

Financial Results for the First Nine Months of the FY Ending March 31, 2019

February 1, 2019

Oki Electric Industry Co., Ltd.

Overview of Q3

- Net sales were at the same level as in the first nine months of the previous fiscal year. The consolidation of a subsidiary in the EMS business and an increase in sales in the ICT business offset lower sales in the Mechatronics Systems and Printers businesses.
- Operating income improved considerably year on year, mainly due to the impact of cost reduction efforts such as structural reforms.
- Signs of change appeared in the operating environment surrounding the EMS business. We are concerned that the markets this business serves may grow stagnant, affecting performance.

Summary of Financial Results

- Net sales were nearly on a par with the first nine months of the previous fiscal year, although sales in individual segments changed.
- Operating income continued to improve year on year in each segment.

(Billion yen)	9 months FY2019/3	9 months FY2018/3	Variance
Net sales	299.3	300.0	(0.7)
Operating income (loss)	5.0	(2.8)	+7.8
Ordinary income (loss)	2.8	(1.7)	+4.5
Profit (loss) attributable to owners of parent	(1.6)	(5.4)	+3.8
USD average exchange rate (Yen)	111.1	111.7	(0.6)
EUR average exchange rate (Yen)	129.5	128.5	+1.0

*Loss attributable to owners of parent for FY2018/3 has been adjusted due to the confirmation of provisional accounting treatment for business combinations.

Segment Information (Net Sales)

- ICT: Sales were approximately the same as in the first nine months of the previous fiscal year. Increases in certain governmental projects offset a decline in construction projects for existing customers.
- Mechatronics Systems: Sales decreased due to the difference in consolidated terms in the Brazilian subsidiary, as well as to the impact of structural reforms.
- Printers: Sales declined, reflecting major projects in the first nine months of the previous fiscal year.
- EMS: Sales increased due to the effect of newly consolidation of a subsidiary.

(Billion yen)	9 months FY2019/3	9 months FY2018/3	Variance
ICT	109.1	107.2	+1.9
Mechatronics systems	59.7	69.7	(10.0)
Printers	76.7	80.2	(3.5)
EMS	48.4	37.2	+11.2
Others	5.4	5.7	(0.3)
Total	299.3	300.0	(0.7)

*FY2018/3 results for the EMS and Others businesses have been restated.

Segment Information (Operating Income/Loss)

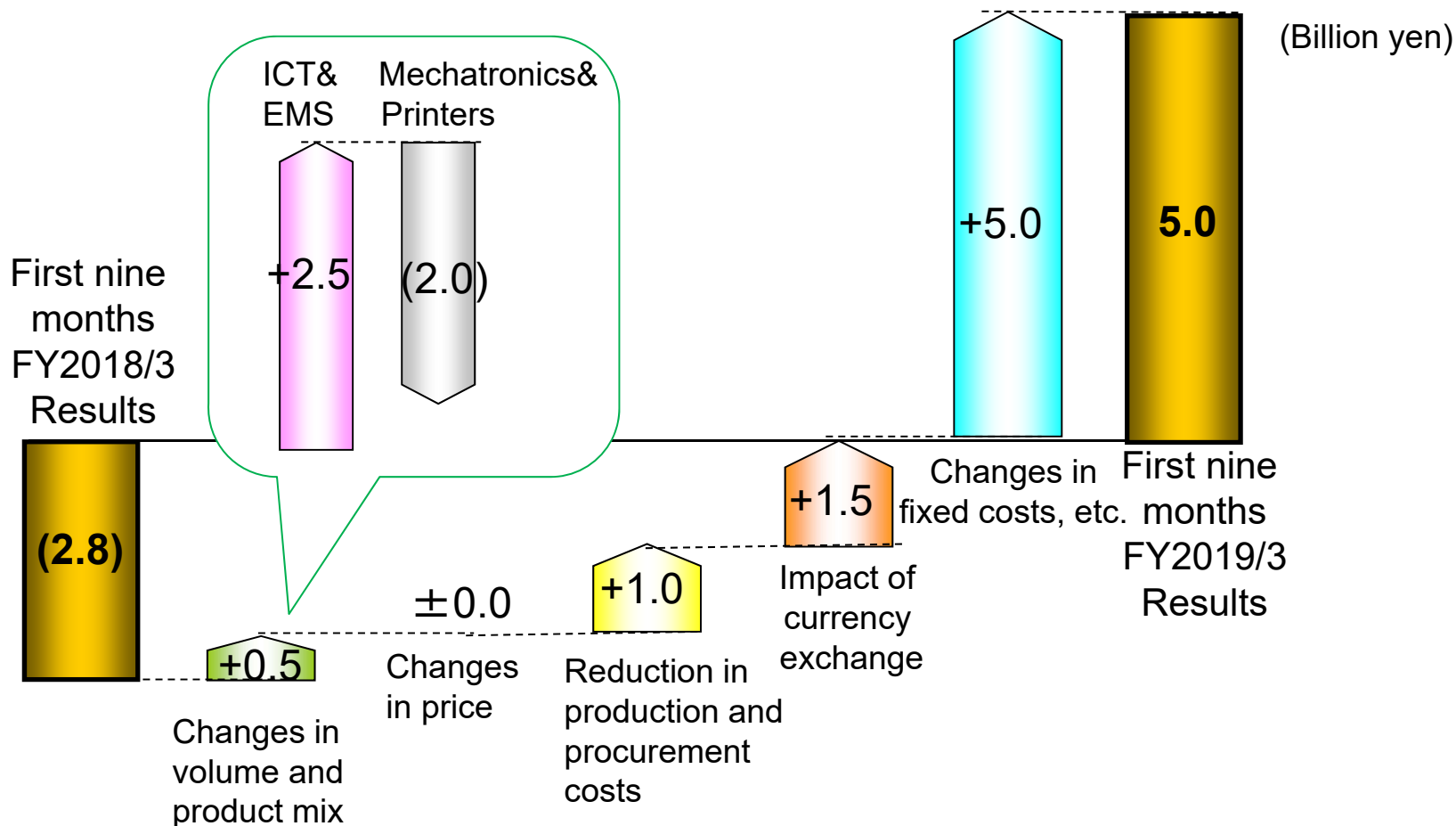
- ICT: Operating income increased due to changes in the sales mix and other factors.
- Mechatronics Systems: The operating loss decreased due to the impact of structural reforms.
- Printers: Operating income grew, due to an improvement in the fixed cost structure and the impact of currency exchange.
- EMS: Operating income increased with the effect of newly consolidation of a subsidiary.

