

Financial Results for the FY Ended March 31, 2023

May 10, 2023

Oki Electric Industry Co., Ltd.

Summary of Financial Results

- While both net sales and operating income were weak, they were mostly in line with previous forecasts.
(operating income in real terms was unchanged YOY).
- Ordinary income was worse than expected due to reclassification of expenses (about ¥0.9B: extraordinary loss to non-operating).
- Extraordinary losses declined from the previous year, mainly due to restructuring costs.

| (Billion yen) | FY2023/3 Results | FY2023/3 Forecasts (As of Feb. 9) | Variance | FY2022/3 Results | Variance |
|---|---------------------|---|----------|---------------------|----------|
| Net sales | 369.1 | 372.0 | (2.9) | 352.1 | +17.0 |
| Operating income | 2.4 | 3.0 | (0.6) | 5.9 | (3.5) |
| Ordinary income | (0.3) | 0.5 | (0.8) | 7.7 | (8.0) |
| Profit attributable to owners of parent | (2.8) | (3.0) | +0.2 | 2.1 | (4.9) |
| USD average exchange rate (Yen) | 135.5 | 136.2 | △0.7 | 112.4 | +23.1 |
| EUR average exchange rate (Yen) | 141.0 | 141.2 | △0.2 | 130.6 | +10.4 |

- This is a summary of financial results for FY2022. Net sales of JPY369.1 billion, operating income of JPY2.4 billion, ordinary loss of JPY0.3 billion, and net loss of JPY2.8 billion.
- Net sales and operating income were slightly weaker than the previous forecast but were generally within the forecast range.
- Accordingly, we plan to pay a dividend of JPY20 for FY2022 as previously forecasted.
- Compared to the previous year, net sales increased by JPY17 billion and operating income decreased by JPY3.5 billion, but after factoring in provisions, results in real terms were almost on par with the previous year.
- Ordinary loss was JPY0.3 billion due to the reclassification of JPY0.9 billion from extraordinary loss to nonoperating expenses, which was planned to be recorded in the previous forecast. The larger negative figure compared to the previous year is due to the JPY3.5 billion deterioration in nonoperating expenses resulting from the revaluation of foreign currency-denominated assets.
- Extraordinary losses decreased significantly, partly due to a decrease in restructuring costs and partly due to reclassification to nonoperating expenses. As a result, net loss was JPY2.8 billion.
- Note that the average exchange rates are JPY135.5 for US dollars and JPY141 for euros, as shown at the bottom of the page.

Segment Information (Net Sales/ Operating Income)

(Billion yen)

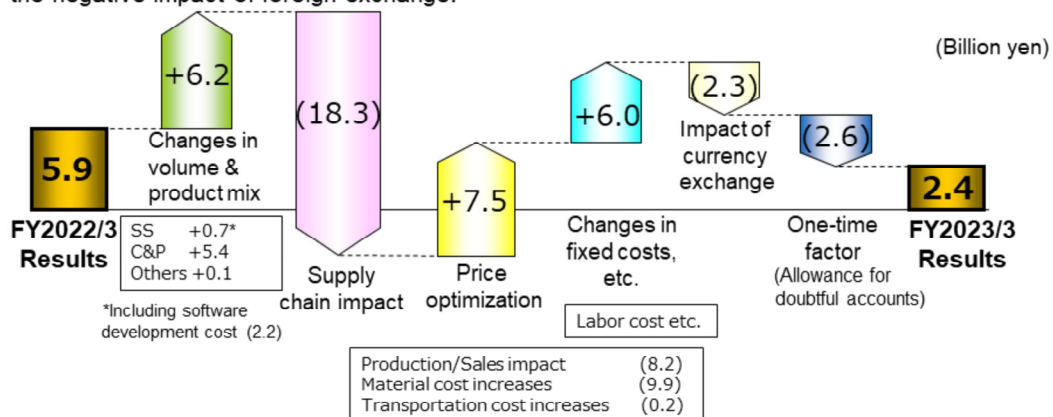
| Net Sales | FY2023/3 Results | FY2023/3 | Variance | FY2022/3 | Variance |
|------------------------|---------------------|-----------------------------|--------------|--------------|--------------|
| | | Forecasts (As of Feb. 9) | | Results | |
| Solution Systems | 179.4 | 183.0 | (3.6) | 162.6 | +16.8 |
| Components & Platforms | 189.2 | 189.0 | +0.2 | 189.0 | +0.2 |
| Others | 0.5 | 0.0 | +0.5 | 0.4 | +0.1 |
| Total | 369.1 | 372.0 | (2.9) | 352.1 | +17.0 |

