

Financial Results for the FY Ended March 31, 2019

May 9, 2019

Ok Electric Industry Co., Ltd.

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Review of Business Performance

➤ Achievements

- ICT: Expanded sales by launching business platforms as accelerating IoT for social infrastructure
- Mechatronics Systems: Achieved surplus by conducting structural reforms
- Printers: Stable performance under the improved profitability
- EMS: Maintained year-on-year sales and profit growth
- Stabilized our financial footing and introduced a plan to provide continuous, stable dividends

➤ Issue

- Draw up and implement the road map for sustainable growth as responding to the megatrends, such as paperless and cashless society

Summary of Financial Results

- Net sales, operating income, and ordinary income increased from the previous fiscal year as well as from our projections.
- Profit attributable to owners of parent also increased from the previous fiscal year as well as from our projections, even though the extraordinary loss was recorded.
- Proposed year-end dividend: ¥50 per share (as planned).

(Billion yen)	FY2019/3 Results	Projections (As of Feb.1)	Variance	FY2018/3 Results	Variance
Net sales	441.5	440.0	+1.5	438.0	+3.5
Operating income	17.5	15.0	+2.5	7.7	+9.8
Ordinary income	15.5	13.0	+2.5	8.5	+7.0
Profit attributable to owners of parent	8.4	5.0	+3.4	5.9	+2.5
USD average exchange rate (Yen)	110.91	110.00		110.86	
EUR average exchange rate (Yen)	128.41	130.00		129.70	

Segment Information (Net Sales)

- ICT: Increased year on year upon the growing sales for some government agencies besides the social infrastructure-related and telecom carriers
- Mechatronics Systems: Decreased year on year, due to the difference in consolidating period of the Brazilian subsidiary, and the effect of business review under the structural reforms
- Printers: Decreased due to the absence of big project recorded in the previous fiscal year and etc.
- EMS: Increased year on year, mainly upon the new consolidation of a subsidiary

(Billion yen)	FY2019/3 Results	Projections (As of Feb.1)	Variance	FY2018/3 Results	Variance
ICT	184.3	182.0	+2.3	172.7	+11.6
Mechatronics systems	82.7	81.0	+1.7	93.5	(10.8)
Printers	102.6	105.0	(2.4)	108.9	(6.3)
EMS	65.2	66.0	(0.8)	55.5	+9.7
Others	6.7	6.0	+0.7	7.4	(0.7)
Total	441.5	440.0	+1.5	438.0	+3.5

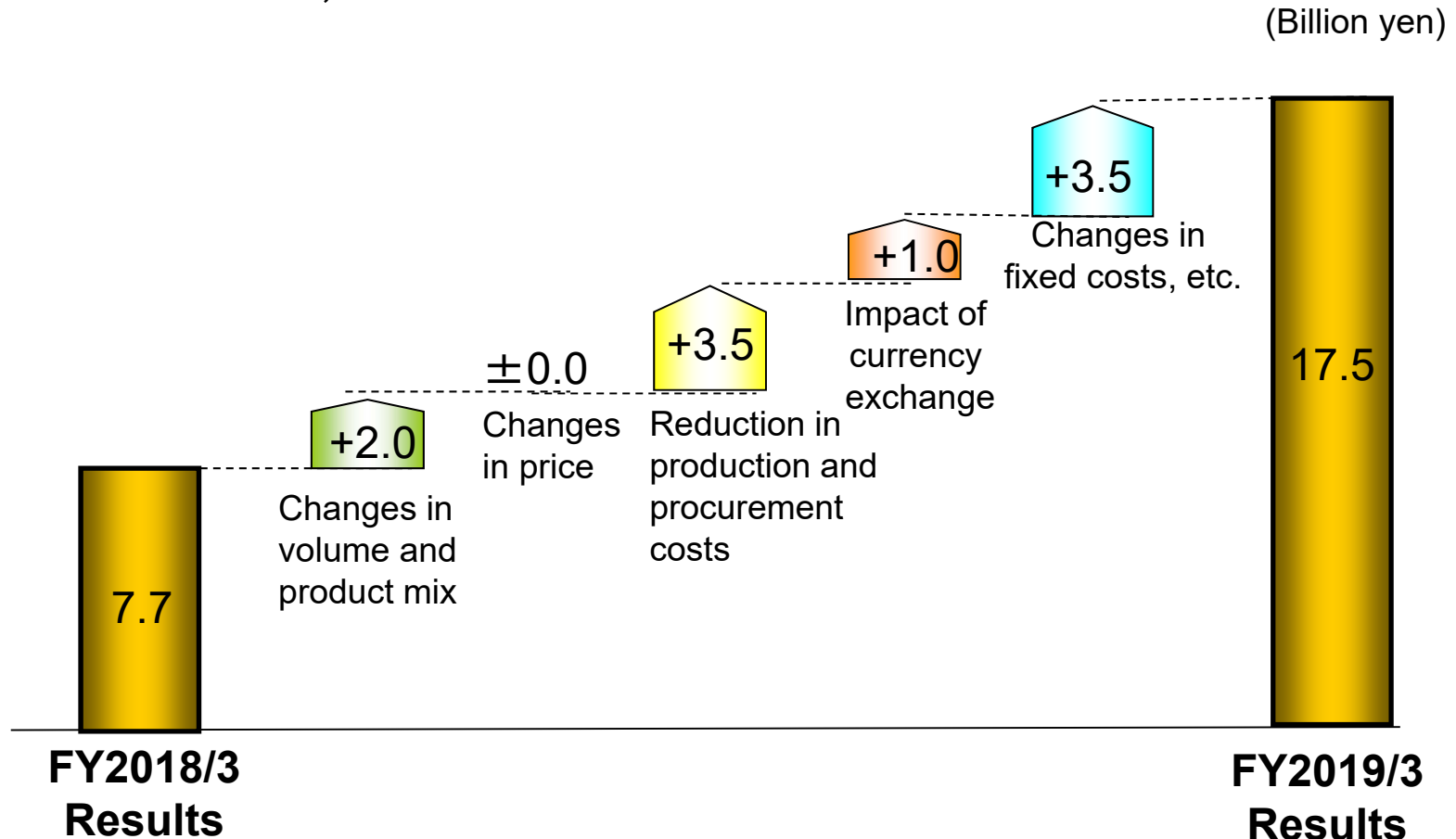
Segment Information (Operating Income)

