

Financial Results for the FY Ended March 31, 2023

May 10, 2023

Oki Electric Industry Co., Ltd.

Summary of Financial Results

- While both net sales and operating income were weak, they were mostly in line with previous forecasts.
(operating income in real terms was unchanged YOY).
- Ordinary income was worse than expected due to reclassification of expenses (about ¥0.9B: extraordinary loss to non-operating).
- Extraordinary losses declined from the previous year, mainly due to restructuring costs.

(Billion yen)	FY2023/3 Results	FY2023/3 Forecasts (As of Feb. 9)	Variance	FY2022/3 Results	Variance
Net sales	369.1	372.0	(2.9)	352.1	+17.0
Operating income	2.4	3.0	(0.6)	5.9	(3.5)
Ordinary income	(0.3)	0.5	(0.8)	7.7	(8.0)
Profit attributable to owners of parent	(2.8)	(3.0)	+0.2	2.1	(4.9)
USD average exchange rate (Yen)	135.5	136.2	△0.7	112.4	+23.1
EUR average exchange rate (Yen)	141.0	141.2	△0.2	130.6	+10.4

Segment Information (Net Sales/ Operating Income)

(Billion yen)

Net Sales	FY2023/3 Results	FY2023/3 Forecasts (As of Feb. 9)	Variance	FY2022/3 Results	Variance
Solution Systems	179.4	183.0	(3.6)	162.6	+16.8
Components & Platforms	189.2	189.0	+0.2	189.0	+0.2
Others	0.5	0.0	+0.5	0.4	+0.1
Total	369.1	372.0	(2.9)	352.1	+17.0
Operating Income	FY2023/3 Results	FY2023/3 Forecasts (As of Feb. 9)	Variance	FY2022/3 Results	Variance
Solution Systems	8.5	9.5	(1.0)	9.5	(1.0)
Components & Platforms	(0.1)	0.0	(0.1)	3.5	(3.6)
Others	0.4	0.0	+0.4	0.3	+0.1
Corporate & Eliminations	(6.4)	(6.5)	+0.1	(7.5)	+1.1
Total	2.4	3.0	(0.6)	5.9	(3.5)

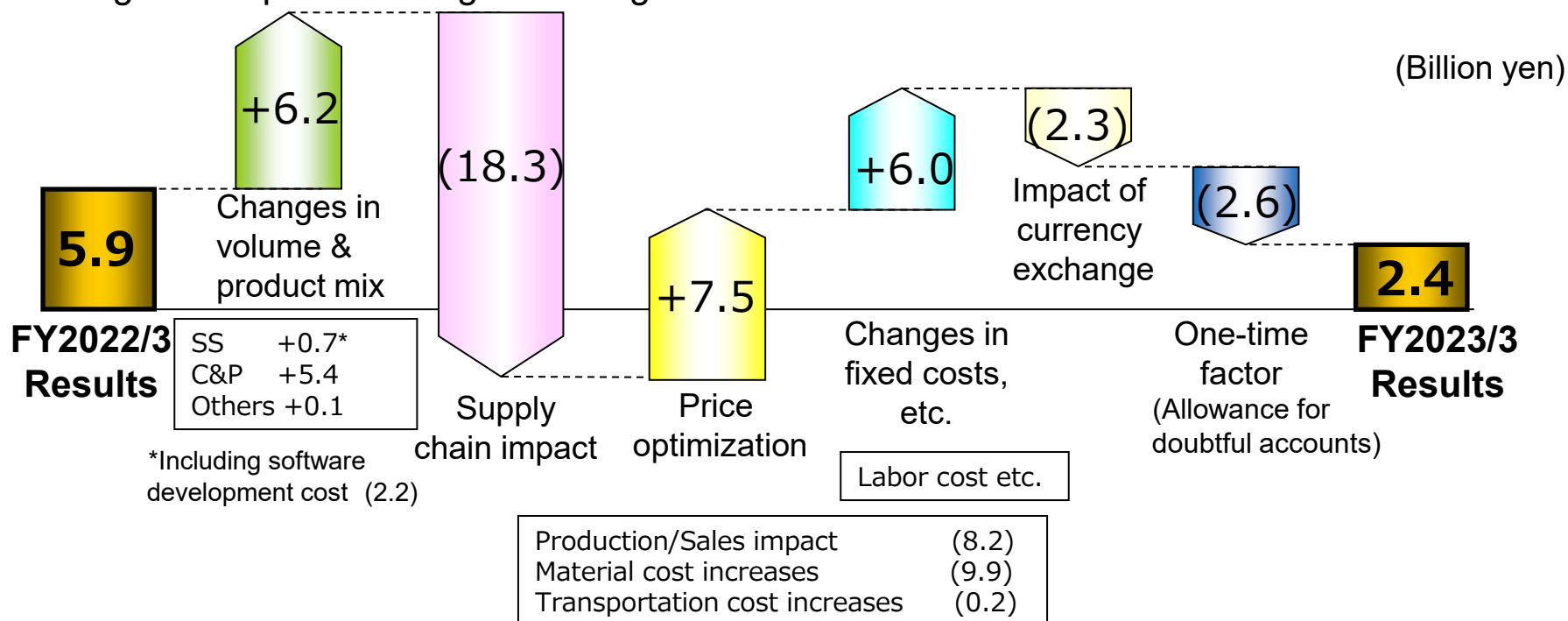
Reasons for Changes in Operating Income/Loss

