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On **February 7, 2020**, Oki Electric Industry Co., Ltd. (OKI) announced earnings results for Q3 FY03/20.

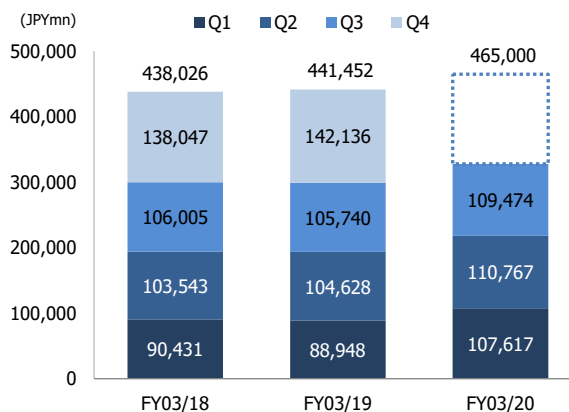
Cumulative (JPYmn)	FY03/19				FY03/20			FY03/20	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	% of FY	FY Est.
Sales	88,948	193,576	299,316	441,452	107,617	218,384	327,858	70.5%	465,000
YoY	-1.6%	-0.2%	-0.2%	0.8%	21.0%	12.8%	9.5%		5.3%
Gross profit	23,676	50,560	79,971	118,827	25,167	54,312	82,693		
YoY	12.4%	10.7%	9.3%	7.5%	6.3%	7.4%	3.4%		
Gross profit margin	26.6%	26.1%	26.7%	26.9%	23.4%	24.9%	25.2%		
SG&A expenses	24,490	49,754	74,983	101,305	24,091	49,110	73,561		
YoY	-1.8%	-0.1%	-1.3%	-1.5%	-1.6%	-1.3%	-1.9%		
SG&A ratio	27.5%	25.7%	25.1%	22.9%	22.4%	22.5%	22.4%		
Operating profit	-813	805	4,987	17,522	1,075	5,201	9,131	49.4%	18,500
YoY	-	-	-	126.9%	-	546.1%	83.1%		5.6%
Operating profit margin	-	0.4%	1.7%	4.0%	1.0%	2.4%	2.8%		4.0%
Recurring profit	-1,656	-849	2,802	15,477	149	2,937	7,290	47.0%	15,500
YoY	-	-	-	81.8%	-	-	160.2%		0.1%
Recurring profit margin	-	-	0.9%	3.5%	0.1%	1.3%	2.2%		3.3%
Net income	-1,824	-2,579	-1,558	8,405	-369	4,060	7,183	51.3%	14,000
YoY	-	-	-	42.7%	-	-	-		66.6%
Net margin	-	-	-	1.9%	-	1.9%	2.2%		3.0%

Quarterly (JPYmn)	FY03/19				FY03/20		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Sales	88,948	104,628	105,740	142,136	107,617	110,767	109,474
YoY	-1.6%	1.0%	-0.2%	3.0%	21.0%	5.9%	3.5%
Gross profit	23,676	26,884	29,411	38,856	25,167	29,145	28,381
YoY	12.4%	9.2%	7.1%	3.8%	6.3%	8.4%	-3.5%
Gross profit margin	26.6%	25.7%	27.8%	27.3%	23.4%	26.3%	25.9%
SG&A expenses	24,490	25,264	25,229	26,322	24,091	25,019	24,451
YoY	-1.8%	1.5%	-3.6%	-2.1%	-1.6%	-1.0%	-3.1%
SG&A ratio	27.5%	24.1%	23.9%	18.5%	22.4%	22.6%	22.3%
Operating profit	-813	1,618	4,182	12,535	1,075	4,126	3,930
YoY	-	-	222.9%	18.8%	-	155.0%	-6.0%
Operating profit margin	-	1.5%	4.0%	8.8%	1.0%	3.7%	3.6%
Recurring profit	-1,656	807	3,651	12,675	149	2,788	4,353
YoY	-	480.6%	126.3%	23.7%	-	245.5%	19.2%
Recurring profit margin	-	0.8%	3.5%	8.9%	0.1%	2.5%	4.0%
Net income	-1,824	-755	1,021	9,963	-369	4,429	3,123
YoY	-	-	-	-13.2%	-	-	205.9%
Net margin	-	-	1.0%	7.0%	-	4.0%	2.9%