(Billion yen)	9 months FY2019/3	9 months FY2018/3	Variance
ICT	3.3	2.7	+0.6
Mechatronics systems	(1.3)	(4.6)	+3.3
Printers	4.5	2.0	+2.5
EMS	2.7	1.7	+1.0
Others	0.8	0.8	0.0
Corporate & Eliminations	(5.1)	(5.4)	+0.3
Total	5.0	(2.8)	+7.8

*FY2018/3 results for the EMS and Others businesses have been restated.

Changing Factors of Operating Income/Loss

- Operating income improved, due to such factors as yen depreciation and a reduction in fixed costs.



Balance Sheets

- Total assets trended downward, due to increasing asset efficiency.
- The shareholders' equity ratio remained appropriate, although down slightly.

(Billion yen)	Dec. 2018	Mar. 2018	Variance
Current assets	217.6	224.7	(7.1)
Fixed assets	136.8	141.8	(5.0)
Assets	354.4	366.5	(12.1)
Current liabilities	171.0	186.7	(15.7)
Fixed liabilities	92.4	77.7	+14.7
Liabilities	263.4	264.4	(1.0)
Shareholders' equity	90.7	100.2	(9.5)
Others	0.2	1.9	(1.7)
Net assets	90.9	102.1	(11.2)
Total liabilities and net assets	354.4	366.5	(12.1)
Shareholders' equity ratio (%)	25.6	27.3	(1.7)%
D/E ratio (times)	1.0	0.8	+0.2pt

Cash Flows

- Free cash flows amounted to a net outflow of 4.5 B yen.
- Cash and cash equivalents remained at an appropriate level.

(Billion yen)	9 months FY2019/3	9 months FY2018/3	Variance
I Cash flows from operating activities	3.2	11.6	(8.4)
II Cash flows from investing activities	(7.7)	(8.4)	+0.7
Free cash flows (I + II)	(4.5)	3.2	(7.7)
III Cash flows from financing activities	(3.9)	(11.0)	+7.1
Cash and cash equivalents	37.1	44.8	(7.7)
Purchases of equipment	(9.4)	(6.7)	(2.7)
Depreciation	9.0	9.6	(0.6)

Revision of Full-Year Segment Projections

- In light of recent business performance, OKI revises its full-year segment projections.

(Billion yen)		FY2019/3 (Revised on Feb.1, 2019)	Previous projections	Variance	FY2018/3 Results	Variance
ICT	Net sales	182.0	185.0	(3.0)	172.7	+9.3
	Operating income	14.0	14.0	0.0	13.5	+0.5
Mechatronics Systems	Net sales	81.0	83.0	(2.0)	93.5	(12.5)
	Operating income	(1.0)	0.0	(1.0)	(5.1)	+4.1
Printers	Net sales	105.0	105.0	0.0	108.9	(3.9)
	Operating income	5.5	3.5	+2.0	2.7	+2.8
EMS	Net sales	66.0	71.0	(5.0)	55.5	+10.5
	Operating income	4.0	4.5	(0.5)	3.2	+0.8
Others	Net sales	6.0	6.0	0.0	7.4	(1.4)
	Operating income	0.5	0.5	0.0	1.0	(0.5)
Eliminates & Corp.	Operating income	(8.0)	(8.5)	+0.5	(7.7)	(0.3)
Total	Net sales	440.0	450.0	(10.0)	438.0	+2.0
	Operating income	15.0	14.0	+1.0	7.7	+7.3

Full-Year Projections Qualitative Information (vs. Previous Projections)

■ Mechatronics Systems

- Net sales are expected to decrease, due to faster business selection and concentration at overseas business.
- Operating income is expected to worsened as accumulated losses shrank at a slower pace due to the lower sales volume accompanying the drop in net sales mentioned above.

