Financial Results for First Nine Months of the FY Ending March 31, 2023

February 9, 2023

Oki Electric Industry Co., Ltd.

OKI Open up your dreams

Summary of Financial Results

- Net sales increased YOY, despite the impact of lower production due to difficulties in procuring semiconductors and other components.
- Operating income was about the same as in the previous year in real terms excluding one-time factors.
- Due to the impact of foreign exchange fluctuations, non-operating foreign exchange (revaluation of assets denominated in yuan) deteriorated from the previous year.
- Extraordinary losses due to structural reforms decreased.
- Taxes deteriorated YOY due to the revised earnings forecast for the current fiscal year.

(Billion yen)	9 months FY2023/3 (Results)	9 months FY2022/3 (Results)	Variance
Net sales	256.6	246.4	+10.2
Operating income (loss)	(4.8)	(0.1)	(4.7)
Ordinary income (loss)	(7.9)	0.1	(8.0)
Profit (loss) attributable to owners of parent	(11.6)	(6.2)	(5.4)
USD average exchange rate (Yen)	136.5	111.1	+25.4
EUR average exchange rate (Yen)	140.6	130.6	+10.0

- In the cumulative 3Q, net sales were JPY256.6 billion, operating loss was JPY4.8 billion, and net loss was JPY11.6 billion.

- Net sales increased approximately JPY10 billion from the previous year, partly due to the effect of foreign exchange rates, but operating income was down by JPY4.7 billion from the previous year. Last fiscal year, the profit was boosted by the reversal of reserves in 3Q, while this fiscal year, taking into account the provision of reserves made in the previous fiscal year, the profit was only slightly lower than the previous fiscal year.

- Ordinary income was JPY7.9 billion. It is down by JPY8 billion YOY due to that, in addition to negative operating income, the non-operating loss, which landed in the positive last year, turned negative due to the foreign exchange impact.

- Although extraordinary losses improved significantly from the previous year as structural reforms were over the hump, the net loss for the quarter was JPY11.6 billion due to a recent large amount of income taxes-deferred.

- The exchange rates are JPY136.5 to the US dollar and JPY140.6 to the euro.

OKI Open up your dreams

Segment Information (Net Sales/ Operating Income)

(Billion yen)

Net Sales	9 months FY2023/3 (Results)	9 months FY2022/3 (Results)	Variance
Solution Systems	119.2	107.6	+11.6
Components & Platforms	137.1	138.5	(1.4)
Others	0.4	0.3	+0.1
Total	256.6	246.4	+10.2

Operating Income	9 months FY2023/3 (Results)	9 months FY2022/3 (Results)	Variance
Solution Systems	0.3	1.5	(1.2)
Components & Platforms	(1.1)	3.4	(4.5)
Others	0.4	0.2	+0.2
Corporate & Eliminations	(4.3)	(5.2)	+0.9
Total	(4.8)	(0.1)	(4.7)

- This shows sales and operating income by segment.
- As for sales, Solution system sales increased JPY11.6 billion YOY to JPY119.2 billion. Sales of the Components and platforms decreased by JPY1.4 billion YOY to JPY137.1 billion. Although overall sales of Components and platforms declined due to the impact of procurement, it is on an increasing trend from 2Q to 3Q alone.
- Moving on to operating income. Although Solution systems realized an increase of JPY300 million in profit, it was down by JPY 1.2 billion from the previous year. Operating income for Components and platforms was almost flat YOY in real terms, excluding the one-time factor of provisions mentioned earlier and the foreign exchange impact.