- The volume increased due to the winning of projects that were shifted from the previous year.
- Sales shifts and material cost increases due to supply chain impacts continued throughout the year.

We reduced the impact of increased material costs by optimizing prices.

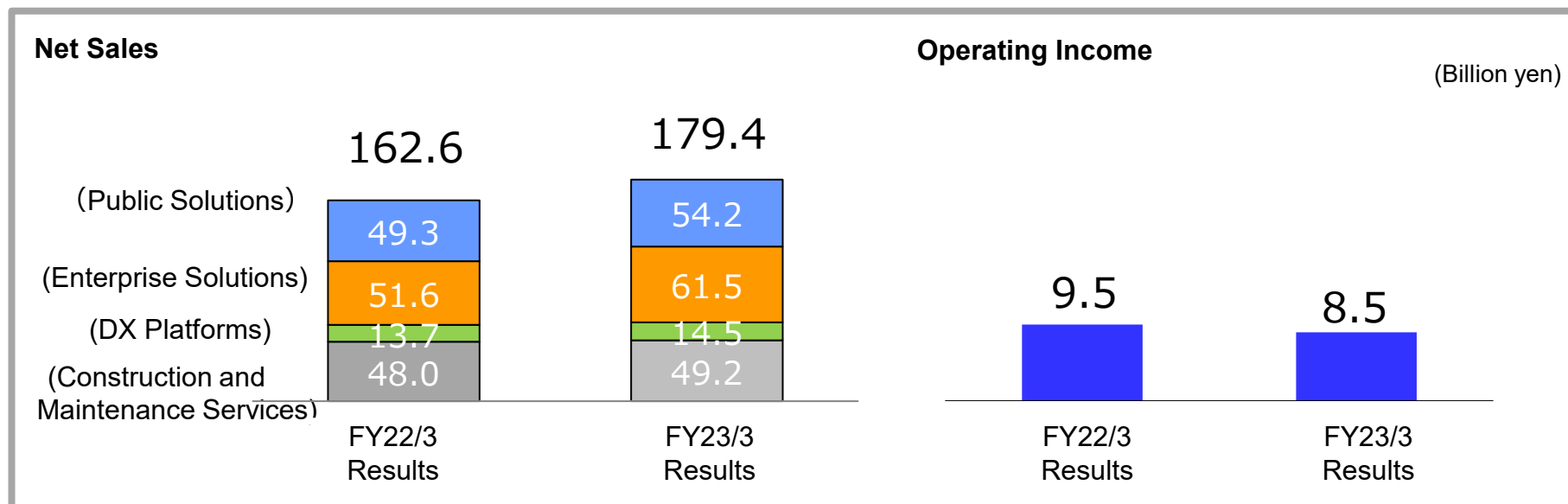
Production will recover next fiscal year due to supply chain measures such as replacement parts through design changes.

- Fixed costs decreased due to structural reforms and cost controls.
- Income declined in comparison with one-time earnings recorded in the previous year and due to the negative impact of foreign exchange.