■ Printers

- We believe quarterly business performance stabilizes, allowing for higher profits than we had anticipated throughout the year, as in Q1. We anticipate a large improvement in operating income compared to our original projections.

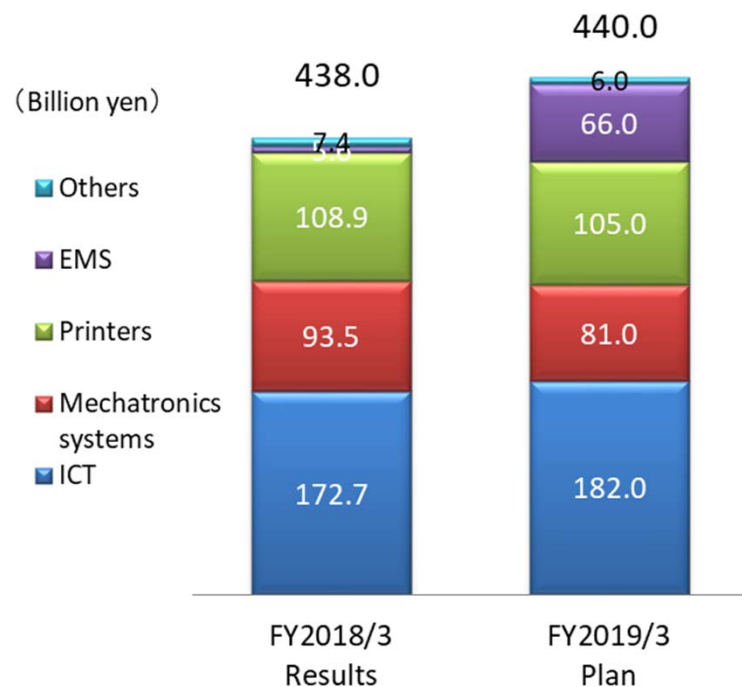
■ EMS

- Net sales are expected to decline due to falling demand, mainly in the semiconductor and FA industries.
- Operating income is expected to decrease due to the above-mentioned drop in sales volume.

