

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.

On **July 26, 2019**, Oki Electric Industry Co., Ltd. (OKI) announced earnings results for Q1 FY03/20.

Cumulative (JPYmn)	FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	90,431	193,974	299,979	438,026	88,948	193,576	299,316	441,452	107,617
YoY	-3.0%	-2.7%	-1.6%	-3.0%	-1.6%	-0.2%	-0.2%	0.8%	21.0%
Gross profit	21,067	45,687	73,149	110,576	23,676	50,560	79,971	118,827	25,167
YoY	-14.2%	-6.3%	-1.2%	-3.2%	12.4%	10.7%	9.3%	7.5%	6.3%
GPM	23.3%	23.6%	24.4%	25.2%	26.6%	26.1%	26.7%	26.9%	23.4%
SG&A expenses	24,931	49,813	75,979	102,854	24,490	49,754	74,983	101,305	24,091
YoY	4.4%	0.9%	3.1%	-7.9%	-1.8%	-0.1%	-1.3%	-1.5%	-1.6%
SG&A ratio	27.6%	25.7%	25.3%	23.5%	27.5%	25.7%	25.1%	22.9%	22.4%
Operating profit	-3,864	-4,125	-2,830	7,721	-813	805	4,987	17,522	1,075
YoY	-	-	-	203.4%	-	-	-	126.9%	-
OPM	-	-	-	1.8%	-	0.4%	1.7%	4.0%	1.0%
Recurring profit	-3,483	-3,344	-1,731	8,515	-1,656	-849	2,802	15,477	149
YoY	-	-	-	-	-	-	-	81.8%	-
RPM	-	-	-	1.9%	-	-	0.9%	3.5%	0.1%
Net income	-4,753	-4,581	-5,582	5,891	-1,824	-2,579	-1,558	8,405	-369
YoY	-	-	-	25.6%	-	-	-	42.7%	-
Net margin	-	-	-	1.3%	-	-	-	1.9%	-

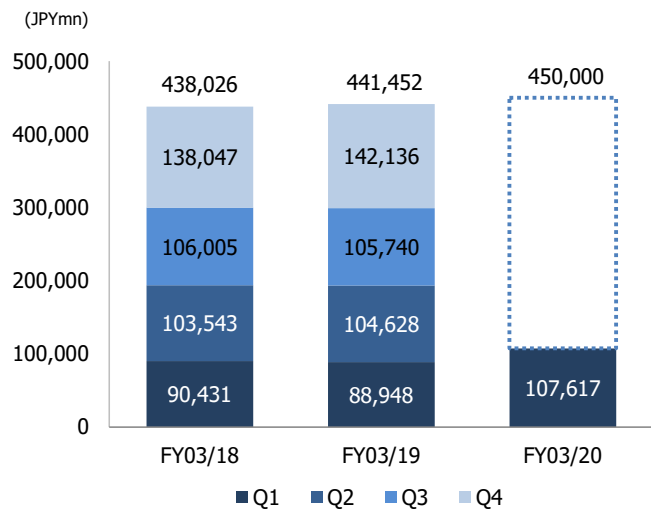
  

Quarterly (JPYmn)	FY03/18				FY03/19				FY03/20
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Sales	90,431	103,543	106,005	138,047	88,948	104,628	105,740	142,136	107,617
YoY	-3.0%	-2.4%	0.3%	-5.9%	-1.6%	1.0%	-0.2%	3.0%	21.0%
Gross profit	21,067	24,620	27,462	37,427	23,676	26,884	29,411	38,856	25,167
YoY	-14.2%	1.8%	8.4%	-6.8%	12.4%	9.2%	7.1%	3.8%	6.3%
GPM	23.3%	23.8%	25.9%	27.1%	26.6%	25.7%	27.8%	27.3%	23.4%
SG&A expenses	24,931	24,882	26,166	26,875	24,490	25,264	25,229	26,322	24,091
YoY	4.4%	-2.4%	7.7%	-29.3%	-1.8%	1.5%	-3.6%	-2.1%	-1.6%
SG&A ratio	27.6%	24.0%	24.7%	19.5%	27.5%	24.1%	23.9%	18.5%	22.4%
Operating profit	-3,864	-261	1,295	10,551	-813	1,618	4,182	12,535	1,075
YoY	-	-	23.8%	391.7%	-	-	222.9%	18.8%	-
OPM	-	-	1.2%	7.6%	-	1.5%	4.0%	8.8%	1.0%
Recurring profit	-3,483	139	1,613	10,246	-1,656	807	3,651	12,675	149
YoY	-	-	-64.9%	416.7%	-	480.6%	126.3%	23.7%	-
RPM	-	0.1%	1.5%	7.4%	-	0.8%	3.5%	8.9%	0.1%
Net income	-4,753	172	-1,001	11,473	-1,824	-755	1,021	9,963	-369
YoY	-	-	-	-31.2%	-	-	-	-13.2%	-
Net margin	-	0.2%	-	8.3%	-	-	1.0%	7.0%	-

