

(Translation)

Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2024 (J-GAAP)

November 8, 2023

Listed Company Name: Oki Electric Industry Co., Ltd.

Securities Code: 6703

Stock Exchange Listing: Tokyo Stock Exchange

URL: <https://www.oki.com/>

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Filing of Quarterly Securities Report (Scheduled): November 14, 2023

Commencement of Dividend Payment (Scheduled): –

Supplementary Document on Quarterly Financial Results: Yes

Quarterly Financial Results Briefing: Yes (for institutional investors)

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Results for the Six Months Ended September 30, 2023

(from April 1, 2023 to September 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2023	174,852	7.4	1,003	–	478	–	284	–
September 30, 2022	162,756	1.8	(3,985)	–	(4,933)	–	(5,659)	–

(Note) Comprehensive income Six months ended September 30, 2023: ¥5,598 million (–%)
Six months ended September 30, 2022: ¥(5,438) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2023	3.28	3.28
September 30, 2022	(65.33)	–

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	390,528	103,130	26.4
As of March 31, 2023	390,425	99,279	25.4

(Reference) Shareholders' equity As of September 30, 2023: ¥102,987 million
As of March 31, 2023: ¥99,088 million

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
Fiscal year ended March 31, 2023	–	0.00	–	20.00	20.00
Fiscal year ending March 31, 2024	–	0.00	–	–	–
Fiscal year ending March 31, 2024 (Projection)	–	–	–	30.00	30.00

(Note) Revisions to dividend projection most recently announced: None

3. Consolidated Results Projection for the Fiscal Year Ending March 31, 2024
(from April 1, 2023 to March 31, 2024)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	440,000	19.2	15,000	524.2	12,500	–	8,000	–	92.31

(Note) Revisions to operating results projection most recently announced: None

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies in accordance with revision of accounting standards, etc.: None
 - 2) Any changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at the end of the period (including treasury shares)
 - As of September 30, 2023: 87,217,602 shares
 - As of March 31, 2023: 87,217,602 shares
 - 2) Number of treasury shares at the end of the period
 - As of September 30, 2023: 541,065 shares
 - As of March 31, 2023: 598,803 shares
 - 3) Average number of shares during the period
 - Six months ended September 30, 2023: 86,669,469 shares
 - Six months ended September 30, 2022: 86,619,749 shares

Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Explanation regarding appropriate use of results projection and other special notes

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. For the conditions assumed for the results projection and notes on the use of such projections, please refer to “(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other” of “1. Qualitative Information on Financial Results for the Period” on page 5 of the Attachment.

(How to obtain supplementary document on financial results)

The Company is scheduled to hold a financial results briefing for institutional investors on November 8, 2023 (Wednesday). The document on financial results is disclosed on TDNet at the same time as this Summary of Consolidated Financial Results and is also made available on the Company’s website on the same day.

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1. Qualitative Information on Financial Results for the Period

(1) Operating Results

1) Overview of the first half of the fiscal year ending March 31, 2024 (April 1, 2023 to September 30, 2023)

Due to the relaxation of measures against the COVID-19 pandemic, there has been a normalization of economic activity. However, the future remains uncertain due to factors such as rising resource prices leading to inflation, the progression of inflation and financial tightening primarily in Western countries, and the geopolitical risks associated with the situation in Ukraine.

Given this state of affairs, the OKI Group has formulated a new Medium-term Business Plan 2025 and updated its materiality. To further clarify the relationship between our materiality and business, we have established Six contribution areas: “safe and convenient social infrastructure,” “job satisfaction and productivity enhancement,” and “conservation of global environment.” As a company dedicated to maintaining social infrastructure without interruptions, OKI is committed to providing value that addresses social issues in these Six contribution areas.

Net sales for the first half of the fiscal year ending March 31, 2024 were ¥174.9 billion (a ¥12.1 billion, or 7.4%, increase year-on-year). This increase owed to reduction of the impact of the production decline caused by the component shortage and an increase in the volume of large-scale projects started.

On the profit front, operating income was ¥1.0 billion (a year-on-year improvement of ¥5.0 billion) due to increased sales, despite the impact of cost hikes due to the components procured in the previous fiscal year and rising personnel costs. Even excluding the one-time gain of ¥4.3 billion from the reversal of allowance for doubtful accounts for ATM claims in China, which was recorded in the first quarter of the fiscal year, income increased year-on-year.