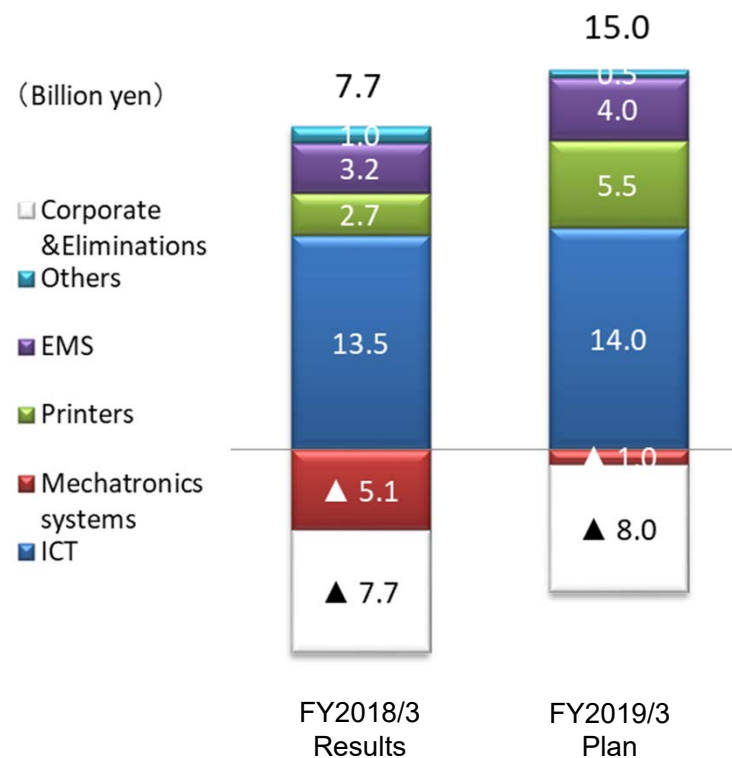
Reference

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

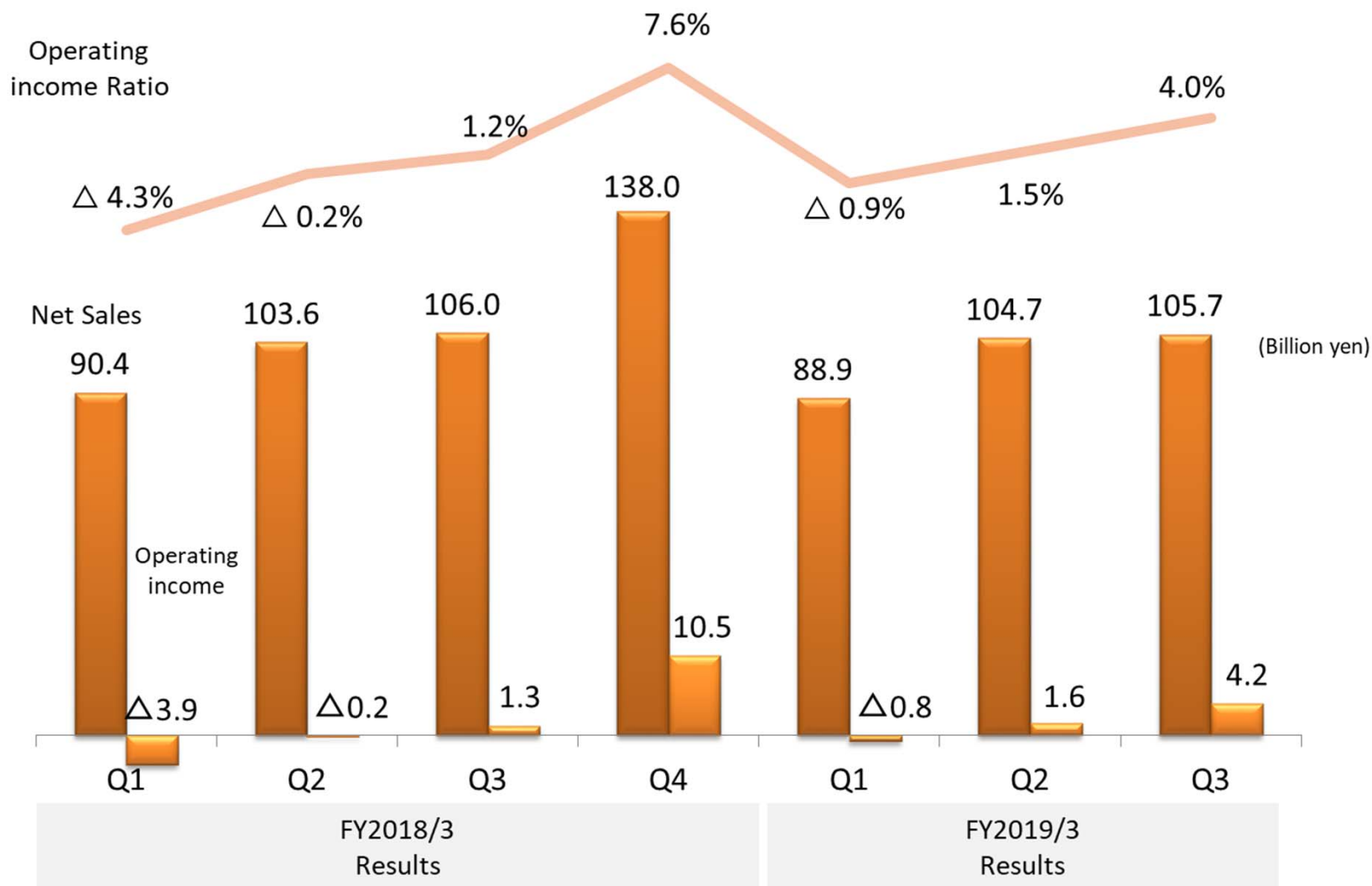
Net Sales



