

Financial Results for the FY Ended March 31, 2022

May 11, 2022

Oki Electric Industry Co., Ltd.

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1. Financial Results for FY2022/3

Summary of Financial Results

- Substantial supply chain impact resulted in decrease in sales and fall in each profit .
- Steadily implemented investments for the future and planned structural reforms.
- Net income remained in the black, supported by the sale of assets in non-focused areas and foreign exchange gains.

(Billion yen)	FY2022/3 Results	FY2022/3 Forecasts (As of Feb. 7)	Variance	FY2021/3 Results	Variance
Net sales	352.1	365.0	(12.9)	392.9	(40.8)
Operating income	5.9	9.0	(3.1)	8.9	(3.0)
Ordinary income	7.7	9.0	(1.3)	8.8	(1.1)
Profit attributable to owners of parent	2.1	3.5	(1.4)	(0.8)	+2.9
USD average exchange rate (Yen)	112.4	111.8	+0.6	105.7	+6.7
EUR average exchange rate (Yen)	130.6	130.2	+0.4	123.5	+7.1

*The accounting process was changed for SaaS (Software as a Service) at overseas subsidiaries applying IFRS. Accordingly, the said change is reflected in the values for results of FY2021/3. (The same applies hereinafter.)

- Summary of the financial results. The Company recorded sales of JPY352.1 billion, operating income of JPY5.9 billion, ordinary income of JPY7.7 billion, and net income of JPY2.1 billion.
- At the time of the previous announcement of the third quarter results, we revised our financial results to incorporate the impact of procurement of parts and materials. The impact continued to grow in the fourth quarter, and the usual rush demand at the end of the fiscal year was also sluggish, resulting in a large drop in operating income compared to the previous forecast. We sincerely apologize for the downward revision of our financial results as a result.
- Although the business environment was very difficult in FY2022/3, we were able to secure a positive final profit, supported by steady investments for the future and structural reforms, as well as the realization of asset sales in non-focused areas, which we had been pursuing for some time, and some foreign exchange gains.
- As a result, the year-end dividend for FY2022/3 will be JPY30 per share, as forecasted at the beginning of the fiscal year.
- Please note that due to the change in accounting treatment of cloud computing contract implementation costs at overseas subsidiaries that have adopted IFRS, the figures for FY2021/3 in this financial results announcement have been retroactively adjusted. The impact of this change is reflected below the operating income figure, which is a negative JPY0.6 billion.
- The average exchange rate during the period was JPY112.4 to the US dollar, a

depreciation of JPY6.7 against the previous fiscal year. The euro was JPY130.6, also JPY7.1 weaker than the previous fiscal year.

Segment Information (Net Sales/ Operating Income)

(Billion yen)

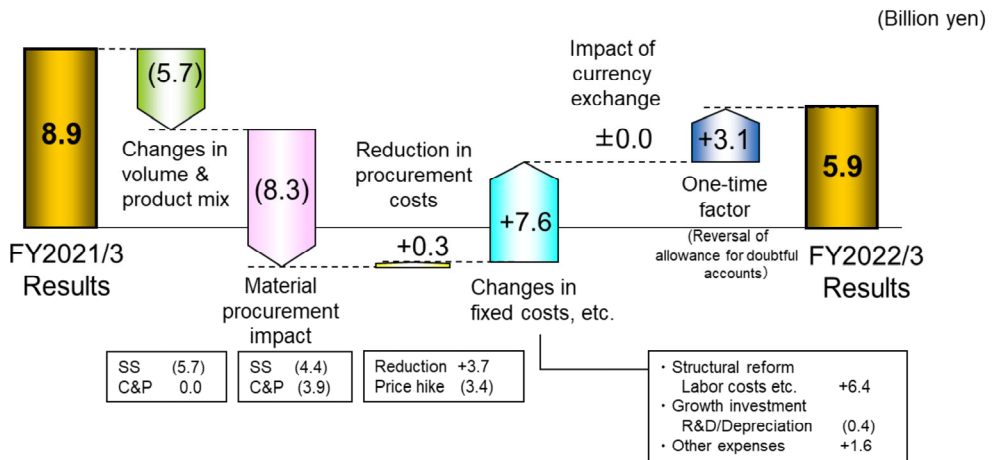
Net Sales	FY2022/3 Results	FY2022/3 Forecasts (As of Feb. 7)	Variance	FY2021/3 Results	Variance
Solution Systems	162.6	173.0	(10.4)	190.8	(28.2)
Components & Platforms	189.0	191.5	(2.5)	201.5	(12.5)
Others	0.4	0.5	(0.1)	0.6	(0.2)
Total	352.1	365.0	(12.9)	392.9	(40.8)