Ordinary income was ¥0.5 billion (a year-on-year improvement of ¥5.4 billion) due to improvement in foreign exchange gains and losses.

Profit attributable to owners of parent was ¥0.3 billion (a year-on-year improvement of ¥6.0 billion).

(Billions of yen)	Six months ended September 30, 2023	Six months ended September 30, 2022	Year-on-year change rate
Net sales	174.9	162.8	7.4 %
Operating income (loss)	1.0	(4.0)	–
Ordinary income (loss)	0.5	(4.9)	–
Profit (loss) attributable to owners of parent	0.3	(5.7)	–

Net sales to external customers and operating income by business segment were as follows.

Please note that from the first quarter of the fiscal year ending March 31, 2024, the categorization of the reportable segments has been changed. Figures for the first quarter of the previous fiscal year were reorganized under the new segment classification for year-on-year comparisons.

2) Results by business segment

<Public Solutions>

Segment net sales came to ¥39.3 billion (a ¥0.1 billion, or 0.3%, increase year-on-year) and operating loss was ¥0.8 billion (a deterioration of ¥0.2 billion year-on-year). Defense continued to increase from the first quarter. Besides while there was an increase in the areas of road, firefighting, and disaster prevention, there was a decline in communication carrier projects.

(Billions of yen)	Six months ended September 30, 2023	Six months ended September 30, 2022	Year-on-year change rate
Net sales	39.3	39.2	0.3 %
Operating income(loss)	(0.8)	(0.6)	–

<Enterprise Solutions>

Segment net sales totaled ¥63.9 billion (a ¥16.1 billion, or 33.9%, increase year-on-year). This increase year-on-year owed to reduced supply chain impacts and large-scale projects.

Segment operating income was ¥3.9 billion (a year-on-year improvement of ¥6.6 billion). Although the impact of increased material costs remained, profit increased year-on-year due to an increase in the volume of goods and a one-time gain from the reversal of allowance for doubtful accounts.

(Billions of yen)	Six months ended September 30, 2023	Six months ended September 30, 2022	Year-on-year change rate
Net sales	63.9	47.8	33.9 %
Operating income(loss)	3.9	(2.7)	—

<Component Products>

Segment net sales came to ¥34.9 billion (a ¥6.0 billion, or 14.7%, decrease year-on-year), and operating income was ¥0.5 billion (a ¥1.0 billion, or 70.0%, decrease year-on-year). Although the profit in IoT improved due to the decrease in the impact of soaring material prices, in the printer business, sluggish demand overseas and excessive distribution inventories had a significant impact on sales. As a result, the segment posted a year-on-year decrease in both net sales and operating income.

(Billions of yen)	Six months ended September 30, 2023	Six months ended September 30, 2022	Year-on-year change rate
Net sales	34.9	40.9	(14.7) %
Operating income(loss)	0.5	1.5	(70.0) %

<EMS>

Segment net sales were ¥36.5 billion (a ¥1.8 billion, or 5.2%, increase year-on-year), and operating income was ¥0.9 billion (a ¥0.4 billion, or 86.2%, increase year-on-year). Both increased year-on-year, mainly due to reduced supply chain impact. Although there was a sense of stagnation in some markets due to the semiconductor market conditions and the economic slowdown in China, this was offset by other solid markets.

(Billions of yen)	Six months ended September 30, 2023	Six months ended September 30, 2022	Year-on-year change rate
Net sales	36.5	34.7	5.2 %
Operating income(loss)	0.9	0.5	86.2 %

<Others>

Segment net sales came to ¥0.2 billion (equivalent to the previous year, a year-on-year decrease of 6.7%). The operating loss amounted to ¥0.4 billion (a deterioration of ¥0.6 billion year-on-year).