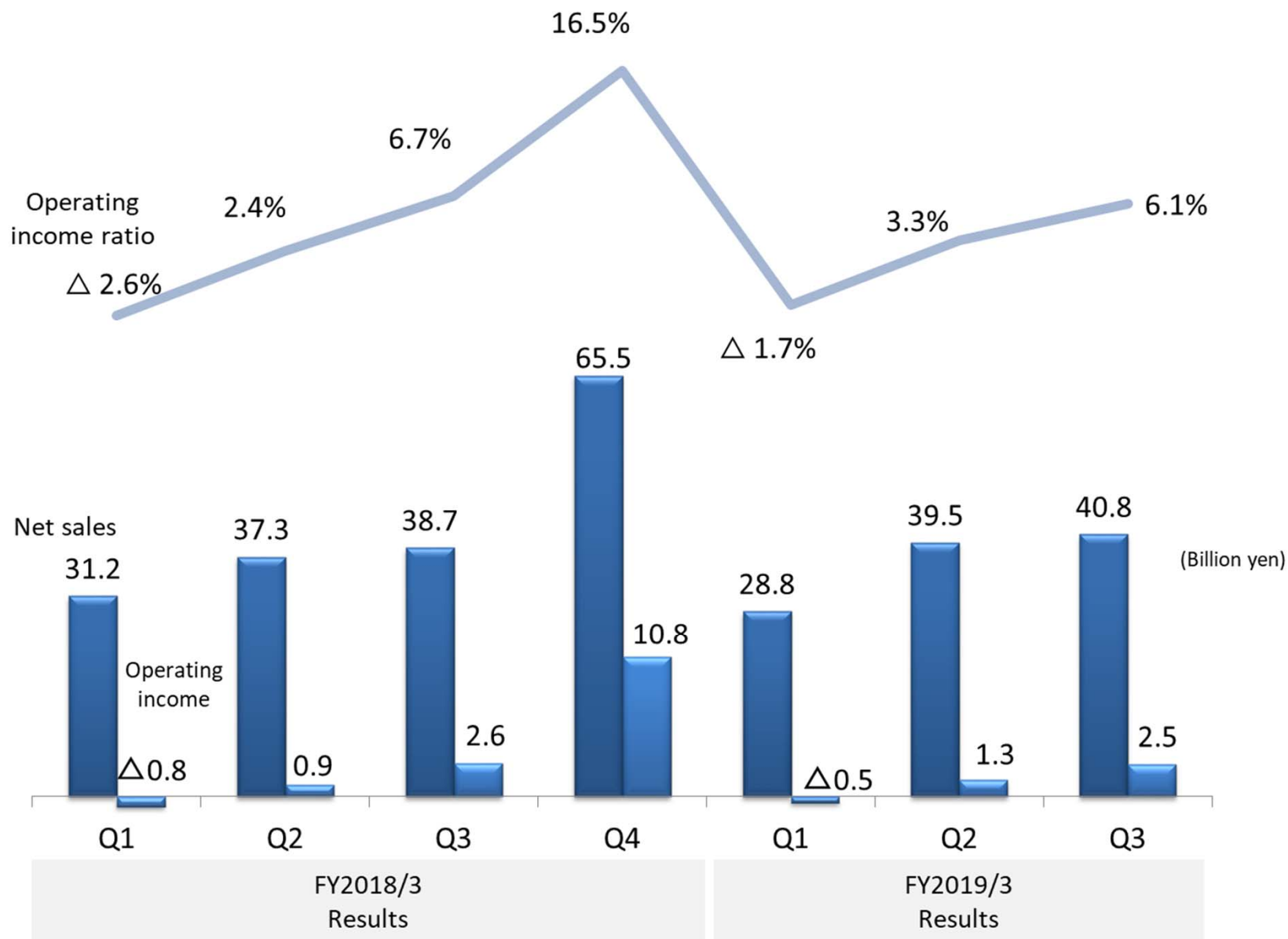
Operating Income



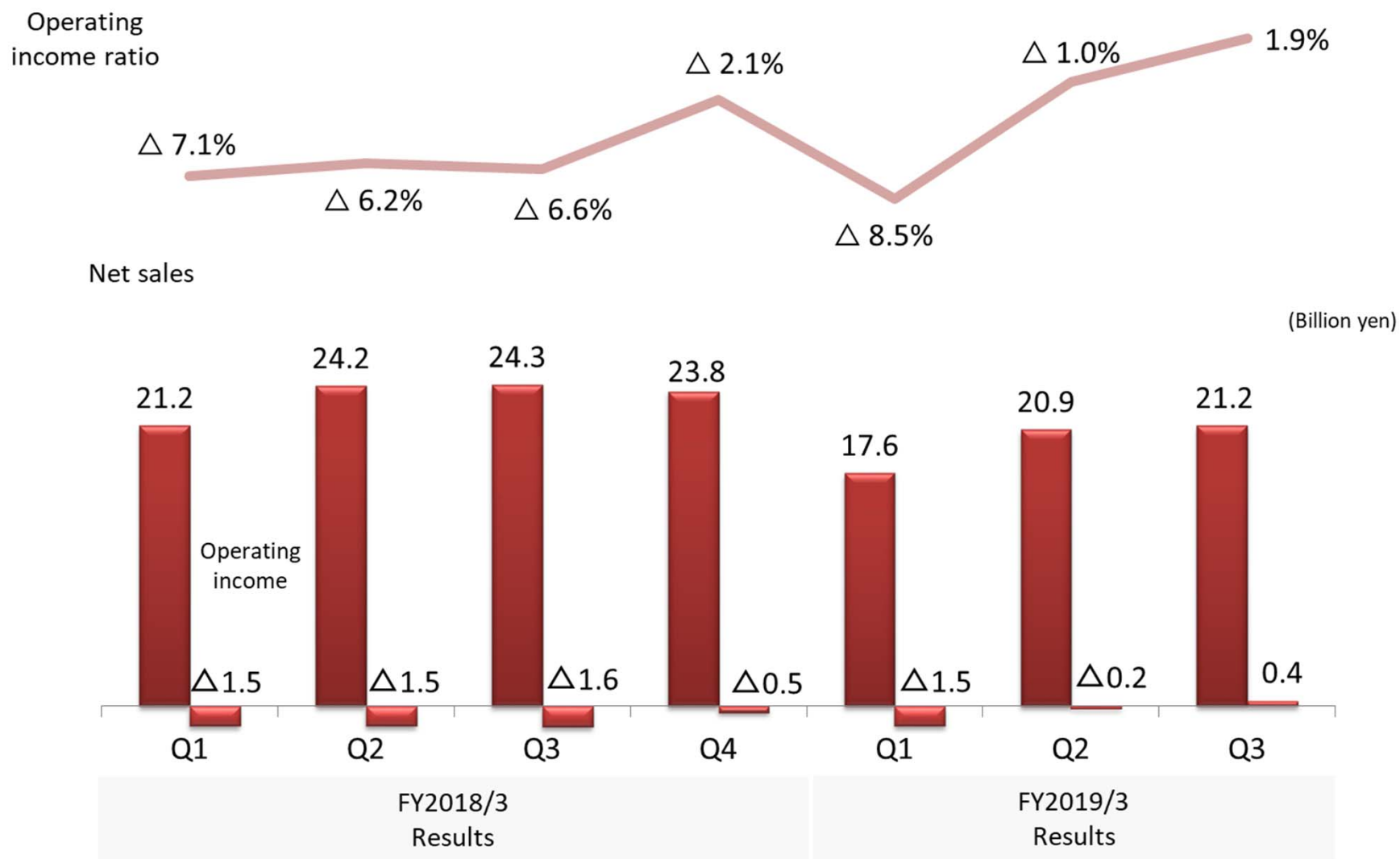
Quarterly Transition of Net Sales and Operating Income



