

Financial Results for Q1 FY2023

August 10, 2023

Oki Electric Industry Co., Ltd.

Summary of Financial Results

- Net sales increased YOY. Operating income increased YOY on the reversal of allowance for doubtful accounts.
- The increase in net sales owed to recovery from the impact of a production decline caused by component shortage.
- Operating income increased due to the abovementioned one-time factor, although there was an increase in costs for components procured in the previous fiscal year and an increase in labor costs.

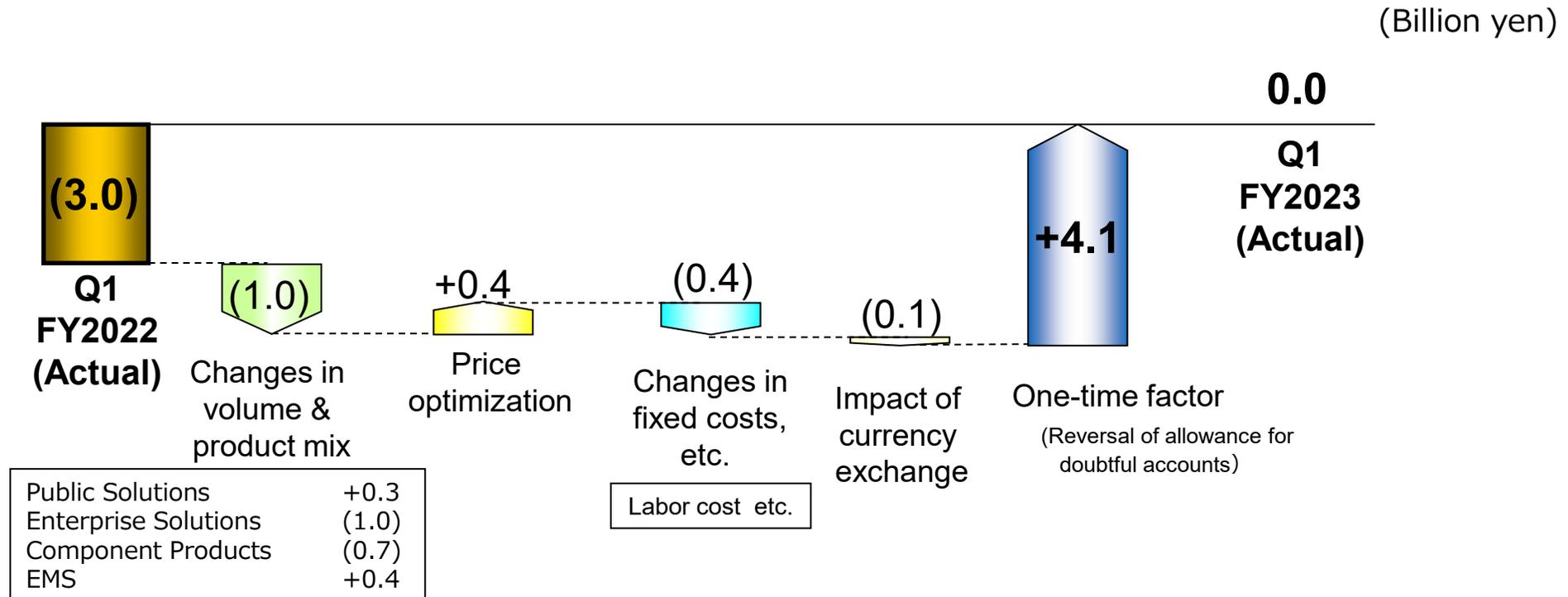
(Billion yen)	Q1 FY2023 (Actual)	Q1 FY2022 (Actual)	Variance
Net sales	81.5	78.1	+3.4
Operating income (loss)	0.0	(3.0)	+3.0
Ordinary income (loss)	(0.3)	(3.1)	+2.8
Profit (loss) attributable to owners of parent	(0.2)	(3.2)	+3.0
USD average exchange rate (Yen)	137.4	129.6	+7.8
EUR average exchange rate (Yen)	149.5	138.1	+11.4

Segment Information (Net Sales / Operating Income)