Overview: Solution Systems Business

- Net sales increased YOY in all business areas due to the winning of projects that were shifted from the previous year and the acquisition of the aircraft equipment business.
- Operating income declined from the previous year due in part to deteriorating profitability in new fields including higher costs for software development projects in Enterprise Solutions and the negative impact of foreign exchange.
- DX domain sales: ¥40.4 B (¥32.3 B in the same period last year).
The target was not achieved due to unmatched needs and timing, as well as a lack of narrowing.



Overview: Components & Platforms Business

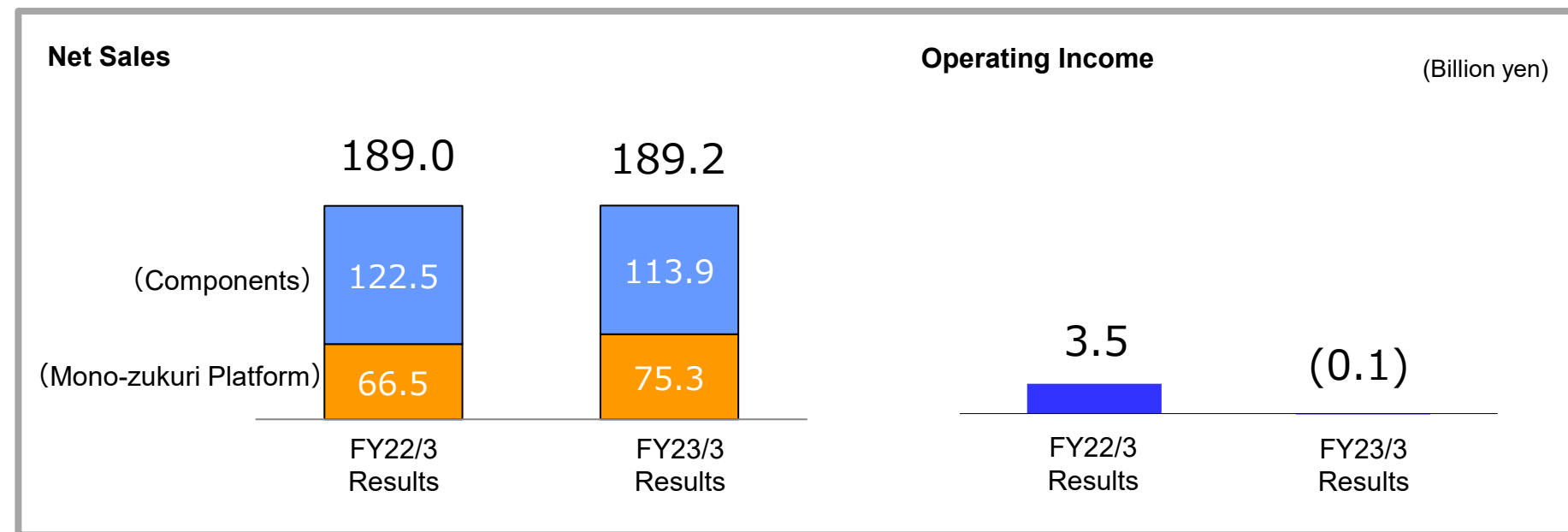
- Net sales of Mono-zukuri Platforms for FA/semiconductor manufacturing equipment continued to be strong.

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.

The decline in sales in the Automation Systems business was offset by favorable performance in Mono-zukuri platforms, price optimization and a decrease in fixed costs for the Peripheral Products business.



Balance Sheets

- Borrowings increased due to increased inventories stemming from supply chain impacts, but inventories decreased from the end of Q3.
For Q4, inventories decreased by ¥9.3 B and receivables increased by ¥13.8 B.
- Shareholders' equity ratio decreased by 3.7 percentage points.

	Mar. 2023	Mar. 2022	Variance
(Billion yen)			
Current assets	230.2	211.8	+18.4
Fixed assets	160.2	157.3	+2.9
Assets	390.4	369.2	+21.2
Current liabilities	205.3	158.0	+47.3
Fixed liabilities	85.9	103.6	(17.7)
Liabilities	291.1	261.5	+29.6
Shareholders' equity	99.1	107.4	(8.3)
Others	0.2	0.2	±0.0
Net assets	99.3	107.6	(8.3)
Total liabilities and net assets	390.4	369.2	+21.2
Shareholders' equity ratio (%)	25.4	29.1	(3.7)
D/E ratio (times)	1.2	0.8	+0.4

Cash Flows

- Operating cash flow worsened YOY due to increased working capital from supply chain impacts.