(Billions of yen)	Six months ended September 30, 2023	Six months ended September 30, 2022	Year-on-year change rate
Net sales	0.2	0.2	(6.7) %
Operating income(loss)	(0.4)	0.2	—

(2) Financial Position

1) Assets, liabilities, net assets, etc., at the end of the first half of the fiscal year ending March 31, 2024

As of September 30, 2023, total assets were ¥390.5 billion, up by ¥0.1 billion from the end of the previous fiscal year. Shareholders' equity increased by ¥3.9 billion from the end of the previous fiscal year to ¥103.0 billion, mainly due to the payment of ¥1.7 billion in ordinary dividends, while accumulated other comprehensive income improved by ¥5.3 billion. As a result, the shareholders' equity ratio stood at 26.4%.

Major changes in assets included a decrease of ¥9.0 billion in notes and accounts receivable—trade and contract assets and an increase of ¥9.8 billion in inventories.

In terms of liabilities, notes and accounts payable—trade have primarily decreased by ¥5.6 billion while borrowings have increased by ¥6.4 billion. Borrowings at the end of the first half of the fiscal year ending March 31, 2024 amounted to ¥124.4 billion.

2) Cash flow for the first half of the fiscal year ending March 31, 2024

For the period under review, net cash used through operating activities amounted to ¥1.0 billion (¥12.3 billion for the same period of the previous fiscal year) and was primarily impacted by growth in working capital.

Net cash used in investing activities came to ¥10.2 billion (versus ¥10.4 billion), mainly because of purchases of non-current assets.

As a result, free cash flow (operating cash flow plus investing cash flow) was a negative ¥11.2 billion (versus a negative ¥22.7 billion).

Net cash provided by financing activities was ¥1.1 billion (compared with ¥19.0 billion in the previous year). Proceeds from borrowings were the main source of cash.

Owing to these factors, plus the ¥1.4 billion positive impact of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2024 amounted to ¥28.8 billion, down from ¥37.5 billion at the end of the previous fiscal year.

(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other

With respect to the full-year earnings forecast for the fiscal year ending March 31, 2024, as the results for the first half were generally within the range of expectations, the figures announced on August 10, 2023 remain unchanged. In the event that a significant deviation from the figures in the plan is observed, the Company will promptly disclose this after having examined factors such as future exchange rate fluctuations and market trends.

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. Major factors that may affect actual results include market trends, a sharp rise in raw material prices, abrupt currency fluctuations and disasters. It should be noted, however, that factors that may affect actual results are not limited to these items.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash and deposits	37,746	29,022
Notes and accounts receivable - trade, and contract assets	94,598	85,550
Finished goods	20,224	24,860
Work in process	21,135	22,636
Raw materials and supplies	35,076	38,720
Other	21,467	20,307
Allowance for doubtful accounts	(57)	(42)
Total current assets	230,191	221,055
Non-current assets		
Property, plant and equipment	60,959	60,064
Intangible assets	16,349	15,696
Investments and other assets		
Investment securities	34,115	40,250
Other	48,810	53,462
Total investments and other assets	82,925	93,712
Total non-current assets	160,234	169,473
Total assets	390,425	390,528
Liabilities		
Current liabilities		
Notes and accounts payable - trade	60,653	55,142
Short-term borrowings	86,714	82,584
Provisions	5,044	4,790
Other	52,839	50,390
Total current liabilities	205,252	192,907
Non-current liabilities		
Long-term borrowings	31,268	41,855
Provision for retirement benefits for directors (and other officers)	121	84
Other provisions	1,281	1,290
Retirement benefit liability	30,906	30,441
Other	22,317	20,819
Total non-current liabilities	85,894	94,490
Total liabilities	291,146	287,398
Net assets		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	18,994	18,960
Retained earnings	49,705	48,257
Treasury shares	(841)	(760)
Total shareholders' equity	111,858	110,457
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,077	5,365
Deferred gains or losses on hedges	(32)	104
Foreign currency translation adjustment	(8,341)	(7,331)
Remeasurements of defined benefit plans	(5,473)	(5,607)
Total accumulated other comprehensive income	(12,770)	(7,469)
Share acquisition rights	121	73
Non-controlling interests	69	68
Total net assets	99,279	103,130
Total liabilities and net assets	390,425	390,528