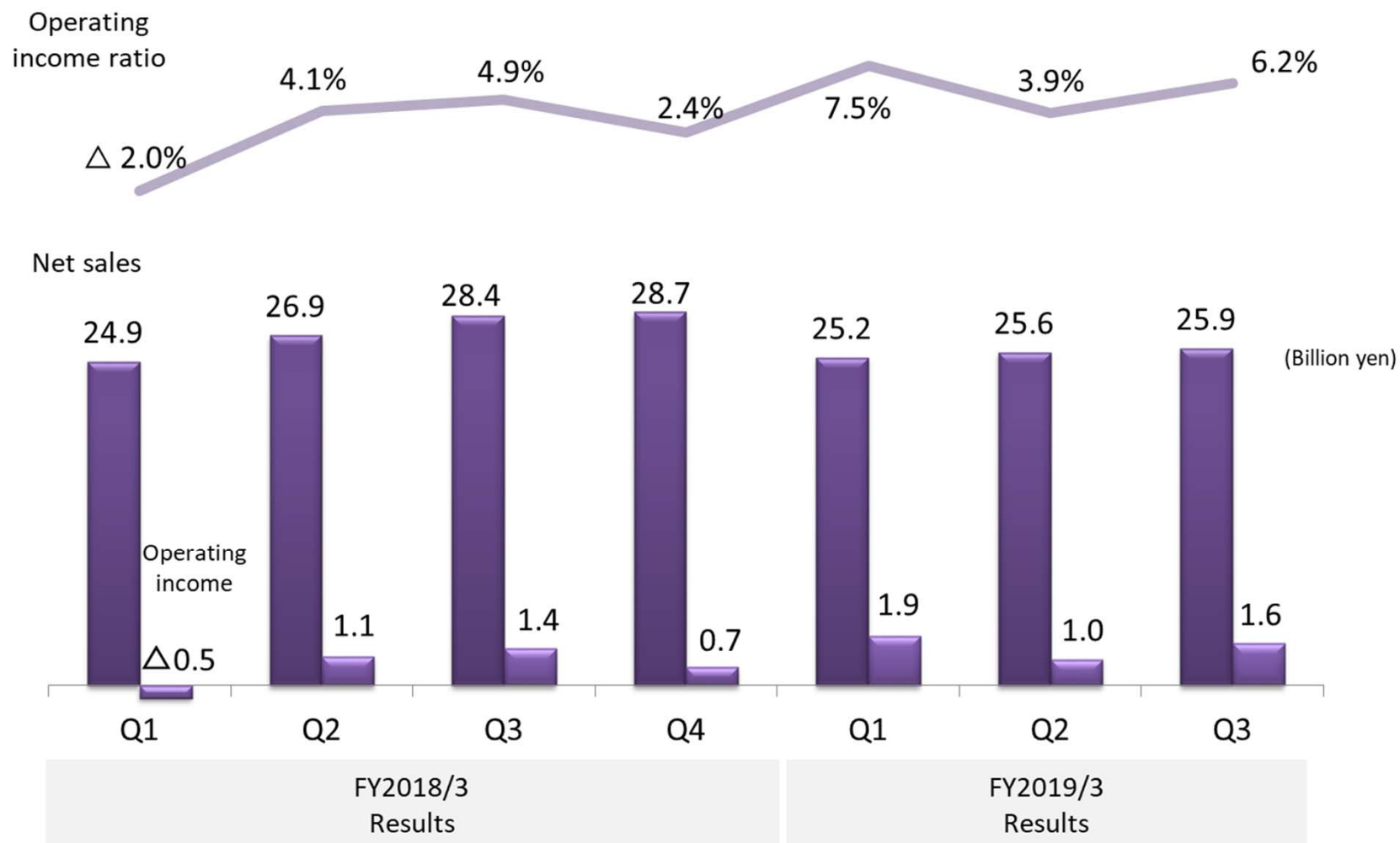
Quarterly Transition of Net Sales and Operating Income (ICT)