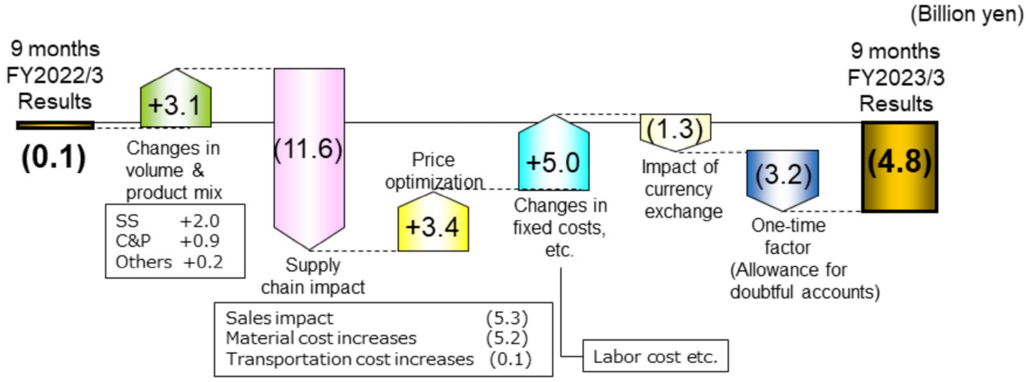
OKI Open up your dreams

Reasons for Changes in Operating Income/Loss

- Supply chain impact continued in 3Q.

  Progress was made in capturing projects that were shifted from the previous year due to difficulties in procuring materials, and in optimizing prices.

  Progress has also been made in adapting to replacement parts through design changes.
- Although volume increased, the cost of failed software development projects had a negative impact.
- Fixed costs decreased, due to structural reforms and cost measures.
- Operating income was lower, reflecting the previous year's one-time earnings and the impact of a weaker yen on foreign exchange.

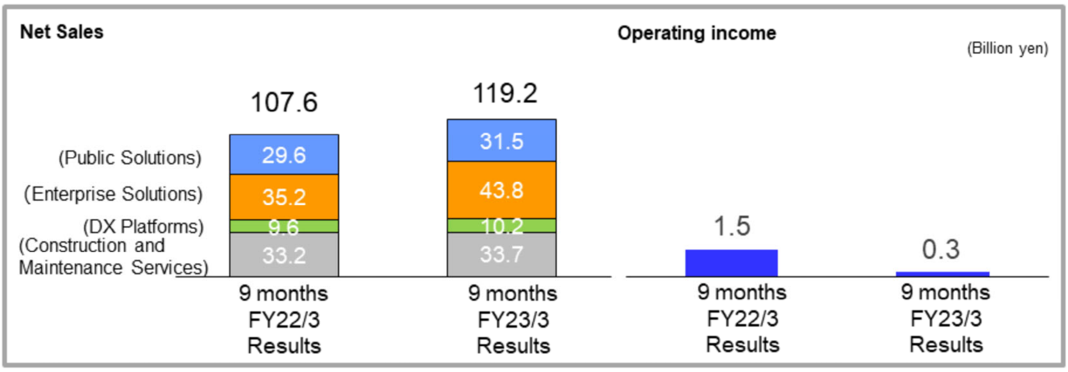


- The elevator chart for operating income as of 3Q.
- The impact of the supply chain is a decrease of JPY11.6 billion at this point. The main breakdown is shown in the bracketed square, which includes, by segments, Solution systems of JPY2.5 billion and Components and platforms of JPY9.1 billion.
- Going back by one, the changes in volume and product mix contributed an increase of only JPY3.1 billion at this point due to decreasing factors.
- Price optimization made steady progress generating an increase of JPY3.4 billion.
- The reduction in fixed costs was mainly due to the effect of structural reforms at overseas subsidiaries in the Components and platforms segment.
- The impact of the yen's depreciation on costs was significant, resulting in an overall decrease of JPY1.3 billion.

OKI Open up your dreams

Overview: Solution Systems Business

- All business areas increased YOY.
- Operating income decreased YOY, due in part to the cost of failed software development projects in Enterprise Solutions and the negative impact of foreign exchange.
- DX domain sales 3Q Total: ¥23.5 B (Same period last year: ¥20.1 B)