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
(For the Six Months Ended September 30, 2022 and 2023)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Net sales	162,756	174,852
Cost of sales	124,695	135,315
Gross profit	38,061	39,536
Selling, general and administrative expenses	42,046	38,532
Operating profit (loss)	(3,985)	1,003
Non-operating income		
Interest income	71	299
Dividend income	720	787
Miscellaneous income	296	743
Total non-operating income	1,089	1,830
Non-operating expenses		
Interest expenses	842	1,076
Commission for syndicated loans	2	505
Miscellaneous expenses	1,192	773
Total non-operating expenses	2,037	2,355
Ordinary profit (loss)	(4,933)	478
Extraordinary losses		
Loss on disposal of non-current assets	—	1,197
Total extraordinary losses	—	1,197
Loss before income taxes	(4,933)	(718)
Income taxes - current	981	827
Income taxes - deferred	(268)	(1,840)
Total income taxes	712	(1,013)
Profit (loss)	(5,646)	294
Profit attributable to non-controlling interests	12	10
Profit (loss) attributable to owners of parent	(5,659)	284

(Consolidated Statements of Comprehensive Income)
(For the Six Months Ended September 30, 2022 and 2023)

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit (loss)	(5,646)	294
Other comprehensive income		
Valuation difference on available-for-sale securities	(379)	4,288
Deferred gains or losses on hedges	26	136
Foreign currency translation adjustment	558	1,013
Remeasurements of defined benefit plans, net of tax	1	(134)
Total other comprehensive income	207	5,303
Comprehensive income	(5,438)	5,598
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(5,454)	5,585
Comprehensive income attributable to non-controlling interests	16	13

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Loss before income taxes	(4,933)	(718)
Depreciation	5,867	6,587
Increase (decrease) in provisions	398	(9,049)
Interest and dividend income	(792)	(1,087)
Interest expenses	842	1,076
Loss (gain) on disposal of non-current assets	82	1,170
Decrease (increase) in trade receivables	22,603	14,661
Decrease (increase) in inventories	(21,787)	(7,253)
Increase (decrease) in trade payables	(11,217)	(10,196)
Other, net	(2,086)	2,910
Subtotal	(11,021)	(1,898)
Interest and dividends received	792	870
Interest paid	(857)	(1,043)
Income taxes refund (paid)	(1,211)	1,039
Net cash provided by (used in) operating activities	(12,298)	(1,033)
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,298)	(7,482)
Purchase of intangible assets	(2,812)	(2,222)
Payments for acquisition of businesses	(1,500)	—
Other payments	(674)	(706)
Other proceeds	930	221
Net cash provided by (used in) investing activities	(10,354)	(10,189)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	34,174	(7,550)
Proceeds from long-term borrowings	—	22,250
Repayments of long-term borrowings	(10,525)	(9,710)
Dividends paid	(2,582)	(1,722)
Repayments of lease liabilities	(2,081)	(2,238)
Other, net	16	66
Net cash provided by (used in) financing activities	19,002	1,095
Effect of exchange rate change on cash and cash equivalents	1,955	1,385
Net increase (decrease) in cash and cash equivalents	(1,695)	(8,741)
Cash and cash equivalents at beginning of period	33,379	37,498
Cash and cash equivalents at end of period	31,683	28,756

(4) Notes to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

(Consolidated Subsidiary's Arbitration Proceedings)

OKI's consolidated subsidiary in China, OKI Banking Systems (Shenzhen) Co., Ltd. (hereafter, "OBSZ"), filed an arbitration application against Shenzhen Yihua Computer Industrial Co., Ltd. (hereafter, "Yihua Industrial") with the South China International Economic and Trade Arbitration Commission on October 10, 2015. This was in pursuit of an outstanding receivable of RMB1,115,463 thousand (equivalent to JPY22,822 million at the end of the second quarter of the fiscal year ending March 31, 2024) and for damages (referred to as "Case A"). In addition, OBSZ filed a lawsuit against Yihua Industrial's parent company, Shenzhen Yihua Computer Co., Ltd. (hereafter, "Yihua Computer") in the Guangdong Provincial High People's Court. This suit (referred to as "Case B") aimed to hold Yihua Computer jointly and severally liable for the aforementioned debt, alleging that they are effectively the same entity as Yihua Industrial. Along with this, OBSZ applied for asset preservation.