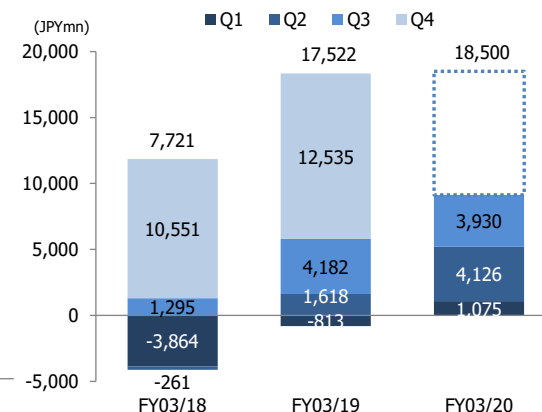
Source: Shared Research based on company data

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

Q3 FY03/20 results (out February 7, 2020)

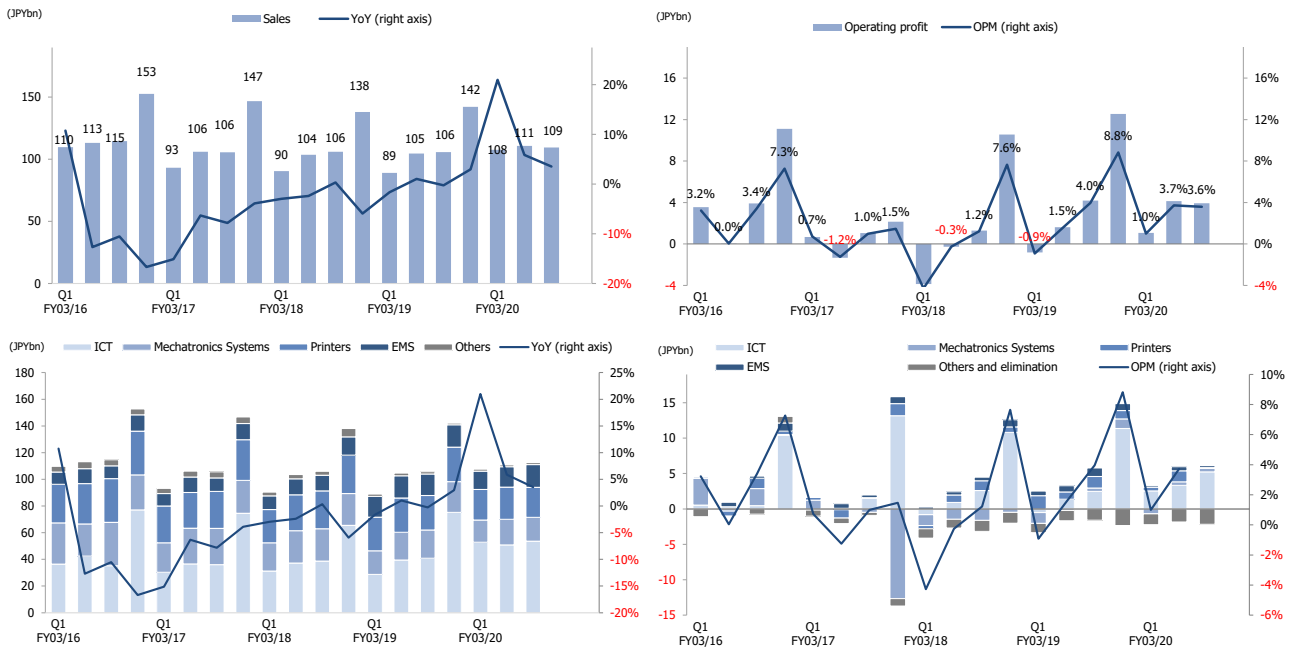
Cumulative Q3 FY03/20 results (April 2019–December 2019)

- ▷ Sales: JPY327.9bn (+9.5% YoY)
- ▷ Operating profit: JPY9.1bn (+83.1% YoY)
- ▷ Recurring profit: JPY7.3bn (+160.2% YoY)
- ▷ Net income*: JPY7.2bn (net loss of JPY1.6bn in Q3 FY03/19)

*Net income attributable to owners of the parent.