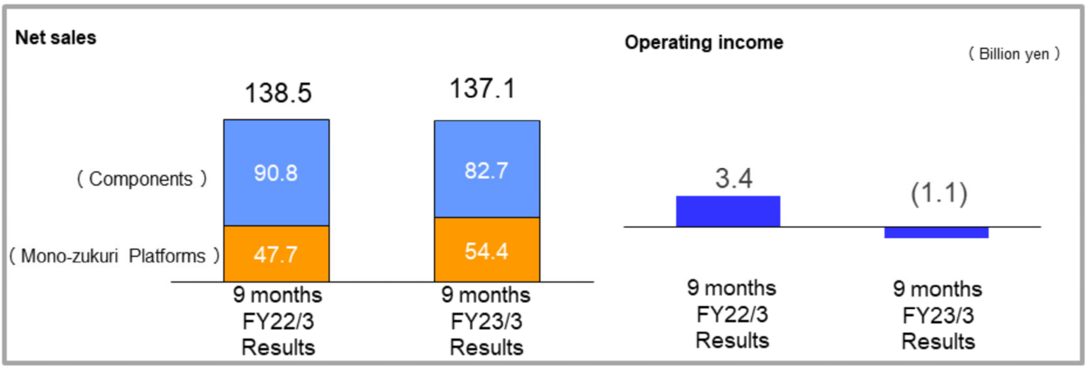
- Business overview of Solution Systems Business.
- Sales increased in almost all business areas. However, the factors that prevented profits from increasing as much as revenue growth is due to the failure of the software development project and impact of foreign exchange.
- Sales in the DX area totaled JPY23.5 billion, an increase of JPY3.4 billion from the previous year.

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.



- Business overview of the Components and platforms business.
- Sales in the Mono-zukuri platforms business increased by JPY6.7 billion YOY due to the continued strong performance of business for FA/semiconductor manufacturing equipment. On the other hand, the components business as a whole was affected by the decline in production, despite the positive impact of foreign exchange rates, resulting in an overall decline in sales.
- Operating income was almost the same as the previous year on a real basis, excluding changes in reserves, thanks to the effects of increased revenue from the Mono-zukuri platforms and the structural reforms I mentioned earlier, which offset the impact of the decline in production.

Balance Sheets

- Borrowings increased due to higher inventory caused by the supply chain impact.
- Shareholders' equity ratio decreased by 4.7 points.

(Billion yen)	Dec. 2022	Mar. 2022	Variance
Current assets	222.5	211.8	+10.7
Fixed assets	159.1	157.3	+1.8
Assets	381.6	369.2	+12.4
Current liabilities	197.2	158.0	+39.2
Fixed liabilities	90.9	103.6	(12.7)
Liabilities	288.2	261.5	+26.7
Shareholders' equity	93.2	107.4	(14.2)
Others	0.2	0.2	±0.0
Net assets	93.4	107.6	(14.2)
Total liabilities and net assets	381.6	369.2	+12.4

Shareholders' equity ratio (%)	24.4	29.1	(4.7)
D/E ratio (times)	1.3	0.8	+0.5

- The total current assets increased by JPY10.7 billion. By breakdown, inventories increased by approximately JPY28 billion compared to the beginning of the period, and as a result, the balance of borrowings increased by approximately JPY32 billion.

- Inventories are expected to decrease slowly toward the end of March, but the speed of that decrease is not expected to accelerate until FY2023. Total assets increased by JPY12.4 billion from the end of the previous fiscal year to JPY381.6 billion. Shareholders' equity decreased by JPY14.2 billion to JPY93.2 billion. As a result, the shareholders' equity ratio is 24.4% and the D/E ratio is 1.3 times.

Cash Flows

■ Operating cash flow worsened YOY due to higher inventory caused by the supply chain impact.

(Billion yen)	9 months FY2023/3 (Results)	9 months FY2022/3 (Results)	Variance
Ⅰ Cash flows from operating activities	(14.4)	(0.3)	(14.1)
Ⅱ Cash flows from investing activities	(13.6)	(15.1)	+1.5
Free cash flows（Ⅰ＋Ⅱ）	(28.0)	(15.4)	(12.6)
Ⅲ Cash flows from financing activities	26.2	3.5	+22.7

Cash and cash equivalents	32.8	30.4	+2.4

Purchases of PP&E and intangible assets	12.2	14.8	(2.6)
Depreciation	9.0	9.4	(0.4)

➢ Free cash flows were negative JPY28 billion. Despite the difficult environment, we are selectively making necessary investments in parallel. Cash and cash equivalents totaled JPY32.8 billion, and we have the necessary cash reserves.