Operating Income	FY2022/3 Results	FY2022/3 Forecasts (As of Feb. 7)	Variance	FY2021/3 Results	Variance
Solution Systems	9.5	12.5	(3.0)	16.3	(6.8)
Components & Platforms	3.5	3.5	±0.0	(1.0)	+4.5
Others	0.3	0.0	+0.3	(0.1)	+0.4
Corporate & Eliminations	(7.5)	(7.0)	(0.5)	(6.4)	(1.1)
Total	5.9	9.0	(3.1)	8.9	(3.0)

- Net sales and operating income by segment.
- Sales of Solution Systems decreased by JPY28.2 billion from the previous fiscal year to JPY162.6 billion. The main breakdown of the YoY net sales decline was a negative JPY13 billion due to the impact of parts procurement and a negative JPY9 billion due to a decline from the absence of large orders.
- Components & Platforms posted sales of JPY189 billion, a decrease of JPY12.5 billion from the previous fiscal year. Components & Platforms also had a negative impact of about JPY17 billion on parts procurement.
- Next, operating income.
- Solution Systems decreased JPY6.8 billion YoY to JPY9.5 billion.
- Components & Platforms posted an operating profit of JPY3.5 billion, a JPY4.5 billion improvement from the previous fiscal year. The effect of fixed cost improvement in the Peripheral Products business has been steady, and even taking into account the reversal of the allowance for doubtful accounts for China ATM receivables recorded in the third quarter, we were able to record a profit in FY2022/3.
- The deterioration in head office expenses of approximately JPY1.1 billion from the previous fiscal year was mainly due to one-time expenses associated with the reorganization of offices in the Shibaura district.

Reasons for Changes in Operating Income

- Changes in volume was negative due to a decrease in Solution Systems, despite strong demand for FA/semiconductor manufacturing equipment.
- Impact of material procurement exceeded the previous forecast.
- Fixed costs improved through structural reform, reduction of group common costs, and cost control.

