

# Financial Results for FY2023

May 9, 2024

**Oki Electric Industry Co., Ltd.**

- Summary of Financial Results for FY2023
- Financial Forecasts for FY2024
- FY2023 Review and FY2024 Outlook

- Hello, everyone. Thank you very much for participating in our financial results presentation today.
- The details of the explanation are shown here.
- We will explain them in order.

## Summary of Financial Results

- Net sales and operating income increased significantly YOY as a result of the recovery from production impacts due to the supply chain and large-scale projects in Enterprise Solutions.

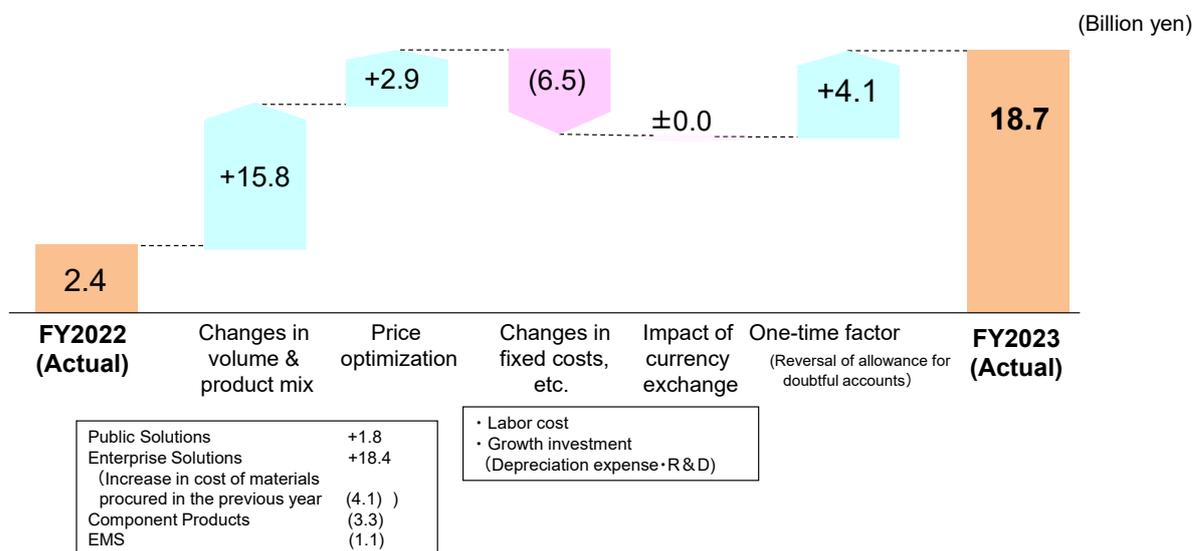
(Billion yen)	FY2023 (Actual)	FY2022 (Actual)	Variance	FY2023 (Forecasts) (As of Feb. 7)	Variance
Net sales	421.9	369.1	+52.8	425.0	(3.1)
Operating income	18.7	2.4	+16.3	17.0	+1.7
Ordinary income	18.3	(0.3)	+18.6	15.5	+2.8
Profit attributable to owners of parent	* 25.6	(2.8)	+28.4	12.0	+13.6
USD average exchange rate (Yen)	144.6	135.5	9.1	143.3	1.3
EUR average exchange rate (Yen)	156.8	141.0	15.8	155.3	1.5

\*Profit attributable to owners of parent includes income tax adjustments of ¥11 billion.

- First of all, I will explain the overview of the financial results for FY2023.
- Net sales were JPY421.9 billion, operating income was JPY18.7 billion, ordinary income was JPY18.3 billion, and profit attributable to owners of parent was JPY25.6 billion.
- Steady acquisition of large-scale demand and the normalization of production capacity that supports this resulted in a 14% increase in net sales with a JPY52.8 billion increase in revenues and a JPY16.3 billion increase in operating income.
- Ordinary income increased due to the effects of the foreign exchange rates.
- Profit attributable to owners of parent was JPY25.6 billion due to an increase in profits before taxes, along with a JPY11.0 billion corporate tax adjustment.
- Compared to the previous forecast, net sales were almost as expected, operating income increased due to the difference in product mix and reduced expenses, while increases in ordinary income and profit attributable to owners of parent are as mentioned earlier.
- The exchange rates are JPY144.6 to US dollar and JPY156.8 to the euro.
- The dividend for FY2023 is expected to be JPY30 per share, as forecasted at the beginning of the fiscal year.

