

Financial Results for Q1 of the FY Ending March 31, 2022

August 12, 2021

Oki Electric Industry Co., Ltd.

Executive Summary

■ Q1 FY 2022/3 Results

- ✓ Net sales and operating income were generally in line with forecasts, except for supply chain impact.
- ✓ Structural reform costs (for sales companies in Europe and the U.S.) were recorded as extraordinary losses.

■ FY 2022/3 Outlook

(External Environment)

- ✓ Emerging countries still affected by the COVID-19.
- ✓ Material procurement risk for semiconductors, etc. arises due to supply chain conditions.
- ✓ FA and semiconductor manufacturing equipment markets in particular continue to be strong upon recovery in manufacturing industry.

(Earnings Forecasts)

- ✓ Initial forecasts left unchanged.
- ✓ Strive to minimize material procurement risk through production adjustments, cost measures etc.

- In the first quarter of FY2021, although we posted losses in operating income and loss and profit/loss attributable to the owners of the parent, net sales and operating income were generally in line with our expectations, excluding the impact of the supply chain.
- As for the current business environment surrounding our company for the current fiscal year, unfortunately, we are still affected by the coronavirus crisis in emerging countries overseas, and we are also aware of the emerging risk of procuring materials such as semiconductors through the supply chain. On the other hand, supported by the recovery of the manufacturing industry in general and the favorable market environment for FA and semiconductor manufacturing equipment in particular, our Mono-zukuri Platforms business is also benefiting.
- Based on the circumstances described above, we have not made any changes to our annual business forecast from the initial plan. In addition, regarding the material procurement risk, we will control the material procurement, adjust the delivery date to customers, and adjust the production, including cost measures, to control the impact.

Summary of Financial Results

- Net sales decreased YOY due to the decrease in Solution Systems despite the increase in Components & Platforms.
- Operating income decreased YOY due to a significant decrease in sales.
- Non-operating income improved due to foreign exchange gains. Extraordinary loss posted on restructuring costs for sales companies in Europe and the U.S.

(Billion yen)	Q1 FY2022/3 (Results)	Q1 FY2021/3 (Results)	Variance
Net sales	79.9	81.4	(1.5)
Operating income (loss)	(3.0)	(1.1)	(1.9)
Ordinary income (loss)	(2.8)	(2.1)	(0.7)
Profit (loss) attributable to owners of parent	(3.8)	(3.3)	(0.5)
USD average exchange rate (Yen)	109.5	107.6	+1.9
EUR average exchange rate (Yen)	132.0	118.5	+13.5

- Net sales decreased by JPY1.5 billion YoY to JPY79.9 billion. Components & Platforms saw an increase in sales, but Solution Systems saw a significant decrease in sales during the quarter, resulting in an overall decrease in sales compared to the previous year.
- In terms of income and loss, we posted an operating loss of JPY3 billion due to the decrease in net sales, and an ordinary loss of JPY2.8 billion as a result of improved non-operating income/loss due to improved foreign exchange rates.
- In addition, JPY600 million in business restructuring costs was recorded as an extraordinary loss, resulting in loss attributable to owners of parent of JPY3.8 billion.
- The average exchange rate during the period was JPY109.5 to USD1, JPY1.9 weaker than the previous year, and JPY132 to EUR1, JPY13.5 weaker in the same way.