- ▷ Background behind increase in sales: The Information and Communication Technology (ICT) segment drove overall sales and operating profit performance. Meanwhile, sales decreased in the Mechatronics Systems, Electronics Manufacturing Services (EMS), and Printers segments. The ICT segment's strong performance was driven by network buildout for telecom carriers, road traffic/disaster prevention wireless radio systems and other social infrastructure-related projects for government agencies, and increased adoption of the percentage of completion method in projects.
- ▷ Background behind increase in operating profit: The biggest contributing factor was strong ICT sales and profit growth. ICT sales were boosted by the above change in the standard for posting sales as well as actual sales growth. Despite a decline in Mechatronics Systems segment sales, segment profit turned to the black thanks to restructuring efforts centering around foreign subsidiaries.

Quarterly performance



(JPYmm)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	90,431	103,543	106,005	138,047	88,948	104,628	105,740	142,136	107,617	110,767	109,474	
Total OP	-3,864	-261	1,295	10,551	-813	1,618	4,182	12,535	1,075	4,126	3,930	

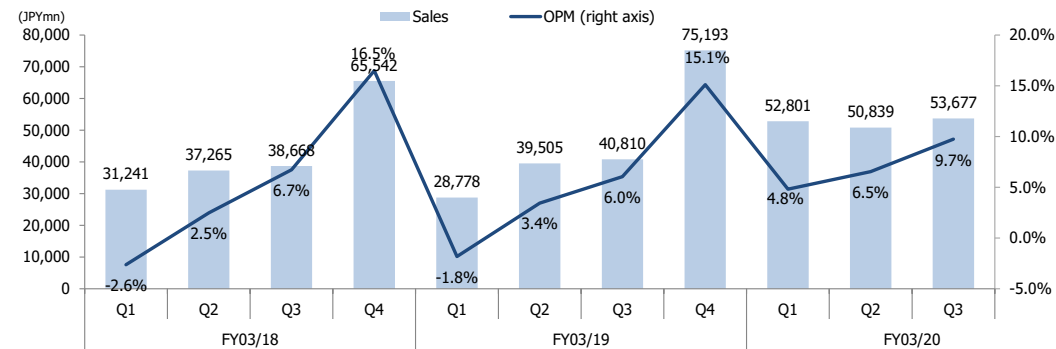
(JPYmm)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Cons. Est.
Total sales	90,431	193,974	299,979	438,026	88,948	193,576	299,316	441,452	107,617	218,384	327,858	465,000
Total OP	-3,864	-4,125	-2,830	7,721	-813	805	4,987	17,522	1,075	5,201	9,131	18,500

Source: Shared Research based on company data

Results by segment

ICT segment

Earnings performance



(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	31,241	37,265	38,668	65,542	28,778	39,505	40,810	75,193	52,801	50,839	53,677	
YoY	3.2%	1.8%	7.4%	-12.1%	-7.9%	6.0%	5.5%	14.7%	83.5%	28.7%	31.5%	
% of total sales	34.5%	36.0%	36.5%	47.5%	32.4%	37.8%	38.6%	52.9%	49.1%	45.9%	49.0%	
Operating profit	-823	924	2,599	10,813	-524	1,359	2,468	11,365	2,544	3,325	5,225	
YoY	-	-	71.4%	-17.8%	-	47.1%	-5.0%	5.1%	-	144.7%	111.7%	
% of total OP	-	-	200.7%	102.5%	-	84.0%	59.0%	90.7%	236.7%	80.6%	133.0%	
OPM	-2.6%	2.5%	6.7%	16.5%	-1.8%	3.4%	6.0%	15.1%	4.8%	6.5%	9.7%	