(Billion yen)		Q1 FY2023 (Actual)	Q1 FY2022 (Actual)	Variance
Public Solutions	Net sales	19.3	19.3	±0.0
	Operating income	(0.1)	(0.3)	+0.2
Enterprise Solutions	Net sales	27.4	23.3	+4.1
	Operating income	1.9	(1.6)	+3.5
Component Products	Net sales	17.0	19.2	(2.2)
	Operating income	(0.8)	(0.1)	(0.7)
EMS	Net sales	17.7	16.2	+1.5
	Operating income	0.6	0.1	+0.5
Others	Net sales	0.1	0.1	±0.0
	Operating income	(0.1)	0.1	(0.2)
Corporate & Eliminations	Operating income	(1.4)	(1.2)	(0.2)
Total	Net sales	81.5	78.1	+3.4
	Operating income	0.0	(3.0)	+3.0

Reasons for Changes in Operating Income/Loss

- Although Enterprise Solutions saw positive factors such as recovery from the impact of the production decline due to component shortages and an increase in volume in construction and maintenance services, it was in the minus overall owing to factors such as the impact of higher component costs for hardware products.
- EMS was positive due to an increase in the volume of products, including recovery from the impact of reduced production due to a shortage of component.
- There was a reversal of allowance for doubtful accounts for Chinese ATM receivables.

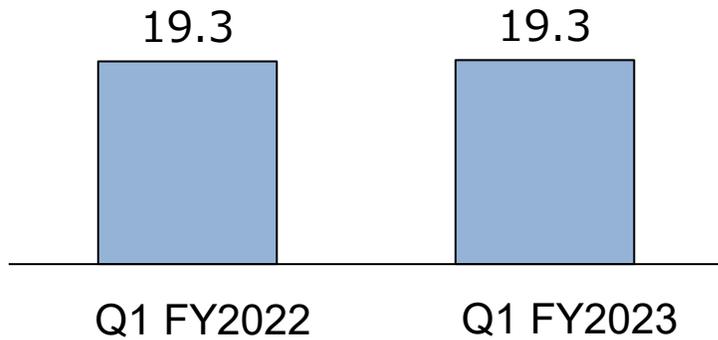


Overview by Segment (Public Solutions / Enterprise Solutions)

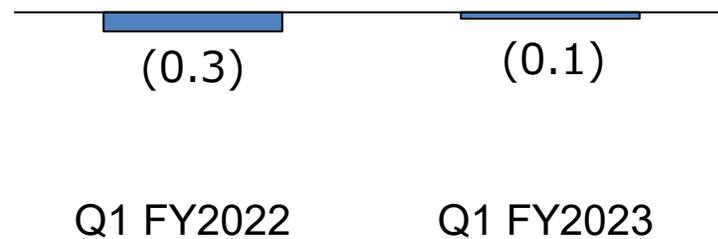
Public Solutions

- While the number of defense projects increased, the number of communication carrier projects declined, and overall net sales and operating income were at the same levels as in the previous year.

Net sales (Billion yen)



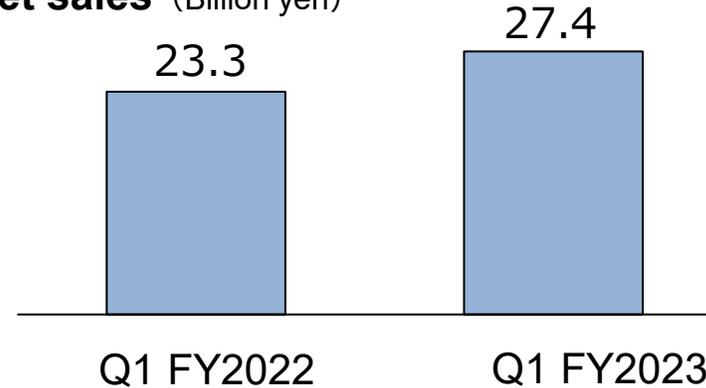
Operating income (Billion yen)



Enterprise Solutions

- Net sales increased on reduction of the impact of the production decline caused by the component shortage.
- Operating income was impacted by an increase in component costs for hardware products but this was partially offset by construction and maintenance services. Another factor behind the increase in operating income was the reversal of allowance for doubtful accounts.