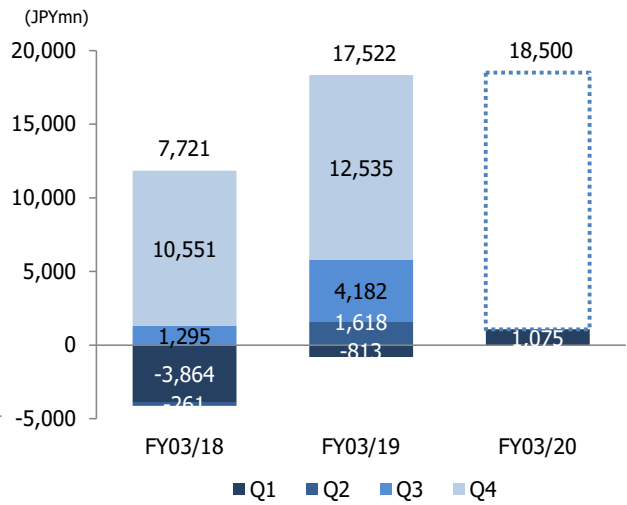
Source: Shared Research based on company data

Note: Quarterly data derived by subtracting cumulative results for previous quarter from relevant cumulative results (e.g. Q3 figures are 1H results subtracted from cumulative Q3 results).

### Quarterly sales



### Quarterly operating profit



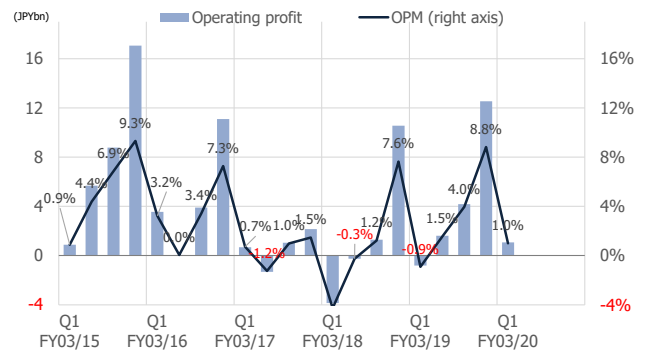
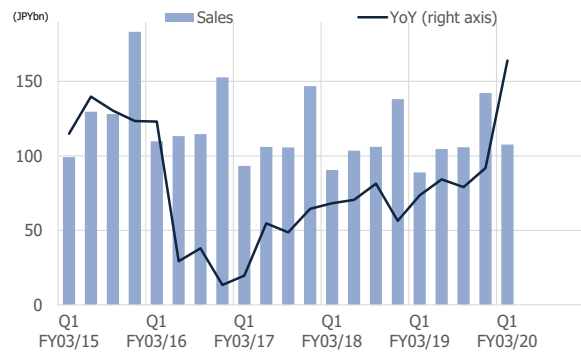
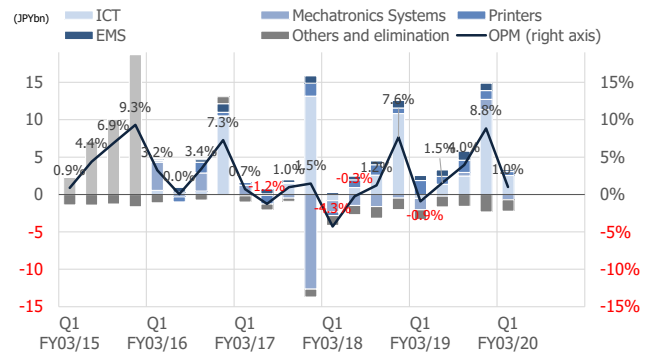
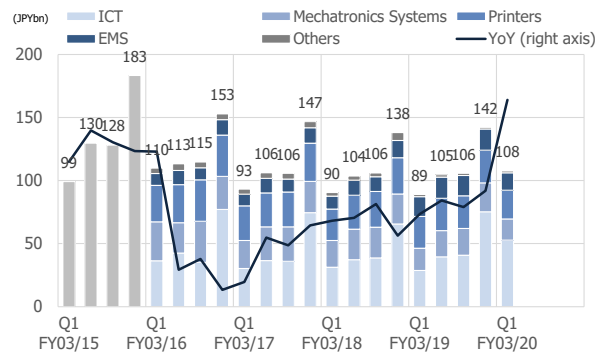
Source: Shared Research based on company data

