

# Financial Results for Q1 of the FY Ending March 31, 2023

August 10, 2022

Oki Electric Industry Co., Ltd.

## Summary of Financial Results

- We continued to be affected by difficulties in procuring semiconductors and other materials.
- Net sales decreased, due to a production decline caused by a shortage of materials, such as semiconductors.
- Despite the impact on the supply chain, operating income remained unchanged, due to a decrease in fixed costs and other factors.
- Net income improved YOY, due to a decrease in extraordinary losses resulting from structural reforms.

(Billion yen)	Q1 FY2023/3 (Results)	Q1 FY2022/3 (Results)	Variance
Net sales	78.1	79.9	(1.8)
Operating income (loss)	(3.0)	(2.9)	(0.1)
Ordinary income (loss)	(3.1)	(2.6)	(0.5)
Profit (loss) attributable to owners of parent	(3.2)	(3.7)	+0.5
USD average exchange rate (Yen)	129.6	109.5	+20.1
EUR average exchange rate (Yen)	138.1	132.0	+6.1

- In Q1, sales were JPY78.1 billion, operating loss was JPY3 billion, and loss attributable to owners of parent was JPY3.2 billion, almost the same level as the previous year.
- First, let me explain the impact of the supply chain. In the market as a whole, there has been an increase in distribution volume, which appears to be an impact of inventory adjustment, and there are some bright spots toward a future normalization of supply, but the overall situation still remains uncertain, especially for regular products.
- In OKI's Q1 results, while some parts and materials were available ahead of schedule, there were new supply shortages of parts and delays in the delivery of semi-finished products such as servers and products of other companies.
- Operating income was almost the same level as the previous year due to positive factors, such as an increase for strong businesses and a decrease in fixed costs, despite some negative effects from the supply chain.
- The impact of volatile exchange rate had a positive impact of approximately JPY1 billion on net sales. There are both positive and negative impacts on income items, but in the end, we achieved the final results without any major impact.
- Net income/loss for the quarter improved by JPY0.5 billion from the previous year due to a decrease in extraordinary losses as structural reforms have passed the most critical phase.
- As shown at the bottom of the page, the average exchange rate during the

period was JPY129.6 to the US dollar, a depreciation of JPY20.1 from the previous year, and JPY138.1 to the euro, also depreciation of JPY6.1.

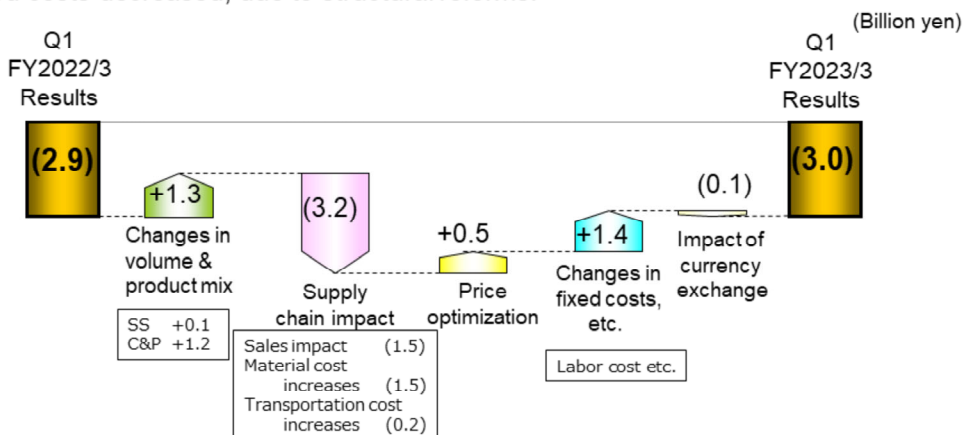
## Segment Information (Net Sales/ Operating Income)

(Billion yen)			
<b>Net Sales</b>	Q1 FY2023/3 (Results)	Q1 FY2022/3 (Results)	Variance
Solution Systems	36.1	33.9	+2.2
Components & Platforms	41.9	45.9	(4.0)
Others	0.1	0.1	±0.0
Total	78.1	79.9	(1.8)
<b>Operating Income</b>	Q1 FY2023/3 (Results)	Q1 FY2022/3 (Results)	Variance
Solution Systems	(1.2)	(0.1)	(1.1)
Components & Platforms	(0.8)	(1.5)	+0.7
Others	0.1	0.1	±0.0
Corporate & Eliminations	(1.1)	(1.4)	+0.3
Total	(3.0)	(2.9)	(0.1)