	FY2023/3 (Results)	FY2022/3 (Results)	Variance
(Billion yen)			
I Cash flows from operating activities	(3.1)	5.9	(9.0)
II Cash flows from investing activities	(17.6)	(17.6)	±0.0
Free cash flows (I + II)	(20.7)	(11.7)	(9.0)
III Cash flows from financing activities	23.3	1.7	+21.6
Cash and cash equivalents	37.5	33.4	+4.1
Purchases of PP&E and intangible assets	16.5	21.7	(5.2)
Depreciation	12.3	12.6	(0.3)

(Reference) Quarterly Results

(Billion yen)

Net Sales	FY2022/3					FY2023/3				
	1Q	2Q	3Q	4Q	FY	1 Q	2Q	3Q	4Q	FY
Solution Systems	33.9	35.0	38.7	55.0	162.6	36.1	38.4	44.7	60.2	179.4
Components & Platforms	45.9	44.8	47.8	50.5	189.0	41.9	46.1	49.1	52.1	189.2
Others	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.2	0.1	0.5
Total	79.9	79.9	86.6	105.7	352.1	78.1	84.7	93.8	112.5	369.1
Operating Income	FY2022/3					FY2023/3				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
Solution Systems	(0.1)	(0.1)	1.7	8.0	9.5	(1.2)	0.3	1.2	8.2	8.5
Components & Platforms	(1.5)	0.4	4.5	0.1	3.5	(0.8)	0.1	(0.4)	1.0	(0.1)
Others	0.1	0.0	0.1	0.1	0.3	0.1	0.1	0.2	0.0	0.4
Corporate & Eliminations	(1.4)	(1.7)	(2.1)	(2.3)	(7.5)	(1.1)	(1.5)	(1.7)	(2.1)	(6.4)
Total	(2.9)	(1.3)	4.1	6.0	5.9	(3.0)	(1.0)	(0.8)	7.2	2.4

Financial Forecasts

Exchange rate assumptions: ¥130/USD
¥140/EUR

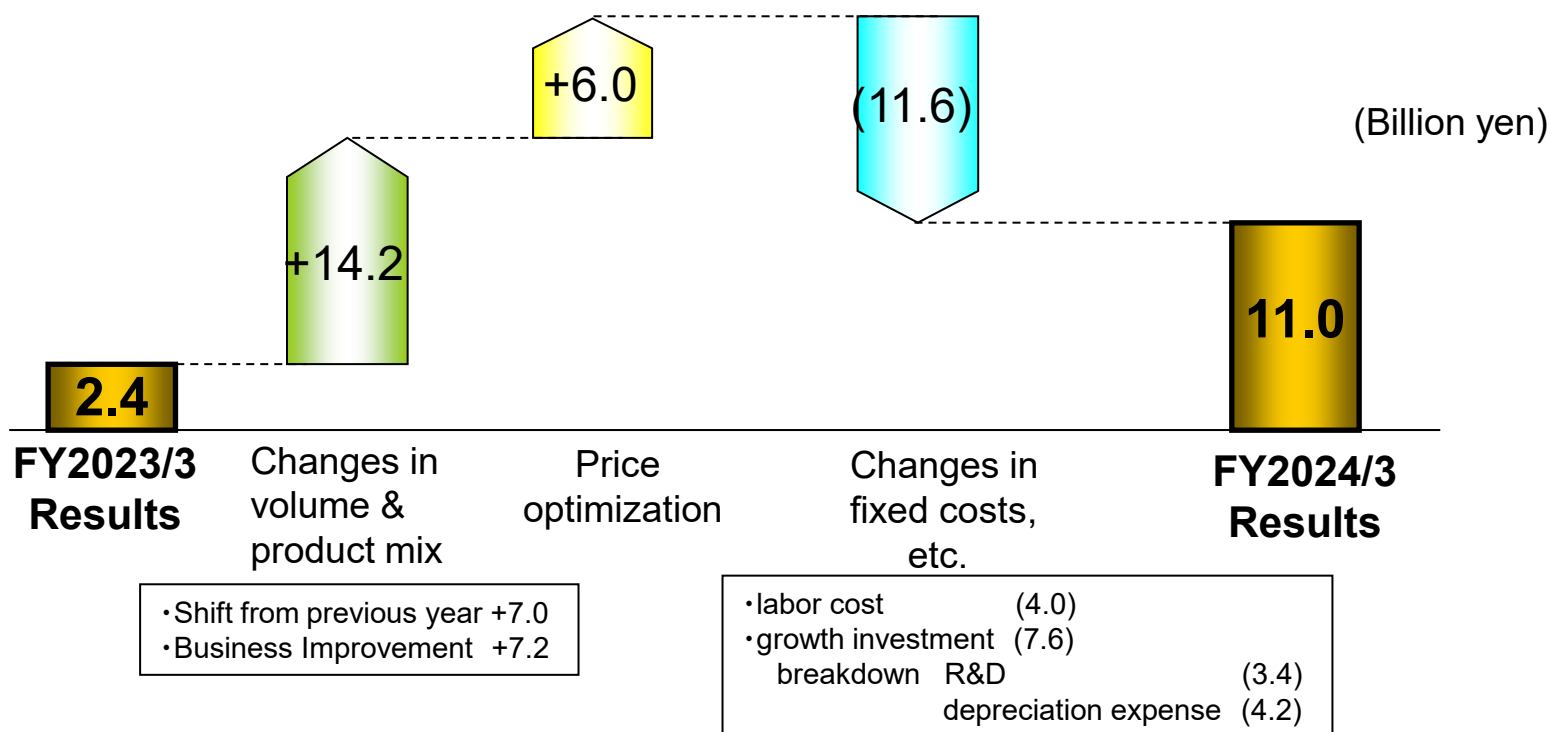
- Net sales and profit increased YOY.
- We forecast an annual dividend of 30 yen per share (up 10 yen from the previous year).