| Operating Income | FY2023/3 Results | FY2023/3 | Variance | FY2022/3 | Variance |
|--------------------------|---------------------|-----------------------------|--------------|------------|--------------|
| | | Forecasts (As of Feb. 9) | | Results | |
| Solution Systems | 8.5 | 9.5 | (1.0) | 9.5 | (1.0) |
| Components & Platforms | (0.1) | 0.0 | (0.1) | 3.5 | (3.6) |
| Others | 0.4 | 0.0 | +0.4 | 0.3 | +0.1 |
| Corporate & Eliminations | (6.4) | (6.5) | +0.1 | (7.5) | +1.1 |
| Total | 2.4 | 3.0 | (0.6) | 5.9 | (3.5) |

- This shows sales and operating income by segment.
- Solution Systems business increased by JPY16.8 billion due to the inclusion of projects left over from the previous fiscal year and an increase in sales from the aircraft equipment business. Operating income, on the other hand, declined by JPY1.0 billion due to higher procurement costs, foreign exchange effects, and further increases in software development costs.
- In Components and Platforms business, net sales were at the same level as the previous year due to an increase in the business for FA/semiconductor manufacturing equipment and the effect of foreign exchange rates, which offset the decline in sales of Automation Systems business. Operating income was negative JPY0.1 billion, down by JPY3.6 billion from the previous year.

Reasons for Changes in Operating Income/Loss

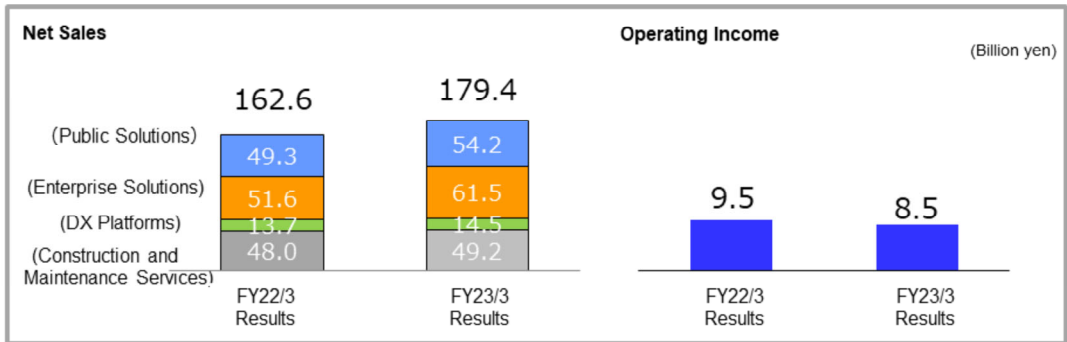
- The volume increased due to the winning of projects that were shifted from the previous year.
- Sales shifts and material cost increases due to supply chain impacts continued throughout the year.
We reduced the impact of increased material costs by optimizing prices.
Production will recover next fiscal year due to supply chain measures such as replacement parts through design changes.
- Fixed costs decreased due to structural reforms and cost controls.
- Income declined in comparison with one-time earnings recorded in the previous year and due to the negative impact of foreign exchange.



- From left to right in the chart are the volume change and the difference in model mix. While some projects from the previous year were captured, the increase in revenue was limited to JPY6.2 billion due to sluggish growth in DX projects and other projects, as well as increased costs for software development projects in the Solution Systems business.
- That right, supply chain impact. This had a total impact of JPY18.3 billion. The breakdown is JPY8.2 billion in deferred sales and JPY9.9 billion in higher material costs. This impact has been offset by JPY7.5 billion in price optimization measures.
- Fixed costs decreased by JPY6.0 billion mainly due to the effect of structural reforms and cost containment in Components and Platforms business. Other foreign exchange effects and a reactionary decrease in onetime revenues from the previous year are shown in the chart.
- The effects of supply chain measures, which we addressed as our top priority, were only partially realized during FY2022, such as price optimization, but for FY2023, we expect to realize a wide range of effects through the design changes we have made and measures taken by our suppliers.

