Financial Results for 1H of the FY Ending March 31, 2022

November 11, 2021

Oki Electric Industry Co., Ltd.

OKI Open up your dreams

Summary of Financial Results

- Material procurement impact such as semiconductors expanded.
- Net sales decreased YOY in Solution Systems business.
- Operating income decreased YOY due to decreased sales.
- Extraordinary loss recorded on restructuring costs due to closure of printer plant in China.

(Billion yen)	1H FY2022/3 (Results)	1H FY2021/3 (Results)	Variance
Net sales	159.8	173.5	(13.7)
Operating income (loss)	(4.4)	(2.6)	(1.8)
Ordinary income (loss)	(4.3)	(3.2)	(1.1)
Profit (loss) attributable to owners of parent	(6.7)	(5.4)	(1.3)

USD average exchange rate (Yen)	109.8	106.9	+2.9
EUR average exchange rate (Yen)	130.9	121.3	+9.6

- In H1 of FY2021, we promoted the implementation of structural reforms and the building of the foundation for growth, but unfortunately, the impact of parts procurement including semiconductors expanded, which resulted in operating profit and loss and the other items in the red. Both sales and profits decreased YoY.
- On the other hand, I would like to report that when comparing them with the targets of the initial plan, with some differences among the segments, the results are generally in line with the targets, excluding the supply chain.
- Sales decreased by JPY13.7 billion to JPY159.8 billion, and operating income was a loss of JPY4.4 billion. For both sales and operating income, the decline in sales of the Solution Systems was significant in H1 of the year.
- Ordinary income remained at a loss of JPY4.3 billion, partly due to an improvement in the exchange rate.
- Profit attributable to owners of parent turned to be a loss of JPY6.7 billion, partly due to the end of production at the printer plant in China and the posting of business restructuring expenses of JPY2.5 billion.
- The average exchange rate during H1 was JPY109.8 against the US dollar, which was JPY2.9 weaker than the previous year. The average exchange rate against the euro was JPY130.9, which was also weaker by JPY9.6.

OKI Open up your dreams

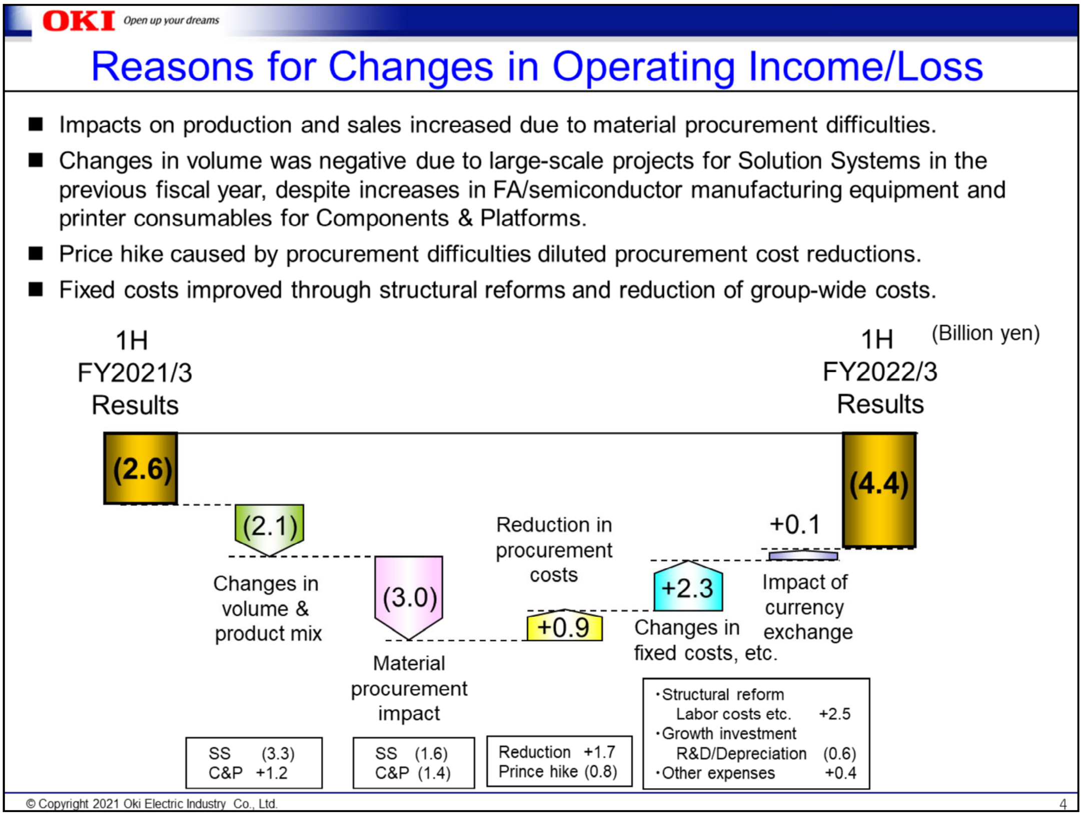
Segment Information (Net Sales/ Operating Income)