Revision of Financial Forecasts

- In light of the latest earnings trends, we have revised downward the earnings forecast announced on May 11, 2022.
- The dividend forecast was also revised to ¥20 per share for the year. (Initial announcement: ¥30)

Exchange rate assumptions	4Q	Previous
USD	¥135	¥115
EUR	¥143	¥130

	(Billion yen)	FY2023/3 Revised	FY2023/3 Previous	Variance	FY2022/3 Results	Variance
Solution Systems	Net sales	183.0	210.0	(27.0)	162.6	+20.4
	Operating income	9.5	14.0	(4.5)	9.5	±0.0
Components & Platforms	Net sales	189.0	215.0	(26.0)	189.0	±0.0
	Operating income	0	2.0	(2.0)	3.5	(3.5)
Others	Net sales	0	0.0	±0.0	0.4	(0.4)
	Operating income	0	0.0	±0.0	0.3	(0.3)
Corporate & Eliminations	Operating income	(6.5)	(7.0)	+0.5	(7.5)	+1.0
Total	Net sales	372.0	425.0	(53.0)	352.1	+19.9
	Operating income	3.0	9.0	(6.0)	5.9	(2.9)
	Ordinary income	0.5	8.0	(7.5)	7.7	(7.2)
	Profit attributable to owners of parent	(3.0)	3.0	(6.0)	2.1	(5.1)

- I would like to explain the full-year earnings forecast that we announced today.
- The consolidated total is net sales of JPY372 billion, operating income of JPY3 billion, and a net loss of JPY3 billion. In addition, the dividend forecast has been reduced to JPY20 per share.

Executive Summary

■ **Business Overview**

- ✓ Market: OKI's investments in key business areas remained relatively strong. (Digitization, Automation Systems business, EMS, etc.)
- ✓ Procurement: Although there were modest improvements in some areas (such as marketable goods), the overall picture remained unchanged. Raw material costs continued to soar.
- ✓ Foreign exchange: The weaker yen will boost sales, but it will have a negative impact on operating income. The depreciation of the yuan will significantly worsen non-operating expenses (from ¥0.4 B to ¥2.2 B).

■ **OKI's efforts**

Priority Issue: **Strengthen measures against supply chain impacts**

\+

Based on priority issues initiatives

Continue "building the foundation for growth"

- We will increase the level of procurement of key semiconductor components.
- We aim to switch to alternative parts by changing designs.
- We do price optimization.
- We plan to "restructure business capabilities" and reflect this in the FY2024/3 organizational structure (released today).