Overview: Solution Systems Business

- Net sales increased YOY in all business areas due to the winning of projects that were shifted from the previous year and the acquisition of the aircraft equipment business.
- Operating income declined from the previous year due in part to deteriorating profitability in new fields including higher costs for software development projects in Enterprise Solutions and the negative impact of foreign exchange.
- DX domain sales: ¥40.4 B (¥32.3 B in the same period last year).
The target was not achieved due to unmatched needs and timing, as well as a lack of narrowing.



- Business overview of Solution Systems Business.
- Net sales increased in all business areas compared to the previous year. Recovery is making firm progress. On the other hand, operating income decreased by JPY1.0 billion from the previous year.
- Net sales in the DX domain were JPY40.4 billion. Although the increase was JPY8.1 billion more than the previous year, it fell short of the plan. Although PoC and other demonstration experiments have made progress, it is still taking some time before commercialization.

Overview: Components & Platforms Business

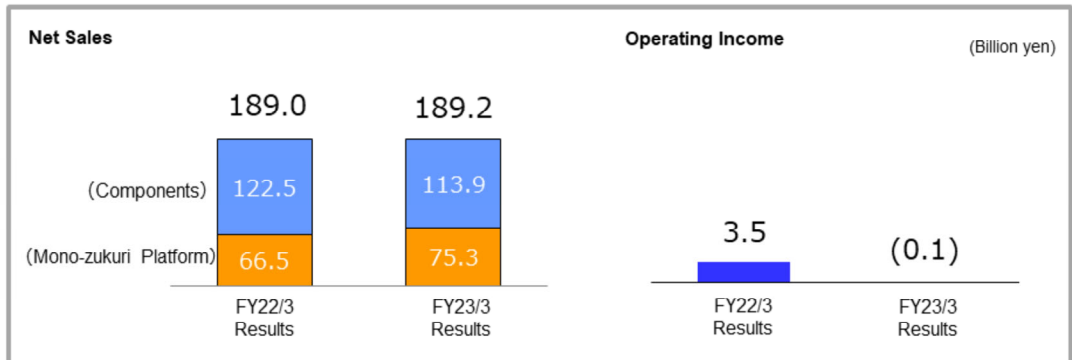
- Net sales of Mono-zukuri Platforms for FA/semiconductor manufacturing equipment continued to be strong.

Net sales of Components decreased due to the impact of semiconductor shortages on production in the Automation Systems business.

Net sales in the Peripheral Products business increased due to the impact of foreign exchange rates.

- Excluding one-time factors and foreign exchange effects, operating income was almost unchanged from the previous year.

The decline in sales in the Automation Systems business was offset by favorable performance in Mono-zukuri platforms, price optimization and a decrease in fixed costs for the Peripheral Products business.



- Business overview of the Components and Platforms business.
- Net sales in the Mono-zukuri Platform business increased by JPY8.8 billion from the previous year, driven by the business for FA/semiconductor manufacturing equipment.
- On the other hand, overall sales in the Component business decreased due to the significant impact of lower production in the Automation Systems business caused by the shortage of semiconductors, despite the positive impact of foreign exchange rates in the Peripheral Products business.
- In terms of operating income, we managed to keep it at the same level as the previous year in real terms by offsetting the impact of lower production in the Automation Systems business, with the effects of increased sales in the Mono-zukuri Platform business, price optimization, and structural reforms at overseas subsidiaries.