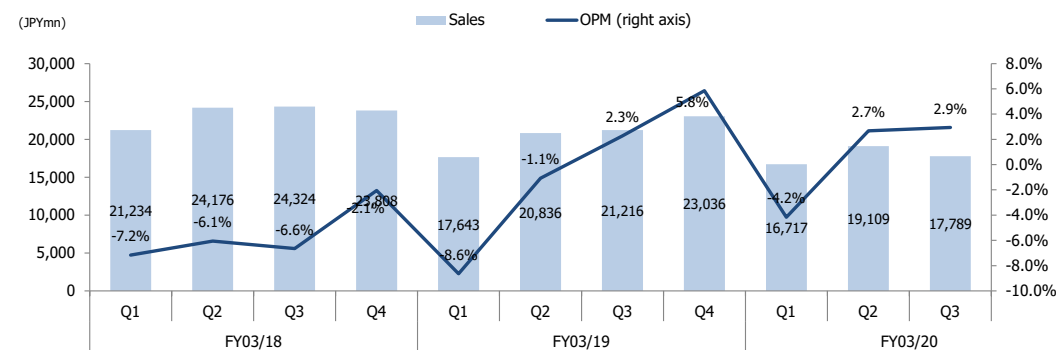
(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Cons. Est.
Sales	31,241	68,506	107,174	172,716	28,778	68,283	109,093	184,286	52,801	103,640	157,317	232,000
YoY	3.2%	2.5%	4.2%	-2.6%	-7.9%	-0.3%	1.8%	6.7%	83.5%	51.8%	44.2%	25.9%
% of total sales	34.5%	35.3%	35.7%	39.4%	32.4%	35.3%	36.4%	41.7%	49.1%	47.5%	48.0%	49.9%
Operating profit	-823	101	2,700	13,513	-524	835	3,303	14,668	2,544	5,869	11,094	19,000
YoY	-	-	120.4%	-6.1%	-	726.7%	22.3%	8.5%	-	602.9%	235.9%	29.5%
% of total OP	-	-	-95.4%	175.0%	-	103.7%	66.2%	83.7%	236.7%	112.8%	121.5%	102.7%
OPM	-2.6%	0.1%	2.5%	7.8%	-1.8%	1.2%	3.0%	8.0%	4.8%	5.7%	7.1%	8.2%

Source: Shared Research based on company data

- ▷ Cumulative Q3 FY03/20 sales (sales to external clients; also applies to figures below): JPY157.3bn (+44.2% YoY)
- ▷ Operating profit: JPY11.1bn (+235.9% YoY)
- ▷ Factors contributing to sales growth: Road traffic/disaster prevention wireless radio and other social infrastructure-related projects and telecom carrier network buildout projects helped boost sales. Additionally, wider adoption of the percentage of completion method resulted in increased sales. The change in method contributed to increases of JPY21.9bn in cumulative Q3 sales and JPY3.4bn in operating profit.
- ▷ Factors contributing to profit growth: The substantial improvement in profit was fueled by the above noted change in the method for posting sales as well as actual growth in sales.

Mechatronics Systems segment

Performance



(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	21,234	24,176	24,324	23,808	17,643	20,836	21,216	23,036	16,717	19,109	17,789	
YoY	-4.3%	-9.7%	-10.7%	-3.6%	-16.9%	-13.8%	-12.8%	-3.2%	-5.2%	-8.3%	-16.2%	
% of total sales	23.5%	23.3%	22.9%	17.2%	19.8%	19.9%	20.1%	16.2%	15.5%	17.3%	16.2%	
Operating profit	-1,521	-1,465	-1,617	-490	-1,524	-223	482	1,347	-696	512	524	
YoY	-	-	-	-	-	-	-	-	-	-	8.7%	
% of total OP	-	-	-	-	-	-	11.5%	10.7%	-	12.4%	13.3%	
OPM	-7.2%	-6.1%	-6.6%	-2.1%	-8.6%	-1.1%	2.3%	5.8%	-4.2%	2.7%	2.9%	

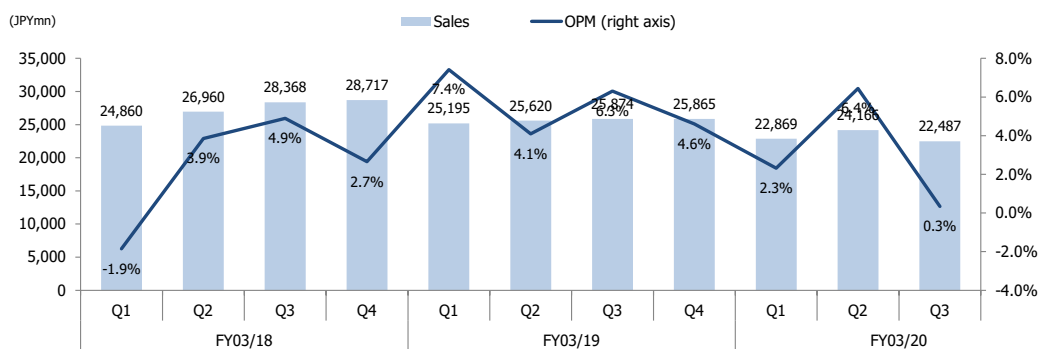
(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Cons. Est.
Sales	21,234	45,410	69,734	93,542	17,643	38,479	59,695	82,731	16,717	35,826	53,615	72,000
YoY	-4.3%	-7.3%	-8.5%	-7.3%	-16.9%	-15.3%	-14.4%	-11.6%	-5.2%	-6.9%	-10.2%	-13.0%
% of total sales	23.5%	23.4%	23.2%	21.4%	19.8%	19.9%	19.9%	18.7%	15.5%	16.4%	16.4%	15.5%
Operating profit	-1,521	-2,986	-4,603	-5,093	-1,524	-1,747	-1,265	82	-696	-184	340	1,000
YoY	-	-	-	-	-	-	-	-	-	-	-	1119.5%
% of total OP	-	-	-	-	-	-	-25.4%	0.5%	-64.7%	-3.5%	3.7%	5.4%
OPM	-7.2%	-6.6%	-6.6%	-5.4%	-8.6%	-4.5%	-2.1%	0.1%	-4.2%	-0.5%	0.6%	1.4%

