

Financial Results for the Fiscal Year Ended March 31, 2018

May 8, 2018

Oki Electric Industry Co., Ltd.

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Review of Business Performance

➤ Achievements

- Started IoT-based businesses in the social infrastructure domain
- Expanded full outsourcing service for ATMs in the domestic market
- Implemented structural reforms and reinforced underlying profitability in the Printers business
- Strengthened its foundation for growth in the EMS business by converting OKI Electric Cable to a wholly owned subsidiary
- Stabilized our financial footing and introduced a plan to provide continuous, stable dividends

➤ Issue

- Need to respond dramatically to changes in the operating environment surrounding overseas ATMs, as this was the major reason for falling short of its initial projection

Summary of Financial Results

- Net sales were down from the previous fiscal year and below initial projections. Operating income increased year on year but fell short of our projection.
- Ordinary income improved year on year as the foreign exchange loss (within non-operating expenses) recorded in the previous fiscal year turned into a gain during the year under review.
- Proposed year-end dividend: ¥30 per share (as planned)

(Billion yen)	FY end. Mar. 2018	Previous projections	Variance	FY end. Mar. 2017	Variance
Net sales	438.0	455.0	(17.0)	451.6	(13.6)
Operating income	7.7	13.0	(5.3)	2.5	+5.2
Ordinary income (loss)	8.5	12.0	(3.5)	(2.4)	+10.9
Profit attributable to owners of parent	5.9	8.0	(2.1)	4.7	+1.2
USD average exchange rate (Yen)	110.9	110.0		108.4	
EUR average exchange rate (Yen)	129.7	115.0		118.8	

Segment Information (Net Sales)

- ICT: Sales to some government agencies were healthy, although sales of network-related projects were delayed to the next fiscal year.
- Mechatronics systems: Overseas sales of ATMs were low.
- Printers: Sales were roughly as expected, although performance was affected by yen depreciation.
- EMS: Sales were favorable, mainly for printed circuit boards for semiconductor-related and other equipment.
- Others: OKI sold shares of a consolidated subsidiary at the end of the previous fiscal year, and converted OKI Electric Cable to a consolidated subsidiary in Q4.

(Billion yen)	FY end. Mar. 2018	Previous projections	Variance	FY end. Mar. 2017	Variance
ICT	172.7	183.0	(10.3)	177.4	(4.7)
Mechatronics systems	93.5	105.0	(11.5)	100.9	(7.4)
Printers	108.9	106.0	+2.9	112.4	(3.5)
EMS	47.7	49.0	(1.3)	43.2	+4.5
Others	15.2	12.0	+3.2	17.8	(2.6)
Total	438.0	455.0	(17.0)	451.6	(13.6)

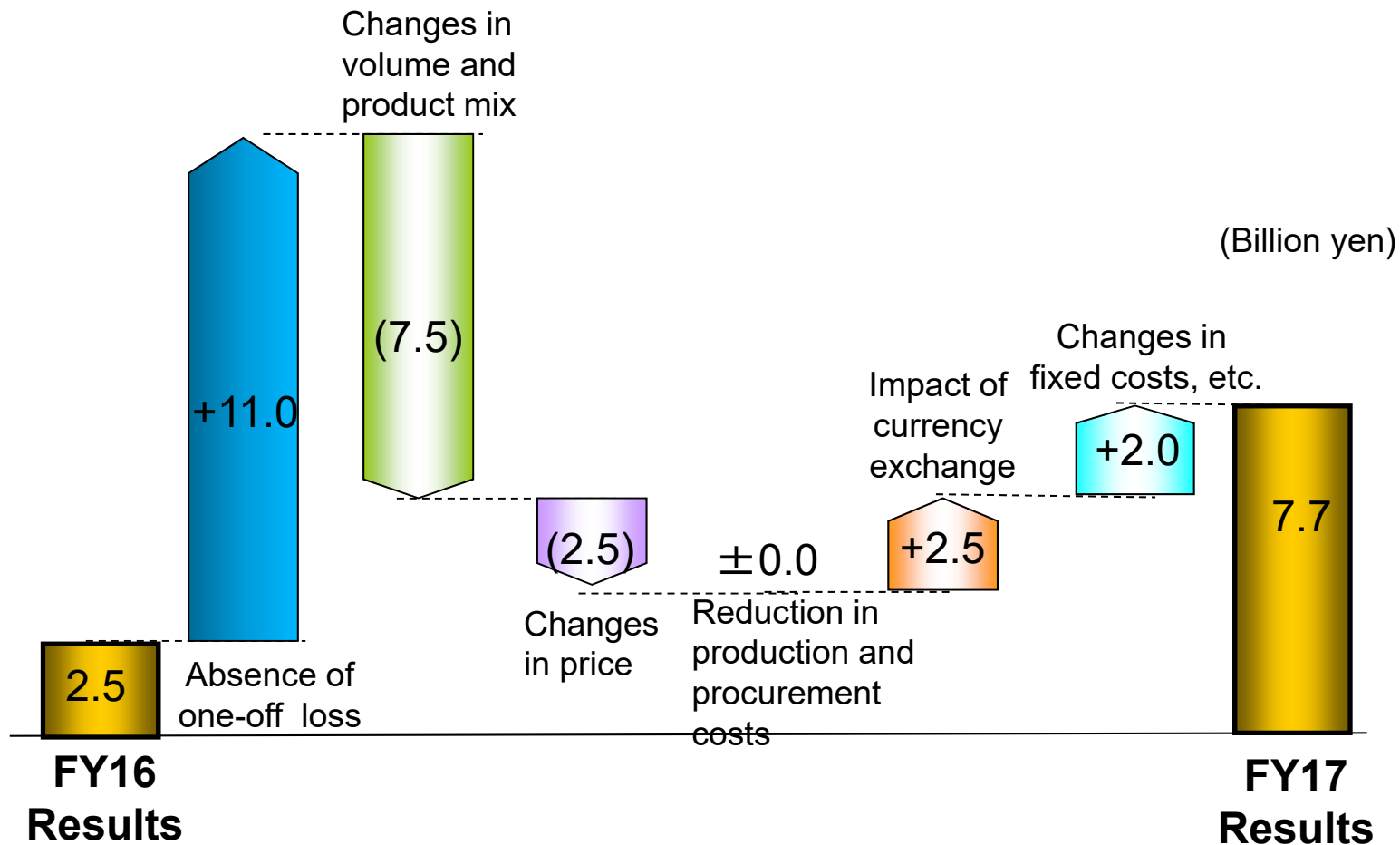
Segment Information (Operating Income)

- ICT: An improvement in the product mix and cost reductions halted the impact of sales decline.
- Mechatronics systems: The operating loss was worse than projection due to a lower sales volume. However, the loss improved year on year due to the absence of one-off expenses.
- Printers: Operating income improved year on year due to the effect of foreign exchange rates and structural reforms.
- EMS: Operating income increased year on year due to an increase in sales volume.
- Others: Operating income was affected by changes to consolidated subsidiaries (see page 5).