Balance Sheets

- Borrowings increased due to increased inventories stemming from supply chain impacts, but inventories decreased from the end of Q3.
For Q4, inventories decreased by ¥9.3 B and receivables increased by ¥13.8 B.
- Shareholders' equity ratio decreased by 3.7 percentage points.

| (Billion yen) | Mar. 2023 | Mar. 2022 | Variance |
|----------------------------------|-----------|-----------|----------|
| Current assets | 230.2 | 211.8 | +18.4 |
| Fixed assets | 160.2 | 157.3 | +2.9 |
| Assets | 390.4 | 369.2 | +21.2 |
| Current liabilities | 205.3 | 158.0 | +47.3 |
| Fixed liabilities | 85.9 | 103.6 | (17.7) |
| Liabilities | 291.1 | 261.5 | +29.6 |
| Shareholders' equity | 99.1 | 107.4 | (8.3) |
| Others | 0.2 | 0.2 | ±0.0 |
| Net assets | 99.3 | 107.6 | (8.3) |
| Total liabilities and net assets | 390.4 | 369.2 | +21.2 |
| Shareholders' equity ratio (%) | 25.4 | 29.1 | (3.7) |
| D/E ratio (times) | 1.2 | 0.8 | +0.4 |

- Inventories increased approximately JPY18 billion from the beginning of the period.
- As a result, outstanding borrowings also increased by approximately JPY30 billion. However, as previously explained, the situation at the end of the period was as follows, inventories peaked in Q3 and declined by JPY9.3 billion in Q4. On the other hand, trade receivables increased by JPY13.8 billion from Q3 due to higher sales of Solution Systems Business at the end of the fiscal year.
- Total assets increased JPY21.2 billion from the end of the previous period to JPY390.4 billion.
- Shareholders' equity decreased JPY8.3 billion to JPY99.1 billion.
- As a result, the equity ratio was 25.4% and the D/E ratio was 1.2x.

Cash Flows

- Operating cash flow worsened YOY due to increased working capital from supply chain impacts.

| (Billion yen) | FY2023/3 (Results) | FY2022/3 (Results) | Variance |
|--|-----------------------|-----------------------|----------|
| I Cash flows from operating activities | (3.1) | 5.9 | (9.0) |
| II Cash flows from investing activities | (17.6) | (17.6) | ±0.0 |
| Free cash flows (I + II) | (20.7) | (11.7) | (9.0) |
| III Cash flows from financing activities | 23.3 | 1.7 | +21.6 |
| Cash and cash equivalents | 37.5 | 33.4 | +4.1 |
| Purchases of PP&E and intangible assets | 16.5 | 21.7 | (5.2) |
| Depreciation | 12.3 | 12.6 | (0.3) |

- Free cash flow was negative JPY20.7 billion. As a supply chain impact measure, inventory increased and working capital increased due to delays in shipments caused by securing parts and materials and by the shortage of parts and materials.
- With cash equivalents of JPY37.5 billion, the Company has the necessary cash on hand.

(Reference) Quarterly Results

(Billion yen)

| Net Sales | FY2022/3 | | | | | FY2023/3 | | | | |
|------------------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|--------------|--------------|
| | 1Q | 2Q | 3Q | 4Q | FY | 1Q | 2Q | 3Q | 4Q | FY |
| Solution Systems | 33.9 | 35.0 | 38.7 | 55.0 | 162.6 | 36.1 | 38.4 | 44.7 | 60.2 | 179.4 |
| Components & Platforms | 45.9 | 44.8 | 47.8 | 50.5 | 189.0 | 41.9 | 46.1 | 49.1 | 52.1 | 189.2 |
| Others | 0.1 | 0.1 | 0.1 | 0.1 | 0.4 | 0.1 | 0.1 | 0.2 | 0.1 | 0.5 |
| Total | 79.9 | 79.9 | 86.6 | 105.7 | 352.1 | 78.1 | 84.7 | 93.8 | 112.5 | 369.1 |

| Operating Income | FY2022/3 | | | | | FY2023/3 | | | | |
|--------------------------|--------------|--------------|------------|------------|------------|--------------|--------------|--------------|------------|------------|
| | 1Q | 2Q | 3Q | 4Q | FY | 1Q | 2Q | 3Q | 4Q | FY |
| Solution Systems | (0.1) | (0.1) | 1.7 | 8.0 | 9.5 | (1.2) | 0.3 | 1.2 | 8.2 | 8.5 |
| Components & Platforms | (1.5) | 0.4 | 4.5 | 0.1 | 3.5 | (0.8) | 0.1 | (0.4) | 1.0 | (0.1) |
| Others | 0.1 | 0.0 | 0.1 | 0.1 | 0.3 | 0.1 | 0.1 | 0.2 | 0.0 | 0.4 |
| Corporate & Eliminations | (1.4) | (1.7) | (2.1) | (2.3) | (7.5) | (1.1) | (1.5) | (1.7) | (2.1) | (6.4) |
| Total | (2.9) | (1.3) | 4.1 | 6.0 | 5.9 | (3.0) | (1.0) | (0.8) | 7.2 | 2.4 |