- ICT: Increased year on year, due to the difference in project mix besides the sales increase. Exceeded our projection with the improvement of profitability in some projects as well as outflow cost reduction.
- Mechatronics Systems: Achieved surplus by conducting structural reforms. Exceeded our projection through the improvement of cost structure progressed as the entire segment, even with delay in structural reforms of Brazilian subsidiary.
- Printers: Increased year on year due to the effect of foreign exchange rates and improvement of fixed cost structure.
- EMS: Increased year on year mainly due to the effect of new consolidation of a subsidiary, but fell short of our projection with decrease in sales for some specific customers.

(Billion yen)	FY2019/3 Results	Projections (As of Feb. 1)	Variance	FY2018/3 Results	Variance
ICT	14.7	14.0	+0.7	13.5	+1.2
Mechatronics systems	0.1	(1.0)	+1.1	(5.1)	+5.2
Printers	5.7	5.5	+0.2	2.7	+3.0
EMS	3.7	4.0	(0.3)	3.3	+0.4
Others	0.9	0.5	+0.4	1.0	(0.1)
Corporate & Eliminations	(7.6)	(8.0)	+0.4	(7.7)	+0.1
Total	17.5	15.0	+2.5	7.7	+9.8

Reasons for Changes in Operating Income

- Operating income drastically improved due to the changes in product mix in addition to the improvement in cost structure, such as reduction of fixed costs.



Balance Sheets

- Total assets slightly decreased, since cash reserves were allotted for increased working capital upon the sales increase and reduction of interest-bearing debts. Shareholders' equity ratio remained unchanged.

(Billion yen)	Mar. 2019	Mar. 2018	Variance
Current assets	223.2	224.7	(1.5)
Fixed assets	142.3	141.8	+0.5
Assets	365.5	366.5	(1.0)
Current liabilities	176.2	186.7	(10.5)
Fixed liabilities	89.1	77.7	+11.4
Liabilities	265.3	264.4	+0.9
Shareholders' equity	99.9	100.2	(0.3)
Others	0.3	1.9	(1.6)
Net assets	100.2	102.1	(1.9)
Total liabilities and net assets	365.5	366.5	(1.0)
Shareholders' equity ratio (%)	27.3	27.3	-
D/E ratio (times)	0.8	0.8	-

Cash Flows

- Free cash flows amounted to a net outflow of 5.7 B yen.
- Cash reserves were allotted for working capital and investment increases.