## Q1 FY03/20 results (out July 26, 2019)

### Q1 FY03/20 results (April 2019 through June 2019)

- ▷ Sales: JPY107.6bn (+21.0% YoY)
  - ▷ Operating profit: JPY1.1bn (operating loss of JPY813mn in Q1 FY03/19)
  - ▷ Recurring profit: JPY149mn (recurring loss of JPY1.7bn in Q1 FY03/19)
  - ▷ Net loss: JPY369mn (net loss of JPY1.8bn in Q1 FY03/19)
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- ▷ Background behind increase in sales: The Information and Communication Technology (ICT) segment drove overall sales and operating performance. Meanwhile, sales decreased in the Mechatronics Systems, Electronics Manufacturing Services (EMS), and Printers segments. Network buildout for telecom carriers, select government-related business, and increased adoption of the percentage of completion method in projects contributed to strong segment performance.
  - ▷ Background behind increase in operating profit: The biggest contributing factor was strong ICT sales growth, resulting in profits at the operating level. Additionally, restructuring efforts centering around foreign subsidiaries reduced operating losses at the Mechatronics segment.

### Quarterly performance

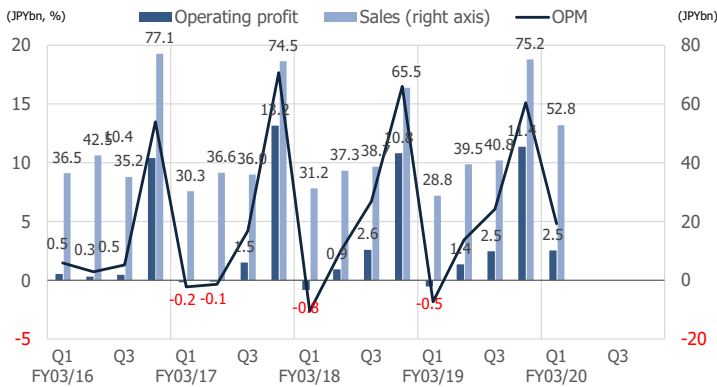


Source: Shared Research based on company data

## Results by segment

### ICT segment

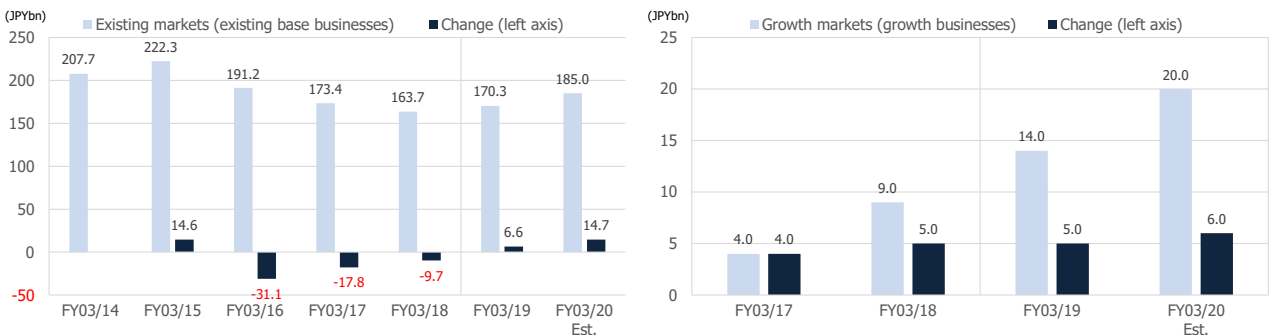
#### Earnings performance



Source: Shared Research based on company data

- ▷ Q1 FY03/20 sales (sales to external clients; also applies to figures below): JPY52.8bn (+83.5% YoY)
- ▷ Operating profit: JPY2.5bn (loss of JPY524mn in Q1 FY03/19)
- ▷ Factors contributing to sales growth: The number of telecom carrier network buildout projects and select government-related projects increased. Additionally, wider adoption of the percentage of completion method (for project management) resulted in increased sales. Q1 sales increased by JPY8.6bn and operating profit by JPY1.8bn as a result of the change in method.
- ▷ Factors contributing to profit growth: The strong increase in sales resulted in increased profits.

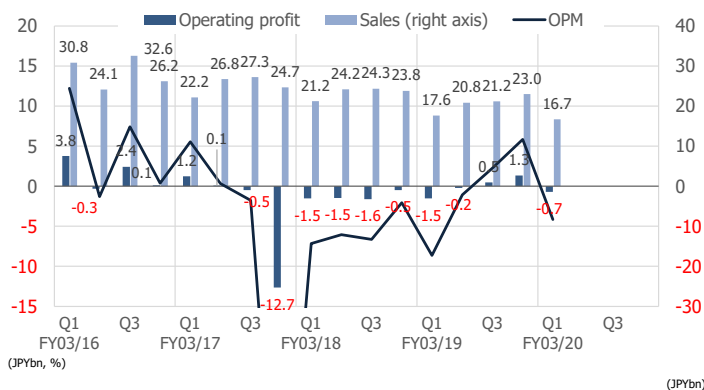
#### Sales in existing markets (left) and growth markets (right)



