

Financial Results for the First Half of FY ending March 31, 2017

October 28, 2016

Oki Electric Industry Co., Ltd.



Table of Contents

- I. Financial results for the 1H, FY ending Mar. 2017
 - 1. Overview of 1H
 - 2. Summary of Financial Results
 - 3. Segment Information (Net sales)
 - 4. Segment Information (Operating income)
 - 5. Changing Factors of Operating Income
 - 6. Balance Sheets
 - 7. Cash Flows

- II. Full Year Projections for the FY ending Mar. 2017
 - 1. Current Conditions
 - 2. Revision of Full Year Projections
 - 3. Segment Information

Overview of 1H

➤ Summary of Business

Domestic business was steady. In business overseas, sales and operating income failed to reach its original target due to the changes in business environment.

➤ Appreciation of the yen

Foreign exchange losses in non-operating expenses were recorded as the results of the trend of strong yen after June 2016.

➤ Cash Flows

Cash flows increased due to reducing working capital. Financial stability is maintained.

➤ Arbitration

Hearing of arbitration in China still continues.

➤ Extraordinary Loss

OKI recorded the loss related to the Antimonopoly Act.

Summary of Financial Results

- Net sales and operating income decreased year on year. Business performance fell short of its target.
- Foreign exchange losses in non-operating expenses of 8.1 B yen were recorded. Loss attributable to owners of parent was 13.5 B yen as a result of recording extraordinary loss of 2.6 B yen.
- Interim dividend : 2 yen per share (as planned)

(Billion yen)	FY end Mar. 2017 (Results)	Previous projections	Variance	FY end Mar. 2016 (Results)	Variance
Net sales	199.3	210.0	(10.7)	223.0	(23.7)
Operating income (loss)	(0.6)	0.0	(0.6)	3.6	(4.2)
Ordinary income (loss)	(8.9)	(0.5)	(8.4)	2.7	(11.6)
Profit (loss) attributable to owners of parent	(13.5)	0.0	(13.5)	0.9	(14.4)
USD average exchange rate (Yen)	105.3	110		121.8	
EUR average exchange rate (Yen)	118.2	125		135.1	

Segment Information (Net sales)

- ICT : Sales were beyond its plan though sales for telecom carriers and fire-fighting digital wireless systems decreased.
- Mechatronics systems: ATM market in China is in a lull. Business in Brazil, other countries and Japan basically turned out as planned.
- Printers: Decreasing demand for office printers continued in addition to the impact of currency exchange.

(Billion yen)	FY end. Mar.2017 (Results)	Previous projections	Variance	FY end. Mar.2016 (Results)	Variance
ICT	66.9	66.0	0.9	78.9	(12.0)
Mechatronics systems	49.0	51.0	(2.0)	55.0	(6.0)
Printers	54.3	64.0	(9.7)	59.1	(4.8)
EMS	20.9	21.0	(0.1)	20.6	0.3
Others	8.3	8.0	0.3	9.5	(1.2)
Total	199.3	210.0	(10.7)	223.0	(23.7)

Segment Information (Operating income/loss)

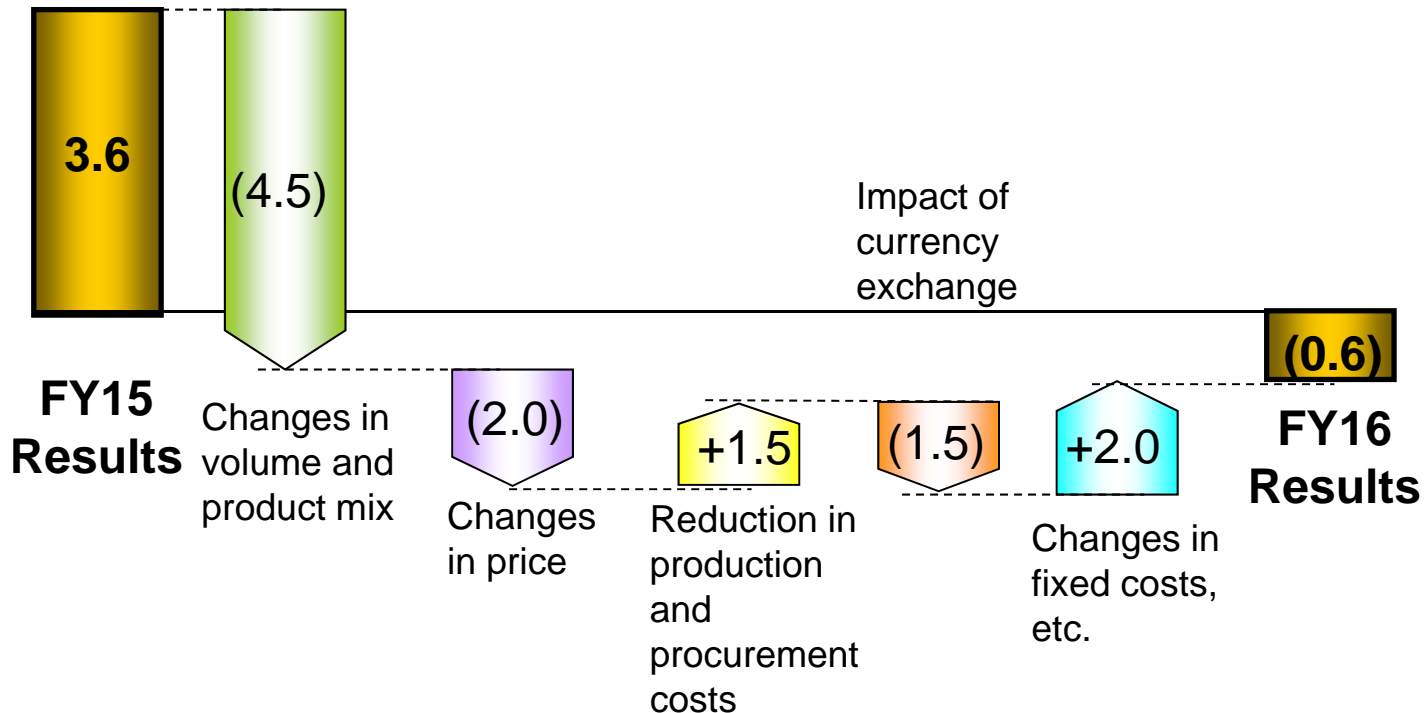
- Operating income totally worsened year on year due to the decline in sales volume and the impact of currency exchange.
- Profitability of ICT was improved compared with its plan due to the effect of reform of business structure.
- The drop in sales volume influenced in Mechatronics systems and Printers.