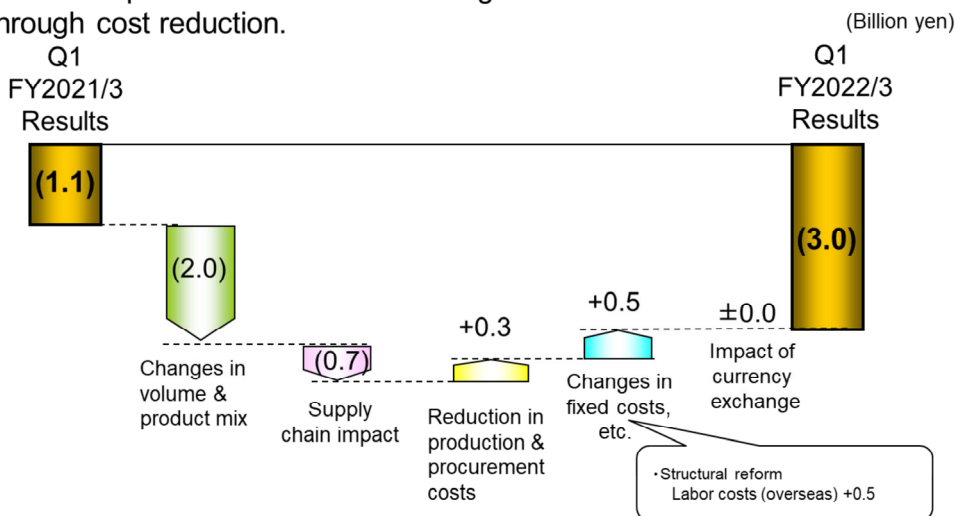
Segment Information (Net Sales/ Operating Income)

(Billion yen)			
Net Sales	Q1 FY2022/3 (Results)	Q1 FY2021/3 (Results)	Variance
Solution Systems	33.9	39.6	(5.7)
Components & Platforms	45.9	41.6	+4.3
Others	0.1	0.2	(0.1)
Total	79.9	81.4	(1.5)
Operating Income	Q1 FY2022/3 (Results)	Q1 FY2021/3 (Results)	Variance
Solution Systems	(0.1)	1.8	(1.9)
Components & Platforms	(1.6)	(1.6)	0.0
Others	0.0	0.0	0.0
Corporate & Eliminations	(1.3)	(1.2)	(0.1)
Total	(3.0)	(1.1)	(1.9)

- In terms of sales, sales of Solution Systems decreased by JPY5.7 billion YoY to JPY33.9 billion, while sales of Components & Platforms increased by JPY4.3 billion YoY to JPY45.9 billion. Although sales of Solution Systems decreased due to a large project in the first half of last year, sales of Components & Platforms increased YoY due to market conditions such as economic recovery in Europe and the U.S., and recovery in the domestic manufacturing industry, despite the lingering effects of coronavirus in emerging countries overseas.
- In terms of operating income. Solution Systems reported an operating loss of JPY100 million, a decrease of JPY1.9 billion YoY. Looking at the quarter, the impact of the decline in sales was significant, and this, combined with the impact of the supply chain, resulted in an operating loss. In terms of Components & Platforms, some of the benefits of the favorable market and the effects of structural reforms that we have been promoting since last year have begun to appear, but due to up-front investment to further strengthen the top line, etc., operating loss was JPY1.6 billion, the same amount as the previous fiscal year.

Reasons for Changes in Operating Income/Loss

- Changes in volume were mainly in Solution Systems.
- For Components & Platforms, the effect of increased volume was offset by increased costs of upfront investment in automated machines etc.
- Increased procurement costs including semiconductors were absorbed through cost reduction.