* Results for FY2023/3 have been retroactively adjusted based on the reclassification of business segments effective April 1, 2023

	(Billion yen)	FY2024/3 Forecasts	FY2023/3 Results	Variance
Public Solutions	Net sales	98.0	95.7	+2.3
	Operating income	4.0	3.4	+0.6
Enterprise Solutions	Net sales	178.0	112.9	+65.1
	Operating income	11.5	1.5	+10.0
Component Products	Net sales	81.0	84.6	(3.6)
	Operating income	2.0	1.6	+0.4
EMS	Net sales	83.0	75.3	+7.7
	Operating income	2.5	2.3	+0.2
Others	Net sales	0	0.5	(0.5)
	Operating income	(1.5)	0.4	(1.9)
Corporate & Eliminations	Operating income	(7.5)	(6.8)	(0.7)
Total	Net sales	440.0	369.1	+70.9
	Operating income	11.0	2.4	+8.6
	Ordinary income	8.5	(0.3)	+8.8
	Profit attributable to owners of parent	4.0	(2.8)	+6.8

Reasons for Changes in Operating Income

- In addition to the shift from the previous year due to the effect of materials procurement, large projects will boost volume significantly.
- Fixed costs increased due to growth investments (labor, capital investment and R&D). We position labor costs as human capital expenses and invest for growth.



(Reference) Investments and Cash Flows Forecasts

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

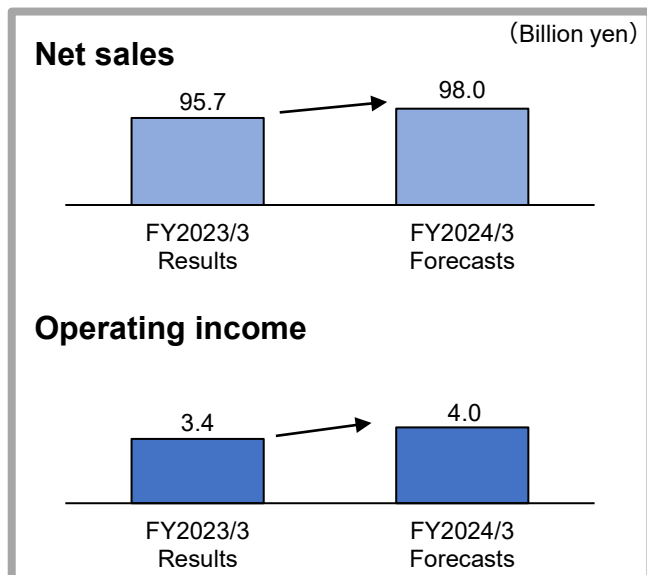
Investments (Billion yen)	FY2024/3 Forecasts	FY2023/3 Results	Variance
Capital Expenditure*	24.0	18.7	+5.3
Depreciation*	15.5	11.3	+ 4.2
R&D	13.0	9.6	+ 3.4