(Billion yen)	FY end. Mar. 2018	Previous projections	Variance	FY end. Mar. 2017	Variance
ICT	13.5	13.5	0.0	14.4	(0.9)
Mechatronics systems	(5.1)	1.0	(6.1)	(11.8)	+6.7
Printers	2.7	1.0	+1.7	1.0	+1.7
EMS	2.2	2.5	(0.3)	2.1	+0.1
Others	2.0	1.5	+0.5	3.4	(1.4)
Corporate & Eliminations	(7.7)	(6.5)	(1.2)	(6.5)	(1.2)
Total	7.7	13.0	(5.3)	2.5	+5.2

Reasons for Changes in Operating Income

- Operating income improved due to the absence of one-off losses and the implementation of structural reforms.



Balance Sheets

- Total assets increased due to the consolidation of OKI Electric Cable.
- The shareholders' equity and D/E ratios remained essentially unchanged.

(Billion yen)	Mar. 2018	Mar. 2017	Variance
Current assets	230.4	231.5	(1.1)
Fixed assets	141.4	129.2	+12.2
Assets	371.8	360.7	+11.1
Current liabilities	186.7	176.6	+10.1
Fixed liabilities	83.0	86.9	(3.9)
Liabilities	2,69.6	263.5	+6.1
Shareholders' equity	100.2	96.9	+3.3
Others	1.9	0.3	+1.6
Net assets	102.1	97.2	+4.9
Total liabilities and net assets	371.8	360.7	+11.1
Shareholders' equity ratio (%)	26.9	26.9	- %
D/E ratio (times)	0.8	0.9	(0.1)pt

Cash Flows

- Free cash flows amounted to a net inflow of 5.1 B yen.
- Cash and cash equivalents decreased due to such factors as a reduction in interest-bearing debt.

	FY end. Mar. 2018	FY end. Mar. 2017	Variance
(Billion yen)			
I Cash flows from operating activities	15.6	42.0	(26.4)
II Cash flows from investing activities	(10.5)	7.6	(18.1)
Free cash flows (I+II)	(5.1)	49.6	(44.5)
III Cash flows from financing activities	(11.5)	(44.0)	+32.5
Cash and cash equivalents	45.5	52.0	(6.5)
Purchases of equipment	9.4	14.0	(4.6)
Depreciation	13.0	14.0	(1.0)

Note: Figures for free and net cash flows are totaled and rounded to the nearest hundred million yen.

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Policies for the Fiscal Year Ending March 31, 2019

Get back on a sustainable growth path

- ICT: Expand performance in the co-creation business leveraging IoT
- Mechatronics systems: Revise strategy and promptly return to break-even
- Printers: Increase new sales in the industry printing market
- EMS: Accelerate growth through synergies with OKI Electric Cable
- Continue to stabilize and strengthen the financial base, and sustain steady shareholder returns

Profit and Loss Projections

- OKI expects net sales, operating income, and ordinary income to increase year on year.
- Annual dividend plan: ¥50 per share (year-end)
- Exchange rate assumptions: ¥110/USD, ¥130/EUR

	FY end. Mar. 2019 (Plan)		FY end. Mar. 2018 (Results)	
	Full year	1 st half	Full year	1 st half
(Billion yen)				
Net sales	450.0	196.0	438.0	194.0
Operating income(loss)	14.0	(3.0)	7.7	(4.1)
Ordinary income(loss)	13.0	(3.5)	8.5	(3.3)
Profit(loss) attributable to owners of parent	5.0	(6.0)	5.9	(4.6)