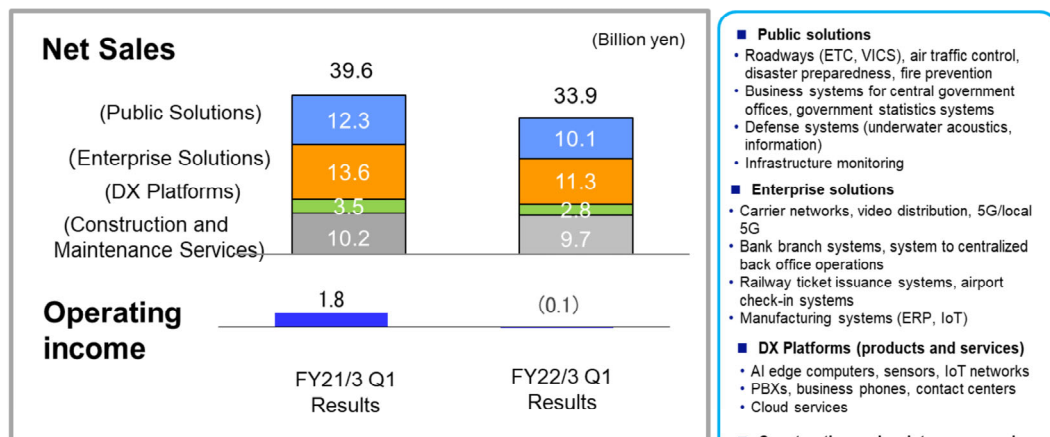


- This is a staircase chart that shows changes in operating income from the previous year. Please note that from this time onwards, the round-up is not in units of JPY500 million, but in actual numbers.
- First of all, the impact of volume fluctuations and model composition differences from the previous year are large due to the impact of the decreased volume in Solution Systems in this quarter. This was partially offset by an increase in Components & Platforms. However, due to increased costs, such as up-front investment for further growth of the top line in the future mainly in the field of automatic machines, total sales were negative JPY2 billion.
- As for the impact of the supply chain in the first quarter, the overall impact on our company was approximately JPY700 million, mainly due to difficulties in procuring materials such as semiconductors.
- The structural reforms listed in the medium-term plan, especially the reduction of procurement costs, have been countered by about the same amount, but on the contrary, due to the impact of price increases due to procurement difficulties, the effect of reducing procurement costs as a whole was only about JPY300 million.
- In addition, the effects of the structural reforms implemented overseas were approximately JPY500 million this quarter, and although we are making steady progress in reducing the fixed cost base, overall profits are down YoY.

Overview: Solution Systems Business

■ Q1 Results

- Generally in line with forecasts, except for supply chain impact
- Sales of DX domain steadily increasing toward the annual plan (Q1 Sales ¥6.2 B)

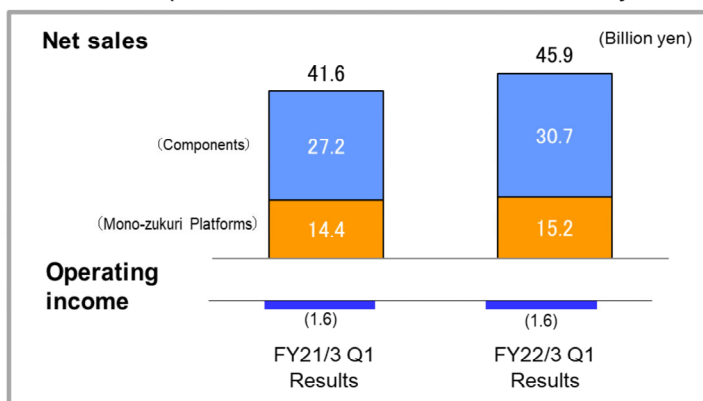


- Based on the explanations given by the business units at the time of the last financial results announcement, this page shows the movements of each business sub-segment in comparison with the previous year. In addition to this, we would like to periodically report on the progress of the DX domain, which is also an important growth strategy for the Solution Systems business in the future.
- As for the sales results for this first quarter, sales in this DX domain were JPY6.2 billion, but the pipeline is steadily building up to achieve the annual plan. We will continue to report in this way in the future.

Overview: Components & Platforms Business

■ Q1 Results:

- Mono-zukuri(manufacturing) Platforms: Sales for FA/semiconductor manufacturing equipment continued to perform well.
- Components: Sales increased. Demand for printer consumables increased upon the economic recovery in the Europe and the U.S. Emerging countries still facing COVID-19 impact. Negative impact from semiconductor and other supply chains.
- Profits: Peripheral Products business and Mono-zukuri Platforms business covered the burden of upfront investment of the Automation Systems business.