(Billion yen)	FY end. Mar.2017 (Results)	Previous projections	Variance	FY end. Mar.2016 (Results)	Variance
ICT	(0.3)	(1.2)	0.9	0.8	(1.1)
Mechatronics systems	1.3	2.3	(1.0)	3.5	(2.2)
Printers	(0.8)	0.0	(0.8)	(0.5)	(0.3)
EMS	0.7	0.8	(0.1)	0.8	(0.1)
Others	1.5	1.6	(0.1)	2.2	(0.7)
Corporate & Eliminations	(3.1)	(3.5)	0.4	(3.2)	0.1
Total	(0.6)	0.0	(0.6)	3.6	(4.2)

Changing Factors of Operating Income (year on year)

- Operating income decreased due to the drop in sales volume and the impact of currency exchange.

(Billion yen)



Balance Sheets

- Working capital was reduced due to correcting notes and accounts receivable and control the inventories.
- Levels of shareholders' equity ratio and D/E ratio were maintained by squeezing the net assets.

(Billion yen)	Sep. 2016	Mar. 2016	Variance
Current assets	237.4	277.6	(40.2)
Fixed assets	134.6	134.1	0.5
Assets	371.9	411.8	(39.9)
Current liabilities	182.8	199.2	(16.4)
Fixed liabilities	96.1	105.2	(9.1)
Liabilities	278.9	304.4	(25.5)
Shareholders' equity	92.6	106.7	(14.1)
Others	0.5	0.7	(0.2)
Net assets	93.1	107.4	(14.3)
Total liabilities and net assets	371.9	411.8	(39.9)
Shareholders' equity ratio (%)	24.9	25.9	(1.0)%
D/E ratio (times)	1.2	1.1	+0.1pt

Cash Flows

- Cash flows from operating activities improved drastically mainly due to amelioration in working capital.
- Free Cash flows saw a net inflow of 12.8 B yen.

(Billion yen)	FY end. March 2017	FY end. March 2016	Variance
I Cash flows from operating activities	21.0	(3.5)	24.5
II Cash flows from investing activities	(8.2)	(9.2)	1.0
Free cash flows (I + II)	12.8	(12.7)	25.5
III Cash flows from financing activities	(15.9)	3.7	(19.6)
Cash and cash equivalents	43.0	44.5	(1.5)
Purchases of equipment	(5.9)	(6.5)	0.6
Depreciation	6.8	6.9	(0.1)

Free cash flows and net cash flows are the total of each item which are rounded to the nearest hundred million yen.

Table of Contents

- I. Financial results for the 1H, FY ending Mar. 2017
 - 1. Overview of 1H
 - 2. Summary of Financial Results
 - 3. Segment Information (Net sales)
 - 4. Segment Information (Operating income)
 - 5. Changing Factors of Operating Income
 - 6. Balance Sheets
 - 7. Cash Flows

- II. Full Year Projections for the FY ending Mar. 2017
 - 1. Current Conditions
 - 2. Revision of Full Year Projections
 - 3. Segment Information

Current Conditions

➤ Summary of Business

ATM market in China is expected to be in a lull in overseas business though domestic business remains steady. Competition in office printers business increasingly intensifies mainly in Europe and the U.S.

➤ Appreciation of the yen

Recent trend of strong yen continues for a time though level of currency exchange fluctuated unsteadily from the beginning of this fiscal year .

➤ Full Year Projections

OKI revises its full year projections under the premise noted above.

Revision of Full Year Projections

- Year-end dividend plan: 30 yen* per share (as planned)
- Currency exchange rate assumption in 2H : ¥105/USD, ¥115/EUR

(Billion yen)	FY end. Mar.2017 (Revised on Oct. 28, 2016)	Previous projections	Variance	FY end. Mar.2016 (Results)	Variance
Net sales	465.0	500.0	(35.0)	490.3	(25.3)
Operating income	15.0	20.0	(5.0)	18.6	(3.6)
Ordinary income	6.0	18.0	(12.0)	11.4	(5.4)
Profit attributable to owners of parent	3.0	12.0	(9.0)	6.6	(3.6)
USD average exchange rate (Yen)	105.5	110		120.2	
EUR average exchange rate (Yen)	116.8	125		132.6	

*OKI consolidated every ten shares of its common stock into one share on October 1, 2016.

Segment Information (Full Year)

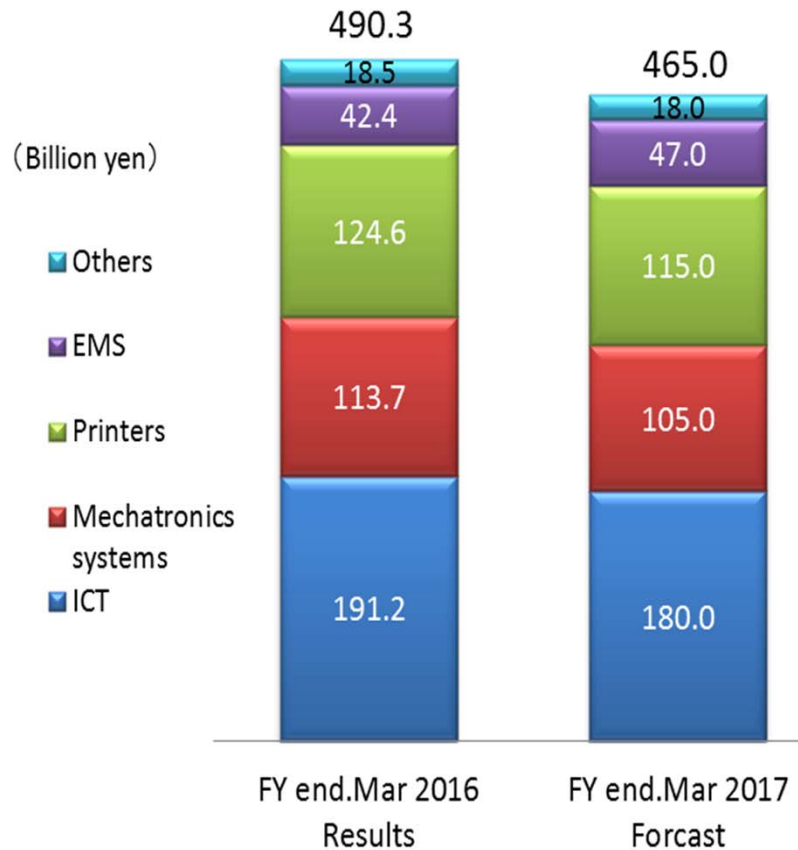
- ICT: Operating income is expected to work out as planned though sales will decrease as a result of reviewing projects.
- Mechatronics Systems: ATM market in China is in a lull. Business in Japan, Brazil, and other countries goes approximately as planned.
- Printers: Sales of office printers mainly overseas are in the slump though strategic products and the effect of M&A contribute to its performance.