Segment Information

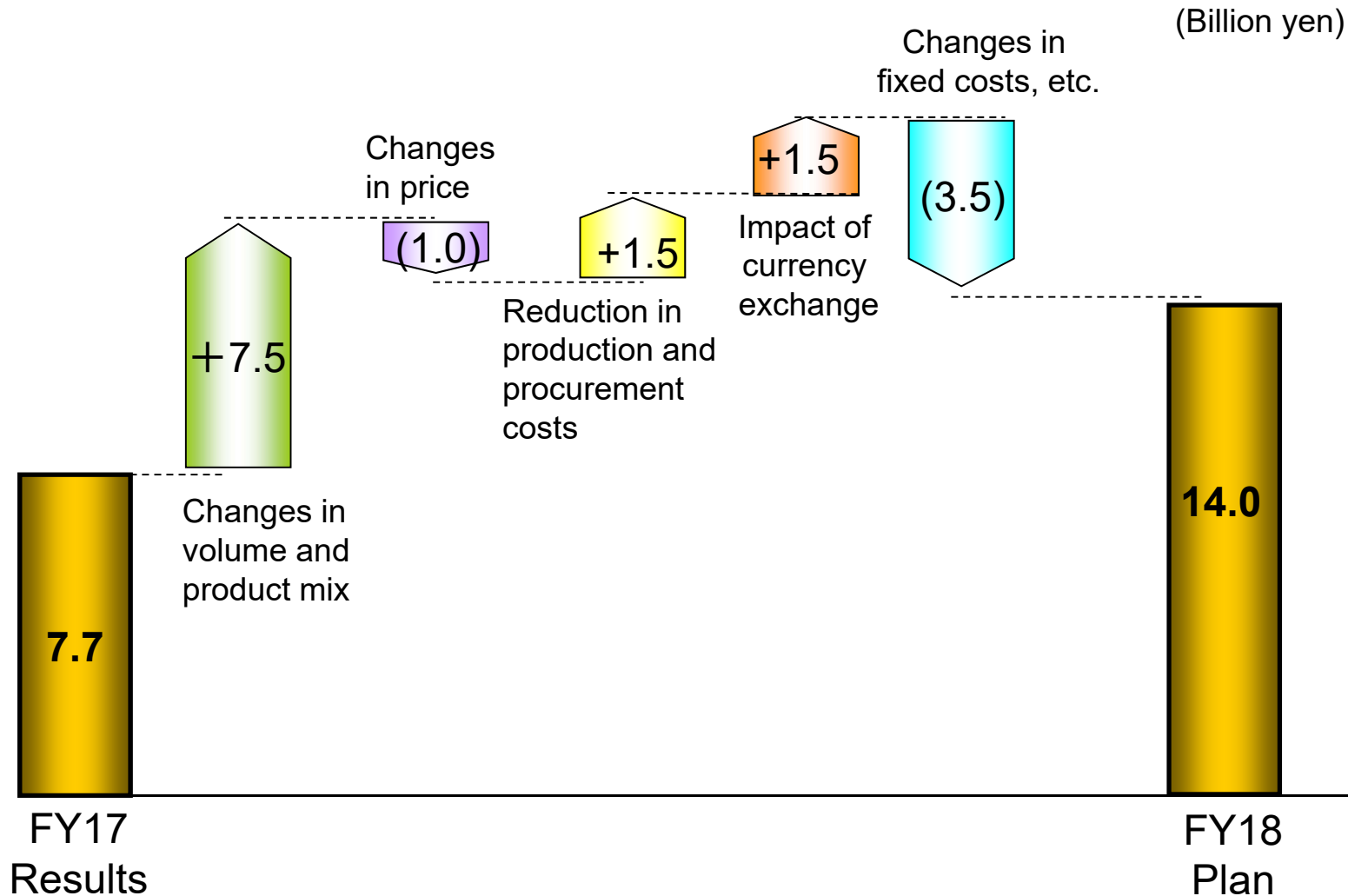
- ICT: Increase sales for social infrastructure and to a government agency
- Mechatronics systems: Implement structural reforms, mainly in overseas business
- Printers: Cultivate the industry printing market and aim to improve the sales mix
- EMS: Maintain strong performance in existing business and increase new orders

(Billion yen)		FY end. Mar.2019 (Plan)		FY end. Mar.2018 (Results)*	
		Full year	1st half	Full year	1st half
ICT	Net sales	185.0	70.0	172.7	68.5
	Operating income	14.0	(0.5)	13.5	0.1
Mechatronics systems	Net sales	83.0	40.0	93.5	45.4
	Operating income	0.0	(1.5)	(5.1)	(3.0)
Printers	Net sales	105.0	50.0	108.9	51.8
	Operating income	3.5	0.5	2.7	0.6
EMS	Net sales	71.0	33.0	55.5	24.4
	Operating income	4.5	1.5	3.2	1.0
Others	Net sales	6.0	3.0	7.4	3.9
	Operating income	0.5	0.0	1.0	0.6
Corporate & Eliminations	Operating income	(8.5)	(3.0)	(7.7)	(3.4)
Total	Net sales	450.0	196.0	438.0	194.0
	Operating income	14.0	(3.0)	7.7	(4.1)

*Results of EMS and Others are restated.

Reasons for Changes in Operating Income

- Operating income is expected to increase due to rise in sales volume and the product mix improvement while increasing investments.



Free Cash Flow Projections

- Create stable free cash flows while continuing to invest in growth.

	FY end Mar. 2019 (Plan)	FY end Mar. 2018 (Results)	Variance
(Billion yen)			
I Cash flows from operating activities	19.0	15.6	+3.4
II Cash flows from investing activities	(13.0)	(10.5)	(2.5)
Free cash flows (I+II)	6.0	5.1	+0.9

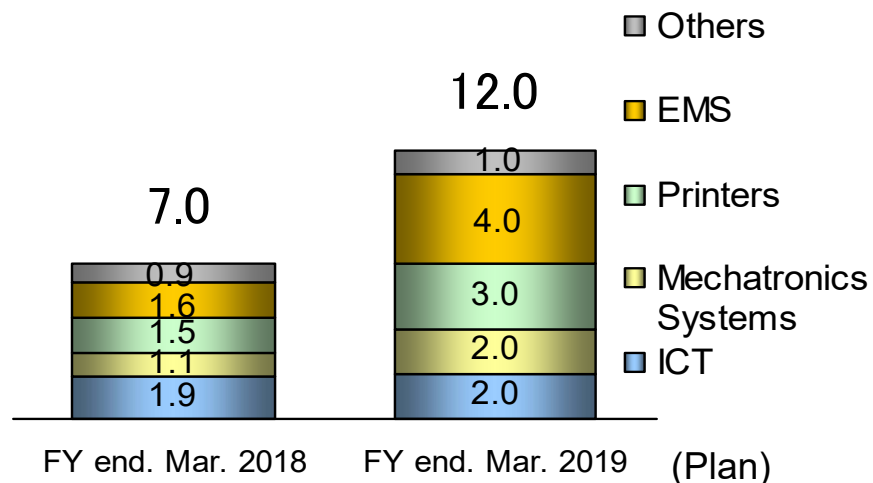
Capital Expenditure and R&D Expense Projections

Property, Plant & Equipment

(Billion yen)