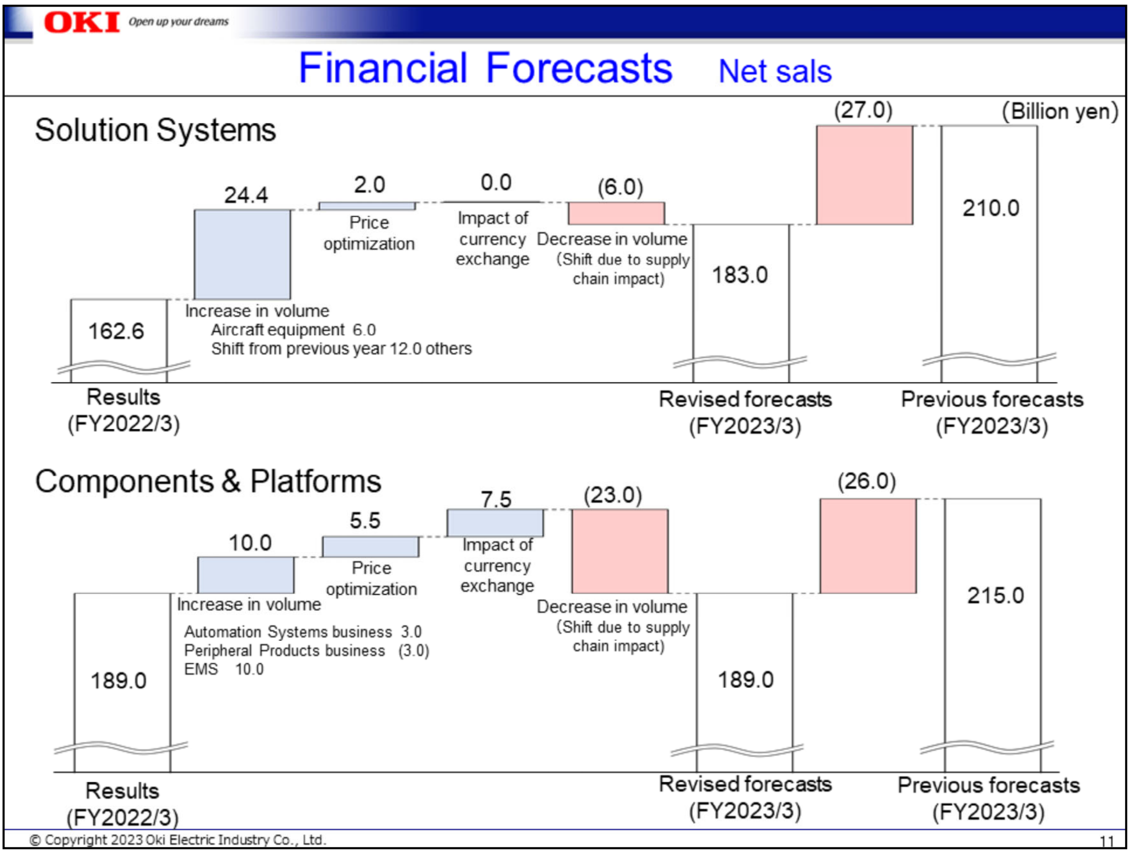
■ **Financial Summary**

- ✓ Net sales increased by approximately ¥20 B from the previous year and decreased by approximately ¥53 B from the previous forecast.
- ✓ Operating income decreased from the previous forecast due to supply chain impact, costs of failure and foreign exchange fluctuations.
- ✓ Inventory increases peaked in 3Q. Efforts to achieve expected collections of accounts receivable moved into full swing from 1H of FY2024/3.