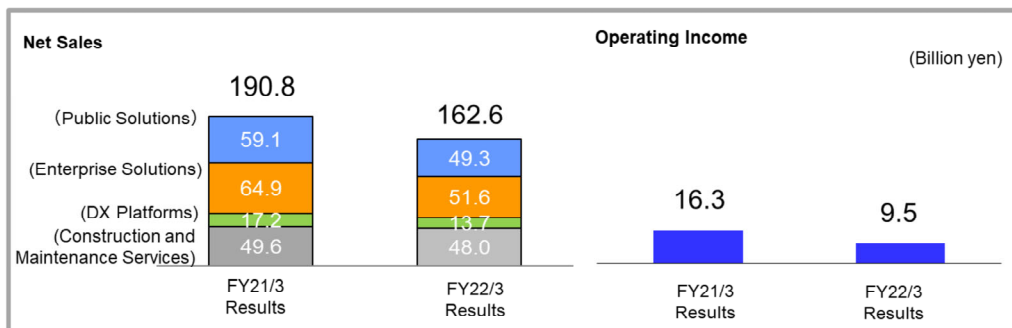


- The changes in operating income.
- The impact on profit due to difficulties in procuring parts and materials, which had the largest impact, was JPY8.3 billion. The breakdown is JPY4.4 billion for Solution Systems and JPY3.9 billion for Components & Platforms. This is the effect on profit of the approximately JPY30 billion decrease in net sales.
- Regarding procurement costs, the overall reduction was approximately JPY3.7 billion, but the impact of the price increase of parts and materials was JPY3.4 billion, resulting in a net reduction of only JPY0.3 billion. Since the impact of procurement of parts and materials is expected to continue for the time being, and the impact is significant, we have decided to disclose the information in this format for FY2022/3. However, since it is somewhat difficult to understand the true impact of procurement as a whole, especially in terms of price, we will further strengthen our internal management system and change the way we disclose the information to make it easier to understand in FY2023/3.
- The difference in volume variation & model mix was a negative JPY5.7 billion due to the significant impact of the decrease in the volume of Solution Systems. Components & Platforms was plus/minus zero. In the Components & Platforms segment, some businesses performed strong, but they were offset by the negative sales of overseas Peripheral Products, which are strategically restrained.
- Changes in fixed costs. The positive effect of structural reforms, such as headcount reductions mainly overseas in Components & Platforms and reductions in group-wide common expenses, which are part of the measures in

the medium-term business plan, resulted in an increase of approximately JPY6.4 billion. Although there was an increase in other expenses due to investments for growth, the total fixed costs decreased by JPY7.6 billion as a result of cost reduction measures such as curbing non-essential and non-urgent expenses.

Overview: Solution Systems Business

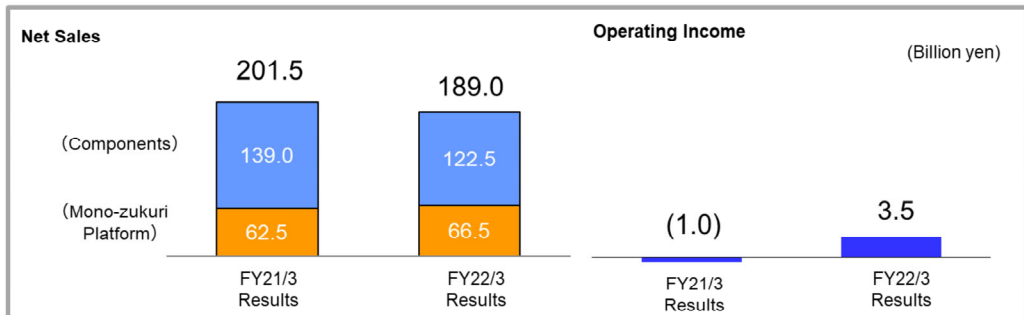
- Fell in each subsegment due to the impact of material procurement (¥13.1 B decrease in sales) and investment restraint. (DX domain sales of ¥32.3 B)
- Made steady progress in efforts to expand sales in the DX domain despite failure to achieve its target.
- Completed business transfer procedure for aircraft instrument business.



- Business overview of Solution Systems business.
- The deteriorating impact of procurement of parts and materials, combined with the accompanying investment restraint, unfortunately resulted in a greater-than-expected net sales decline.
- The DX domain, which is being promoted as a growth strategy, also did not perform well in FY2022/3, with sales of only JPY32.3 billion. However, we have the impression that there is an accumulation of promising projects from the beginning of FY2023/3 compared to previous fiscal years, including projects for which we have already received orders, projects for which we have a high probability of receiving orders, and social infrastructure-related projects that we have strategically procured. We are also focusing on the DX area, and in FY2023/3 we steadily expanded the number of co-creation partners and conducted PoC activities, which we hope will lead to rewards in FY2023/3 and beyond.
- We have successfully completed the transfer of the aircraft instrument business, and from this April, we have added new business which will contribute to the increase in sales.

Overview: Components & Platforms Business

- Components: sales decreased due to impact of materials procurement (¥10.0 B decrease in sales).
- Mono-zukuri Platforms: sales increased YOY due to strong demand for FA/semiconductor manufacturing equipment, despite impact of materials procurement (¥6.7 B decrease in sales).
- Profits returned to black due to a reduction in fixed costs in the Peripheral Products business.



- Business overview of the Components & Platforms business.
- In the Components & Platforms business, production was affected by a shortage of parts and materials in the fourth quarter, which was roughly within expectations, but the impact of lower production and a strategic narrowing of sales models in the Peripheral Products business resulted in lower sales compared to the previous fiscal year.
- In the Mono-zukuri Platforms business, sales increased compared to the previous fiscal year. There was a decrease in sales due to the impact of procurement of parts and materials, which suppressed sales. On the other hand, the FA/Semiconductor manufacturing equipment businesses continued to perform well, and we were able to make up for this.
- Profits improved significantly from the previous fiscal year to an operating surplus due to fixed cost improvements from structural reforms in the Peripheral Products business and a reversal of the allowance for doubtful accounts recorded in the third quarter.