- Net sales and operating income by segment.
- In the Solution Systems business, net sales increased by JPY2.2 billion from the previous year to JPY36.1 billion due to the impact of projects that were postponed from the previous year due to difficulties in procuring parts and materials.
- In the Components & Platforms business, net sales decreased JPY4.0 billion from the previous year to JPY41.9 billion. Although sales of platforms for FA/semiconductor manufacturing equipment continued to be strong, the Components business, especially the Automation Systems business, suffered from the production impact of shortages of semiconductors and other components, resulting in a decline in overall sales.
- Operating income in the Solution Systems business decreased by JPY1.1 billion from the previous year to an operating loss of JPY1.2 billion due to the impact of higher parts and materials costs. On the other hand, the Components & Platforms business posted an operating loss of JPY0.8 billion, a JPY0.7 billion improvement from the previous year due to positive factors, such as fixed cost reductions from structural reforms and differences in project mix, which offset the negative effects of the supply chain.

## Reasons for Changes in Operating Income/Loss

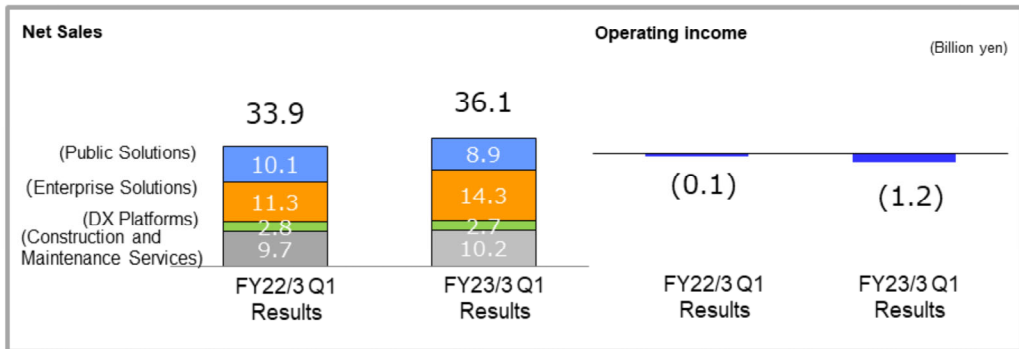
- Production due to difficulty in procuring components and increases in material and transportation costs continue to affect performance.  
We are currently working to strengthen our response to supply chain impacts, such as by enhancing procurement capabilities and optimizing prices.
- Sales increased due to a rise in the volume of Mono-zukuri Platforms, which are doing well, and a change in the project mix in the Automation Systems business.
- Fixed costs decreased, due to structural reforms.



- First, the total impact of the supply chain on operating income was a negative JPY3.2 billion. The breakdown of the impact was JPY1.5 billion due to a decrease in production and sales, and a total of JPY1.7 billion due to an increase in material and transportation costs. Breaking down the supply chain impact by segment, the Solution Systems business had JPY0.8 billion, and the Components & Platforms business had JPY2.4 billion. In the current fiscal year, our priority is to strengthen measures for supply chain impacts. Specific efforts are currently being made to strengthen procurement activities, promote alternative designs, and optimize prices. Although we do not expect a full-scale contribution to earnings until H2 of the fiscal year, we have seen some positive effects of price optimization in Q1, and we will continue to promote various measures.
- The overall impact of the changes in the volume and product mix was positive JPY1.3 billion, mainly due to an increase in the production volume of the Mono-zukuri Platform, and a decrease in the number of projects with high-cost ratios in the Automation Systems business.
- Fixed costs decreased by JPY1.4 billion due to the convergence of the Chinese bases in the Components & Platforms business and headcount reductions at sales companies in Europe and the United States.