R&D Expenses

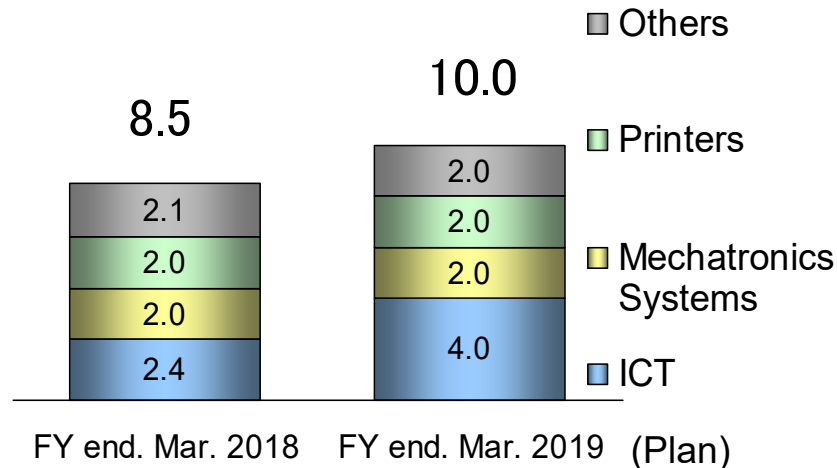
[Capital Expenditure]



[Depreciation]