Balance Sheets

- There is no major change in the composition of each asset and liability. Total assets were reduced.
- Shareholders' equity ratio decreased by 0.9 points

(Billion yen)	Mar. 2022	Mar. 2021	Variance
Current assets	211.8	222.2	(10.4)
Fixed assets	157.3	149.4	+7.9
Assets	369.2	371.5	(2.3)
Current liabilities	158.0	154.2	+3.8
Fixed liabilities	103.6	105.8	(2.2)
Liabilities	261.5	259.9	+1.6
Shareholders' equity	107.4	111.4	(4.0)
Others	0.2	0.3	(0.1)
Net assets	107.6	111.6	(4.0)
Total liabilities and net assets	369.2	371.5	(2.3)
Shareholders' equity ratio (%)	29.1	30.0	(0.9)
D/E ratio (times)	0.8	0.7	+0.1

- Basically, there is no significant change in the composition of each asset and liability.
- Total assets decreased JPY2.3 billion from the end of the previous period to JPY369.2 billion.
- Shareholders' equity decreased JPY4 billion to JPY107.4 billion.
- As a result, the shareholders' equity ratio was 29.1% and the DE ratio was 0.8 times.

Cash Flows

- Operating cash flow worsened YOY due to an increase in working capital caused by the supply chain impact.

(Billion yen)	FY2022/3 (Results)	FY2021/3 (Results)	Variance
I Cash flows from operating activities	5.9	17.4	(11.5)
II Cash flows from investing activities	(17.6)	(13.8)	(3.8)
Free cash flows (I + II)	(11.7)	3.6	(15.3)
III Cash flows from financing activities	1.7	(8.9)	+10.6
Cash and cash equivalents	33.4	41.8	(8.4)
Purchases of PP&E and intangible assets	21.7	25.8	(4.1)
Depreciation	12.6	12.8	(0.2)

- Free cash flow decreased to negative JPY11.7 billion. The increase in inventory due to shipping delays caused by securing parts and materials and shortage of parts and materials as supply chain impact countermeasures led to an increase in working capital.
- Cash equivalents amounted to JPY33.4 billion, which means that we have sufficient cash on hand to meet our cash needs.

(Reference) Quarterly Results

(Billion yen)

Net Sales	FY2021/3					FY2022/3				
	1Q	2Q	3Q	4Q	FY	1 Q	2Q	3Q	4Q	FY
Solution Systems	39.6	43.1	44.6	63.5	190.8	33.9	35.0	38.7	55.0	162.6
Components & Platforms	41.6	48.9	48.6	62.4	201.5	45.9	44.8	47.8	50.5	189.0
Others	0.2	0.1	0.2	0.1	0.6	0.1	0.1	0.1	0.1	0.4
Total	81.4	92.1	93.4	126.0	392.9	79.9	79.9	86.6	105.7	352.1

Operating Income	FY2021/3					FY2022/3				
	1Q	2Q	3Q	4Q	FY	1 Q	2Q	3Q	4Q	FY
Solution Systems	1.8	2.2	2.5	9.8	16.3	(0.1)	(0.1)	1.7	8.0	9.5
Components & Platforms	(1.6)	(2.1)	(0.6)	3.3	(1.0)	(1.6)	0.4	4.3	0.4	3.5
Others	0.0	(0.1)	(0.1)	0.1	(0.1)	0.0	0.1	0.1	0.1	0.3
Corporate & Eliminations	(1.2)	(1.6)	(1.8)	(1.8)	(6.4)	(1.3)	(1.8)	(2.1)	(2.3)	(7.5)
Total	(1.1)	(1.5)	0.0	11.5	8.9	(3.0)	(1.4)	4.0	6.2	5.9

2. Financial Forecasts for FY2023/3

Financial Forecasts

- Medium-Term Business Plan 2022 not achieved; revised as single-year plan
- Expect supply chain impact to continue this year
- Annual dividend plan: ¥30.00 per share