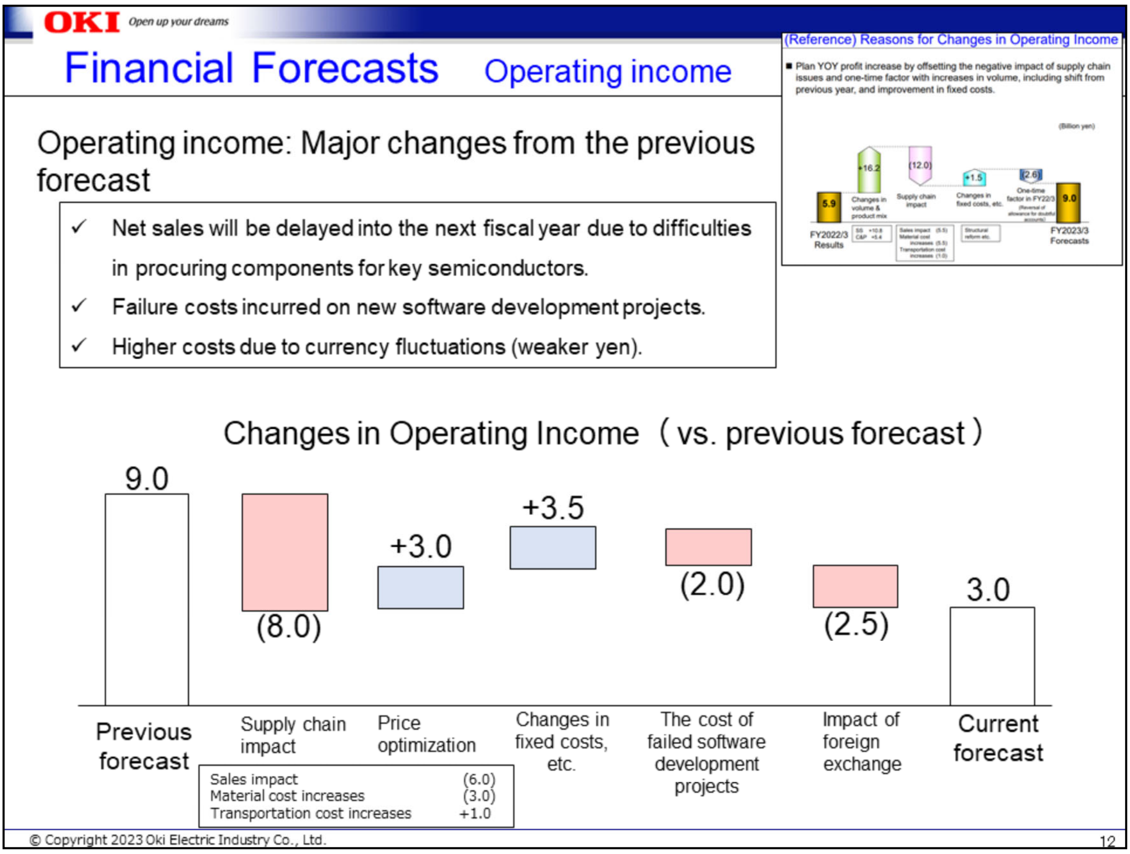
- ➢ This will be an explanation of the current business environment and overall impression.
- ➢ First, in terms of the current business environment, although it varies depending on the division, the investment environment in OKI's main business areas is relatively firm. There are still some delivery delays, but there have been no major shifting of orders to other companies or cancellations.
- ➢ On the other hand, the procurement environment, which we had hoped would improve, unfortunately remained largely unchanged, and the environment continues to be difficult, considering the price increases in raw material costs and other factors. In addition, the sharp depreciation of the yen as well as the yuan against the US dollar had a double impact on operating income and non-operating loss in the current period.
- ➢ Under these circumstances, we have made measures to address the supply chain impact of the current fiscal year our top priority and have implemented all possible measures at this point in time. In addition, as we continue to build a foundation for growth based on our priorities, we are also taking seriously the issues that have emerged in the process, considering those that should be incorporated into the measures of the next mid-term plan on a working basis, and implementing those that can be initiated.
- ➢ In addition, we have released today our organizational changes for the next

fiscal year, and we hope you will take a look at them later in the meeting.

- In this context, in FY2022, although net sales are expected to increase year on year, the factors discussed above and the effect of higher profits will be offset by only a slight increase in real profits. In addition, the effect of the supply chain measures is expected to be delayed until fiscal 23, due in part to the deadlines with customers.



- Page 11 is an elevator chart showing YOY and planned changes for each of the two sales segments.
- The Solution systems is expected to achieve a JPY20 billion increase in sales, due to the steady uptake of profits that were postponed from the previous fiscal year, as well as an increase in sales from the acquired aircraft equipment business. We expect the result of JPY182.6 billion to increase to JPY183 billion. As for the acquired aircraft equipment business, due to our focus on PMI, we expect the business to be profitable from the first year. However, the Solution systems is significantly below the plan because the plan was to achieve a V-shaped recovery from FY2021 by actively incorporating supply chain improvements and full-scale budgeting for DX investments.
- On the other hand, in Components and platforms, sales increased YOY mainly in the strong EMS business, but overall sales were almost flat YOY due to the significant supply chain impact that occurred newly this fiscal year in the automation systems business. We expect the sales to land at JPY189 billion, same level as previous year, but when compared to the plan, the supply chain impact of JPY23 billion I mentioned earlier is almost the entire amount of the shortfall to the initial plan.
- Although we were able to achieve the increase through price optimization better than planned, the Company as a whole was slightly outpaced in terms of whether we were able to offset the entire increase in raw material prices, and we were not able to offset all the price increases.