(Billion yen)

Net Sales	1H FY2022/3 (Results)	1H FY2021/3 (Results)	Variance
Solution Systems	68.9	82.7	(13.8)
Components & Platforms	90.7	90.5	+0.2
Others	0.2	0.3	(0.1)
Total	159.8	173.5	(13.7)

Operating Income	1H FY2022/3 (Results)	1H FY2021/3 (Results)	Variance
Solution Systems	(0.2)	4.0	(4.2)
Components & Platforms	(1.2)	(3.7)	+2.5
Others	0.1	(0.1)	+0.2
Corporate & Eliminations	(3.1)	(2.8)	(0.3)
Total	(4.4)	(2.6)	(1.8)

- For Solution Systems, sales was JPY68.9 billion, a decrease of JPY13.8 billion from the previous year. In addition to the decline in reaction to the major project in the previous fiscal year, which was announced in our previous financial results announcement, there was the impact of material procurement resulting in the reduced income.
- For Components & Platforms, sales increased by JPY0.2 billion YoY to JPY90.7 billion. As in the case of Solution Systems, despite the impact of material procurement, the business for FA and semiconductor manufacturing equipment, as well as demand for consumables in Europe and the United States, secured an increase in income.
- Next up is operating income. Operating income decreased by JPY4.2 billion YoY to an operating loss of JPY0.2 billion for Solution Systems.
- With regard to Components & Platforms, operating income improved by JPY2.5 billion YoY and resulted in a loss of JPY1.2 billion due to structural reforms, particularly the effects of fixed-cost reductions in the Peripheral Products business.



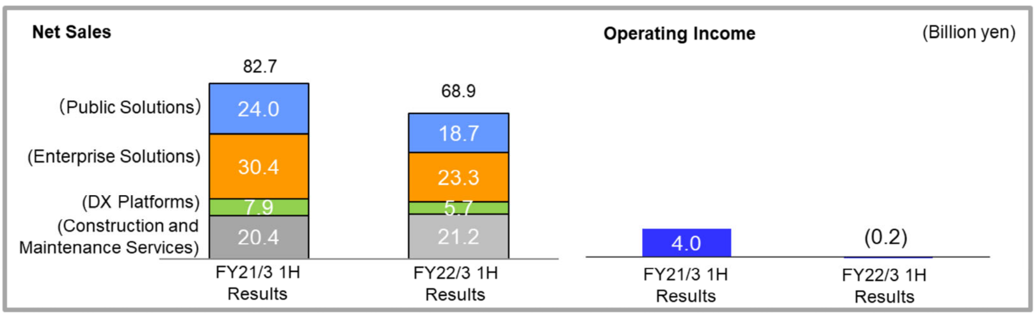
- First, I would like to talk about the impact on the material procurement. As shown in the lower part of waterfall chart, the Company as a whole faced a negative impact of about JPY3.0 billion.
- On the left side, for the changes in volume and product mix. JPY3.3 billion due to the decrease in volume for the Solution Systems was caused by the reaction of the networking for telecommunication carrier and system for government agency in the previous fiscal year. This negative amount was partially offset by the sales of FA and semiconductor manufacturing equipment of the Components & Platforms, as well as increased volumes of printer consumables in Europe and the United States.
- Procurement costs were reduced by approximately JPY1.7 billion, but due to the impact of the price increase caused by the difficulty of procurement, the total reduction of cost was JPY0.9 billion only.
- The decrease in fixed costs was approximately JPY2.5 billion, due mainly to the reduction in the number of personnel mainly overseas in the Components & Platforms, and the effects of structural reforms such as the reduction in common expenses among group companies, which is one of the Group measures outlined in the medium-term business plan. On the other hand, there was an increase in expenses due to investment for growth and expenses, et cetera, resulting in a total decrease in fixed costs of JPY2.3 billion.