- Mono-zukuri (manufacturing) Platforms is benefiting from continued strong sales, mainly for FA and semiconductor manufacturing equipment.
- In addition, there have been positive developments in the Components field as well, such as increased demand for printer consumables due to economic recovery in Europe and the United States, and an increase in the number of units installed in the domestic market for automated machines. On the other hand, the impact of coronavirus overseas, especially in APAC and other emerging countries, unfortunately continues, but we were able to achieve an increase in sales for the top line as a whole.
- On the earnings front, as I have explained in the past, the Peripheral Products business and the Mono-zukuri Platforms business improved and boosted operating income, but operating income was at the same level as the previous year, mainly due to the burden of prior investments in the Automation Systems business.

Balance Sheets

- ✓ There is no major change in the composition of each asset and liability. Total assets were reduced.
- ✓ Shareholders' equity ratio decreased by 0.3 points.

(Billion yen)	Jun. 2021	Mar. 2021	Variance
Current assets	205.1	222.2	(17.1)
Fixed assets	151.2	151.0	+0.2
Assets	356.2	373.2	(17.0)
Current liabilities	147.1	154.1	(7.0)
Fixed liabilities	102.1	105.8	(3.7)
Liabilities	249.2	259.9	(10.7)
Shareholders' equity	106.8	113.0	(6.2)
Others	0.2	0.3	(0.1)
Net assets	107.0	113.3	(6.3)
Total liabilities and net assets	356.2	373.2	(17.0)
Shareholders' equity ratio (%)	30.0	30.3	(0.3)
D/E ratio (times)	0.7	0.7	±0

- As for the balance sheet, there are no significant changes in the composition of assets and liabilities.
- Total assets decreased by JPY17 billion from the end of the previous fiscal year to JPY356.2 billion, and shareholders' equity decreased by JPY6.2 billion to JPY106.8 billion. As a result, the equity ratio was 30% and the DE ratio was 0.7 times.

Cash Flows

■ Free cash flow improved due to improvements in working capital.

(Billion yen)	Q1 FY2022/3 (Results)	Q1 FY2021/3 (Results)	Variance
I Cash flows from operating activities	21.4	16.0	+5.4
II Cash flows from investing activities	(4.3)	(3.5)	(0.8)
Free cash flows (I + II)	(17.1)	12.5	+4.6
III Cash flows from financing activities	(6.6)	(6.8)	+0.2
Cash and cash equivalents	52.5	52.1	+0.4
Purchases of PP&E and intangible assets	4.6	2.5	+2.1
Depreciation	3.1	3.0	+0.1

- The cash flows.
- Free cash flow increased by JPY4.6 billion YoY as a result of the improvement in working capital and better operating cash flow.

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

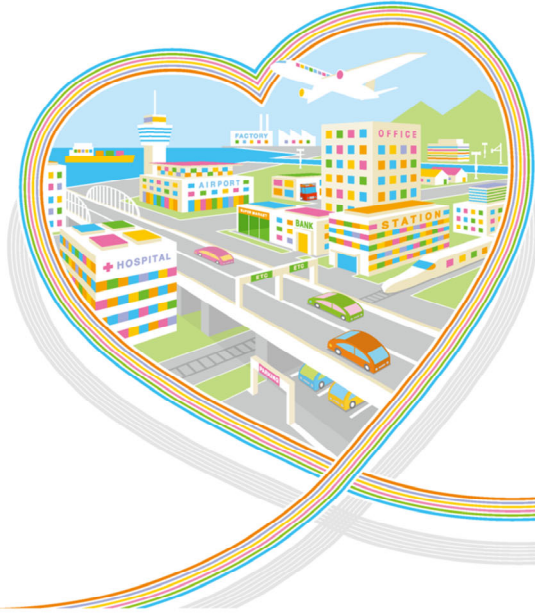
*Restate figures for FY2021/3 have been revised.

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

- To conclude, this is the full-year financial forecasts.
- As I have explained, there are still uncertainties and risks that we cannot dispel, such as the effects of the coronavirus crisis in some regions and the impact of the supply chain. However, the entire company will work as 1 to take various measures and focus on achieving the medium-term business plan. Therefore, there is no change in the annual forecasts from the initial plan.
- This is a brief explanation of our financial results for the first quarter.
- Thank you very much for listening.

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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