(Billion yen)	FY2019/3	FY2018/3	Variance
I Cash flows from operating activities	6.4	15.6	(9.2)
II Cash flows from investing activities	(12.1)	(10.5)	(1.6)
Free cash flows (I+II)	(5.7)	5.1	(10.8)
III Cash flows from financing activities	(13.0)	(11.5)	(1.5)
Cash and cash equivalents	26.8	45.5	(18.7)
Purchases of PP&E and intangible assets	13.4	9.4	+4.0
Depreciation	12.4	13.0	(0.6)

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Profit and Loss Projections

- Expects stable net sales increase. Aims to improve operating margin even with continuous investments for growth. Profit attributable to owners of parent seems to increase drastically without the extraordinary loss occurred in the previous fiscal year.
- Annual dividend plan: ¥50 per share
- Exchange rate assumptions: ¥110/USD, ¥125/EUR

(Billion yen)	FY2020/3 Projections	FY2019/3 Results	Variance
Net sales	450.0	441.5	+8.5
Operating income	18.5	17.5	+1.0
Operating margin	4.1%	4.0%	+0.1%
Ordinary income	17.0	15.5	+1.5
Profit attributable to owners of parent	14.0	8.4	+5.6

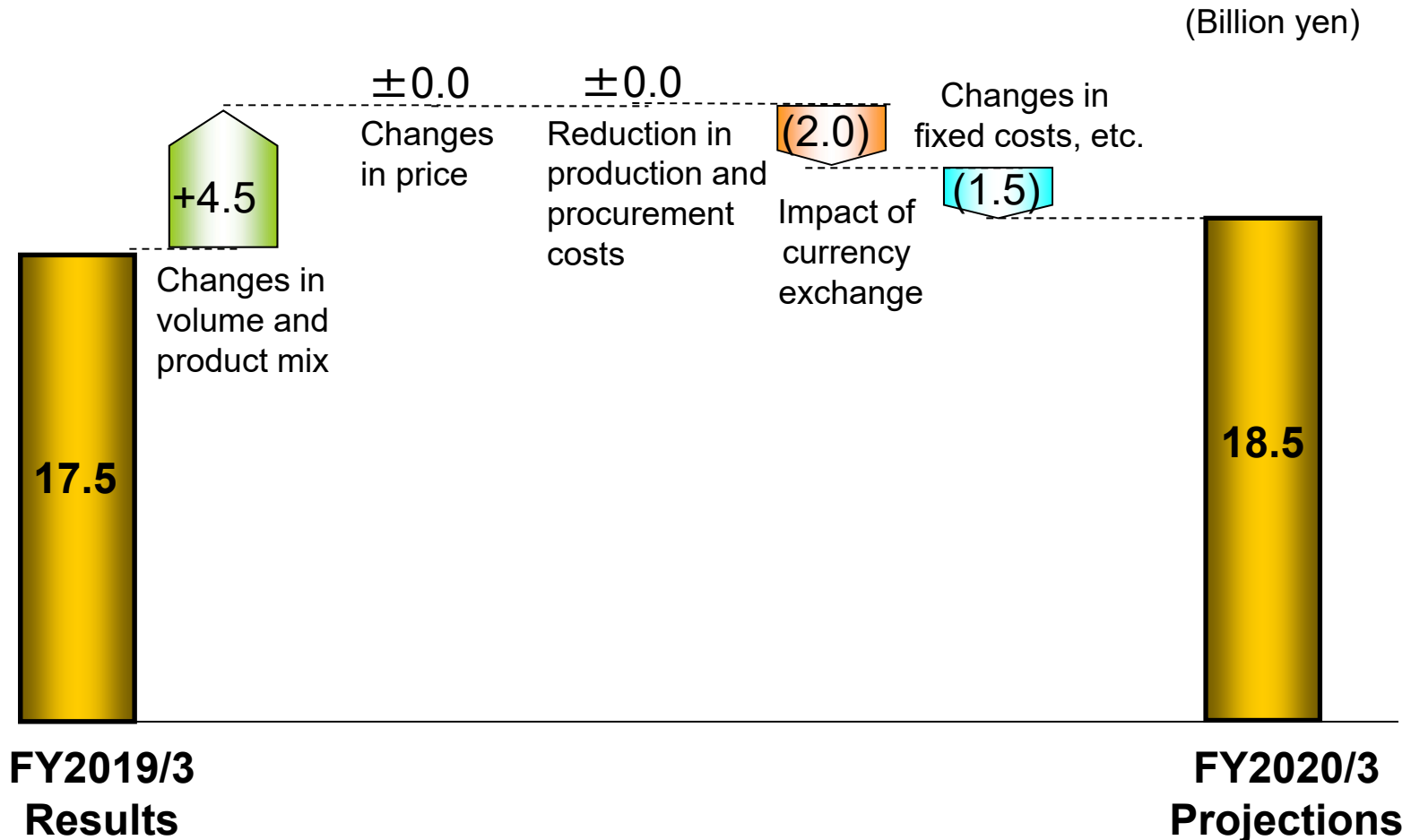
Segment Information

- ICT: Seek sales growth focusing on social infrastructure domain. Maintain investment phase for future growth.
- Mechatronics systems: Build up lean business structure as expanding recurring revenue business
- Printers: Improve product mix as proceeding cultivation of industry printing market with new products
- EMS: Maintain sales and profit growth by expanding new customers and new orders