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

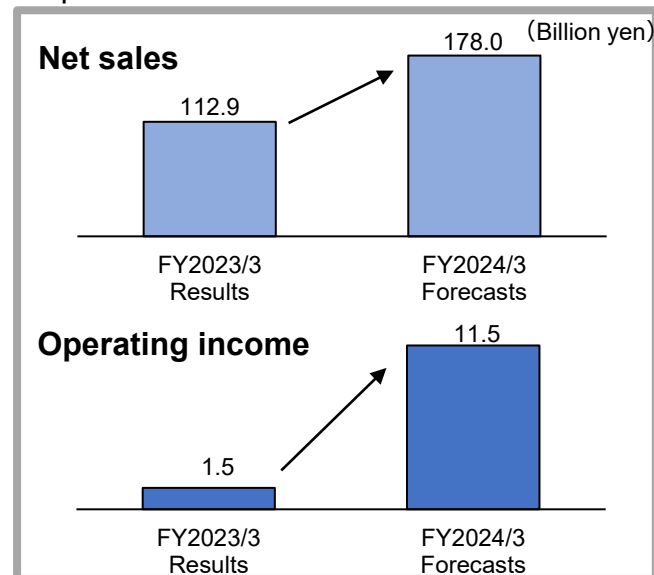
Cash Flows (Billion yen)	FY2024/3 Forecasts	FY2023/3 Results	Variance
I Cash flows from operating activities	28.0	(3.1)	+ 31.1
II Cash flows from investing activities	(24.0)	(17.6)	(6.4)
Free cash flows (I + II)	4.0	(20.7)	+24.7