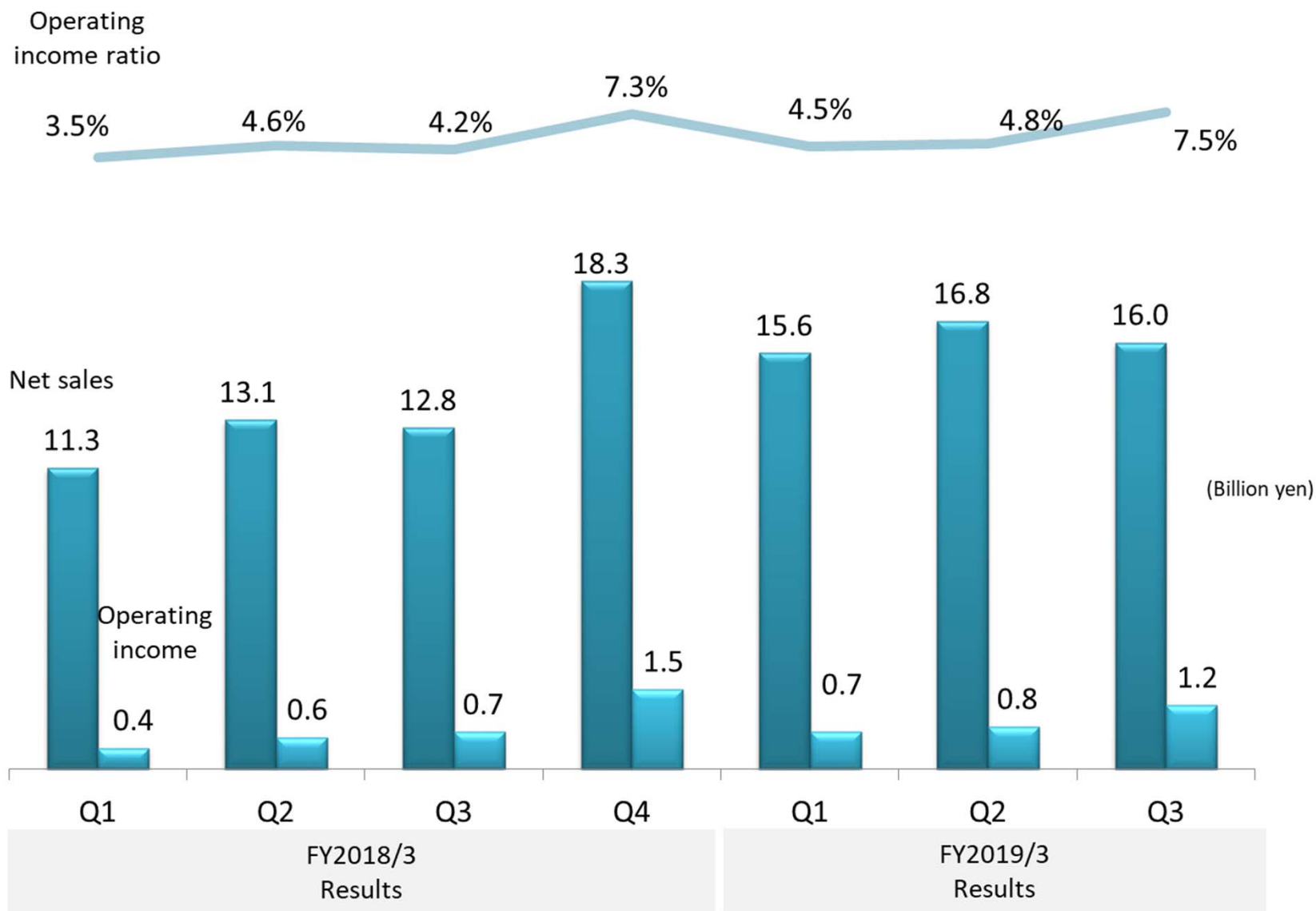
Quarterly Transition of Net Sales and Operating Income (Mechatronics Systems)