Later, regarding Case A, on December 16, 2020, the South China International Economic and Trade Arbitration Commission ruled that Yihua Industrial should pay OBSZ an unpaid amount of RMB1,096,866 thousand (equivalent to JPY22,441 million at the end of the second quarter of the fiscal year ending March 31, 2024), inclusive of late fees and attorney costs, and this arbitration has been finalized. Furthermore, concerning Case B, on December 23, 2021, the Guangdong Provincial High People's Court ruled that Yihua Computer, among others, shares joint and several liability for the payments owed by Yihua Industrial to OBSZ. Responding to this, Yihua Computer appealed the decision to the Supreme People's Court on January 5, 2022. However, on September 1, 2023, the Supreme People's Court upheld the initial judgment and dismissed the appeal.

Taking into account the developments in these legal proceedings and considering the potential for enforced collection measures against Yinhua Computer, etc., OBSZ has recorded a long-term operating receivable of RMB833,164 thousand (equivalent to JPY17,046 million at the end of the second quarter of the fiscal year ending March 31, 2024). Of this amount, a doubtful accounts provision of RMB16,042 thousand (equivalent to JPY328 million at the end of the second quarter of the fiscal year ending March 31, 2024) has been recognized, based on the assessment that a portion of the receivable might be uncollectible. Due to these events, during the first half of the fiscal year ending March 31, 2024, an amount of JPY4,277 million from the doubtful accounts provision has been reversed and treated as a reduction in selling, general and administrative expenses, and interest income of JPY217 million was treated as non-operating income.

(Segment Information, etc.)

I First half of the fiscal year ended March 31, 2023 (From April 1, 2022 to September 30, 2022)

Information about amounts of net sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on consolidated statements of income (Note 3)
	Public Solutions	Enterprise Solutions	Component Products	EMS	Total				
Net sales									
Net sales to external Customers	39,190	47,761	40,930	34,654	162,536	220	162,756	—	162,756
Intersegment net sales or transfers	635	349	2,832	373	4,189	6,720	10,910	(10,910)	—
Total	39,825	48,110	43,762	35,027	166,725	6,940	173,666	(10,910)	162,756
Segment income (loss)	(638)	(2,712)	1,503	479	(1,367)	222	(1,144)	(2,840)	(3,985)

Notes: 1. “Others” consists of businesses not included in the reportable segments, such as provision of services, etc.

2. The ¥(2,840) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥253 million, corporate expenses not allocated to each reportable segment of ¥(3,086) million, and an adjustment to fixed assets of ¥7 million. Corporate expenses consist mainly of general and administrative expenses and R&D expenses that are not attributable to the reportable segments.

3. Segment income or loss is adjusted with operating loss recorded on the consolidated statements of income.

II First half of the fiscal year ending March 31, 2024 (From April 1, 2023 to September 30, 2023)

1. Information about amounts of net sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on consolidated statements of income (Note 3)
	Public Solutions	Enterprise Solutions	Component Products	EMS	Total				
Net sales									
Net sales to external Customers	39,317	63,935	34,925	36,467	174,646	205	174,852	—	174,852
Intersegment net sales or transfers	1,189	171	2,780	287	4,429	4,487	8,916	(8,916)	—
Total	40,507	64,107	37,705	36,754	179,075	4,693	183,768	(8,916)	174,852
Segment income (loss)	(840)	3,885	450	893	4,389	(446)	3,942	(2,938)	1,003

Notes: 1. “Others” consists of businesses not included in the reportable segments, such as provision of services, etc.

2. The ¥(2,938) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥160 million, corporate expenses not allocated to each reportable segment of ¥(3,134) million, and an adjustment to fixed assets of ¥35 million. Corporate expenses consist mainly of general and administrative expenses and R&D expenses that are not attributable to the reportable segments.

3. Segment income or loss is adjusted with operating loss recorded on the consolidated statements of income.

2. Matters related to changes in reportable segments

From the first quarter for the fiscal year ending March 31, 2024, in line with our new business structure focused on streamlining the scale of operations, optimizing the value chain, and strengthening business management, we have reorganized into four segments: Public Solutions, Enterprise Solutions, Component Products, and EMS.

Please note that the segment information for the first half for the fiscal year ended March 31, 2023 has been disclosed based on the classifications of the reorganized reporting segments.