## Reasons for Changes in Operating Income/Loss

- Operating income rose significantly due to steady increases in the volume of large-scale projects and price pass-through.
- Investments in human resources and growth were steadily implemented.



- Next, I will explain the factors behind the fluctuations in operating income.
- The chart shows the fluctuations in operating income from JPY2.4 billion in FY2022.
- Effects of revenue increases and differences in product mix increase to JPY15.8 billion.
- By segment, Enterprise Solutions posted a significant increase in profits attributed to increased sales. The concentration of highly profitable projects in FY2023 was also a factor that boosted profits more than expected. While profits also increased for Public Solutions, Component Products had a significant impact on revenue decrease, resulting in negative performance YoY.
- The effects of price optimization, which we continue promoting, resulted in a JPY2.9 billion increase.
- Fixed costs increased by JPY8.7 billion due to investments in personnel, growth, etc. On the other hand, we conducted cost reductions amounting to JPY2.2 billion, resulting in a net increase of JPY6.5 billion.

## Segment Information (Net Sales / Operating Income)

(Billion yen)		FY2023 (Actual)	FY2022 (Actual)	Variance	FY2023 (Forecasts) (As of Feb. 7)	Variance
Public Solutions	Net sales	94.0	95.7	(1.7)	95.0	(1.0)
	Operating income	4.4	3.4	+1.0	3.5	+0.9
Enterprise Solutions	Net sales	180.1	112.9	+67.2	180.0	+0.1
	Operating income	22.0	1.5	+20.5	20.5	+1.5
Component Products	Net sales	73.4	84.6	(11.2)	75.0	(1.6)
	Operating income	0.6	1.6	(1.0)	0.5	+0.1
EMS	Net sales	73.9	75.3	(1.4)	75.0	(1.1)
	Operating income	1.1	2.3	(1.2)	1.5	(0.4)
Others	Net sales	0.4	0.5	(0.1)	-	+0.4
	Operating income	(1.1)	0.4	(1.5)	(1.5)	+0.4
Corporate & Eliminations	Operating income	(8.3)	(6.8)	(1.5)	(7.5)	(0.8)
<b>Total</b>	<b>Net sales</b>	<b>421.9</b>	<b>369.1</b>	<b>+52.8</b>	<b>425.0</b>	<b>(3.1)</b>
	<b>Operating income</b>	<b>18.7</b>	<b>2.4</b>	<b>+16.3</b>	<b>17.0</b>	<b>+1.7</b>

- Net sales and operating income by segment.
- Public Solutions posted decreased revenues but increased profits, while Enterprise Solutions posted significant increases in revenues and profits.
- Component Products and EMS posted decreases in revenues and profits.
- Others, along with elimination and head office expenses, include R&D and other investments essential for growth to create future businesses.
- I will explain the details in the following pages.

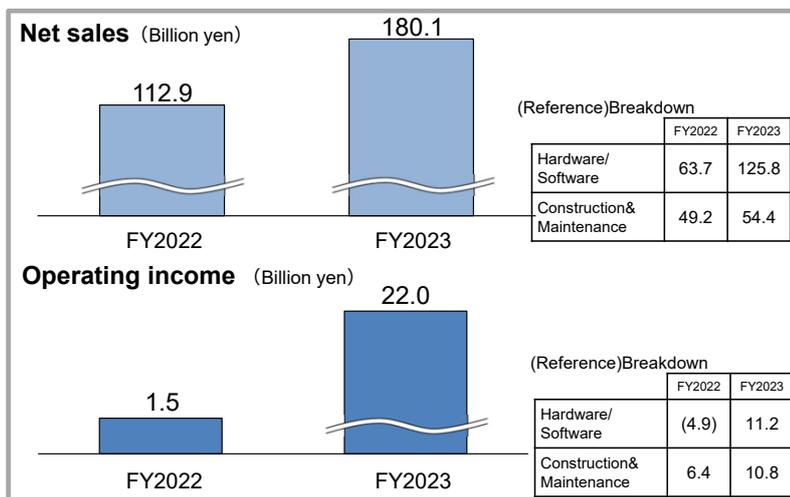
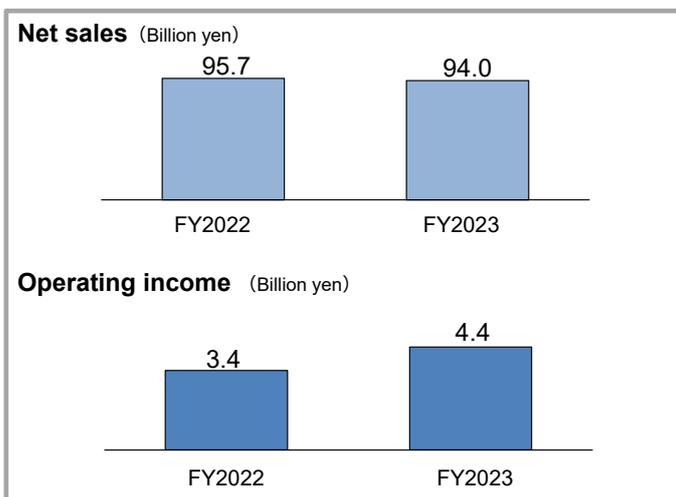
## Overview by Segment (Public Solutions / Enterprise Solutions)