9.0

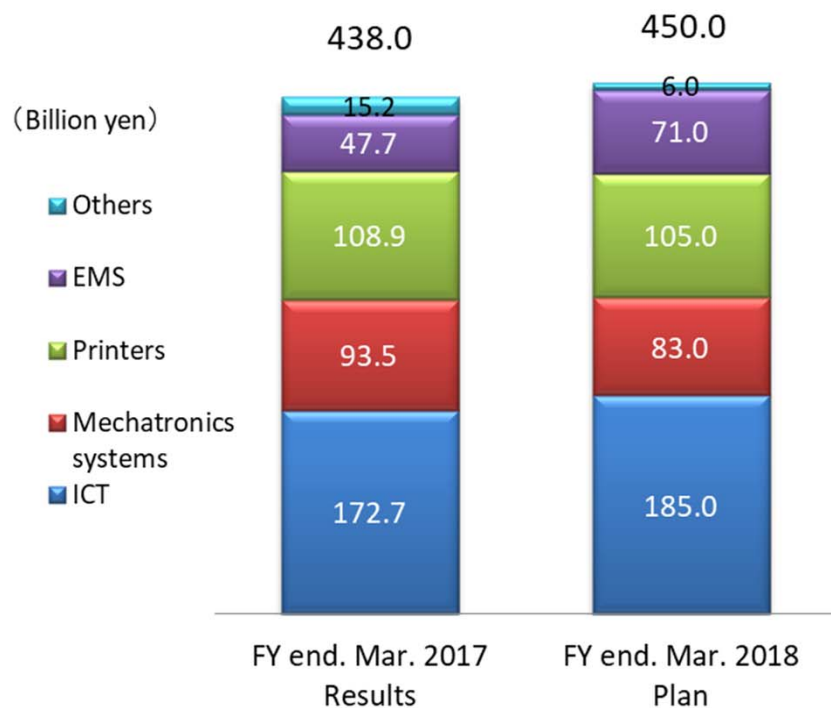
9.5



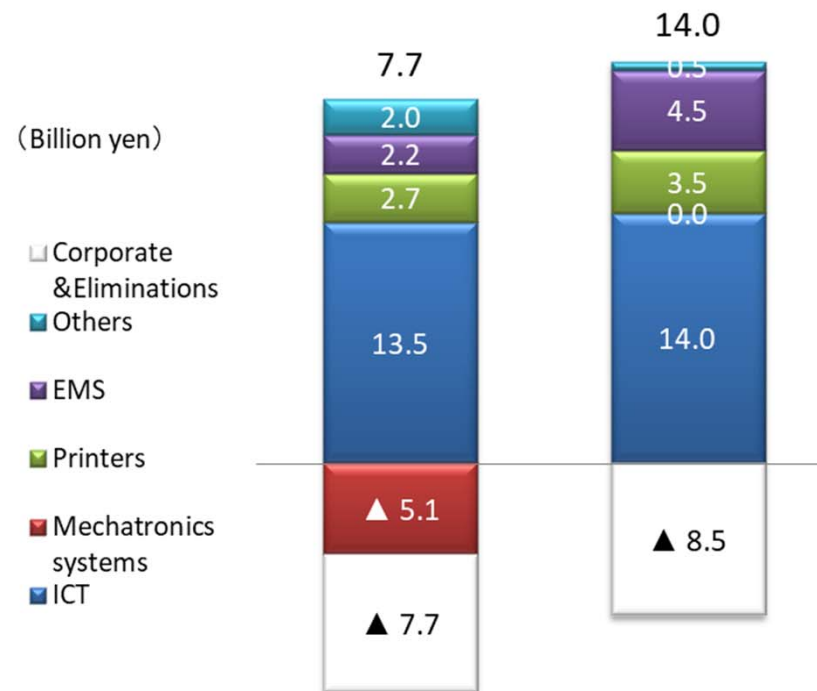
Reference

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

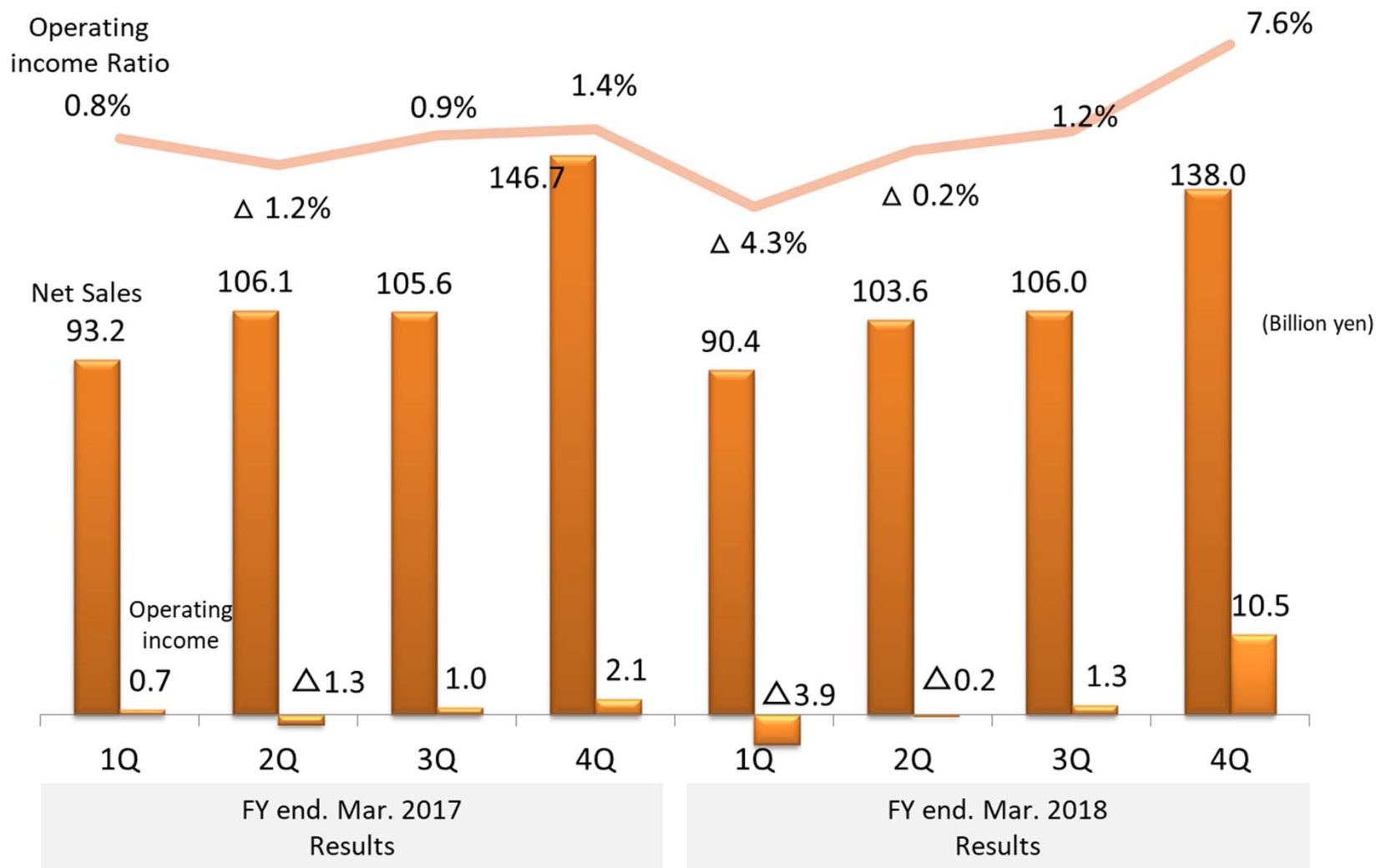