Source: Shared Research based on company data

- ▷ Cumulative Q3 FY03/20 sales: JPY53.6bn (-10.2% YoY)
- ▷ Operating profit: JPY340mn (loss of JPY1.3bn in Q3 FY03/19)
- ▷ Factors contributing to sales decline: The YoY sales decline reflects the winding down of contributions from a large domestic cash-handling machine project in FY03/19.
- ▷ Factors contributing to improvement in profit: The return to the black reflects the positive impact of restructuring efforts at foreign subsidiaries in FY03/19.

Printers segment

Performance



(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	24,860	26,960	28,368	28,717	25,195	25,620	25,874	25,865	22,869	24,166	22,487	
YoY	-9.6%	0.7%	2.3%	-5.6%	1.3%	-5.0%	-8.8%	-9.9%	-9.2%	-5.7%	-13.1%	
% of total sales	27.5%	26.0%	26.8%	20.8%	28.3%	24.5%	24.5%	18.2%	21.3%	21.8%	20.5%	
Operating profit	-460	1,038	1,389	762	1,869	1,050	1,630	1,191	529	1,557	77	
YoY	-	-	1573.5%	-55.8%	-	1.2%	17.4%	56.3%	-71.7%	48.3%	-95.3%	
% of total OP	-	-	107.3%	7.2%	-	64.9%	39.0%	9.5%	49.2%	37.7%	2.0%	
OPM	-1.9%	3.9%	4.9%	2.7%	7.4%	4.1%	6.3%	4.6%	2.3%	6.4%	0.3%	

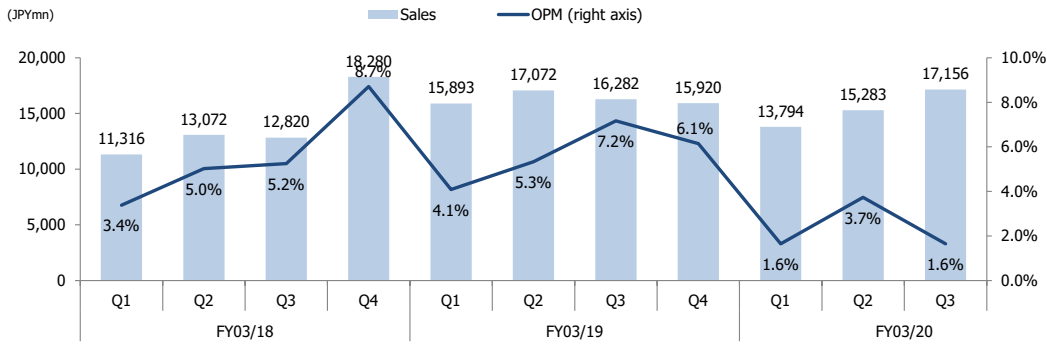
(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Cons. Est.
Sales	24,860	51,820	80,188	108,905	25,195	50,815	76,689	102,554	22,869	47,035	69,522	96,000
YoY	-9.6%	-4.5%	-2.2%	-3.1%	1.3%	-1.9%	-4.4%	-5.8%	-9.2%	-7.4%	-9.3%	-6.4%
% of total sales	27.5%	26.7%	26.7%	24.9%	28.3%	26.3%	25.6%	23.2%	21.3%	21.5%	21.2%	20.6%
Operating profit	-460	578	1,967	2,729	1,869	2,919	4,549	5,740	529	2,086	2,163	4,000
YoY	-	-	-	164.2%	-	405.0%	131.3%	110.3%	-71.7%	-28.5%	-52.5%	-30.3%
% of total OP	-	-	-	35.3%	-	362.6%	91.2%	32.8%	49.2%	40.1%	23.7%	21.6%
OPM	-1.9%	1.1%	2.5%	2.5%	7.4%	5.7%	5.9%	5.6%	2.3%	4.4%	3.1%	4.2%