### Public Solutions

- The business fields of roads, firefighting, disaster prevention, and TOKKI steadily increased. Although there was a decrease in the number of projects for communication carriers, operating income increased in the segment as a whole.

### Enterprise Solutions

- Net sales increased significantly due to easing of the supply chain impact and large-scale projects. Operating income increased due to higher hardware and software sales, as well as improved earnings from construction and maintenance.



➤ First, I will explain Public Solutions.

➤ Net sales were JPY94 billion with a 2% decrease YoY. The decreased revenues were due to a decrease in projects for some communications carriers. On the other hand, firefighting, disaster prevention, and road projects, which are areas we have decided to focus on, performed well. This is also true for TOKKI. In particular, TOKKI business contributed to profits, resulting in an increase in profits.

➤ Next is Enterprise Solutions.

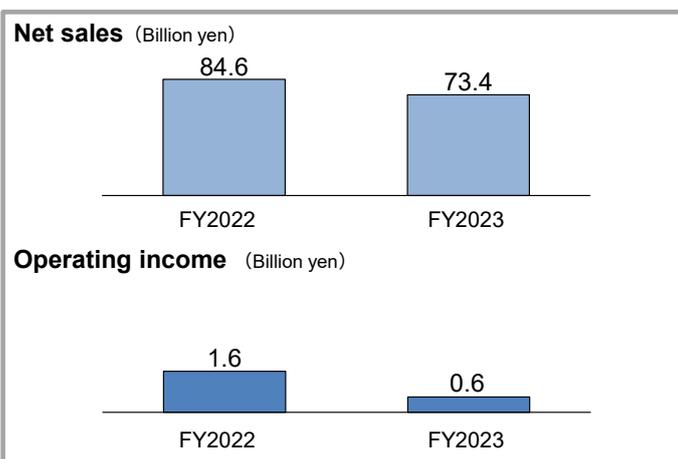
➤ Net sales increased by 60% YoY to JPY180.1 billion. As mentioned earlier, we managed to normalize and increase production and respond to large-scale demand. The construction and maintenance business also grew more than expected, which was related to such demands.

➤ In addition to the effects of increased revenues in terms of profits, we experienced a concentration of highly profitable projects in FY2023, which coincided with the reversal of allowance for doubtful accounts relating to the projects in China and other matters, resulting in significant increases in revenues and profits.

## Overview by Segment (Component Products / EMS)

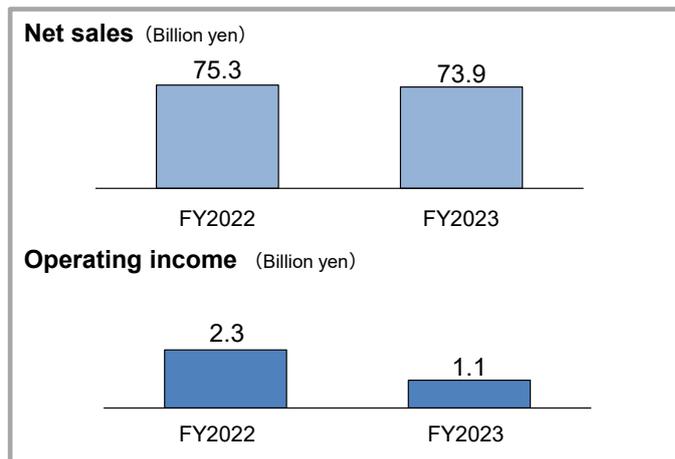
### Component Products

- IoT is positive due to improvement from procurement difficulties due to supply chain impact.  
Printer operating income declined due to the impact of a significant decrease in net sales on stagnant overseas demand.