Net Sales



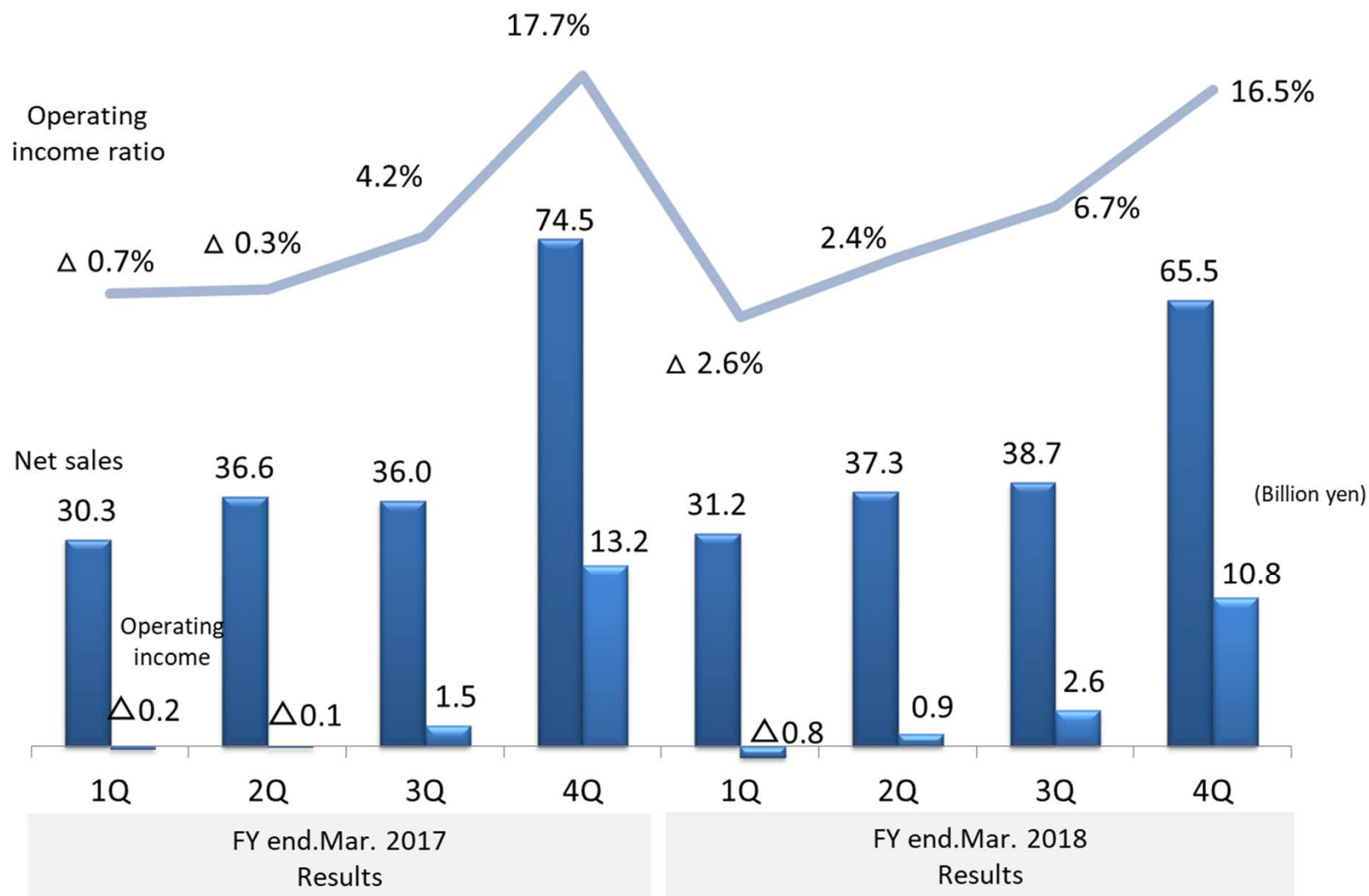
Operating Income



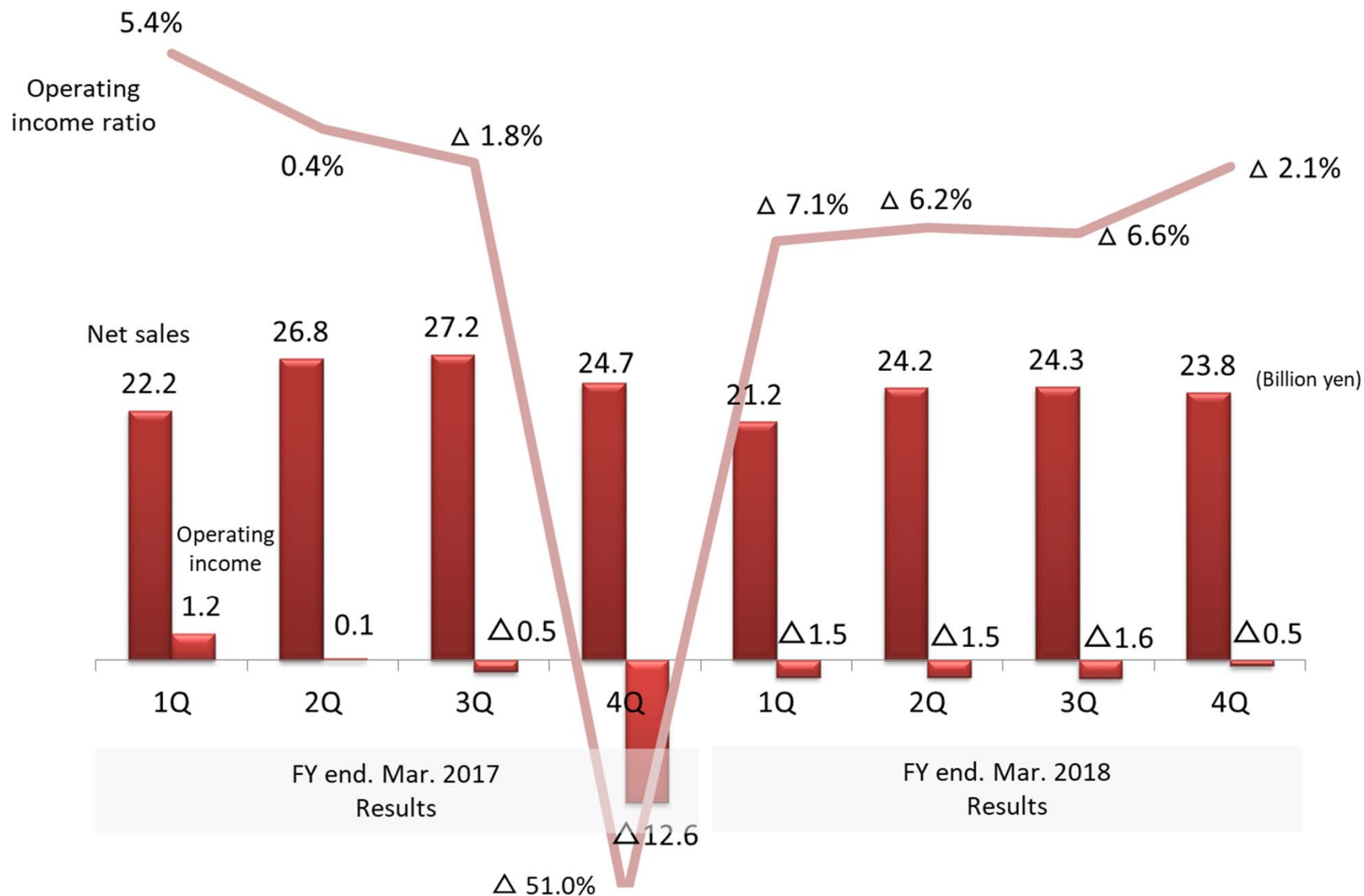
Quarterly Transition of Net Sales and Operating Income