(Billion yen)		FY end. Mar.2017 (Revised on Oct. 28, 2016)	Previous projections	Variance	FY end. Mar.2016 (Results)	Variance
ICT	Net sales	180.0	188.0	(8.0)	191.2	(11.2)
	Operating income	13.5	13.5	0.0	11.6	1.9
Mechatronics Systems	Net sales	105.0	112.0	(7.0)	113.7	(8.7)
	Operating income	1.5	5.5	(4.0)	6.0	(4.5)
Printers	Net sales	115.0	133.0	(18.0)	124.6	(9.6)
	Operating income	0.0	2.5	(2.5)	1.4	(1.4)
EMS	Net sales	47.0	48.0	(1.0)	42.4	4.6
	Operating income	2.5	2.5	0.0	2.3	0.2
Others	Net sales	18.0	19.0	(1.0)	18.5	(0.5)
	Operating income	3.0	3.5	(0.5)	4.2	(1.2)
Eliminates & Corp.	Operating income	(5.5)	(7.5)	2.0	(6.9)	1.4
Total	Net sales	465.0	500.0	(35.0)	490.3	(25.3)
	Operating income	15.0	20.0	(5.0)	18.6	(3.6)

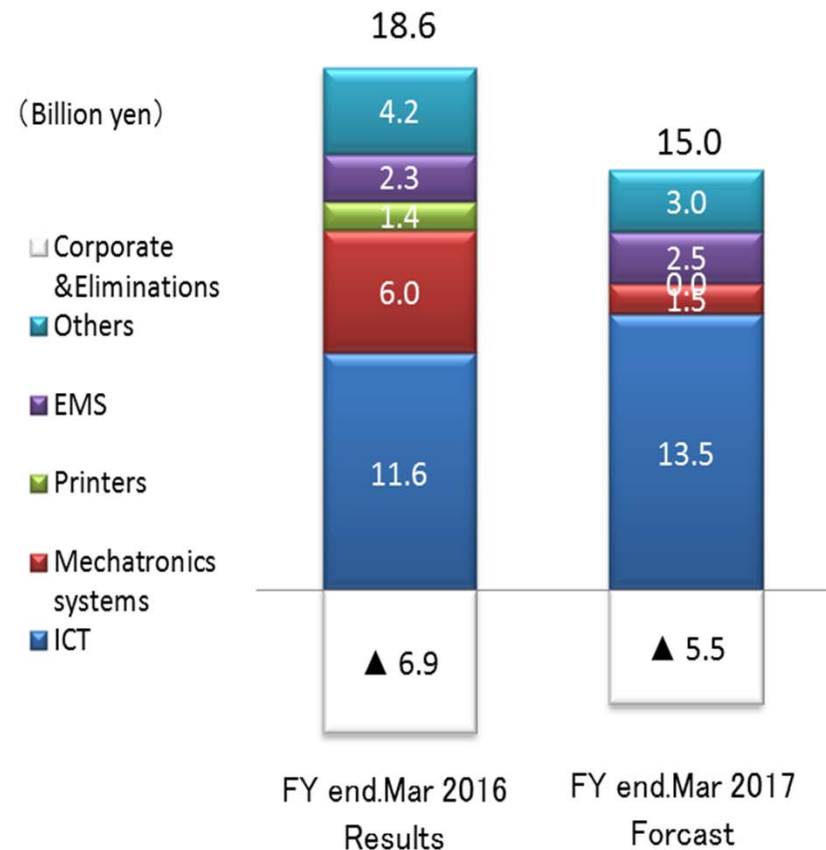
Reference

Segment Information (Full-year Net Sales and Operating Income)