### EMS

- Net sales and operating income declined due to the impact of lower demand in the semiconductor market and the FA and robot markets due to the slowdown in the Chinese economy.



- Next is Component Products.
- Net sales decreased 13% YoY to JPY73.4 billion, whereas operating income decreased by JPY1.0 billion YoY to JPY0.6 billion, which was a difficult situation for us.
- In the printer business, the main factors can be attributed to sluggish demand in Europe and a recoil from last-minute demand during the previous fiscal year.
- Finally, I will explain EMS.
- Net sales decreased 2% YoY to JPY73.9 billion, whereas operating income decreased by JPY1.2 billion YoY to JPY1.1 billion.
- The semiconductor market and the sluggish Chinese economy have resulted in lower-than-expected demand for printed circuit boards for semiconductor manufacturing equipment, along with cables and other components for factory automation and robotics, resulting in decreased revenues and profits.

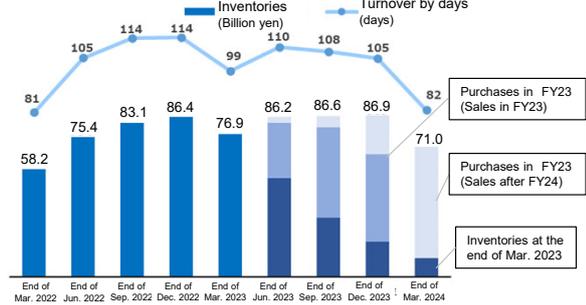
# Balance Sheets



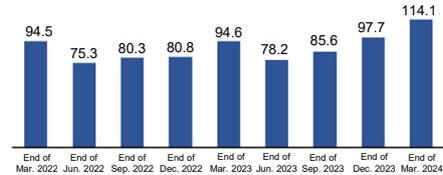
- Inventories decreased steadily at the end of the previous fiscal year.
- Shareholders' equity ratio improved by 7.9 points YOY to 33.3%

(Billion yen)	Mar. 2024	Mar. 2023	Variance
Current assets	239.7	230.2	+9.5
Fixed assets	183.7	160.2	+23.5
Assets	423.4	390.4	+33.0
Current liabilities	188.4	205.3	(16.9)
Fixed liabilities	93.7	85.9	+7.8
Liabilities	282.1	291.1	(9.0)
Shareholders' equity	141.2	99.1	+42.1
Others	0.1	0.2	(0.1)
Net assets	141.3	99.3	+42.0
Total liabilities and net assets	423.4	390.4	+33.0
Shareholders' equity ratio (%)	33.3	25.4	+7.9
D/E ratio (times)	0.8	1.2	(0.4)

Inventories / Turnover by days



Trade receivables



Cross-Shareholdings

	End of Mar. 2023	End of Mar. 2024
Number of stocks	74	65
Book value (Billion yen)	31.2	41.0

Reference:  
Book value basis at the end of Mar. 2023

	End of Mar. 2024
Number of stocks	65
Book value (Billion yen)	29.6

- Next is the balance sheet.
- Total assets increased by JPY33.0 billion from the end of the previous fiscal year to JPY423.4 billion.
- This was mainly due to an increase in trade receivables resulting from increased sales and an increase in the value of fixed assets from higher stock prices.
- Similar to the Q3 results, the graph on the right side shows the trends in inventory assets and trade receivables. Trade receivables increased due to increased sales in Q4. For inventory assets, the inventory at the end of the last fiscal year has been steadily decreasing, and we are in the process of creating a system for future sales. We will continue optimizing working capital.
- The status of cross-shareholding is shown on the lower right-hand side. Reduction efforts are continuing, with nine stocks sold in FY2023.
- Capital increased by JPY42.1 billion to JPY141.2 billion, the equity ratio was 33.3%, and the DE ratio was 0.8.

## Cash Flows

- Operating cash flow turned positive due to improved profit.
- Repaid borrowings due to improved free cash flow.