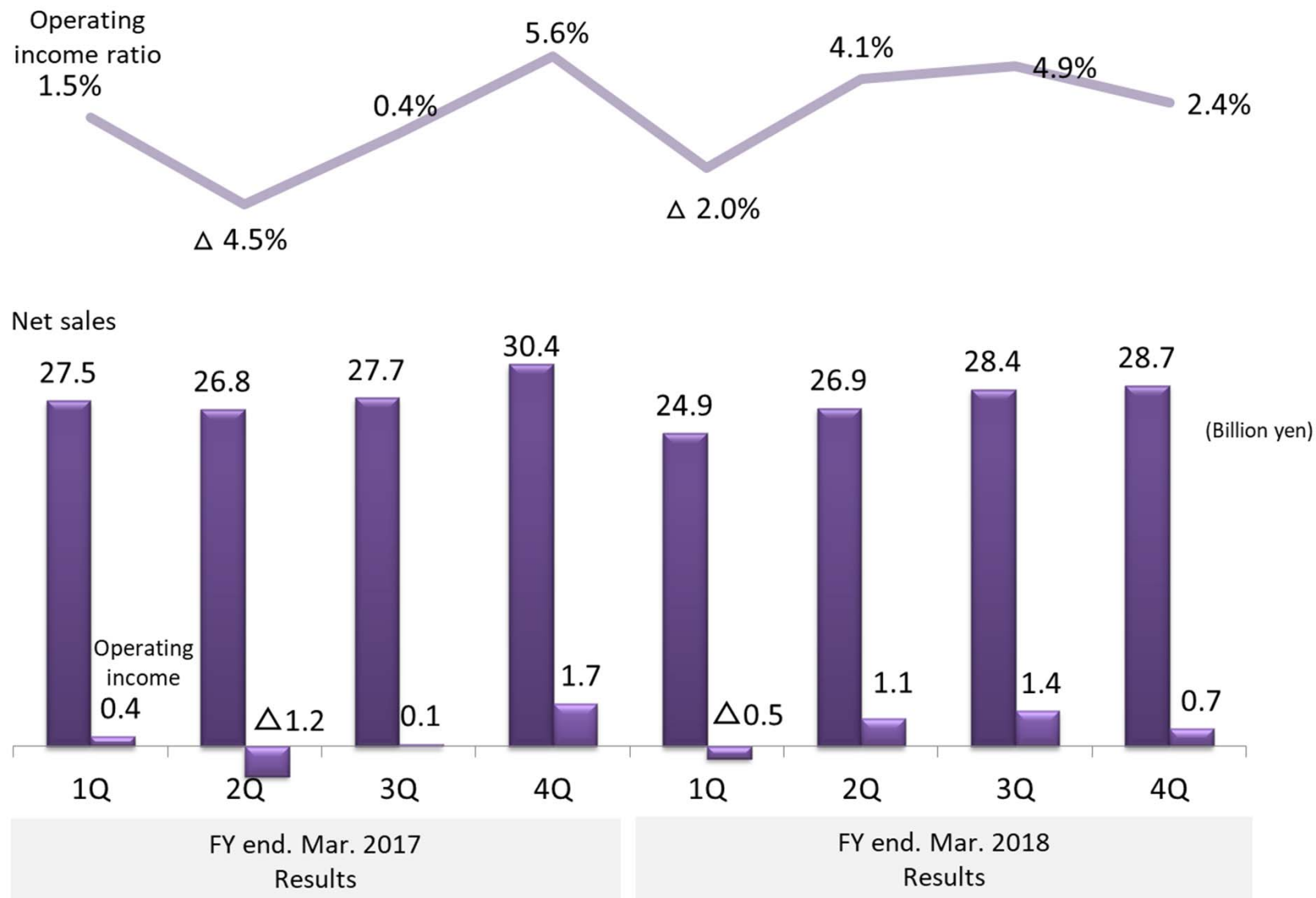
Quarterly Transition of Net Sales and Operating Income (ICT)



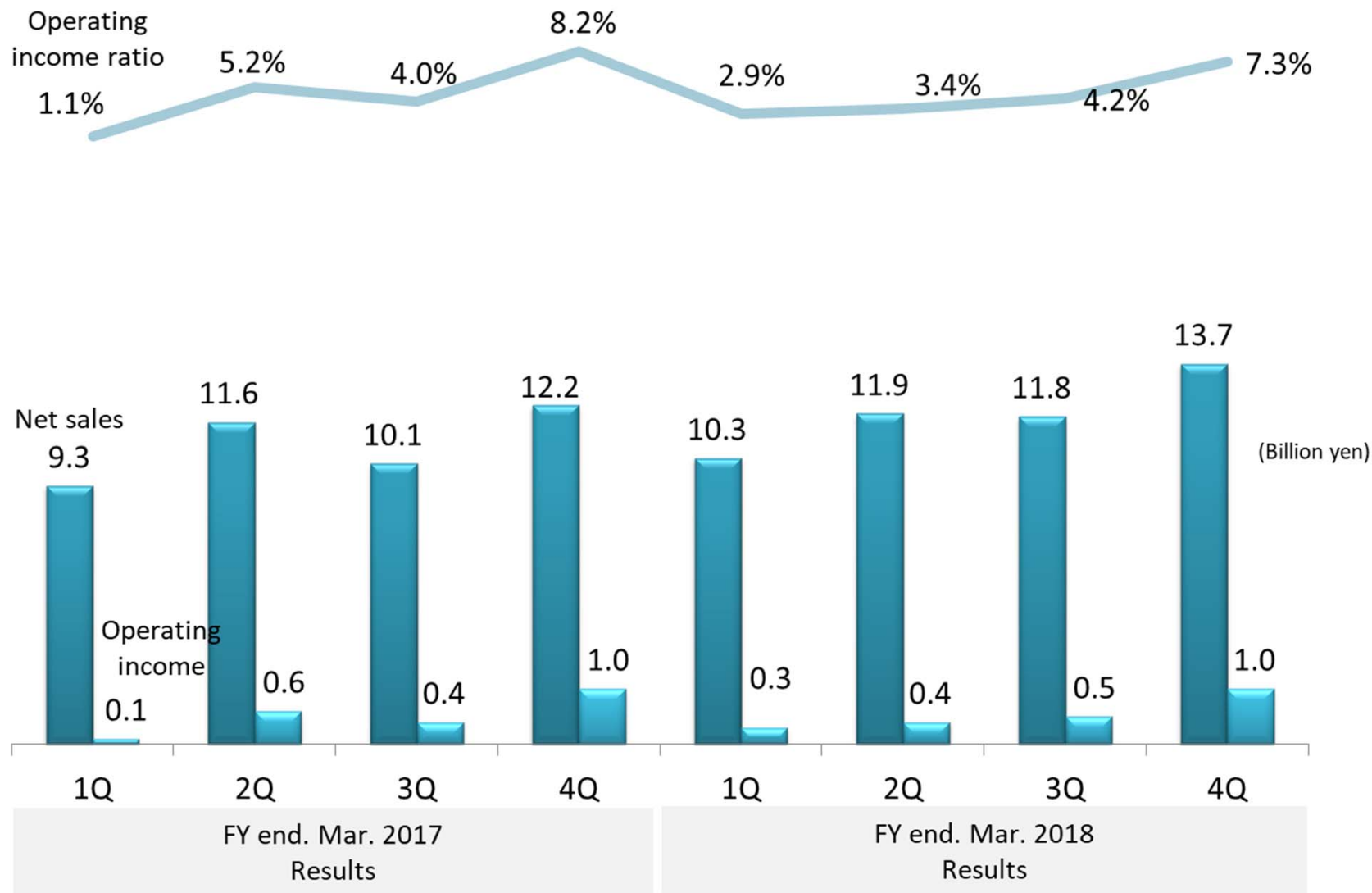
Quarterly Transition of Net Sales and Operating Income (Mechatronics Systems)