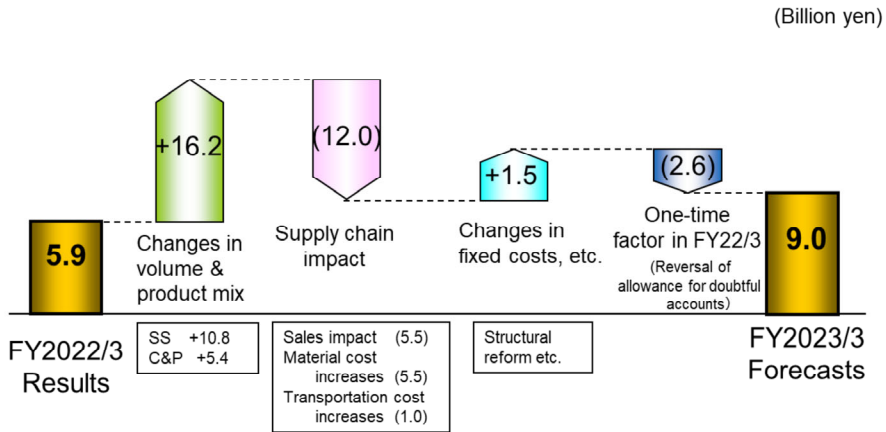
(Billion yen)		FY2023/3 Forecasts	FY2022/3 Results	Variance
Solution Systems	Net sales	210.0	162.6	+47.4
	Operating income	14.0	9.5	+4.5
Components & Platforms	Net sales	215.0	189.0	+26.0
	Operating income	2.0	3.5	(1.5)
Others	Net sales	0.0	0.4	(0.4)
	Operating income	0.0	0.3	(0.3)
Corporate & Eliminations	Operating income	(7.0)	(7.5)	+0.5
Total	Net sales	425.0	352.1	+72.9
	Operating income	9.0	5.9	+3.1
	Ordinary income	8.0	7.7	+0.3
	Profit attributable to owners of parent	3.0	2.1	+0.9

Exchange rate assumptions: ¥115/USD
¥130/EUR

- I will explain our forecast for FY2023/3.
- Unfortunately, supply chain impacts are expected to continue for the foreseeable future. Therefore, in formulating the plan for the current fiscal year, we have made certain assumptions that the plan will incorporate trends from the second half of the previous fiscal year and that we will allocate more resources to business areas that are relatively unaffected by supply chains.
- To reiterate, there is still no prospect of a conclusion to the impact of procurement on the market, and the possibility that the impact may be greater than currently expected cannot be ruled out. However, we are very grateful for the strong base demand for the value we provide and the fact that it is hard to replace. OKI intends to realize this plan by carefully monitoring the procurement situation and taking flexible measures to deliver products to customers as quickly as possible.
- Under these circumstances, although FY2023/3 is the final year of the current medium-term business plan, we will put aside the performance targets set in the mid-term plan and will operate business under a single-year plan.
- Now, Mr. Mori will explain the concept of this year's business operation and its positioning in relation to the current and next medium-term business plan.

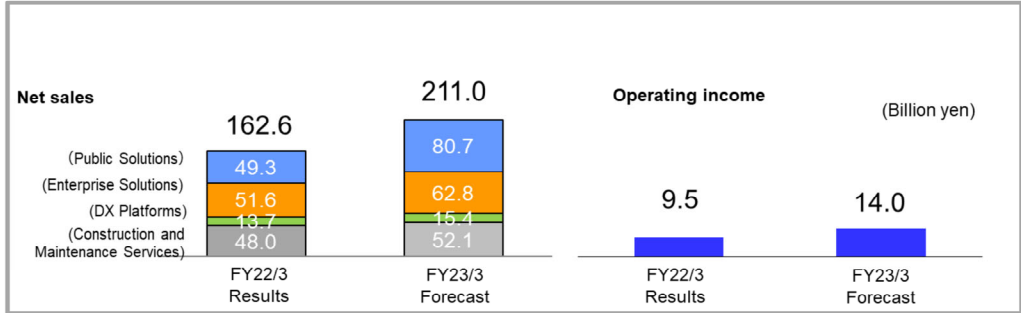
(Reference) Reasons for Changes in Operating Income

- Plan YOY profit increase by offsetting the negative impact of supply chain issues and one-time factor with increases in volume, including shift from previous year, and improvement in fixed costs.