(Billion yen)	FY2023 (Actual)	FY2022 (Actual)	Variance
I Cash flows from operating activities	24.7	(3.1)	+27.8
II Cash flows from investing activities	(14.3)	(17.6)	+3.3
Free cash flows ( I + II )	10.4	(20.7)	+31.1
III Cash flows from financing activities	(15.7)	23.3	(39.0)
Cash and cash equivalents	34.4	37.5	(3.1)
Purchases of PP&E and intangible assets	17.0	16.5	+0.5
Depreciation	14.2	12.3	+1.9

- Next is cash flow.
- Operating cash flow increased by JPY27.8 billion YoY to JPY24.7 billion due to improved profits.
- In accordance with the Medium-Term Business Plan 2025 policy, investment cash flow has been promoted while prioritizing investments that are essential for growth.
- Free cash flow increased by JPY10.4 billion, and we implemented debt reduction.
- Cash equivalents amounted to JPY34.4 billion, ensuring that we have the necessary funds.

## Financial Forecasts

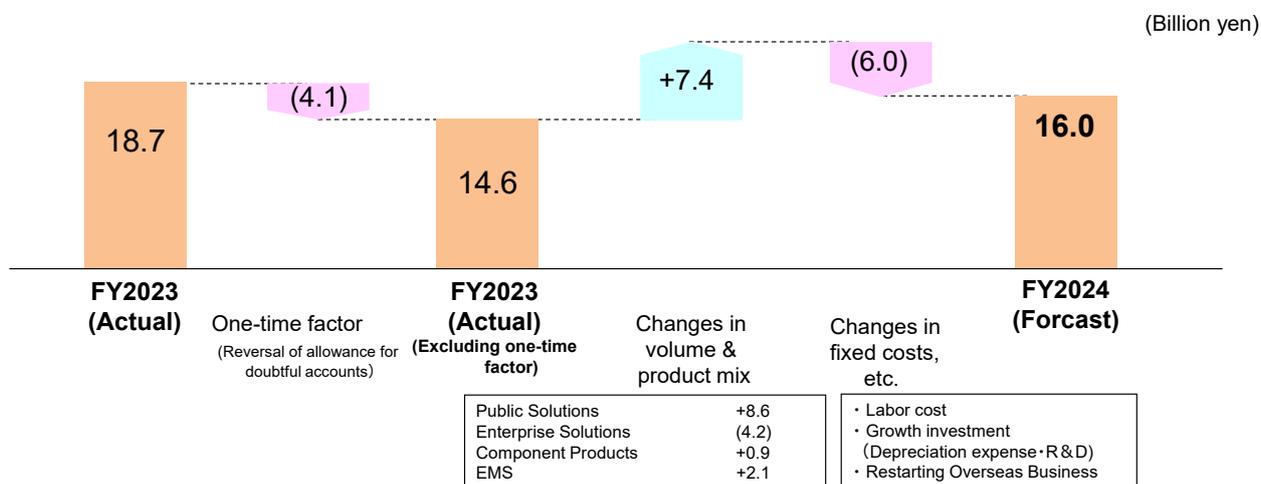
(Billion yen)		FY2024 (Forecasts)	FY2023 (Actual)	Variance
Public Solutions	Net sales	135.0	94.0	+41.0
	Operating income	10.5	4.4	+6.1
Enterprise Solutions	Net sales	170.0	180.1	(10.1)
	Operating income	12.5	22.0	(9.5)
Component Products	Net sales	75.0	73.4	+1.6
	Operating income	1.5	0.6	+0.9
EMS	Net sales	80.0	73.9	+6.1
	Operating income	2.5	1.1	+1.4
Others	Net sales	0.0	0.4	(0.4)
	Operating income	(1.8)	(1.1)	(0.7)
Corporate & Eliminations	Operating income	(9.2)	(8.3)	(0.9)
<b>Total</b>	<b>Net sales</b>	<b>460.0</b>	<b>421.9</b>	<b>+38.1</b>
	<b>Operating income</b>	<b>16.0</b>	<b>18.7</b>	<b>(2.7)</b>
	<b>Ordinary income</b>	<b>14.5</b>	<b>18.3</b>	<b>(3.8)</b>
	<b>Profit attributable to owners of parent</b>	<b>9.5</b>	<b>25.6</b>	<b>(16.1)</b>
Dividend per share (yen)		30	30	±0