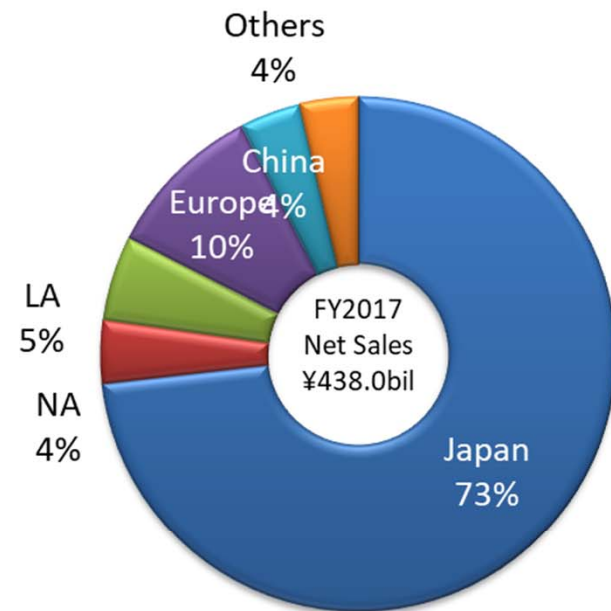
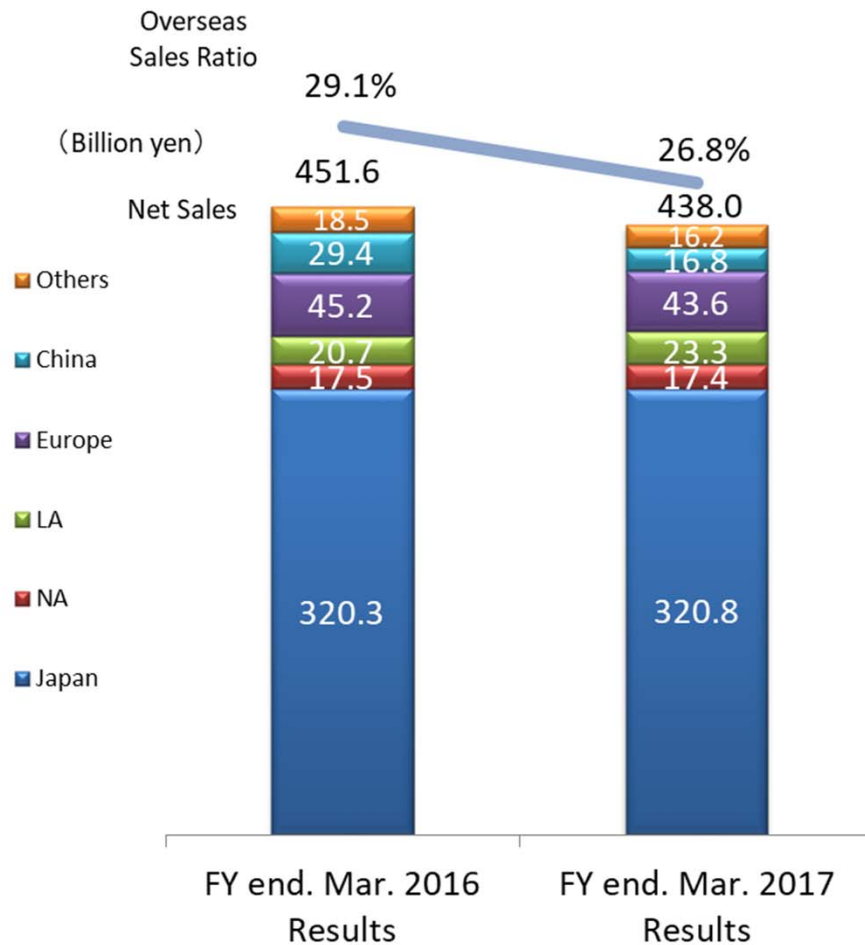
Quarterly Transition of Net Sales and Operating Income (Printers)



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, 2017				FY end. Mar. 31, 2018				FY18
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	Full year (Plan)
Net sales	93.2	106.1	105.6	146.7	90.4	103.6	106.0	138.0	450.0
Operating income/loss	0.7	(1.3)	1.0	2.1	(3.9)	(0.2)	1.3	10.5	14.0
Non-operating income & expenses	(7.1)	(1.2)	3.6	(0.2)	0.4	0.4	0.3	(0.3)	-
Ordinary income/loss	(6.4)	(2.5)	4.6	1.9	(3.5)	0.2	1.6	10.2	13.0
Extraordinary income/loss	0.0	(2.6)	(0.3)	18.9	(0.7)	(0.2)	0.8	(0.3)	-
Income/loss before income taxes	(6.4)	(5.1)	4.3	20.9	(4.2)	(0.1)	2.5	9.9	-
Profit/loss attributable to owners of parent	(6.1)	(7.4)	1.5	16.7	(4.8)	0.2	(1.0)	11.5	5.0

Financial Highlights

Results (Billion yen)	FY end. Mar. 31, 2017				FY end. Mar. 31, 2018			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Total assets	387.1	371.9	379.6	360.7	344.2	348.0	357.6	371.8
Net assets	99.2	93.1	92.5	97.2	90.9	90.8	92.0	102.1
Interest-bearing debt	118.7	107.8	109.7	87.0	84.4	81.1	82.7	81.9
Shareholders' equity	98.7	92.6	92.1	96.9	90.7	90.6	90.5	100.2
Shareholders' equity ratio (%)	25.5	24.9	24.3	26.9	26.4	26.0	25.3	26.9
D/E ratio (times)	1.2	1.2	1.2	0.9	0.9	0.9	0.9	0.8
Free cash flows	16.1	(3.3)	8.1	28.7	2.6	(0.9)	1.5	2.6
Cash and cash equivalents	57.1	43.0	47.0	52.0	48.9	44.1	44.8	45.5
USD average exchange rate (Yen)	108.2	102.4	109.3	113.6	111.1	111.0	113.0	108.3
EUR average exchange rate (Yen)	122.0	114.3	117.8	121.1	122.2	130.4	133.0	133.2

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.



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