, business applications, and technology to manufacture highly reliable terminals. This is a major strength as there are not many companies that have all these technologies.

Given this backdrop, we have a history of building systems by selecting the most suitable terminals for the edge area and connecting them to networks. By doing this, we have gained our customer's trust and knowledge whereby it has become a great asset with more and more customers becoming our partners in co-creation.

OKI will introduce terminals with a more sophisticated and reliable interface. For this development, we will allocate resources intensively in the future.

In addition, there is an important goal which is to solve social issues. We will focus on areas where there are chronic labor shortages, such as in medical care and retail and develop automated equipment that utilize hardware technology and resources to reduce their burden.

In order to implement measures to support social infrastructure and solve social issues, it is necessary to optimize resources. With a view to future business restructuring, necessary resources will be reallocated across segments from product-out and hardware-alone business sites.



There are already tens of thousands of OKI terminals installed and operating in various markets. We have also started a recurring revenue business based on these terminals, and which we continue to expand each year. I expect that the expansion of this business will firmly support OKI's long term business performance.

As just described, we will build a structure to promote businesses, and reflect in our future management plan.

## A Company is Its People

Regardless of the type of business or its structure, people play the most important role to support the survival and growth of a company. How to secure and nurture top caliber personnel is an extremely important theme in management. The OKI Group secures diverse human talent through the active recruitment of women and mid-career hire which has resulted in the revitalization of the organization. Furthermore, from fiscal year 2019, we are reviewing the compensation system for all OKI employees. Our intent is to appropriately reward those employees who have performed well. We will work to reform work styles to eliminate bad equality principle and prevent employees from getting exhausted. As these efforts begin to circulate, we believe that corporate value will continue to improve.

By placing people as the center of management's focus, we continue to further develop society. These basic concepts of the OKI Group are consistent with the "Sustainable Development Goals (SDGs)" adopted by the United Nations, and will continue to be our corporate goals for the future. In May 2019, we endorsed the recommendations made by "Task Force on Climate-related Financial Disclosure (TCFD)." As a Signatory of the United Nations Global Compact initiative, I would like to work on global social issues outlined in the SDGs and contribute to its success by providing various products and services.

October 2019