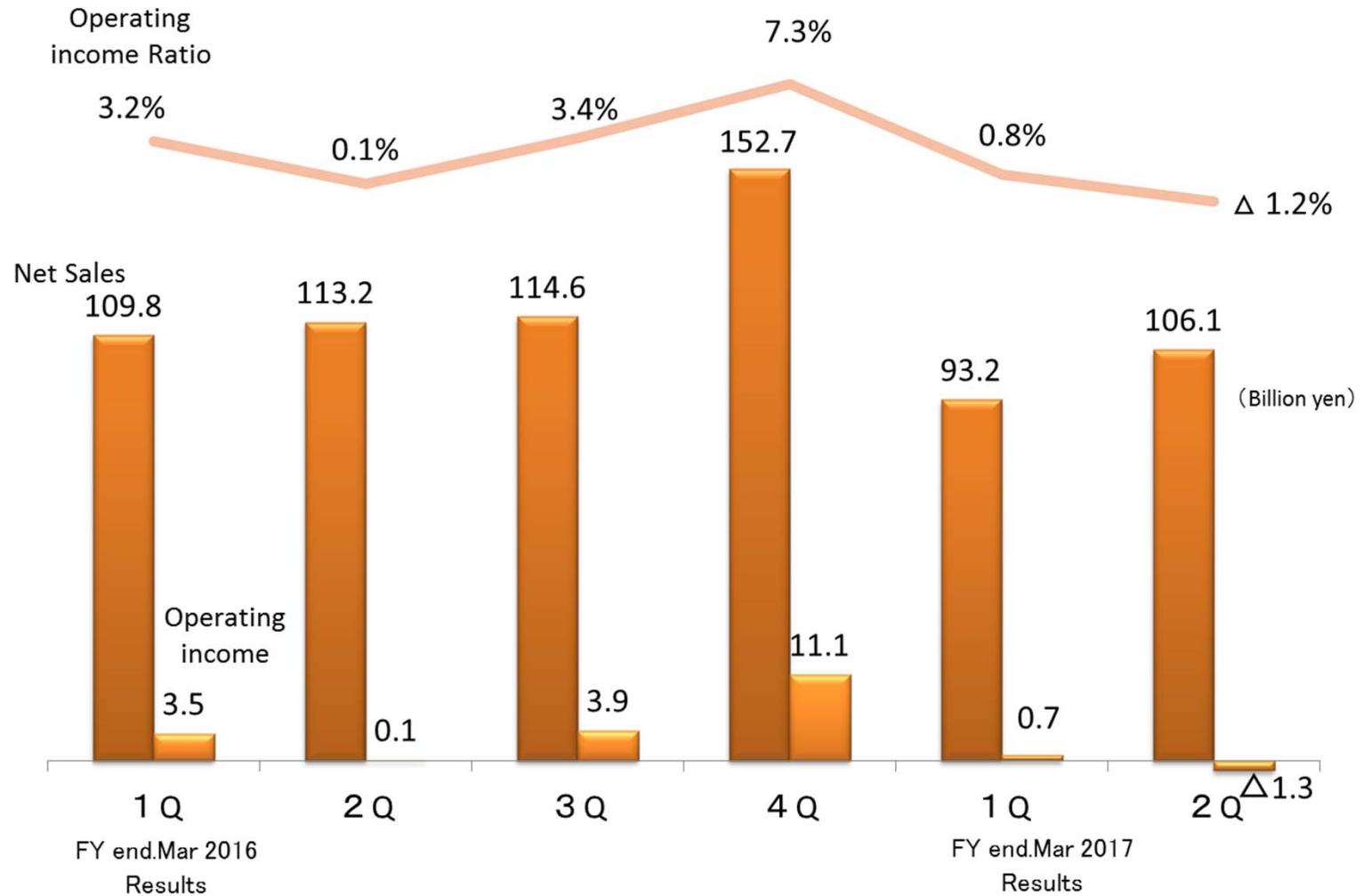
Net Sales



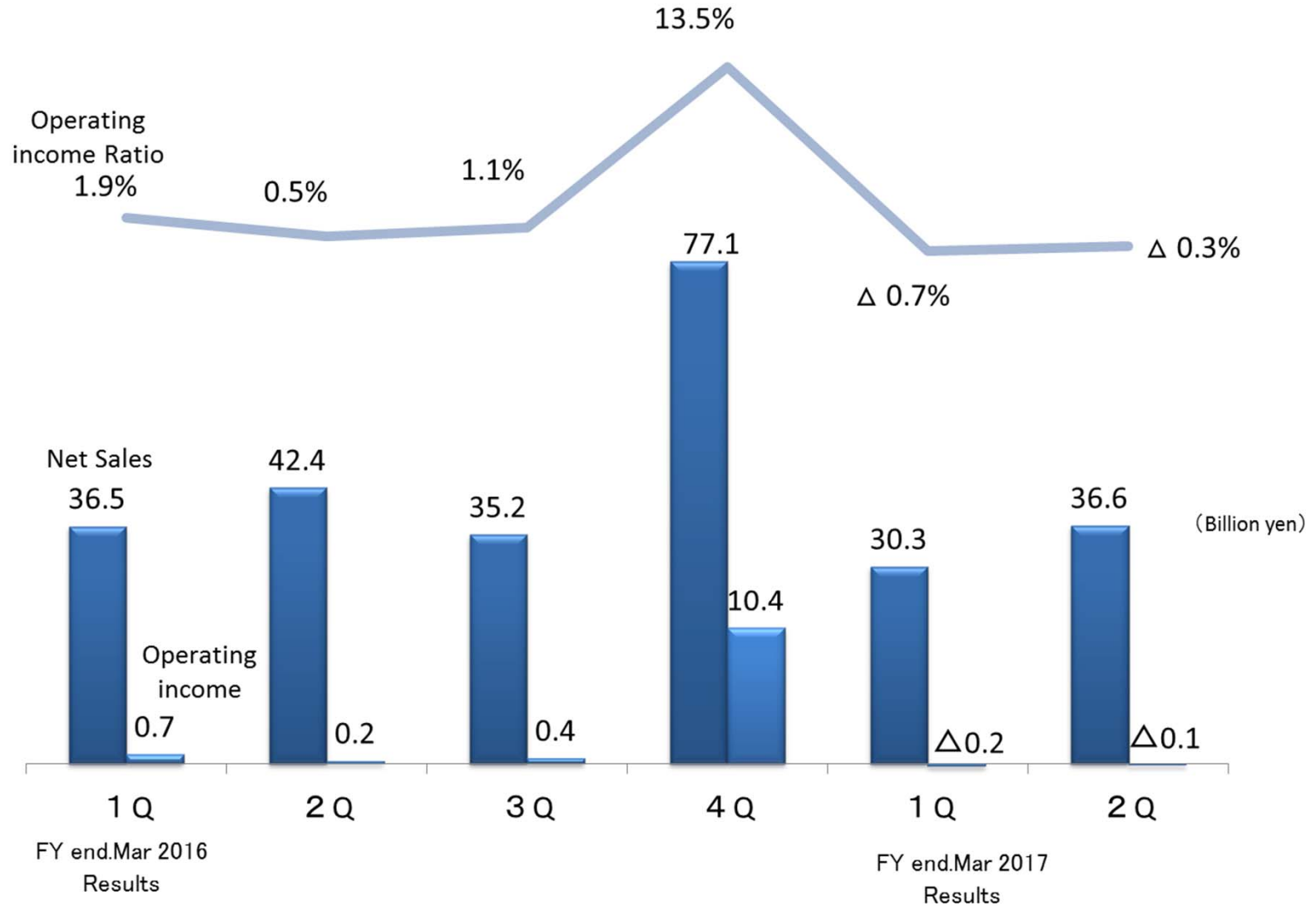
Operating Income