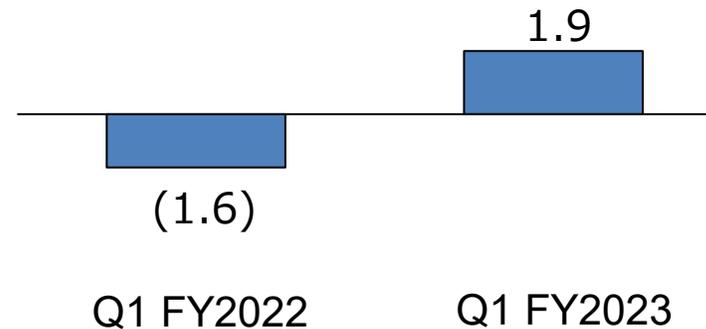
Net sales (Billion yen)



(Reference) Breakdown

	FY22	FY23
Hardware/Software	13.1	16.4
Construction & Maintenance	10.2	11.0

Operating income (Billion yen)



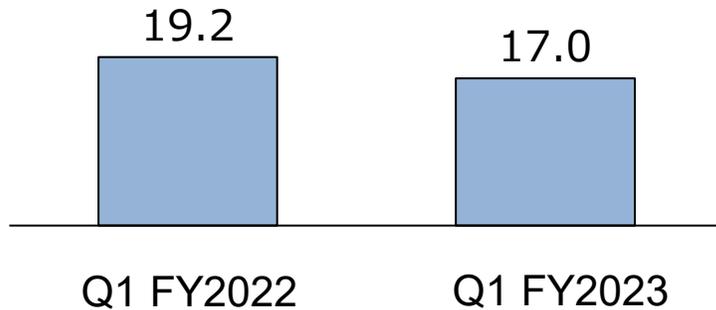
(Reference) Breakdown

	FY22	FY23
Hardware/Software	(2.0)	(3.6)
Construction & Maintenance	0.4	1.4
One-time factor	0.0	4.1

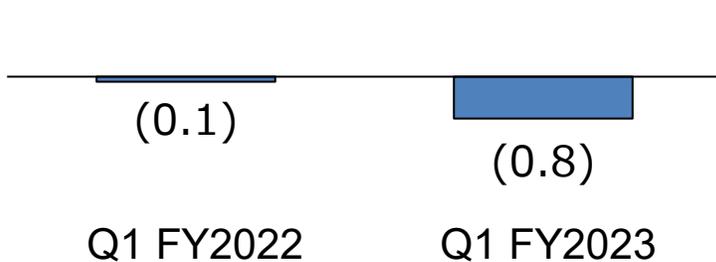
Component Products

- IoT saw positive growth due to reduced supply chain impacts. Overall, however, both segment net sales and operating income decreased in reaction to a last-minute surge in demand for printers before the previous year's price hikes.

Net sales (Billion yen)



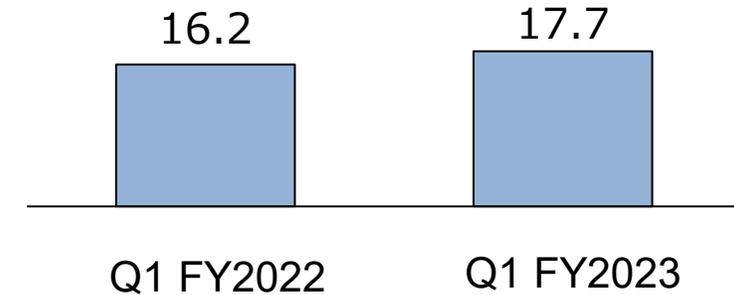
Operating income (Billion yen)



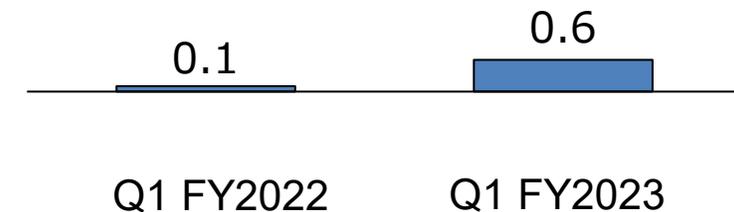
EMS

- Net sales and operating income increased partly due to reduction of supply chain impacts. Demand is generally strong, mainly in the domestic market.