Source: Shared Research based on company data

### Mechatronics Systems segment

#### Performance



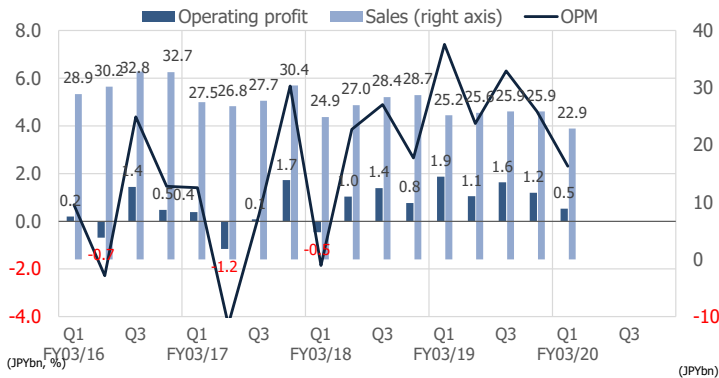
Source: Shared Research based on company data

- ▷ Q1 FY03/20 sales: JPY16.7bn (-5.2% YoY)

- ▷ Operating loss: JPY696mn (loss of JPY1.5bn in Q1 FY03/19)
- ▷ Factors contributing to sales decline: Sales fell back as the company had a large scale domestic cash handling machine project in Q1 FY03/19.
- ▷ Factors contributing to improvement in profitability: Operating losses narrowed as a result of restructuring efforts in foreign subsidiaries during FY03/19.

## Printers segment

### Performance

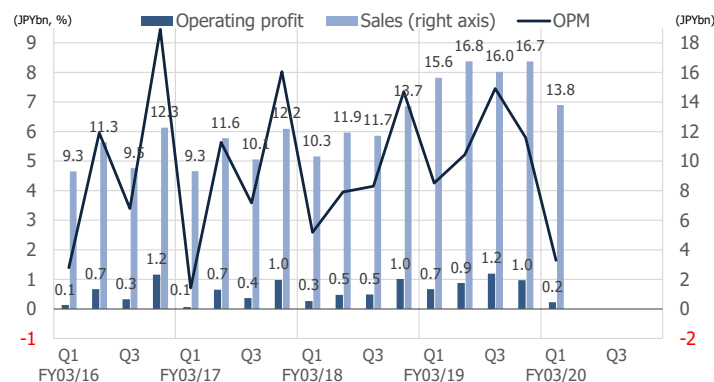


Source: Shared Research based on company data

- ▷ Q1 FY03/20 sales: JPY22.9bn (-9.2% YoY)
- ▷ Operating profit: JPY529mn (-71.7% YoY)
- ▷ Factors contributing to sales decline: The segment saw a temporary increase in consumable items sales to overseas distributors during Q1 FY03/19, which did not happen in Q1 FY03/20.
- ▷ Factors contributing to profit decline: Decline in sales of consumable items and stronger yen contributing to lower sales in Europe.

## EMS segment

### Performance

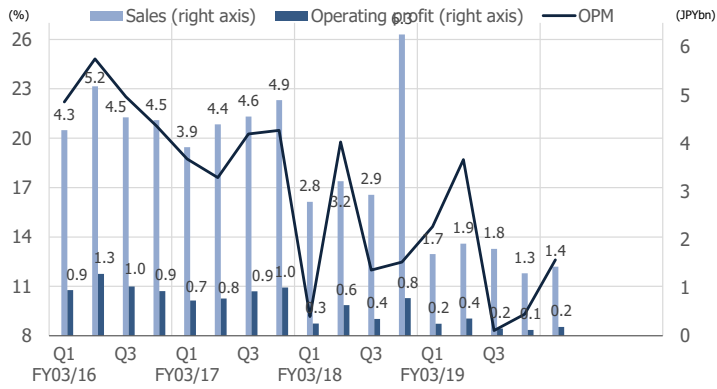


Source: Shared Research based on company data

- ▷ Q1 FY03/20 sales: JPY13.8bn (-13.2% YoY)
- ▷ Operating profit: JPY227mn (-65.0% YoY)
- ▷ Factors contributing to sales decline: Mainly due to sluggish factory automation and semiconductor related sales.
- ▷ Factors contributing to profit decline: Lower volume as a result of sales decline.

## Other segment

### Performance



Source: Shared Research based on company data

- ▷ Q1 FY03/20 sales: JPY1.4bn (-0.1% YoY)
- ▷ Operating profit: JPY181mn (-31.7% YoY)

**For previous quarterly earnings, see Historical performance section.**

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