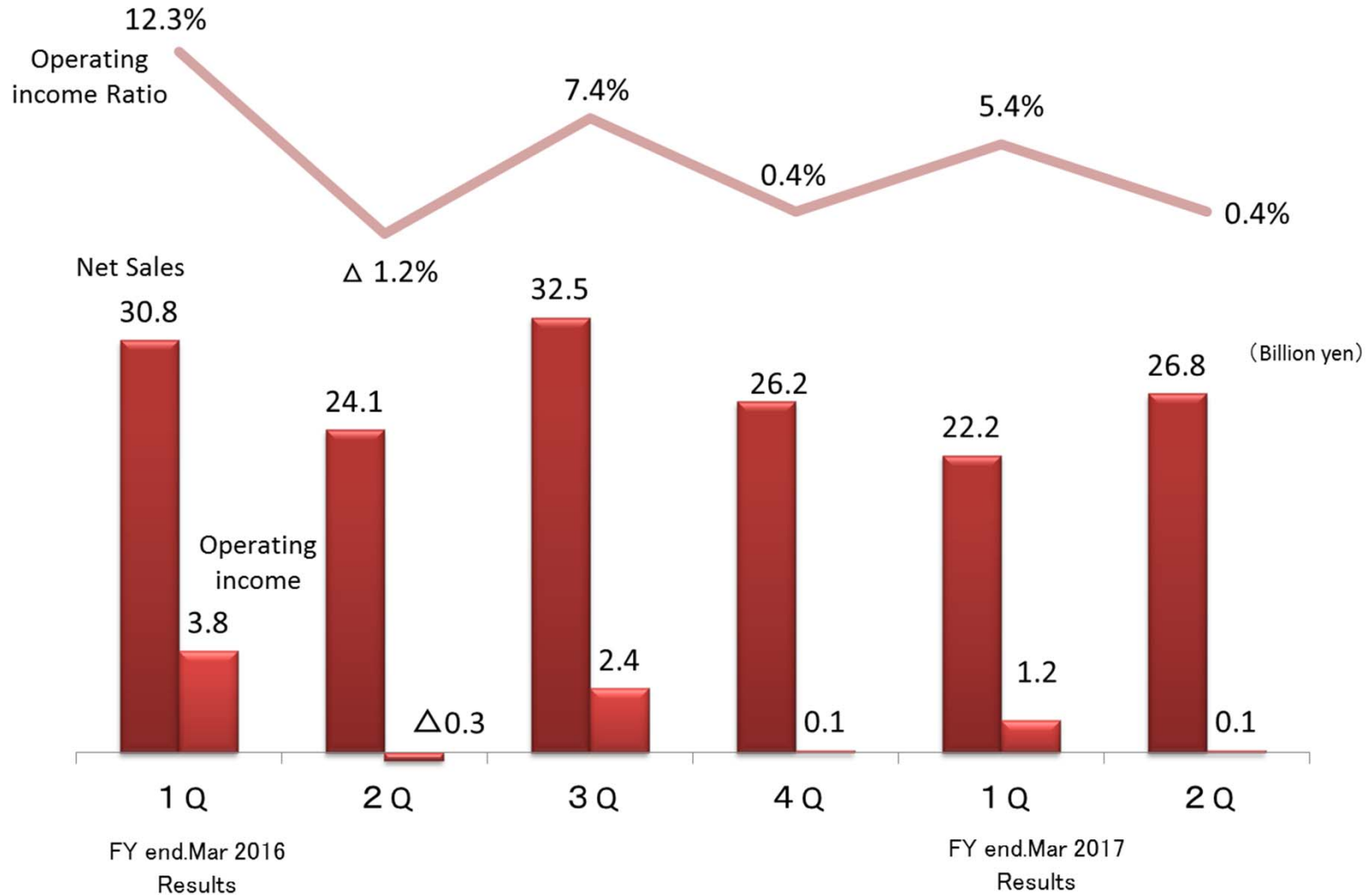
Quarterly Transition of Net Sales and Operating Income