Net sales (Billion yen)



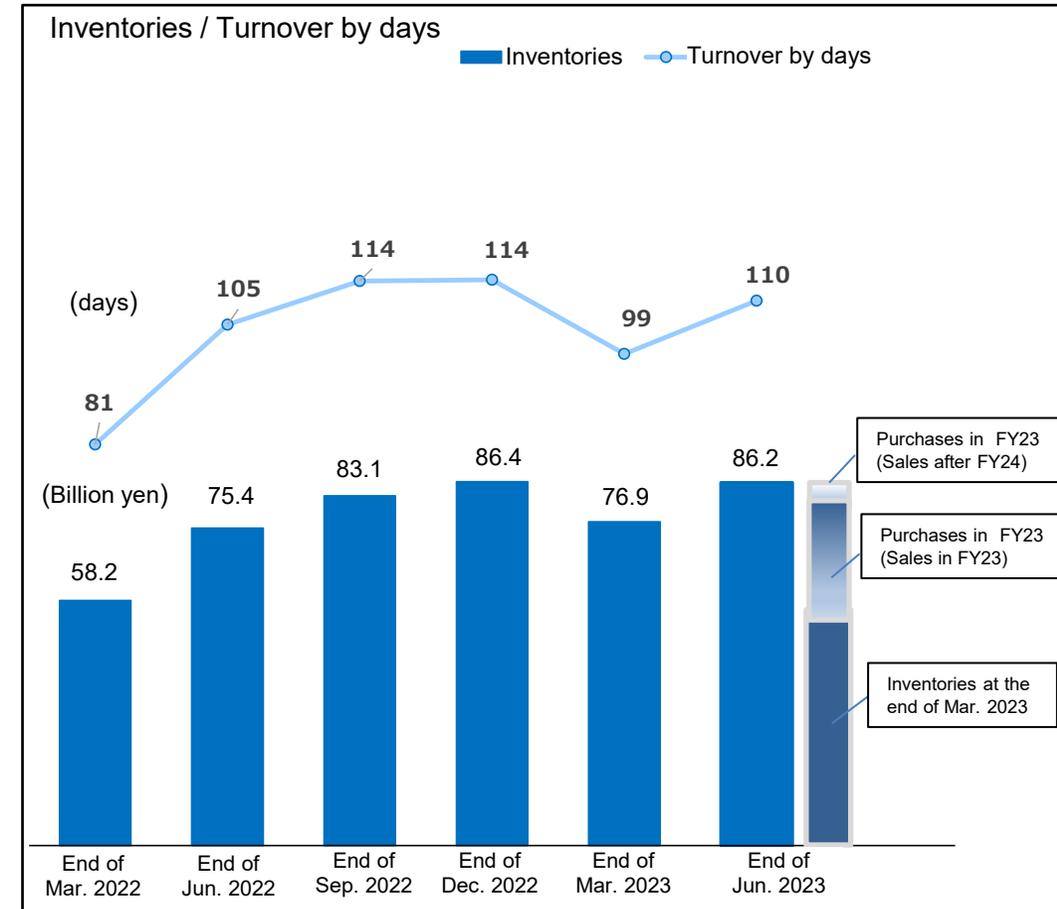
Operating income (Billion yen)



Balance Sheets

- Inventories increased from the end of March, partly due to an increase in sales from the second quarter. However, the amount of YOY increase has declined toward normalization.
- Shareholders' equity ratio increased by 0.6 percentage points.

(Billion yen)	Jun. 2023	Mar. 2023	Variance
Current assets	220.5	230.2	(9.7)
Fixed assets	166.0	160.2	+5.8
Assets	386.5	390.4	(3.9)
Current liabilities	201.5	205.3	(3.8)
Fixed liabilities	84.4	85.9	(1.5)
Liabilities	285.9	291.1	(5.2)
Shareholders' equity	100.4	99.1	+1.3
Others	0.2	0.2	±0.0
Net assets	100.5	99.3	+1.2
Total liabilities and net assets	386.5	390.4	(3.9)
Shareholders' equity ratio (%)	26.0	25.4	+0.6
D/E ratio (times)	1.2	1.2	±0.0



- Approximately one billion yen was recorded as loss on disposal of fixed assets (assets for services to specific customers, due to switching to a new system).