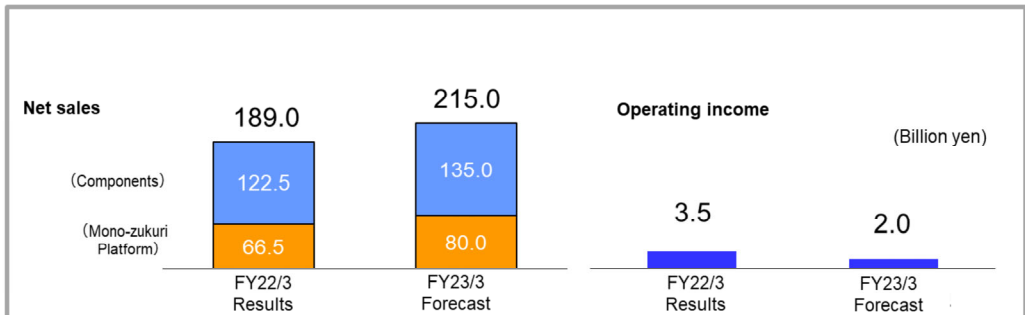


(Reference) Business Overview

Solution Systems Business



Components & Platforms Business



(Reference) Investments and Cash Flows Forecasts

■ Continue to make investments essential for sustainable growth.

Investments (Billion yen)	FY2023/3 Forecasts	FY2022/3 Results	Variance
Capital Expenditure*	25.0	22.3	+2.7
Depreciation*	14.0	11.5	+2.5
R&D	12.0	11.5	+0.5

*Scope: property, plant, and equipment, and intangible assets.

Cash Flows (Billion yen)	FY2023/3 Forecasts	FY2022/3 Results	Variance
I Cash flows from operating activities	22.0	5.9	+16.1
II Cash flows from investing activities	(24.0)	(17.6)	(6.4)
Free cash flows (I + II)	(2.0)	(11.7)	+9.7

3. Management Policy for FY2023/3

Progress of Medium-Term Business Plan 2022

【Structural Reforms】

- ① **Restructuring Business Portfolio**
 - Strengthen development structure (700 people)
 - Narrow down printer models and rationalization of overseas sales sites
- ② **Strengthening Mono-zukuri Infrastructure**
 - Integration/reorganization of production subsidiaries, review of overseas production sites, promotion of Virtual One Factory, transition to smart factory
- ③ **Cost Reforms in Shared Group Functions**
 - **Procurement cost**
 - Personnel and expenses: function sharing, office efficiency

【Growth Strategy】

- ① **Solution Systems**
 - **Increase sales in DX domain**
 - Acquire aviation equipment business
- ② **Components & Platforms**
 - **Create new products and strengthen market access**
 - Expand DMS in Mono-zukuri Platforms business
- ③ **Innovation**
 - **Challenge new fields for new normal**
- ④ **Growth Investment : Investment execution in accordance with strategy**