Exchange rate assumptions  
USD : ¥140  
EUR : ¥150

- I would now like to describe our earnings forecast for FY2024.
- We expect net sales of JPY460.0 billion, operating income of JPY16.0 billion, and current net income of JPY9.5 billion.
- Although performance may seem below par in terms of profits, revenues and profits technically increased, excluding the one-time factor from the last fiscal year.
- By segment, we expect a significant increase in revenues and profits for Public Solutions. The last fiscal year's activities are expected to pay off in the form of figures this year.
- For Enterprise Solutions, large-scale projects continue like the previous year. However, although profits will decrease from the last fiscal year when favorable factors coincided, including one-time factors, we expect to achieve a certain level of profits.
- For Component Products, we expect it to remain at nearly the same level as last year, reflecting trends in the overseas market for printers.
- For EMS, we expect increases in both revenues and profits as we assume a market recovery from H2 of the fiscal year.
- The planned annual dividend is JPY30 per share.
- The decision was made based on a comprehensive review of how we adopt a basis of continued stable dividends while making investments essential to long-term growth, along with the cash flow status and other matters.

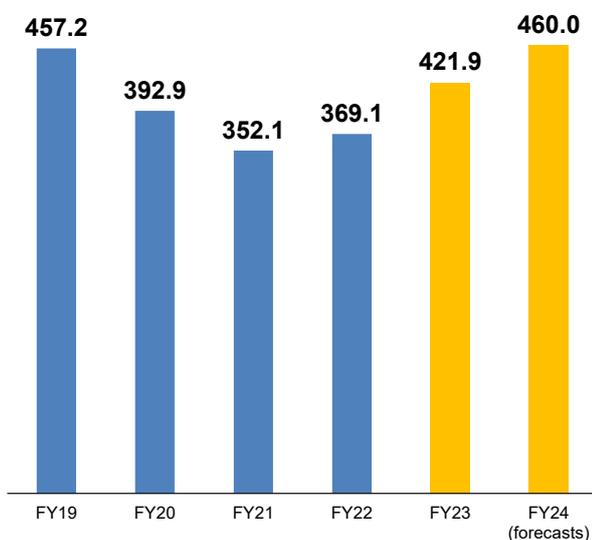
## Reasons for Changes in Operating Income/Loss

- Increase due to higher volume in Public Solutions.
- Investment in human resources and growth continued.

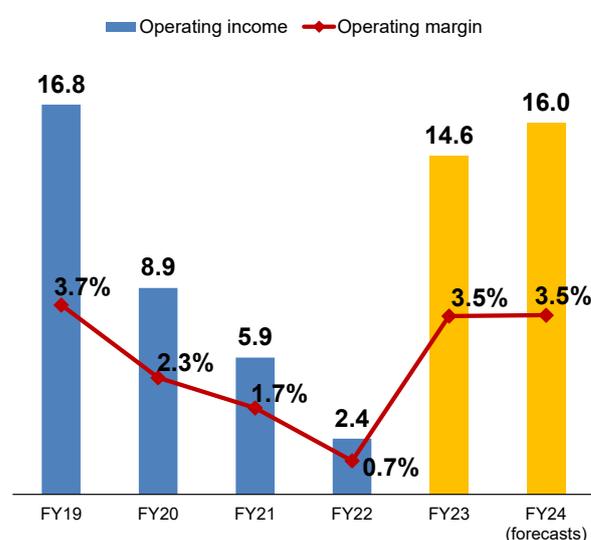


- Fluctuation factors for operating income of FY2024.
- This shows the trend from JPY14.6 billion in substantial operating income in FY2023, excluding one-time factors.
- Balancing the effects of increased revenue with aggressive growth investment in the Public Solutions segment, we have set operating income at JPY16 billion.
- This concludes the financial results overview for FY2023 and the earnings forecast for FY2024.

Net sales (Billion yen)



Operating income (Billion yen) / Operating margin



(※FY23 operating margin is based on the exclusion of One-time factor)

- Finally, I would like to summarize our review of FY2023 and briefly discuss our future plans.
- Once again, we have summarized our performance trends over the past five years.
- Our Medium-Term Business Plan 2025 is based on the policy of steering toward growth and breaking free from the downward trend, and we have ended our first year.
- Although we have finally managed to put an end to the poor performance, we consider these figures to be the lowest level and believe more efforts are necessary.
- We will strive to achieve both growth and profit at a higher level.