## Overview: Solution Systems Business

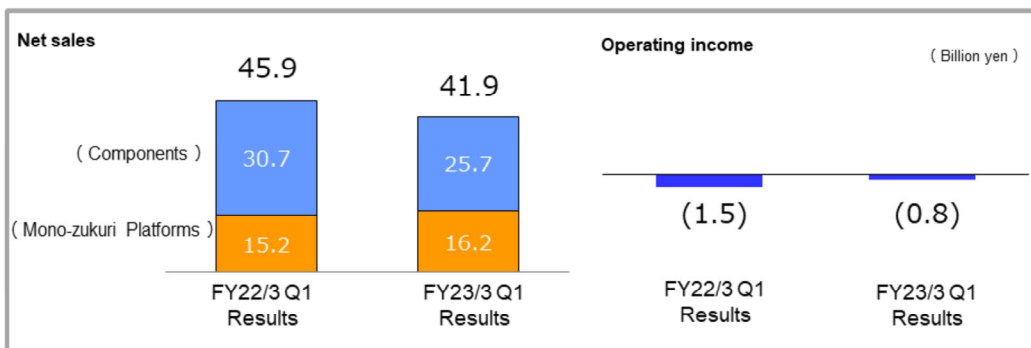
- Revenue from Enterprise Solutions increased, as projects shifted from the previous year due to difficulty in procuring materials.  
Operating income decreased, due to a rise in materials procurement costs.
- DX domain sales 1Q: ¥8.4 B (YOY: ¥6.2 B)



- Business overview of Solution Systems Business.
- Overall sales in the Solution Systems business increased due to projects for telecommunications carriers in the enterprise domain, which were postponed to the current fiscal year due to delays in the delivery of parts and materials.
- In terms of profit, we were unable to fully counteract the increase in the cost of parts and materials, resulting in a YoY decrease in operating income.
- Sales in the DX domain, on which we are focusing, totaled JPY8.4 billion, an increase of JPY2.2 billion from the same period of the previous year.

## Overview: Components & Platforms Business

- Sales of Mono-zukuri Platforms for FA/semiconductor manufacturing equipment continued to be strong.  
Sales of Components decreased due to the impact of semiconductor shortages on production in the Automation Systems business.  
Sales in the Peripheral Products business remained unchanged due to the impact of foreign exchange rates.
- Operating income increased YOY due to a decline in fixed costs due to structural reforms in the Peripheral Products business and a change in the project mix in the Automation Systems business.



- Business overview of Components & Platforms Business.
- In the Mono-zukuri Platform business, sales increased YoY due to continued strong business for FA/semiconductor manufacturing equipment, although this business was also affected by the procurement of materials.
- In the Components business, sales declined in the Automation Systems business due to the impact on the production affected by shortages in the supply of semiconductors and other materials. In the Peripheral Products business, sales were almost on par with the previous year, partly due to the impact of foreign exchange rates.
- Operating income also increased YoY due to the effects of structural reforms and the difference in the composition of projects in the Automation Systems business.

## Balance Sheets

- There is no major changes in the composition of each asset and liability.
- Shareholders' equity ratio decreased by 1.8 points.

(Billion yen)	Jun. 2022	Mar. 2022	Variance
Current assets	212.7	211.8	+0.9
Fixed assets	158.9	157.3	+1.6
Assets	371.6	369.2	+2.4
Current liabilities	170.8	158.0	+12.8
Fixed liabilities	99.1	103.6	(4.5)
Liabilities	269.9	261.5	+8.4
Shareholders' equity	101.5	107.4	(5.9)
Others	0.2	0.2	±0.0
Net assets	101.7	107.6	(5.9)
Total liabilities and net assets	371.6	369.2	+2.4
Shareholders' equity ratio (%)	27.3	29.1	(1.8)
D/E ratio (times)	0.9	0.8	(0.1)

- There is no significant change in the composition of each asset and liability.
- Total current assets have not changed significantly from the end of March. Looking at the breakdown, while trade receivables decreased due to collection, inventories increased further from the end of March, and the total remained unchanged from March.
- Inventories have increased due to a combination of factors, including the early securing of parts and materials necessary to supply products to customers in light of the current parts and materials procurement situation, the accumulation of semi-finished products due to the implementation of production leveling, and the delay in product shipments due to a shortage of parts and materials.
- Total assets increased JPY2.4 billion from the end of the previous period to JPY371.6 billion.
- Shareholders' equity decreased by JPY5.9 billion from the end of the previous period to JPY101.5 billion.
- As a result, the shareholders' equity ratio was 27.3% and the D/E ratio was 0.9x.