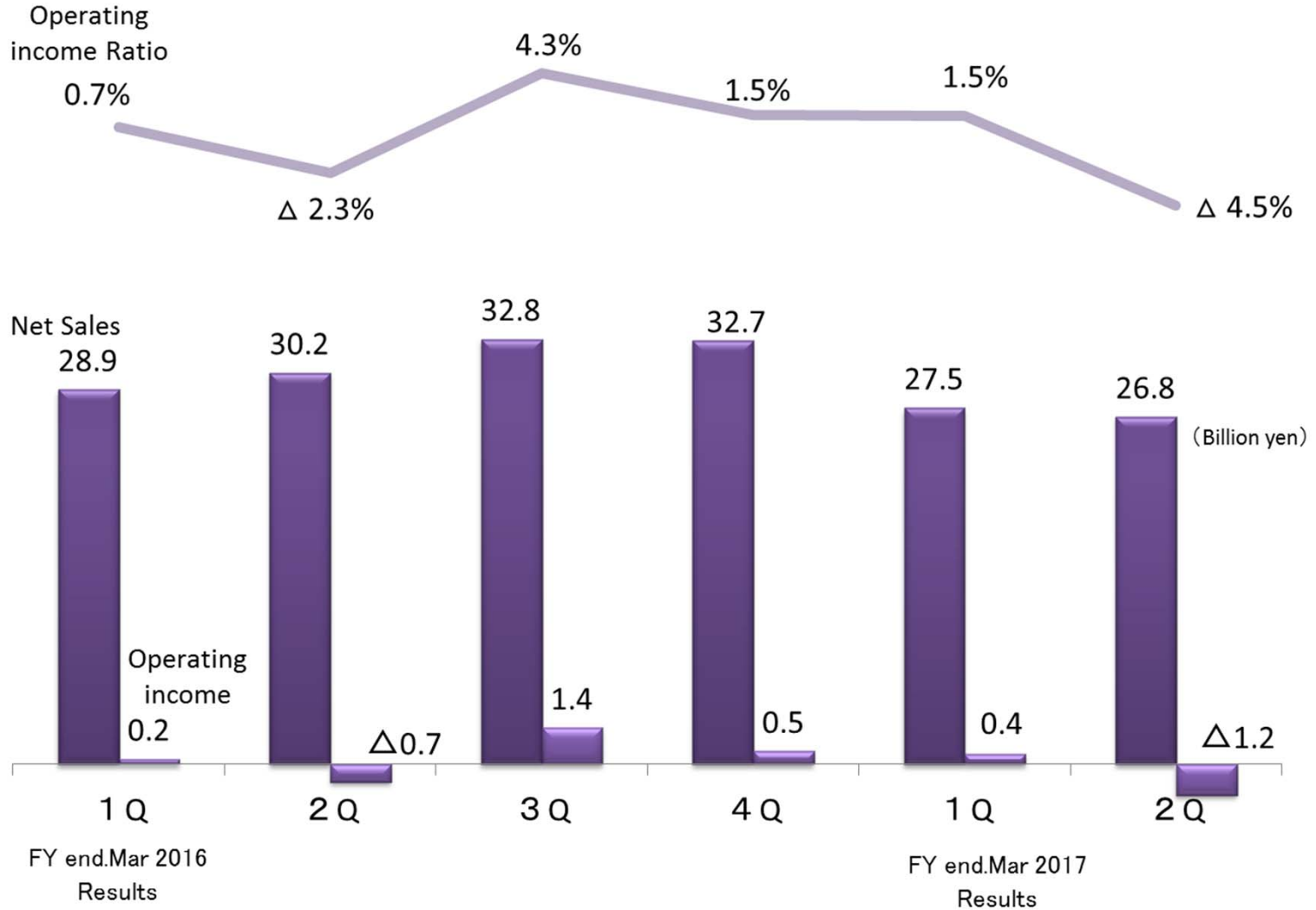
Quarterly Transition of Net Sales and Operating Income(ICT)



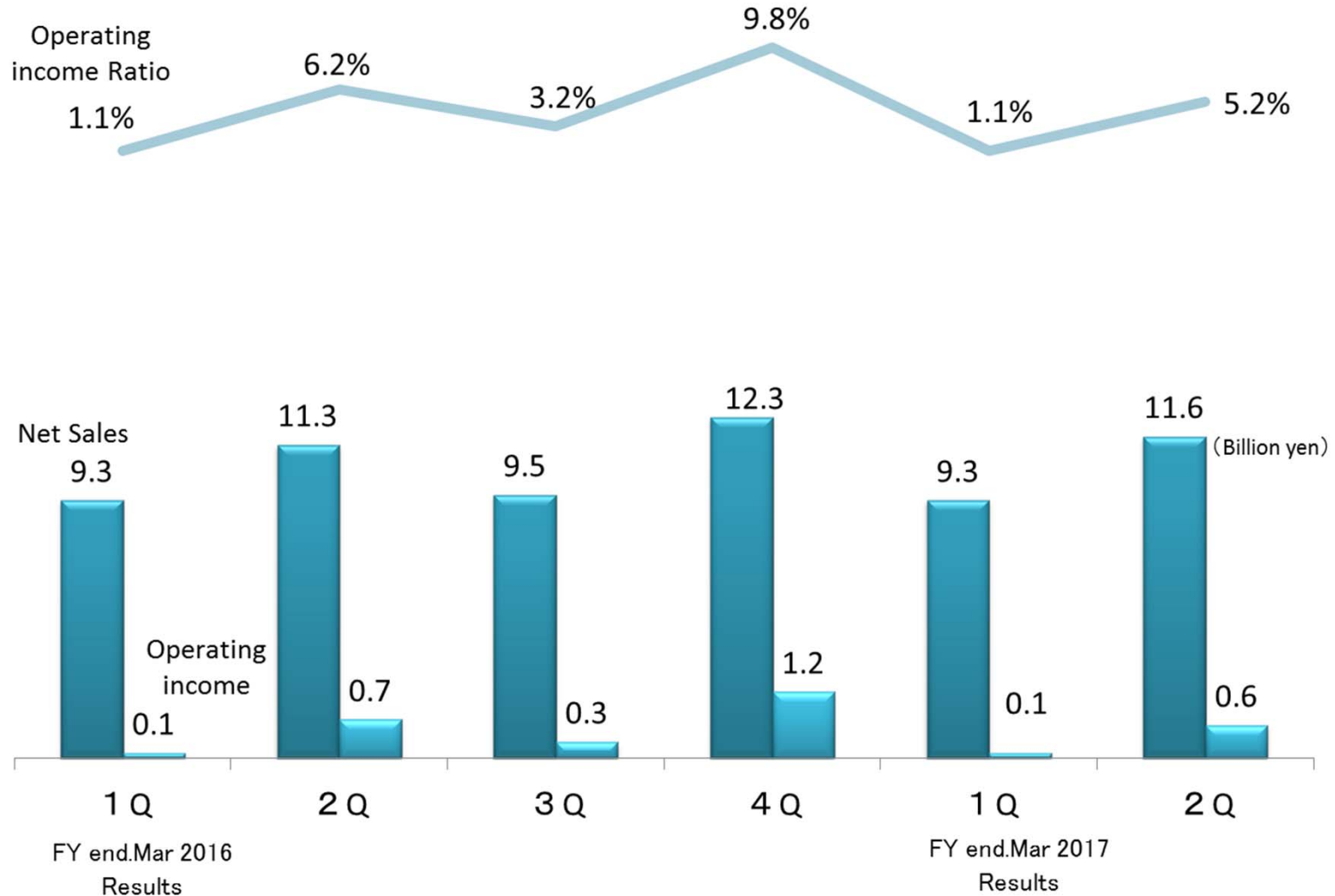
Quarterly Transition of Net Sales and Operating Income(Mechatronics Systems)