OKI Open up your dreams

Overview: Solution Systems Business

- Decreased sales and profit due to large projects in Public and Enterprise in the previous fiscal year, in addition to the impact of material procurement for Enterprise and DX Platforms. Business environment remains unchanged except for material procurement issues.
- 1H DX domain sales of ¥13.9 B (Public 3.3, Enterprise 8.0, DX-PF 2.6)

- TOPICS
  - Started construction on new plant in Honjo area (realization of smart factories with consideration for reducing environmental impact)
  - Acquired aviation equipment business (expansion of TOKKI business portfolio)
  - Launched new product: AI video monitoring system Flying View® (DX domain growth)

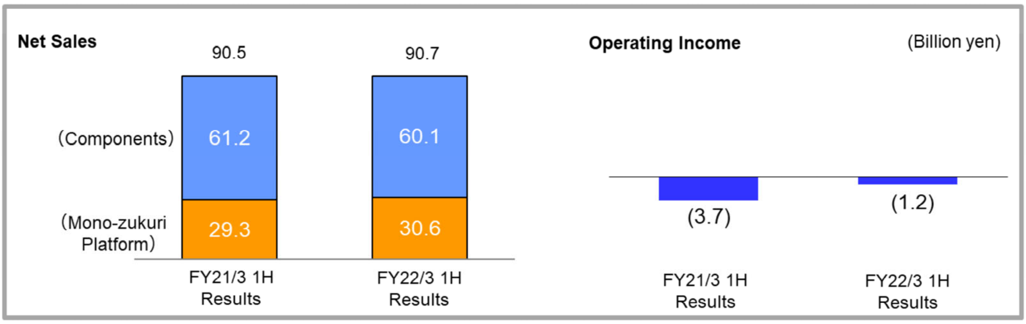


- Overview of the Solution Systems business.
- In addition to the fact that our original plan has more emphasis on Q4 of this fiscal year, the negative impact of the material procurement mentioned earlier is strongly reflected in the results of H1. However, there will be no major changes in the business environment, except for the impact of material procurement.
- For the progress of our growth strategy in the DX domain, we achieved sales of JPY13.9 billion for H1 of this fiscal year. The number of projects with a high probability of sales has reached approximately 70% of the JPY40.0 billion target for this fiscal year.
- I would like to continue with the topics for this fiscal year.
- The first is the start of construction of a new factory in the Honjo area. The factory is the first large-scale production facility in Japan to receive ZEB certification. As a flagship factory, to strengthen our infrastructure of Mono-zukuri, we plan to complete construction in April next year and start full-scale operations in May.
- Secondly, we will acquire the aviation equipment business from the Yokogawa Group as one of the investments to build a foundation for future growth. We will expand our business in the Public Solutions domain by developing our business from FY2022.
- Lastly, we have started selling Flying View as a new product to expand the DX domain. We will aim to expand its sales as an AI edge strategic product, utilizing OKI's video and AI technologies.

OKI Open up your dreams

Overview: Components & Platforms Business

- Mono-zukuri Platforms: strong demand for FA/semiconductor manufacturing equipment. Components: steady demand for printer consumables in Europe and the U.S. Gradually recovered from COVID-19 situation in overseas market in Automation Systems, although the situation varies by region.
  The production impact due to the shortage of materials increased.
- Profits improved significantly due to the reduction of fixed costs resulting from structural reforms in Peripheral Products business.
- TOPICS
  - Ended printer production in China and consolidated at the Thai plant. Reorganization of the global production map is almost complete.