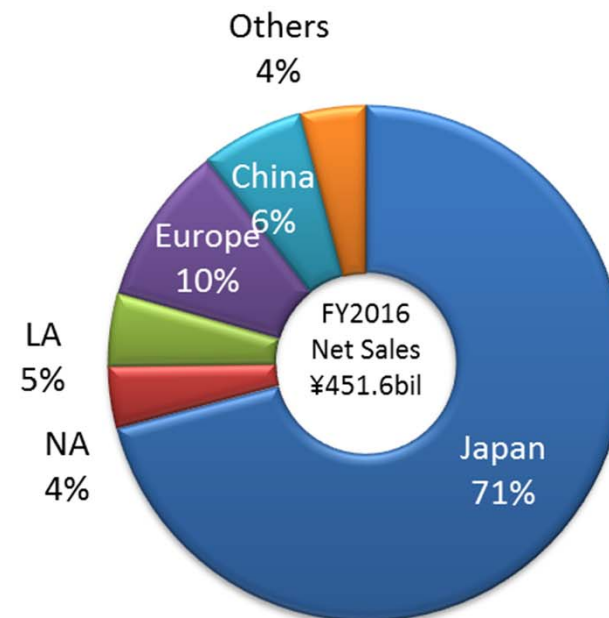
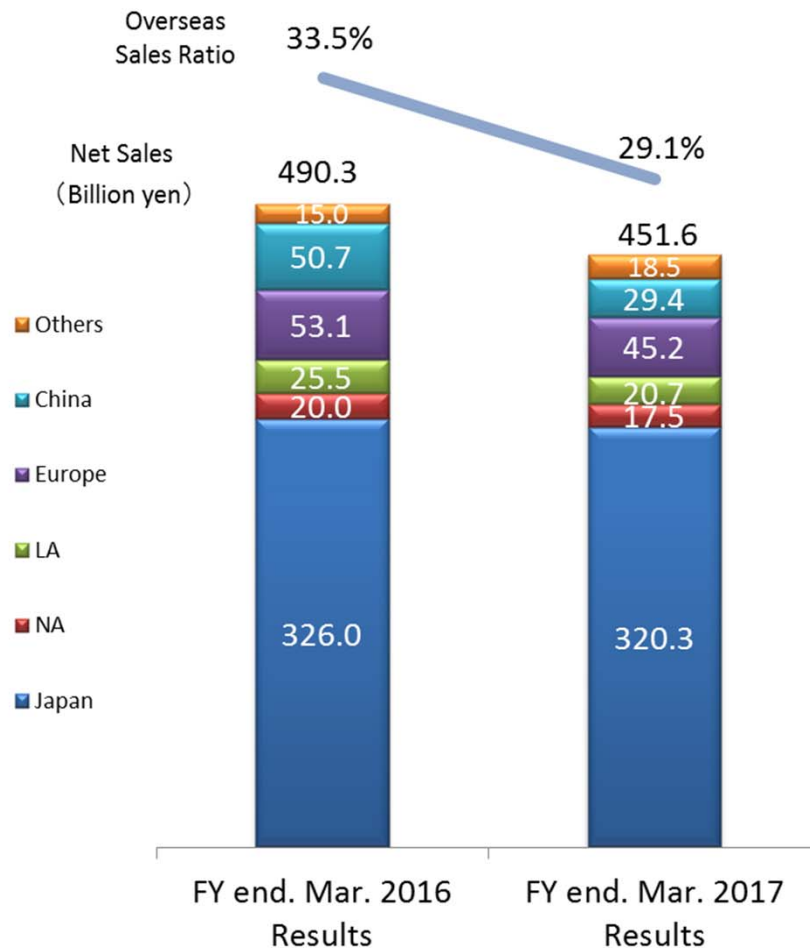
Quarterly Transition of Net Sales and Operating Income (Printers)



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, 2018				FY end. Mar. 31, 2019				Full year (Plan)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
Net sales	90.4	103.6	106.0	138.0	88.9	104.7	105.7		440.0
Operating income/loss	(3.9)	(0.2)	1.3	10.5	(0.8)	1.6	4.2		15.0
Non-operating income & expenses	0.4	0.4	0.3	(0.3)	(0.9)	(0.8)	(0.5)		-
Ordinary income/loss	(3.5)	0.2	1.6	10.2	(1.7)	0.9	3.6		13.0
Extraordinary income/loss	(0.7)	(0.2)	0.8	(0.3)	0.0	(0.7)	0.1		-
Income/loss before income taxes	(4.2)	(0.1)	2.5	9.9	(1.7)	0.1	3.9		-
Profit/loss attributable to owners of parent	(4.8)	0.2	(1.0)	11.5	(1.8)	(0.8)	1.0		5.0

Financial Highlights

Results (Billion yen)	FY end. Mar. 31, 2018				FY end. Mar. 31, 2019		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Total assets	344.2	348.0	357.6	371.8	353.4	352.9	354.4
Net assets	90.9	90.8	92.0	102.1	96.0	95.0	90.9
Interest-bearing debt	84.4	81.1	82.7	81.9	80.7	79.8	86.5
Shareholders' equity	90.7	90.6	90.5	100.2	95.8	94.7	90.7
Shareholders' equity ratio (%)	26.4	26.0	25.3	26.9	27.1	26.8	25.6
D/E ratio (times)	0.9	0.9	0.9	0.8	0.8	0.8	1.0
Free cash flows	2.6	(0.9)	1.5	1.9	8.5	(3.4)	(4.5)
Cash and cash equivalents	48.9	44.1	44.8	45.5	46.6	41.5	37.1
USD average exchange rate (Yen)	111.1	111.0	113.0	108.3	109.1	111.5	112.9
EUR average exchange rate (Yen)	122.2	130.4	133.0	133.2	130.1	129.6	128.8

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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