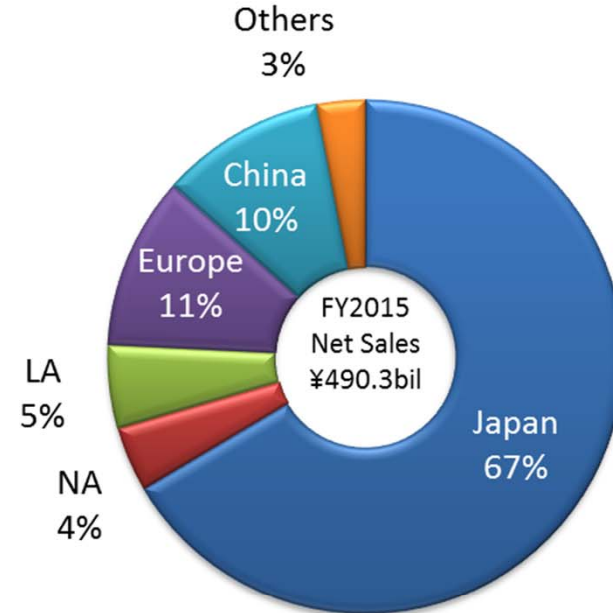
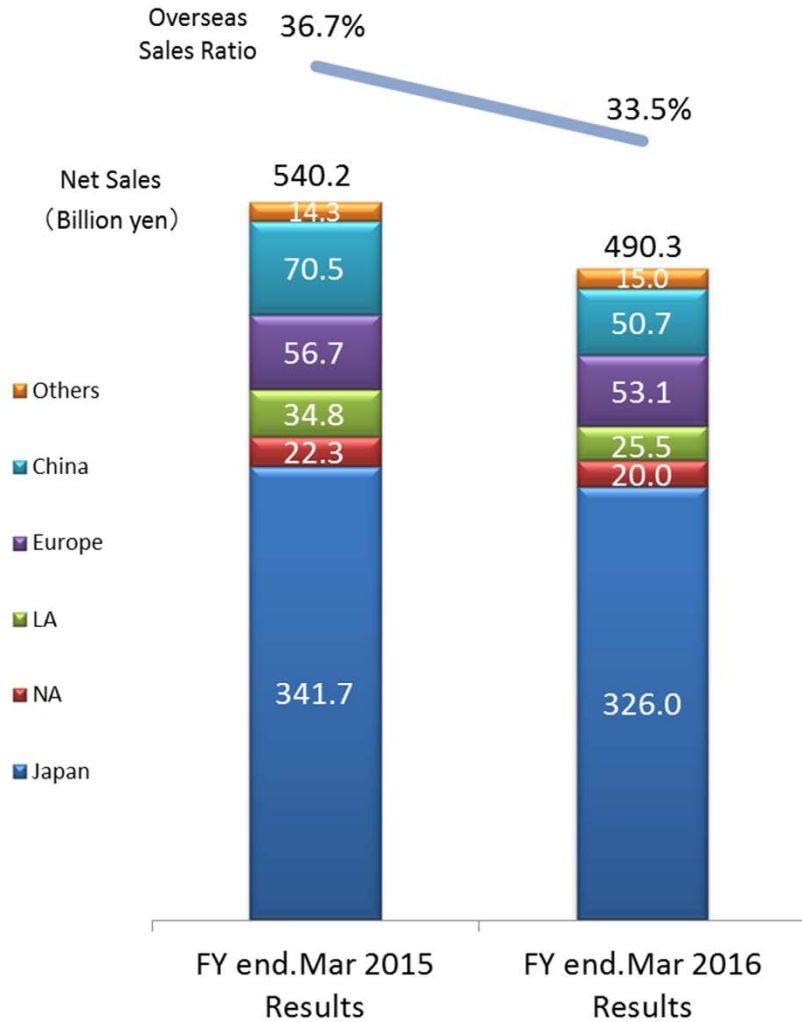
Quarterly Transition of Net Sales and Operating Income(Printers)



Quarterly Transition of Net Sales and Operating Income(EMS)



Sales by Region



Quarterly Transition of Profit and Loss

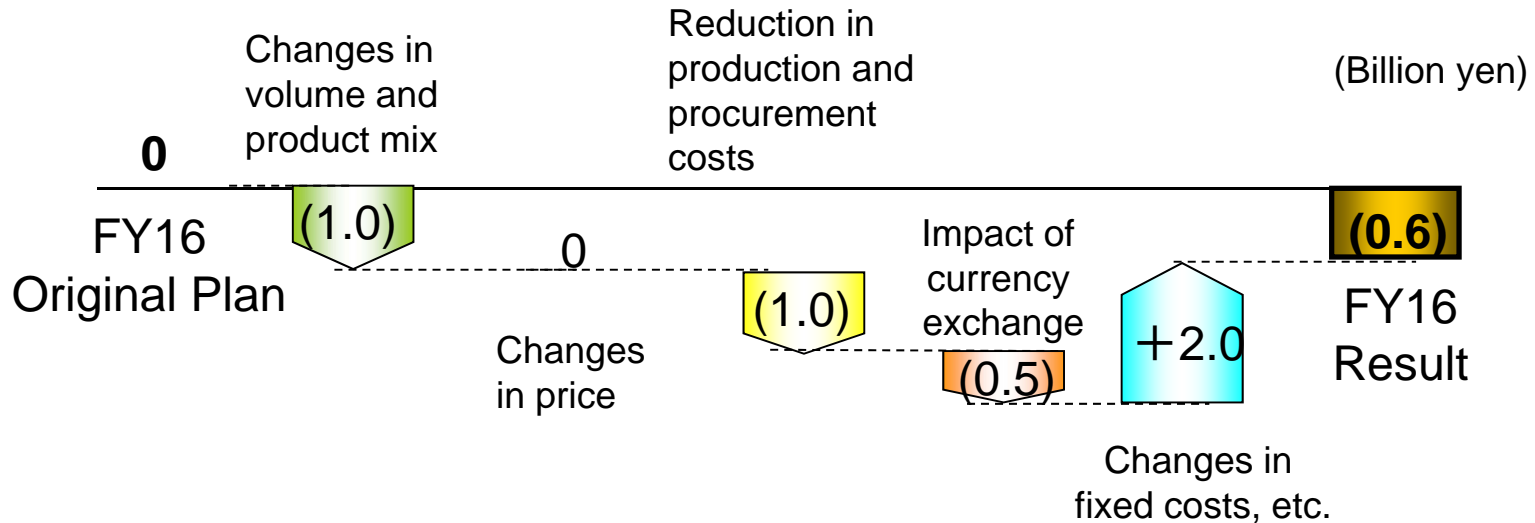
Results (Billion yen)	FY end. Mar. 31, 2016				FY end. Mar. 31, 2017		FY end. Mar. 31, 2017
	1Q	2Q	3Q	4Q	1Q	2Q	Full year (Plan)
Net sales	109.8	113.2	114.6	152.7	93.2	106.1	465.0
Operating income	3.5	0.1	3.9	11.1	0.7	(1.3)	15.0
Non-operating income & expenses	2.4	(3.6)	(2.5)	(3.5)	(7.1)	(1.2)	-
Ordinary income/loss	5.9	(3.5)	1.4	7.6	(6.4)	(2.5)	6.0
Extraordinary income/loss	0.1	0.2	(0.3)	0.3	0.0	(2.6)	-
Income/loss before income taxes	6.0	(3.3)	1.1	7.9	(6.4)	(5.1)	-
Profit/loss attributable to owners of parent	3.2	(2.3)	(2.7)	8.4	(6.1)	(7.4)	3.0