## Cash Flows

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

(Billion yen)	Q1 FY2023/3 (Results)	Q1 FY2022/3 (Results)	Variance
I Cash flows from operating activities	0.0	21.4	(21.4)
II Cash flows from investing activities	(4.9)	(4.3)	(0.6)
Free cash flows ( I + II )	(4.9)	17.1	(22.0)
III Cash flows from financing activities	4.3	(6.6)	+10.9
Cash and cash equivalents	34.2	52.5	(18.3)
Purchases of PP&E and intangible assets	3.9	4.5	(0.6)
Depreciation	2.9	3.0	(0.1)

- Free cash flow decreased by JPY4.9 billion. As explained earlier, working capital has increased due to securing parts and materials for supply chain impact countermeasures and increased inventories due to shipping delays, etc., resulting in a deterioration compared to the previous year.
- However, with cash equivalents of JPY34.2 billion, we have the necessary cash on hand.

## (Reference)Quarterly Results

(Billion yen)

Net Sales	FY2022/3					FY2023/3
	1 Q	2Q	3Q	4Q	FY	1 Q
Solution Systems	33.9	35.0	38.7	55.0	162.6	36.1
Components & Platforms	45.9	44.8	47.8	50.5	189.0	41.9
Others	0.1	0.1	0.1	0.1	0.4	0.1
<b>Total</b>	<b>79.9</b>	<b>79.9</b>	<b>86.6</b>	<b>105.7</b>	<b>352.1</b>	<b>78.1</b>

Operating Income	FY2022/3					FY2023/3
	1 Q	2Q	3Q	4Q	FY	1 Q
Solution Systems	(0.1)	(0.1)	1.7	8.0	9.5	(1.2)
Components & Platforms	(1.5)	0.4	4.5	0.1	3.5	(0.8)
Others	0.1	0.0	0.1	0.1	0.3	0.1
Corporate & Eliminations	(1.4)	(1.7)	(2.1)	(2.3)	(7.5)	(1.1)
<b>Total</b>	<b>(2.9)</b>	<b>(1.3)</b>	<b>4.1</b>	<b>5.9</b>	<b>5.9</b>	<b>(3.0)</b>

## (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

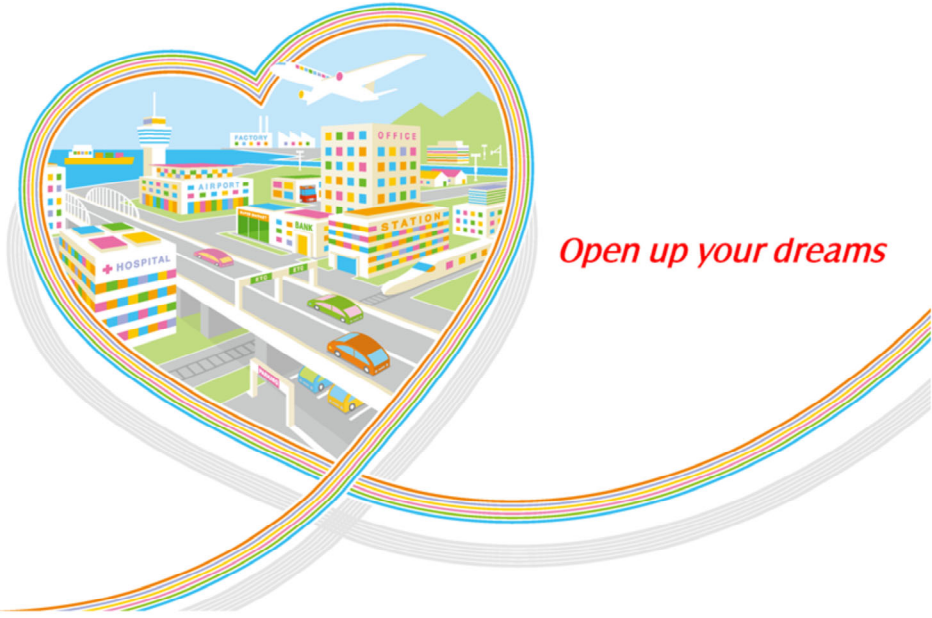
- ATMs, cash handling equipment
- Bank branch terminals, ticket reservations issuing terminals, check-in terminals
- ATM monitoring/operation services
- LED printers
- Wide format inkjet printers
- Dot-impact printers

#### ■ 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.



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