(Billion yen)		FY2020/3 Projections	FY2019/3 Results	Variance
ICT	Net sales	203.0	184.3	+18.7
	Operating income	14.5	14.7	(0.2)
Mechatronics systems	Net sales	72.0	82.7	(10.7)
	Operating income	1.0	0.1	+0.9
Printers	Net sales	104.0	102.6	+1.4
	Operating income	7.0	5.7	+1.3
EMS	Net sales	67.0	65.2	+1.8
	Operating income	4.0	3.7	+0.3
Others	Net sales	4.0	6.7	(2.7)
	Operating income	0.0	0.9	(0.9)
Corporate & Eliminations	Operating income	(8.0)	(7.6)	(0.4)
Total	Net sales	450.0	441.5	+8.5
	Operating income	18.5	17.5	+1.0

Reasons for Changes in Operating Income

- Operating income is expected to increase due to the volume increase and improvement in product mix even with increase in investment for growth.



Free Cash Flow Projections

- Improve cash flows from operating activities due to the decrease in business structure improvement expenses and continue investments for growth
- Generate stable free cash flows

(Billion yen)	FY2020/3 Projections	FY2019/3 Results	Variance
I Cash flows from operating activities	25.0	6.4	+18.6
II Cash flows from investing activities	(17.0)	(12.1)	(4.9)
Free cash flows (I+II)	8.0	(5.7)	+13.7

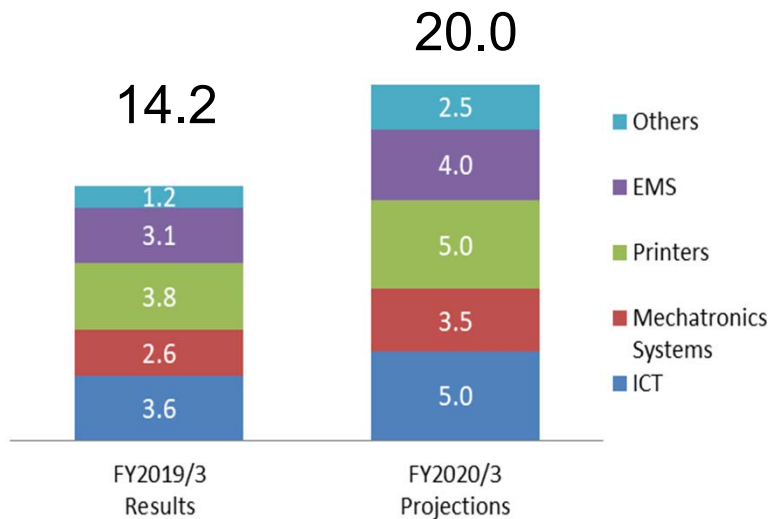
Capital Expenditure and R&D Expense Projections

PP&E and Intangible Assets

(Billion yen)

R&D Expenses

[Capital Expenditure]

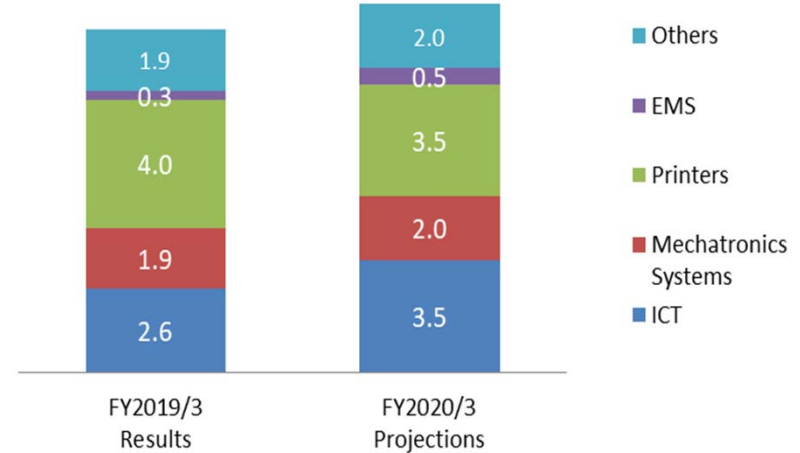


[Depreciation]

11.6 12.0

10.7

11.5



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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