Financial Highlights

Results (Billion yen)	FY end. Mar. 31, 2016				FY end. Mar. 31, 2017	
	1Q	2Q	3Q	4Q	1Q	2Q
Total assets	421.9	412.5	414.8	411.8	387.1	371.9
Net assets	119.8	113.6	110.6	107.4	99.2	93.1
Interest-bearing debt	109.5	114.8	118.3	122.1	118.7	107.8
Shareholders' equity	118.8	112.8	110.3	106.7	98.7	92.6
Shareholders' equity ratio (%)	28.1	27.3	26.6	25.9	25.5	24.9
D/E ratio (times)	0.9	1.0	1.1	1.1	1.2	1.2
Free cash flows	1.6	(14.3)	(0.3)	(3.4)	16.1	(3.3)
Cash and cash equivalents	53.7	44.5	45.5	46.3	57.1	43.0
USD average exchange rate (Yen)	121.4	122.2	121.5	115.5	108.2	102.4
EUR average exchange rate (Yen)	134.2	135.9	133.0	127.2	122.0	114.3

1H Changing Factors of Operating Income(vs. original plan)

- Fixed costs are reduced against the drop in sales volume and the impact of currency exchange.



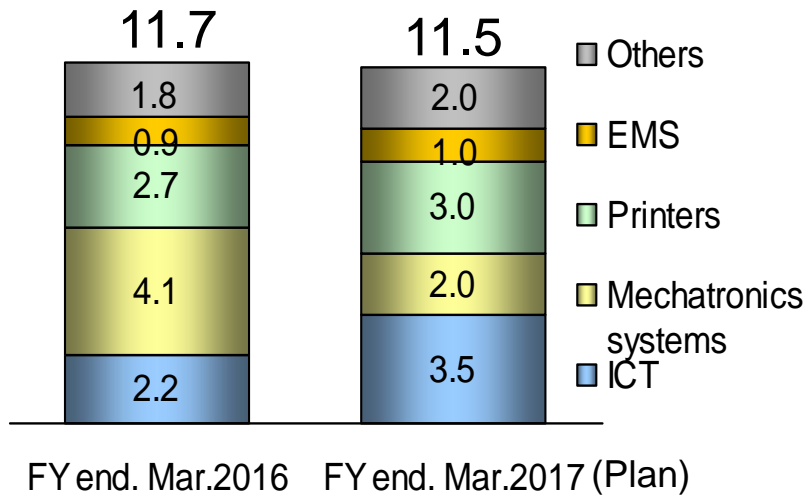
Capital Expenditure and R&D Expenses Projections

Property, Plant & Equip.

(Billion yen)

R&D Expenses

[Capital Expenditure]

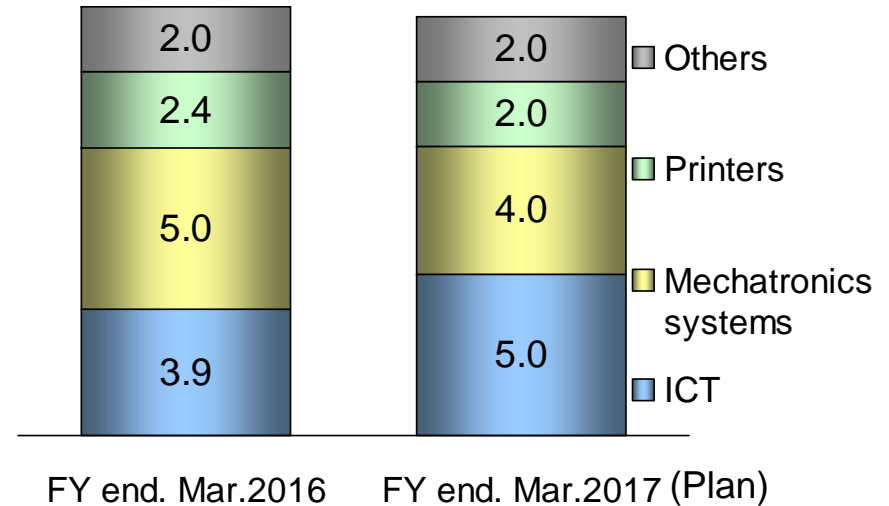


[Depreciation]

11.2

12.0

13.3



FY end. Mar.2016

FY end. Mar.2017 (Plan)

Notice

- The projections and plans in this material are based on information currently available to OKI as of the date of publication and certain assumptions judged as rational, therefore actual results are subject to change depending upon the changes of business environments and other conditions.
- Indication method of amounts in hundred millions (yen) are as follow:
Amounts in each item are rounded to the nearest hundred million yen. Variances are calculated in the hundred millions.