(Reference) Business Overview

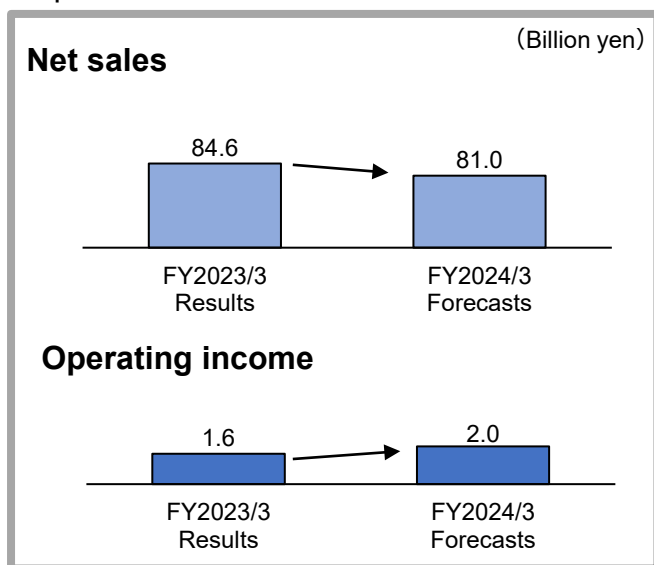
Public Solutions



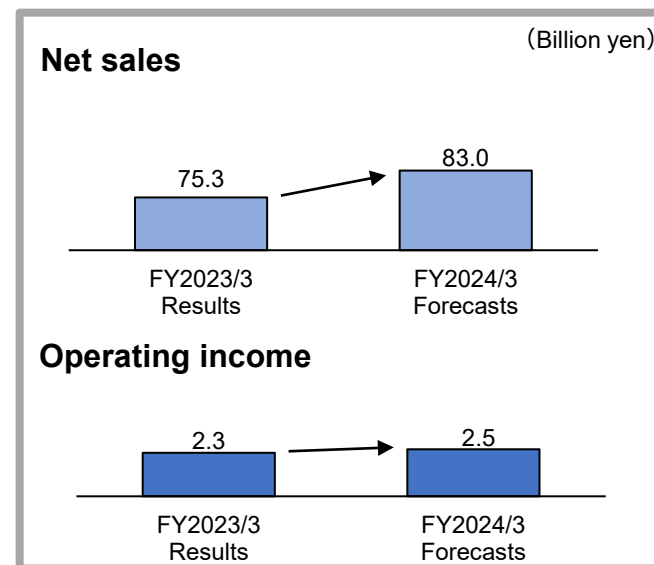
Enterprise Solutions



Component Products



EMS

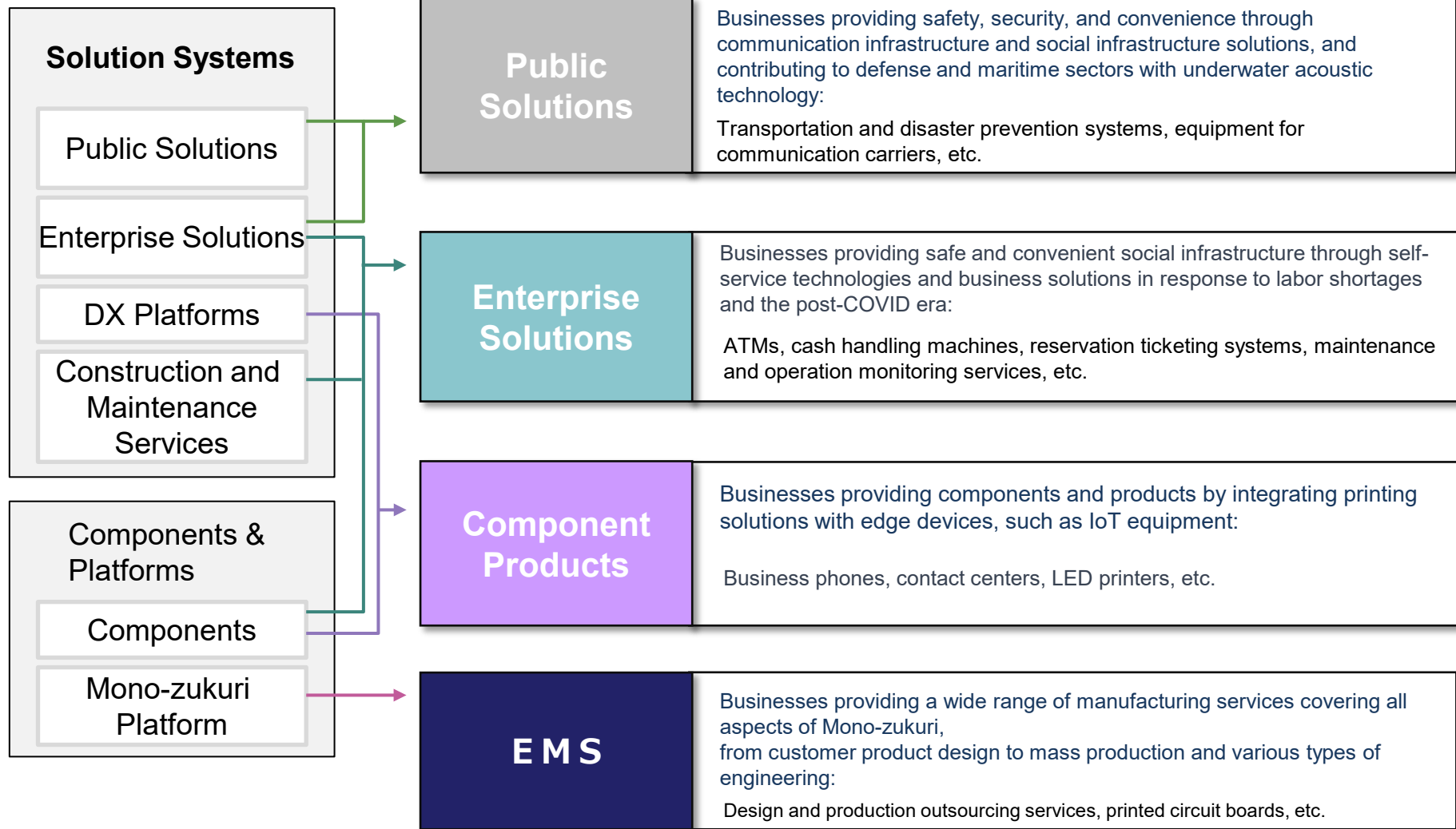


(Reference) Revision of Business Segments

- Transition to a management structure focusing on market alignment and value chain optimization.