Financial Forecasts

- Net sales and profit increased YOY.
- We forecast an annual dividend of 30 yen per share (up 10 yen from the previous year).

Exchange rate assumptions: ¥130/USD
¥140/EUR

*Results for FY2023/3 have been retroactively adjusted based on the reclassification of business segments effective April 1, 2023

| (Billion yen) | | FY2024/3 Forecasts | FY2023/3 Results | Variance |
|--------------------------|--|-----------------------|---------------------|--------------|
| Public Solutions | Net sales | 98.0 | 95.7 | +2.3 |
| | Operating income | 4.0 | 3.4 | +0.6 |
| Enterprise Solutions | Net sales | 178.0 | 112.9 | +65.1 |
| | Operating income | 11.5 | 1.5 | +10.0 |
| Component Products | Net sales | 81.0 | 84.6 | (3.6) |
| | Operating income | 2.0 | 1.6 | +0.4 |
| EMS | Net sales | 83.0 | 75.3 | +7.7 |
| | Operating income | 2.5 | 2.3 | +0.2 |
| Others | Net sales | 0 | 0.5 | (0.5) |
| | Operating income | (1.5) | 0.4 | (1.9) |
| Corporate & Eliminations | Operating income | (7.5) | (6.8) | (0.7) |
| Total | Net sales | 440.0 | 369.1 | +70.9 |
| | Operating income | 11.0 | 2.4 | +8.6 |
| | Ordinary income | 8.5 | (0.3) | +8.8 |
| | Profit attributable to owners of parent | 4.0 | (2.8) | +6.8 |

- This is the forecast for FY2023, the current fiscal year.
- In the current fiscal year, the effects of supply chain measures implemented in the previous fiscal year are expected to be evident and production volume is expected to recover. By doing so, we plan to improve both sales and profits by capturing demand for projects left over from the previous fiscal year and large projects in the current fiscal year.
- In line with the organizational changes implemented in April of this year, the disclosure segments have been changed from FY2023. The details will be clarified in the midterm management plan to be explained later.
- The planned annual dividend is JPY30 per share, an increase of JPY10 from FY2022.

Reasons for Changes in Operating Income

- In addition to the shift from the previous year due to the effect of materials procurement, large projects will boost volume significantly.
- Fixed costs increased due to growth investments (labor, capital investment and R&D). We position labor costs as human capital expenses and invest for growth.



- This is a variable factor in operating income in FY2023.
- Here is a chart showing the plan I just described.
- As we have done in the past, we will continue to give priority to investments that are essential for growth.
- In addition, from this fiscal year, we have positioned human capital investment for growth and incorporated into our plan an increase of approximately JPY4.0 billion over the previous year.
- This is all for a summary of the financial results.

(Reference) Investments and Cash Flows Forecasts

- We will continue to make necessary investments for sustainable growth.

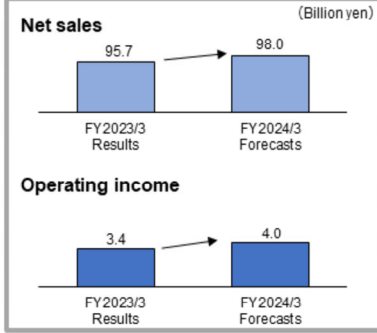
| Investments (Billion yen) | FY2024/3 Forecasts | FY2023/3 Results | Variance |
|------------------------------|-----------------------|---------------------|----------|
| Capital Expenditure* | 24.0 | 18.7 | +5.3 |
| Depreciation* | 15.5 | 11.3 | +4.2 |
| R&D | 13.0 | 9.6 | +3.4 |