Growth Businesses	Public Solutions	Firefighting, disaster prevention, roads, and TOKKI secured projects steadily. Steadily responding to needs based on the policy of strengthening defense capabilities.
	EMS	Semiconductor market and FA/robot markets deteriorated. Following the market's recovery.
Stabilizing Businesses	Enterprise Solutions	Continue to ensure implementation of large projects. Transformation to a resilient management structure for the future.
	Component Products	European markets deteriorated more than expected. OEM expansion and rationalization of development/production system.
Creating Future Businesses	CFB	Promoted business expansion strategy for Crystal Film Bonding (CFB) business. Steady progress in a wide range of areas, including entry into the power device market.
	Restarting Overseas Business	Promotion of activities at global R&D sites.

- We have summarized our business situation based on those perspectives.
- I will explain each business segment mentioned in the Medium-Term Business Plan 2025 in the order of growth, stabilization, and future businesses.
- First, I will start with Public Solutions and EMS, which we consider growth businesses.
  - For Public Solutions, we will strengthen activities focusing on renewal demand for firefighting, disaster prevention, and road projects. We can expect mid-term growth from this fiscal year.
  - In addition to this, for TOKKI business that includes defense projects, we have already begun building a production system and investments to enhance technological capabilities with the aim of long-term growth.
  - Also, as I mentioned earlier for EMS, we expect market recovery during H2 of this fiscal year, as we have been strengthening our production capabilities for our parts business, such as circuit boards, cables, and others, along with capital investments since last year. Therefore, we plan to return to a path of growth.

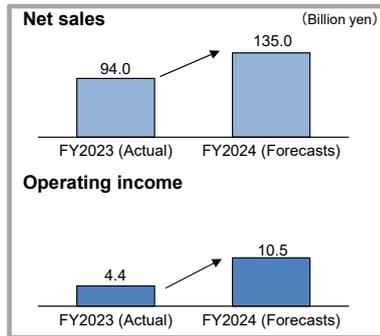
- Enterprise Solutions and Component Products, which we consider stabilizing businesses.
  - Enterprise Solutions has secured the same volume of projects as in the previous year.
  - With the introduction of new automated machinery and large-scale projects, the business will continue beyond the current fiscal year. First, we will firmly grasp this demand while initiating a structural reform to our business to achieve stabilization.
  - For Component Products, structural reforms will be implemented earlier, as the printer business for the European market has been more sluggish than we expected. We will implement OEM expansion while accelerating the streamlining of development and production systems.
  
- Also, I will describe our efforts for creating businesses in the future.
- Today, I would like to briefly explain our crystal film bonding (CFB) business and overseas activities among these.
- We are considering CFB for a wide range of semiconductor applications, including power semiconductors and photoelectric devices, which we announced with Shin-Etsu Chemical last summer. Also, we are promoting commercialization while strengthening technological development in areas such as display applications that include smart glass and other products. We are also strengthening the structure of the responsible divisions and strengthening investments to develop them as our core business.
- For our overseas businesses, there are currently no businesses where we can operate at large scales besides printers and ATMs. However, we have begun invigorating new overseas activities, as we believe overseas businesses are essential to our long-term growth.
- As an example, we will first establish overseas technical locations as a foothold for our activities. Although this is a small step, we will use this as a starting point to increase the number of locations and create an environment for innovation. At the same time, we will find and foster many global personnel through these activities.
  
- Also, detailed strategies for each business will be offered with an in-depth explanation during IR Day scheduled for June 6.
- This concludes my explanation. Thank you very much.