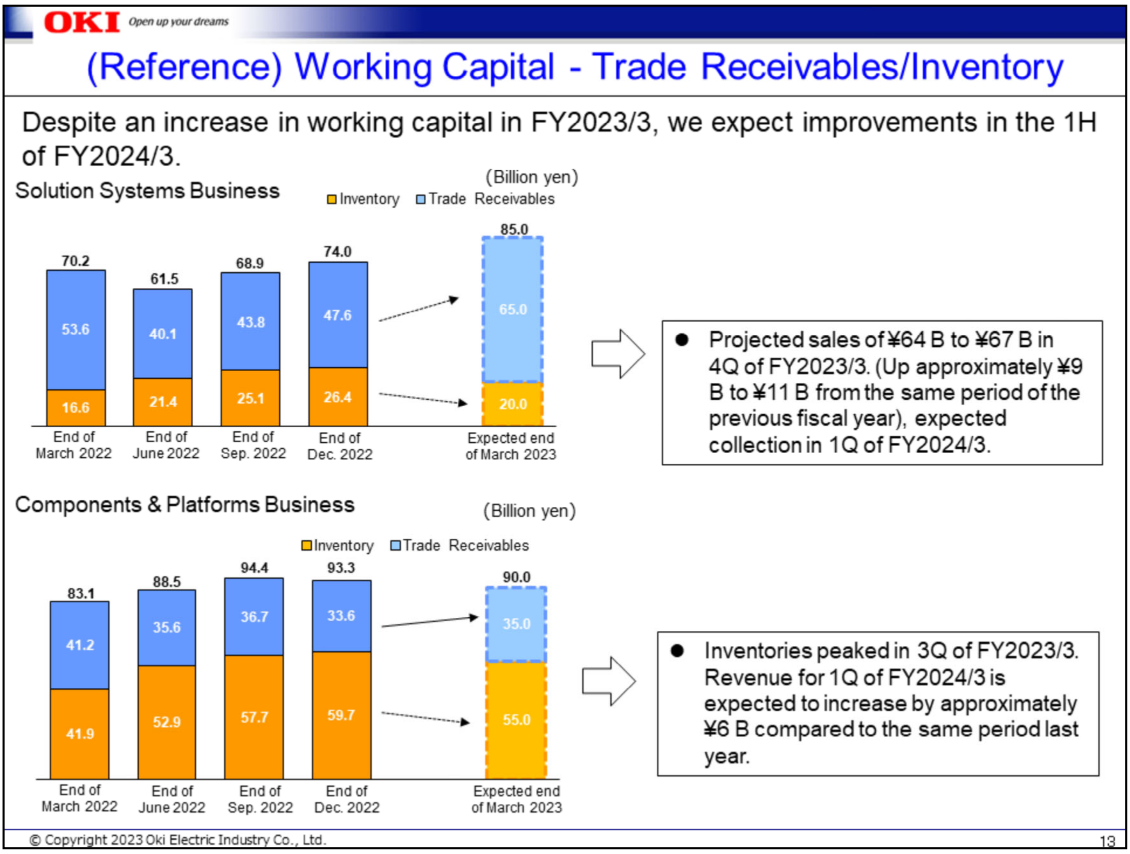


- This is a chart of changes in operating income. Same elevator chart we presented at the beginning of the fiscal year is shown at upper right, and the chart on page 12 is the continuation of this chart.

- At the beginning of the fiscal year, we explained that the supply chain impact would be JPY12 billion, but unfortunately, it worsened by another JPY8 billion. This was offset by price optimization and improvements in fixed costs, but conversely, due to the cost of new software development projects that failed and the impact of foreign exchange rates, profit has decreased.

- The failure of the software development project can be said to be the result of our challenge to enter a new DX area, but we believe that the true cause of the failure is our inability to respond to changes in the environment, of which we were originally aware.

- As I mentioned earlier, in order to change the direction to growth in the future, we will not only strengthen our ability to execute strategies in our business segments, but also create a structure in which we can compete on the collective strength of OKI as a whole by consolidating our control over the cross functions such as quality, software, and construction. We have already put these measures into action.