- Overview of the Components & Platforms business.
- In the Mono-zukuri Platforms business, sales to the FA and semiconductor manufacturing equipment markets continue to be strong. As for the Components business, sales of printer consumables in Europe and the United States have been strong, and the overseas markets for Automation Systems is gradually showing signs of recovery from the impact of the COVID-19 disaster of the previous year, although there are still variations among regions.
- On the other hand, due to production delays caused by a shortage of parts, overall sales of Components & Platforms increased only slightly from the previous year.
- In terms of operating income, the structural reform of the Peripheral Products business in the Components business has made steady progress, and the effect of fixed-cost reduction has resulted in a significant improvement in profits.
- In terms of topics, we terminated production at our printer factory in China and transferred it to our factory in Thailand. Re-organization of the global production map is progressing as planned, and this marks the end of one phase.

OKI Open up your dreams

Balance Sheets

- There is no major change in the composition of each asset and liability. Total assets were reduced.
- Shareholders' equity ratio decreased by 0.6 points.

(Billion yen)	Sep 2021	Mar. 2021	Variance
Current assets	198.7	222.2	(23.5)
Fixed assets	151.8	151.0	+0.8
Assets	350.4	373.2	(22.8)
Current liabilities	151.6	154.2	(2.6)
Fixed liabilities	94.5	105.8	(11.3)
Liabilities	246.1	259.9	(13.8)
Shareholders' equity	104.2	113.0	(8.8)
Others	0.2	0.3	(0.1)
Net assets	104.4	113.3	(8.9)
Total liabilities and net assets	350.4	373.2	(22.8)

Shareholders' equity ratio (%)	29.7	30.3	(0.6)
D/E ratio (times)	0.7	0.7	±0.0

- Balance sheet.
- There has been no significant change in the composition of each asset and liability. Fluctuations were caused by seasonality only.
- Total assets decreased by JPY22.8 billion from the end of the previous fiscal year to JPY350.4 billion.
- Shareholders' equity decreased by JPY8.8 billion to JPY104.2 billion. As a result, shareholders' equity ratio was 29.7%, and the D/E ratio was 0.7.

OKI Open up your dreams

Cash Flows

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

(Billion yen)	1H FY2022/3 (Results)	1H FY2021/3 (Results)	Variance
Ⅰ Cash flows from operating activities	9.9	16.6	(6.7)
Ⅱ Cash flows from investing activities	(7.5)	(10.1)	+2.6
Free cash flows（Ⅰ＋Ⅱ）	2.4	6.5	(4.1)
Ⅲ Cash flows from financing activities	(6.3)	(6.7)	+0.4
Cash and cash equivalents	38.0	46.2	(8.2)
Purchases of PP&E and intangible assets	7.2	20.1	(12.9)
Depreciation	6.4	6.1	+0.3

- Cash flow.
- Free cash flow was positive JPY2.4 billion. The situation has worsened compared to the previous year. This is due to the securing of parts as a countermeasure to the impact of the supply chain and an increase in inventory due to delayed shipments caused by a shortage of parts.
- The large YoY change in investment cash flow is the result of technical changes associated with the acquisition and sale of real estate in the Shibaura and the Warabi areas in the previous year.
- Cash and cash equivalents totaled JPY38 billion, leaving us with sufficient cash reserves.

Financial Forecasts

- Initial forecasts left unchanged.

	(Billion yen)	FY2022/3 Forecasts	FY2021/3 Results	Variance
Solution Systems	Net sales	198.5	190.8	7.7
	Operating income	16.5	16.3	0.2
Components & Platforms	Net sales	201.0	201.5	(0.5)
	Operating income	2.5	(0.4)	2.9
Others	Net sales	0.5	0.6	(0.1)
	Operating income	0.0	(0.1)	+0.1
Corporate & Eliminations	Operating income	(7.0)	(6.4)	(0.6)
Total	Net sales	400.0	392.9	7.1
	Operating income	12.0	9.5	2.5
	Ordinary income	12.0	9.4	2.6
	Profit attributable to owners of parent	3.5	(0.2)	3.7

*The figures for FY2021/3 have been restated.