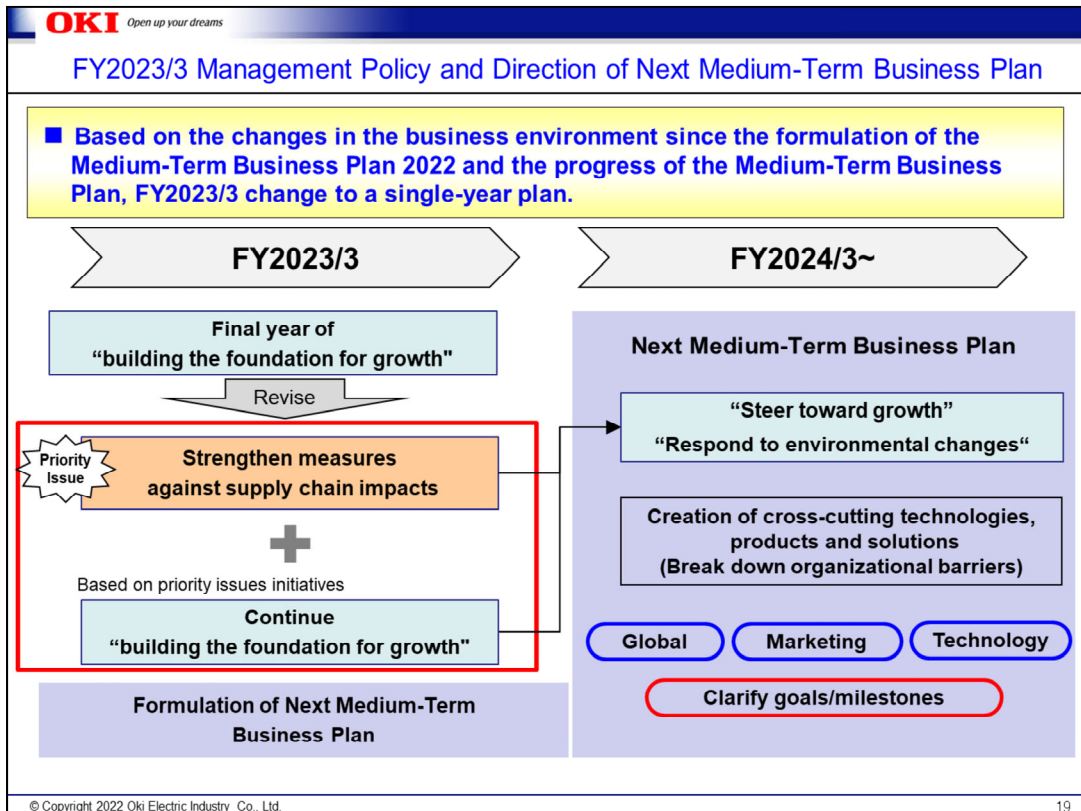
Environmental changes since the formulation of the Medium-Term Business Plan (prolonged COVID-19 and normalization of supply chain issues)



Difficulty in achieving targets of Medium-Term Business Plan 2022

- I am Mori, President of the Company. I will explain our future management policy.
- I would like to review the current medium-term business plan.
- We believe that structural reforms are progressing almost as planned. The first is the restructuring of the business portfolio. In this area, we are making steady progress in strengthening the development system and reforming the printer business, and the situation is becoming such that it will contribute to our business performance. In addition, with respect to the second point, which is strengthening Mono-zukuri infrastructure, we have firmly implemented the integration and reorganization of our production subsidiaries and the reform of our overseas production bases. And just last month, a new building was completed at the Honjo Factory. This is a symbol of Virtual One Factory and smart factory, and with this factory as a starting point, manufacturing reforms will start to progress rapidly.
- On the other hand, issues remain regarding growth strategies. We have been going through a difficult patch regarding business performance. In particular, there has been a delay in progress in expanding the DX area and creating new products, which is one of the reasons for the weak performance. OKI has been actively promoting innovation activities for the past four years. We have been conducting a great deal of educational activities, and awareness is spreading among many of our employees, but there are still issues to be addressed in terms of putting this into practice in our business.
- This situation is due to major changes in the business environment, including

the impact of the COVID-19 pandemic and parts procurement. OKI's ability to respond to changes in the business environment has been a bit lacking, and I understand that this makes it difficult to achieve the goals of this medium-term business plan.



- In light of this situation, we have set forth our future management policy. We regret to inform you that we have decided to drop the achievement of the goals of the medium-term business plan 2022 and will focus on the crisis response as a single-year plan for the current year.
- In this sense, our first priority is to take measures to deal with the supply chain impact, which has the greatest impact on our current business performance, and we intend to focus on improving our company-wide response to this issue. At the same time, I believe that we must properly define growth for the next medium-term business plan after this year. The right half of the diagram shows such a concept.
- The challenge is to steer the Company toward growth and the ability to respond to changes in the environment. In addressing this challenge, we aim for creation of cross-functional technologies, products, and solutions. Until now, OKI's strategy and policy development has been based on business units. We feel that reform and innovation activities in small units will limit our ability to respond to changes and provide value in the future. In this sense, I believe that our mission is to break down organizational barriers, and to incorporate in this medium-term business plan a strategy that will enable OKI to take on the challenges of growth markets as a unified entity. The key words are global strategy, marketing strategy, and technology strategy. The key is whether or not we can stick to this area and draw a strategy with a story behind it.
- At the same time, I regret that the image of goals and milestones in the various

strategies we have presented up to now have been somewhat unclear. I believe that by including very clear goals and milestones in the plan, we will gain the understanding of our stakeholders and raise awareness within our company of the need to achieve our goals.