- Operating cash flows improved YOY due to a decrease in working capital including debt collection.
- Investment cash flows include investments to strengthen the services business in Enterprise Solutions.

(Billion yen)	Q1 FY2023 (Actual)	Q1 FY2022 (Actual)	Variance
I Cash flows from operating activities	2.2	0.0	+2.2
II Cash flows from investing activities	(5.9)	(4.9)	(1.0)
Free cash flows (I + II)	(3.7)	(4.9)	+1.2
III Cash flows from financing activities	(3.8)	4.3	(8.1)
Cash and cash equivalents	30.8	34.2	(3.4)
Purchases of PP&E and intangible assets	5.7	3.9	+1.8
Depreciation	3.2	2.9	+0.3

Revision of Financial Forecasts

- The impact of the Chinese subsidiary's lawsuit announced on June 20, 2023, was carefully reviewed and reflected in the Q1 financial results.

Accordingly, the full-year earnings forecast announced on May 10, 2023, was revised upward.

(Billion yen)		FY2023 Revised	FY2023 Previous	Variance	FY2022 Actual	Variance
Public Solutions	Net sales	98.0	98.0	±0.0	95.7	+2.3
	Operating income	4.0	4.0	±0.0	3.4	+0.6
Enterprise Solutions	Net sales	178.0	178.0	±0.0	112.9	+65.1
	Operating income	15.5	11.5	+4.0	1.5	+14.0
Component Products	Net sales	81.0	81.0	±0.0	84.6	(3.6)
	Operating income	2.0	2.0	±0.0	1.6	+0.4
EMS	Net sales	83.0	83.0	±0.0	75.3	+7.7
	Operating income	2.5	2.5	±0.0	2.3	+0.2
Others	Net sales	0.0	0.0	±0.0	0.5	(0.5)
	Operating income	(1.5)	(1.5)	±0.0	0.4	(1.9)
Corporate & Eliminations	Operating income	(7.5)	(7.5)	±0.0	(6.8)	(0.7)
Total	Net sales	440.0	440.0	±0.0	369.1	+70.9
	Operating income	15.0	11.0	+4.0	2.4	+12.6
	Ordinary income	12.5	8.5	+4.0	(0.3)	+12.8
	Profit attributable to owners of parent	8.0	4.0	+4.0	(2.8)	+10.8

Q2–Q4
Exchange rate
assumptions
USD : ¥141
EUR : ¥153

(Reference) Quarterly Results

(Billion yen)		FY2022					FY2023
		Q1	Q2	Q3	Q4	FY	Q1
Public Solutions	Net sales	19.3	19.8	22.8	33.7	95.7	19.3
	Operating income	(0.3)	(0.3)	0.0	4.0	3.4	(0.1)
Enterprise Solutions	Net sales	23.3	24.5	29.7	35.4	112.9	27.4
	Operating income	(1.6)	(1.1)	0.1	4.1	1.5	1.9
Component Products	Net sales	19.2	21.8	21.4	22.3	84.6	17.0
	Operating income	(0.1)	1.6	(0.1)	0.2	1.6	(0.8)
EMS	Net sales	16.2	18.5	19.8	20.9	75.3	17.7
	Operating income	0.1	0.4	0.9	0.9	2.3	0.6
Others	Net sales	0.1	0.1	0.2	0.1	0.5	0.1
	Operating income	0.1	0.1	0.1	0.1	0.4	(0.1)
Corporate & Eliminations	Operating income	(1.2)	(1.7)	(1.8)	(2.2)	(6.8)	(1.4)
Total	Net sales	78.1	84.6	93.8	112.5	369.1	81.5
	Operating income	(3.0)	(1.0)	(0.8)	7.2	2.4	0.0

(Reference) Major Products and Services

Public Solutions	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">• AI edge computers, sensors, IoT networks• PBXs, business phones, contact centers• Cloud services• LED printers
EMS	<ul style="list-style-type: none">• Consigned designing and manufacturing services• Printed circuit boards

- 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.