Exchange rate assumptions: ¥105/USD
¥120/EUR

- The full-year forecast.
- First, assuming that the impact of material procurement will continue in H2 of the fiscal year, we have conservatively factored in the impacts that can be assumed at this time and have left our full-year forecast unchanged at this time.
- As for Solution Systems, the Enterprise Solutions and DX Platforms businesses, which include products such as network terminals and PBXs that are still being affected, are expected to continue to face difficult conditions. On the other hand, the profit structure of Construction and Maintenance services has improved due to the reduction of variable costs and the streamlining of various operations, which has resulted in an upward trend compared to the targets, and we expect growth in H2.
- For Components & Platforms, the impact of material procurement is expected to be in full swing in Q3, mainly in the Automation Systems business. However, there is no change in the overall plan from the initial plan due to the recovery of the market since last year, including Mono-zukuri Platforms.

Financial Forecasts

■ Material procurement impact is expected to continue in the second half.

The full-year forecast remains unchanged after conservatively factoring in the impact currently anticipated.

■ Initiatives toward material procurement impact

・Production measures such as expansion of suppliers and flexible operation

・Price optimization in response to cost increase

・Cost measures

- The impact of parts procurement is not stable enough for us to declare when things will normalize. However, we will continue to focus on achieving the medium-term management plan as a whole, while controlling the impact by continuing and strengthening measures such as expansion of suppliers, production measures, optimization of sales prices in response to cost increases, and other measures against costs and other costs.
- This concludes the presentation on our financial results for H1.
- Thank you very much for your attention.

(Reference) Quarterly Results

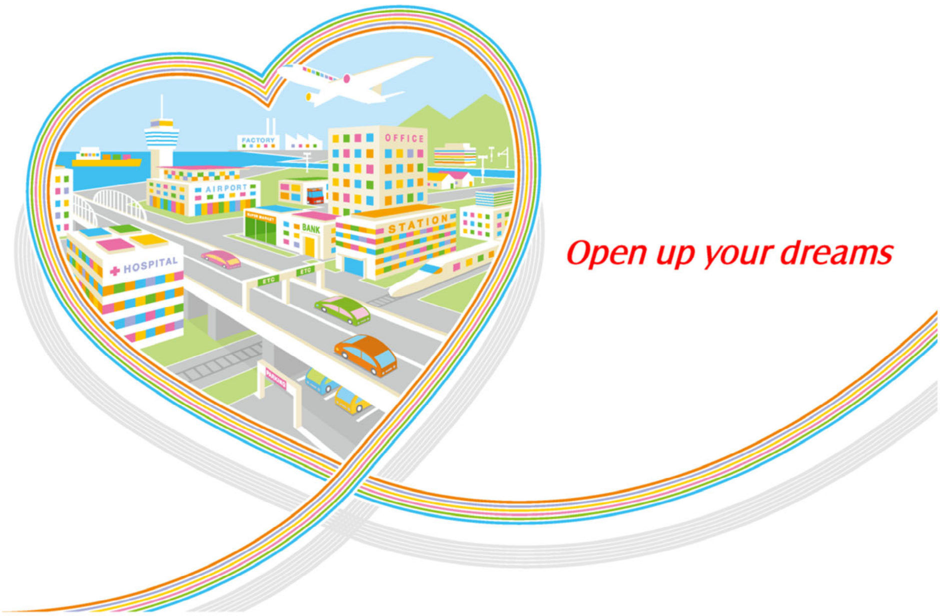
(Billion yen)

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

Operating Income	FY2021/3					FY2022/3	
	1Q	2Q	3Q	4Q	FY	1Q	2Q
Solution Systems	1.8	2.2	2.5	9.8	16.3	(0.1)	(0.1)
Components & Platforms	(1.6)	(2.1)	(0.6)	3.9	(0.4)	(1.6)	0.4
Others	0.0	(0.1)	(0.1)	0.1	(0.1)	0.0	0.1
Corporate & Eliminations	(1.2)	(1.6)	(1.8)	(1.8)	(6.4)	(1.3)	(1.8)
Total	(1.1)	(1.5)	0.0	12.1	9.5	(3.0)	(1.4)

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