- It's been about one month since my assumption of office as President. I have started visiting the sites of our operation whenever possible, and I realized that various technological and product developments are taking place there that I had never heard of before. So, I am beginning to realize that if such information and things are shared more and more, we can make a lot of things happen.
- Additionally, through the conversation with key people in various business units, I realized that even people in departments that are quite conservative in their planning have big dreams and challenging goals. This makes me wonder why it is so difficult to get such information to surface or to get things moving forward. My role is to make a company where everyone can share their own idea and implement them through discussion.
- I am convinced that we can surely become a company that can grow again by clearly drawing up a strategy with a story in the next mid-term plan, and by generating empathy among our employees.
- That is all from me. Thank you very much for your time today.

(Reference) Major Products and Services

Solution Systems

■ Public Solutions

- Roads (ETC, VICS), air traffic control, disaster preparedness, fire prevention
- Business systems for central government offices, government statistics systems
- Defense systems (underwater acoustics, information)
- Infrastructure monitoring

■ Enterprise Solutions

- Carrier networks, video distribution, 5G/local 5G
- Bank branch systems, system to centralized back office operations
- Railway ticket issuance systems, airport check-in systems
- Manufacturing systems (ERP, IoT)

■ DX Platforms (products and services)

- AI edge computers, sensors, IoT networks
- PBXs, business phones, contact centers
- Cloud services

■ Construction and Maintenance Services

Components & Platforms

■ Components

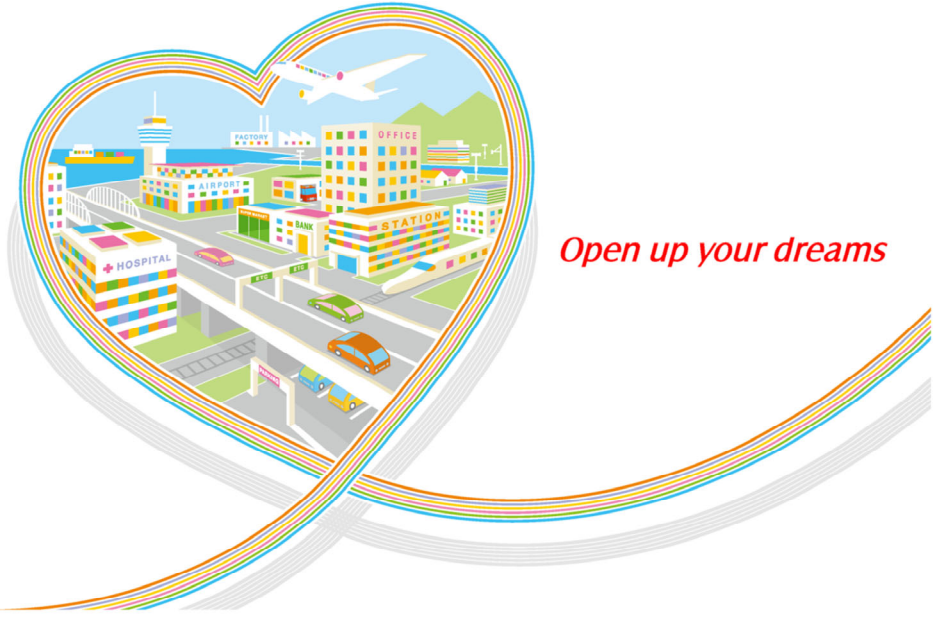
- ATMs, cash handling equipment
- Bank branch terminals, ticket reservations issuing terminals, check-in terminals
- ATM monitoring/operation services
- LED printers
- Wide format inkjet printers
- Dot-impact printers

■ Mono-zukuri Platforms

- Consigned designing and manufacturing services
- Printed circuit boards

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.



Open up your dreams