Source: Shared Research based on company data

- ▷ Cumulative FY03/20 sales: JPY69.5bn (-9.3% YoY)
- ▷ Operating profit: JPY2.2bn (-52.5% YoY)
- ▷ Factors contributing to sales decline: Lower sales of office printers in Europe and the yen's appreciation against the euro.
- ▷ Factors contributing to profit decline: Lower sales and the yen's appreciation against the euro.

EMS segment

Performance



(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	11,316	13,072	12,820	18,280	15,893	17,072	16,282	15,920	13,794	15,283	17,156	-
YoY	21.5%	13.2%	26.7%	50.0%	40.4%	30.6%	27.0%	-12.9%	-13.2%	-10.5%	5.4%	-
% of total sales	12.5%	12.6%	12.1%	13.2%	17.9%	16.3%	15.4%	11.2%	12.8%	13.8%	15.7%	-
Operating profit	383	657	673	1,592	649	910	1,167	979	227	570	282	-
YoY	480.3%	0.9%	85.4%	62.8%	69.5%	38.5%	73.4%	-38.5%	-65.0%	-37.4%	-75.8%	-
% of total OP	-	-	52.0%	15.1%	-	56.2%	27.9%	7.8%	21.1%	13.8%	7.2%	-
OPM	3.4%	5.0%	5.2%	8.7%	4.1%	5.3%	7.2%	6.1%	1.6%	3.7%	1.6%	-

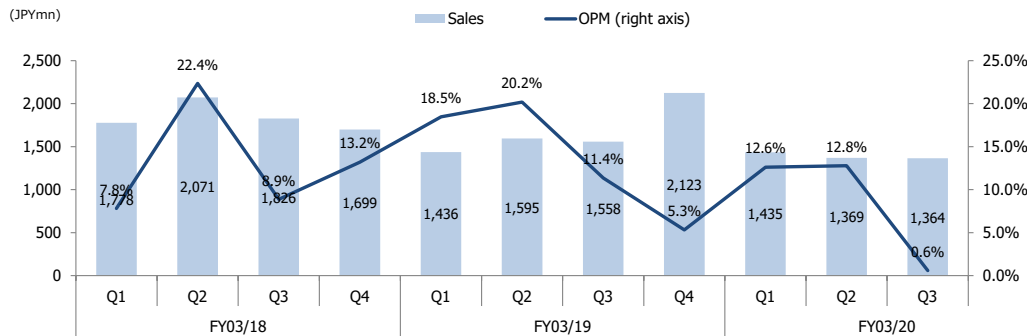
(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Cons. Est.
Sales	11,316	24,388	37,208	55,488	15,893	32,965	49,247	65,167	13,794	29,077	46,233	60,000
YoY	21.5%	16.9%	20.1%	28.5%	40.4%	35.2%	32.4%	17.4%	-13.2%	-11.8%	-6.1%	-7.9%
% of total sales	12.5%	12.6%	12.4%	12.7%	17.9%	17.0%	16.5%	14.8%	12.8%	13.3%	14.1%	12.9%
Operating profit	383	1,040	1,713	3,305	649	1,559	2,726	3,705	227	797	1,079	2,000
YoY	480.3%	45.0%	58.6%	60.6%	69.5%	49.9%	59.1%	12.1%	-65.0%	-48.9%	-60.4%	-46.0%
% of total OP	-	-	-	42.8%	-	193.7%	54.7%	21.1%	21.1%	15.3%	11.8%	10.8%
OPM	3.4%	4.3%	4.6%	6.0%	4.1%	4.7%	5.5%	5.7%	1.6%	2.7%	2.3%	3.3%

Source: Shared Research based on company data

- ▷ Cumulative Q3 FY03/20 sales: JPY46.2bn (-6.1% YoY)
- ▷ Operating profit: JPY1.1bn (-60.4% YoY)
- ▷ Factors contributing to sales decline: Sluggish factory automation and semiconductor related sales as well as delays in procurement of some materials owing to water damage caused by typhoons.
- ▷ Factors contributing to profit decline: Lower sales volume as a result of sales decline.