Up to FY2022

FY2023 onwards



(Reference) Major Products and Services

■ 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
- Carrier networks, video distribution, 5G/local 5G

■ Enterprise Solutions

- 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

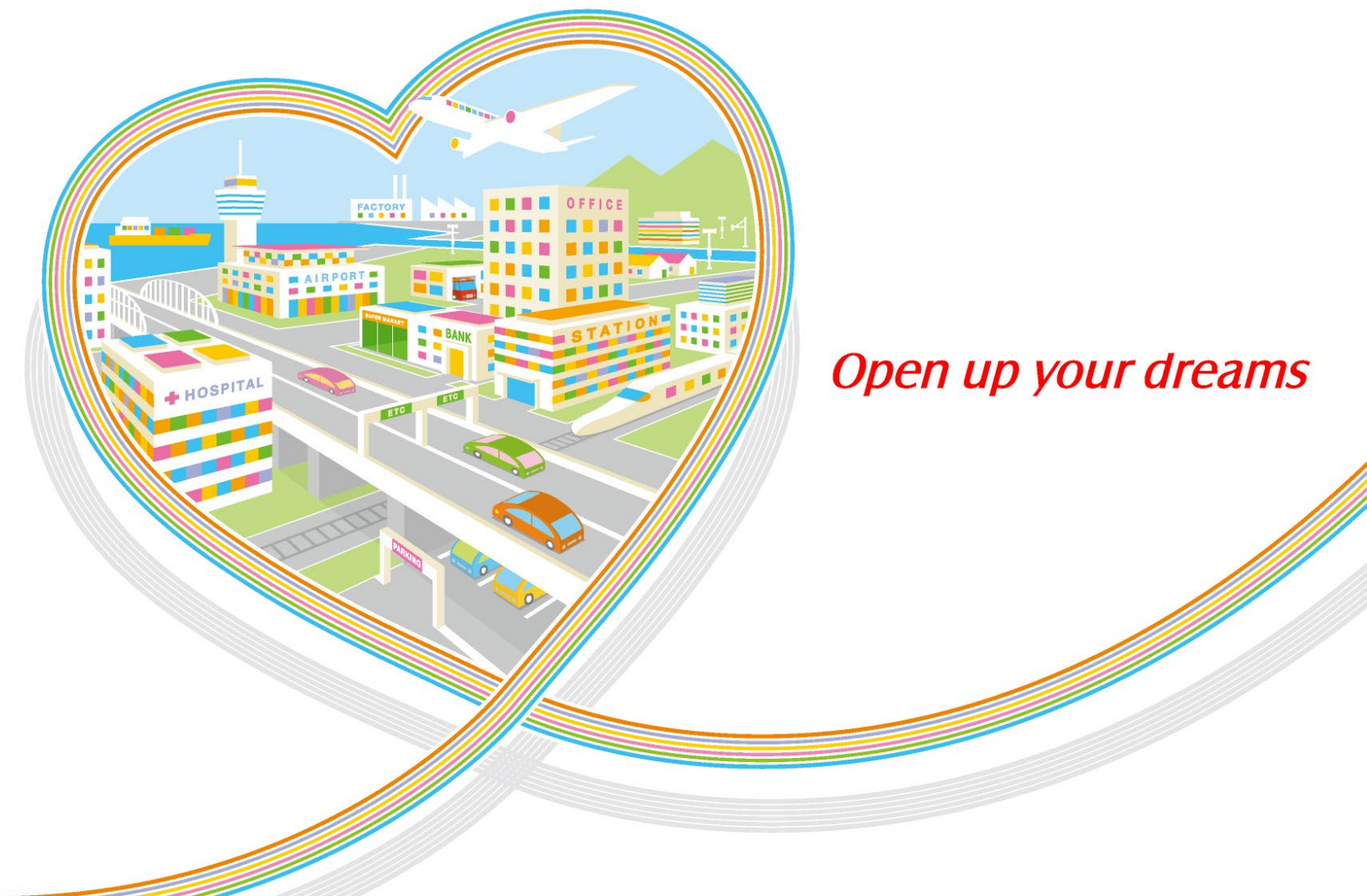
- AI edge computers, sensors, IoT networks
- PBXs, business phones, contact centers
- Cloud services
- LED printers

■ EMS

- 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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