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

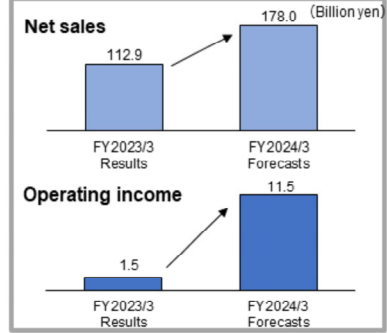
| Cash Flows (Billion yen) | FY2024/3 Forecasts | FY2023/3 Results | Variance |
|---|-----------------------|---------------------|----------|
| I Cash flows from operating activities | 28.0 | (3.1) | +31.1 |
| II Cash flows from investing activities | (24.0) | (17.6) | (6.4) |
| Free cash flows (I + II) | 4.0 | (20.7) | +24.7 |

(Reference) Business Overview

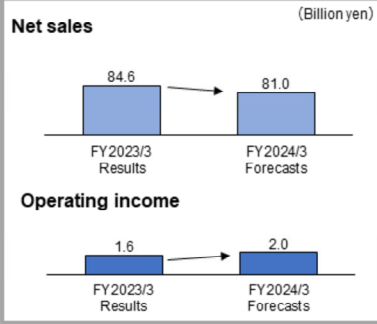
Public Solutions



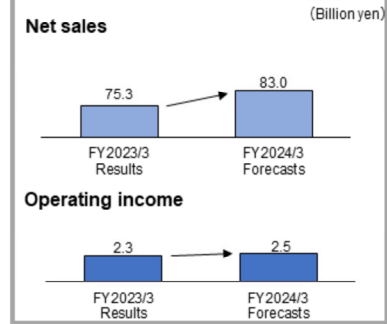
Enterprise Solutions



Component Products



EMS



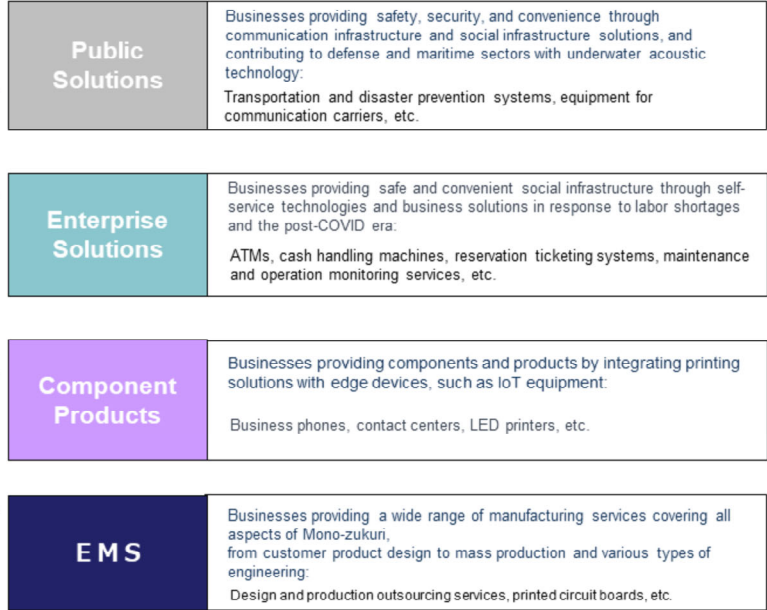
(Reference) Revision of Business Segments

- Transition to a management structure focusing on market alignment and value chain optimization.

Up to FY2022



FY2023 onwards



(Reference) Major Products and Services

■ 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)
- Aircraft equipment
- Infrastructure monitoring
- Carrier networks, video distribution, 5G/local 5G

■ Enterprise Solutions

- ATMs, cash handling equipment
- Bank branch terminals, ticket reservations issuing terminals, check-in terminals
- ATM monitoring/operation services
- Bank branch systems, system to centralized back office operations
- Railway ticket issuance systems, airport check-in systems
- Manufacturing systems (ERP, IoT)
- Construction and Maintenance Services

■ Component Products

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

■ EMS

- 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.