Other segment

Performance



(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,778	2,071	1,826	1,699	1,436	1,595	1,558	2,123	1,435	1,369	1,364	
YoY	-54.6%	-52.8%	-59.9%	-65.3%	-19.2%	-23.0%	-14.7%	25.0%	-0.1%	-14.2%	-12.5%	
% of total sales	2.0%	2.0%	1.7%	1.2%	1.6%	1.5%	1.5%	1.5%	1.3%	1.2%	1.2%	
Operating profit	139	463	162	224	265	322	177	113	181	175	8	
YoY	-81.1%	-40.1%	-82.4%	-77.6%	90.6%	-30.5%	9.3%	-49.6%	-31.7%	-45.7%	-95.5%	
% of total OP	-	-	12.5%	2.1%	-	19.9%	4.2%	0.9%	16.8%	4.2%	0.2%	
OPM	7.8%	22.4%	8.9%	13.2%	18.5%	20.2%	11.4%	5.3%	12.6%	12.8%	0.6%	

(JPYmn)	FY03/18				FY03/19				FY03/20			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Cons. Est.
Sales	1,778	3,849	5,675	7,374	1,436	3,031	4,589	6,712	1,435	2,804	4,168	5,000
YoY	-54.6%	-53.7%	-55.9%	-58.5%	-19.2%	-21.3%	-19.1%	-9.0%	-0.1%	-7.5%	-9.2%	-25.5%
% of total sales	2.0%	2.0%	1.9%	1.7%	1.6%	1.6%	1.5%	1.5%	1.3%	1.3%	1.3%	1.1%
Operating profit	139	602	764	988	265	587	764	877	181	356	364	500
YoY	-81.1%	-60.1%	-68.5%	-71.2%	90.6%	-2.5%	0.0%	-11.2%	-31.7%	-39.4%	-52.4%	-43.0%
% of total OP	-	-	-	12.8%	-	72.9%	15.3%	5.0%	16.8%	6.8%	4.0%	2.7%
OPM	7.8%	15.6%	13.5%	13.4%	18.5%	19.4%	16.6%	13.1%	12.6%	12.7%	8.7%	10.0%

Source: Shared Research based on company data

- ▷ Cumulative Q3 FY03/20 sales: JPY4.2bn (-9.2% YoY)
- ▷ Operating profit: JPY364mn (-52.4% YoY)

Full-year company forecasts

Revisions to full-year FY03/20 company forecasts

- ▷ Sales: JPY465.0bn (Previous forecast: JPY460.0bn)
- ▷ Operating profit: JPY18.5bn (unchanged)
- ▷ Recurring profit: JPY15.5bn (unchanged)
- ▷ Net income: JPY14.0bn (unchanged)
- ▷ EPS: JPY161.83 (unchanged)

Background to forecast revisions after 1H and Q3

- ▷ The company revised its FY03/20 forecasts at the time of the 1H results announcement. The revised forecast was for sales of JPY460.0bn (+4.2% YoY), operating profit of JPY18.5bn (+5.6% YoY), recurring profit of JPY15.5bn (+0.1% YoY), and net income attributable to owners of the parent of JPY14.0bn (+66.6% YoY). It increased its sales forecast by JPY10.0bn and lowered recurring profit forecast by JPY1.5bn. OKI raised its sales forecast by JPY18.0bn for the ICT segment and lowered it by JPY8.0bn for the Printers segment. It lowered its recurring profit forecast to factor in forex losses.

- ▷ The revision announced with Q3 results increased the full-year sales forecast by JPY5.0bn but left profit and EPS forecasts unchanged. The forecasts for the ICT segment were raised—sales forecast increased by JPY11.0bn and operating profit forecast by JPY2.0bn—but EMS segment forecasts were lowered—sales forecast decreased by JPY7.0bn and operating profit forecast by JPY2.0bn. These revisions reflect the segments' performance through Q3. The changes to ICT and EMS operating profit forecasts offset each other, leaving the company's overall operating profit forecast unchanged from the 1H revision. The JPY5.0bn increase in the company's forecast for overall sales reflects the net positive JPY4.0bn change in sales after the revisions to ICT and EMS forecasts plus a JPY1.0bn upward revision to the company's forecast for Other segment sales.

This note is the most recent addition to the [full report](#).

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