- Continuing onto page 13, working capital.
- Unfortunately, both parts and product inventories have swelled at this point in time in 3Q, but we believe that the inventories have peaked out in November 2022.
- In particular, in the automation systems business, which has been greatly affected by procurement, the inventory of products awaiting certain semiconductor key components has ballooned. However, due to the effects of design changes which we focused and implemented this fiscal year, shipments will be possible from H1 of FY2023, and the speed of inventory reduction will increase from FY2023 onward. We have been considering various options, including the possibility of shipping these inventories in FY2022 if possible, but unfortunately, due to customer delivery deadlines and other circumstances, we were forced to ship the product in FY2023.
- On the other hand, inventories tend to decrease sequentially toward the end of March, but as shown in the table in the upper row, sales of OKI peak in 4Q every year mainly in the solutions systems business, and inventories are expected to decrease but receivables are expected to increase.
- As a result, overall working capital is expected to remain at the same level as in December, but since the sales cycle in the solutions systems business is very short, we expect to collect the accounts receivable that have ballooned currently in 1Q.

- In addition to this, sales of products in the inventory I explained earlier will be generated, which will lead to optimization of inventory and currently ballooning debt in FY2023.

- In closing, I would like to conclude by saying that frankly speaking, FY2022 is a very challenging fiscal year, and I am aware that the figures look even more difficult, especially in 3Q, due to taxes and other factors. We have been proceeding with a strong desire to somehow reap the benefits of our supply chain impact measures by the end of 2022 and achieve our overall business plan, but unfortunately, we do not expect to see the full effect of our measures in the figures until FY2023.

- Although the figures for FY2022 are challenging, as I explained today, we recognize that the Company as a whole has bottomed out in FY2021 and is making solid progress. Needless to say, 4Q is a peak period for OKI, and we will continue to focus on building up the top line and ensuring that inventory is shipped to show clear recovery from the bottom.

- I would like to thank you all for your continued support and guidance, and conclude my presentation of 3Q financial results. Thank you for your attention.

(Reference)Quarterly Results

(Billion yen)

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

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

(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)
- Aircraft equipment
- 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

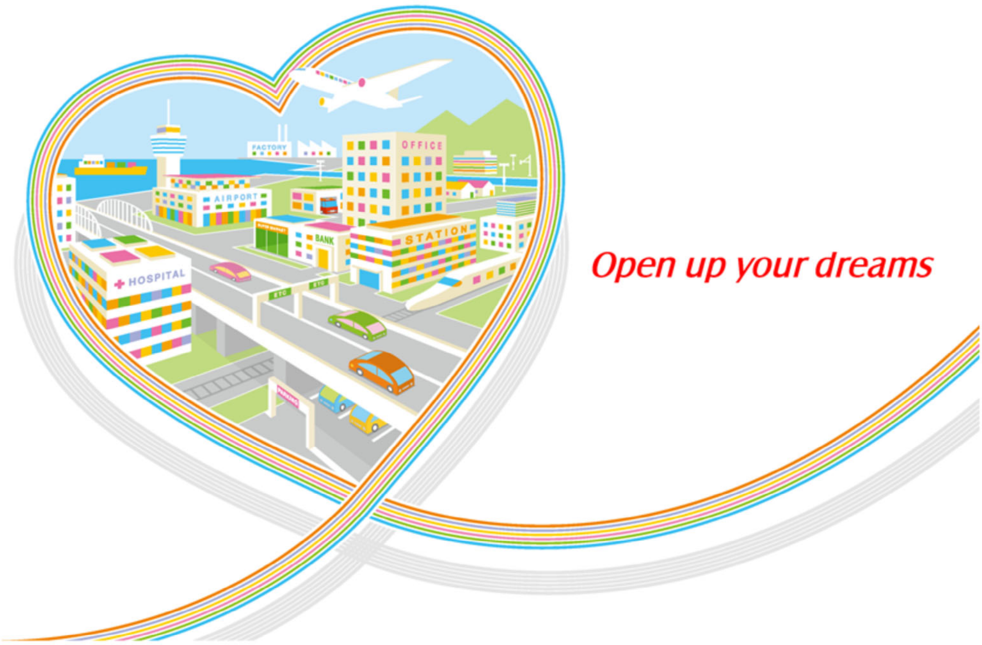
Components & Platforms

■ 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