## (Reference) Quarterly Results

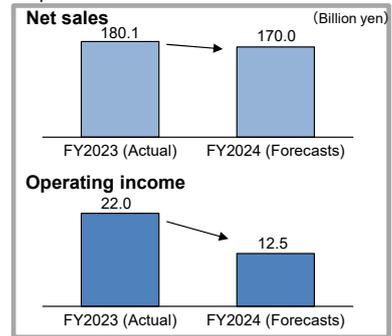
(Billion yen)		FY2022					FY2023				
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	Q4	FY
Public Solutions	Net sales	19.3	19.8	22.8	33.7	95.7	19.3	20.0	24.5	30.1	94.0
	Operating income	(0.3)	(0.3)	0.0	4.0	3.4	(0.1)	(0.7)	1.4	3.9	4.4
Enterprise Solutions	Net sales	23.3	24.5	29.7	35.4	112.9	27.4	36.5	51.5	64.7	180.1
	Operating income	(1.6)	(1.1)	0.1	4.1	1.5	1.9	2.0	6.6	11.4	22.0
Component Products	Net sales	19.2	21.8	21.4	22.3	84.6	17.0	17.9	18.5	20.0	73.4
	Operating income	(0.1)	1.6	(0.1)	0.2	1.6	(0.8)	1.3	(0.8)	0.9	0.6
EMS	Net sales	16.2	18.5	19.8	20.9	75.3	17.7	18.8	17.1	20.3	73.9
	Operating income	0.1	0.4	0.9	0.9	2.3	0.6	0.3	(0.1)	0.3	1.1
Others	Net sales	0.1	0.1	0.2	0.1	0.5	0.1	0.1	0.1	0.1	0.4
	Operating income	0.1	0.1	0.1	0.1	0.4	(0.1)	(0.3)	(0.3)	(0.4)	(1.1)
Corporate & Eliminations	Operating income	(1.2)	(1.7)	(1.8)	(2.2)	(6.8)	(1.4)	(1.5)	(2.2)	(3.2)	(8.3)
<b>Total</b>	<b>Net sales</b>	<b>78.1</b>	<b>84.6</b>	<b>93.8</b>	<b>112.5</b>	<b>369.1</b>	<b>81.5</b>	<b>93.3</b>	<b>111.8</b>	<b>135.3</b>	<b>421.9</b>
	<b>Operating income</b>	<b>(3.0)</b>	<b>(1.0)</b>	<b>(0.8)</b>	<b>7.2</b>	<b>2.4</b>	<b>0.0</b>	<b>1.0</b>	<b>4.8</b>	<b>12.9</b>	<b>18.7</b>

# (Reference) Business Overview

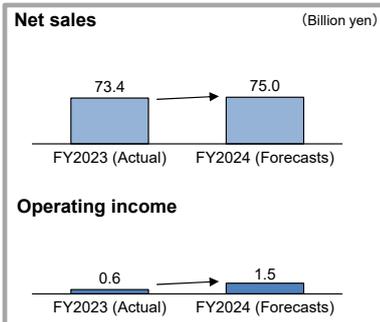
## Public Solutions



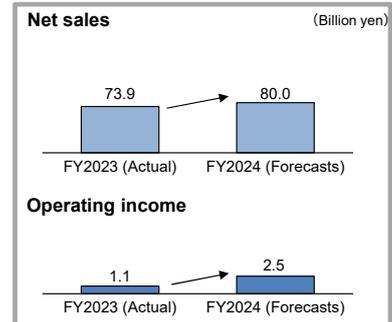
## Enterprise Solutions



## Component Products



## EMS



## (Reference) Investments and Cash Flows Forecasts

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

Investments (Billion yen)	FY2024 (Forecasts)	FY2023 (Actual)	Variance
Capital Expenditure*	22.0	16.0	+6.0
Depreciation*	16.0	13.2	+2.8
R&D	13.0	12.5	+0.5

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

Cash Flows (Billion yen)	FY2024 (Forecasts)	FY2023 (Actual)	Variance
I Cash flows from operating activities	28.0	24.7	+3.3
II Cash flows from investing activities	(19.0)	(14.3)	(4.7)
Free cash flows ( I + II )	9.0	10.4	(1.4)

## (Reference) Major Products and Services

<b>Public Solutions</b>	<ul style="list-style-type: none"><li>• Roads (ETC, VICS), air traffic control, disaster prevention, firefighting</li><li>• Business systems for central government offices, government statistics systems</li><li>• Defense systems (underwater acoustics, information)</li><li>• Aviation equipment</li><li>• Infrastructure monitoring</li><li>• Carrier networks, video distribution, 5G/local 5G</li></ul>
<b>Enterprise Solutions</b>	<ul style="list-style-type: none"><li>• ATMs, cash handling equipment</li><li>• Bank branch terminals, ticket reservations issuing terminals, check-in terminals</li><li>• ATM monitoring/operation services</li><li>• Bank branch systems, system to centralized back office operations</li><li>• Railway ticket issuance systems, airport check-in systems</li><li>• Manufacturing systems (ERP, IoT)</li><li>• Construction and Maintenance Services</li></ul>
<b>Component Products</b>	<ul style="list-style-type: none"><li>• AI edge computers, sensors, IoT networks</li><li>• PBXs, business phones, contact centers</li><li>• Cloud services</li><li>• LED printers</li></ul>
<b>EMS</b>	<ul style="list-style-type: none"><li>• Consigned designing and manufacturing services</li><li>• Printed circuit boards</li></ul>

- 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.