

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

February 9, 2023

Oki Electric Industry Co., Ltd.

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

Segment Information (Net Sales/ Operating Income)

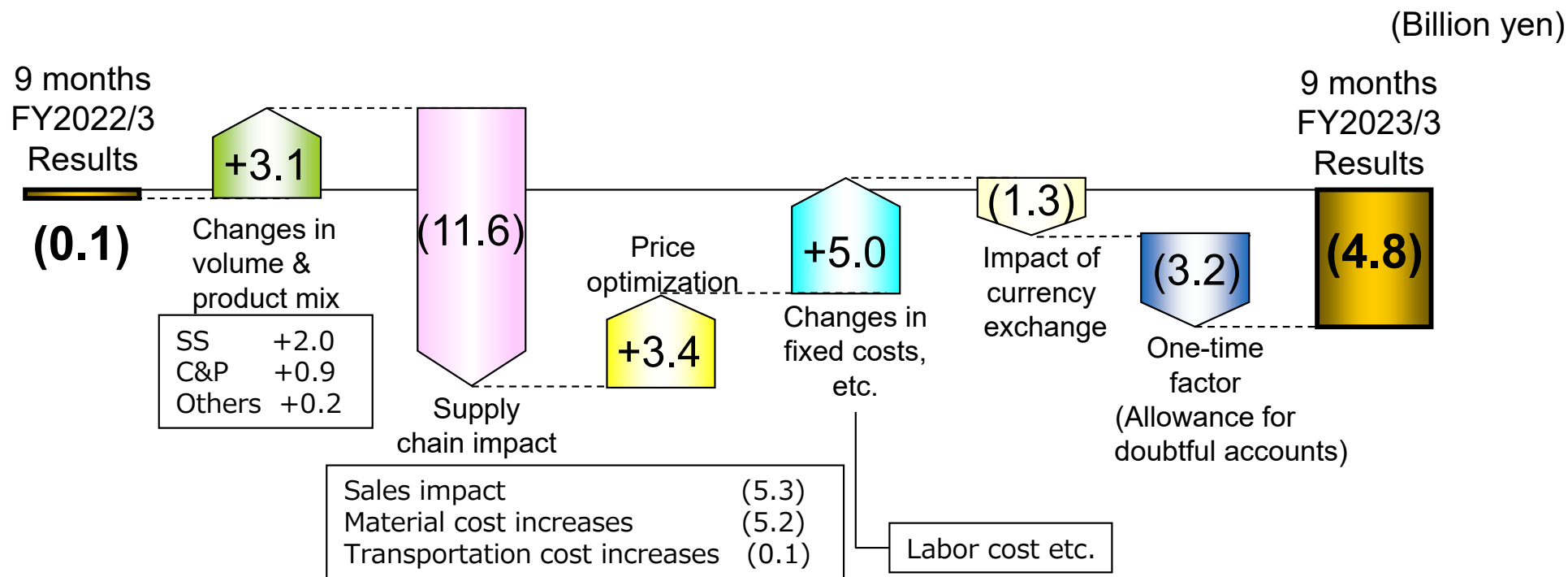
(Billion yen)

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)

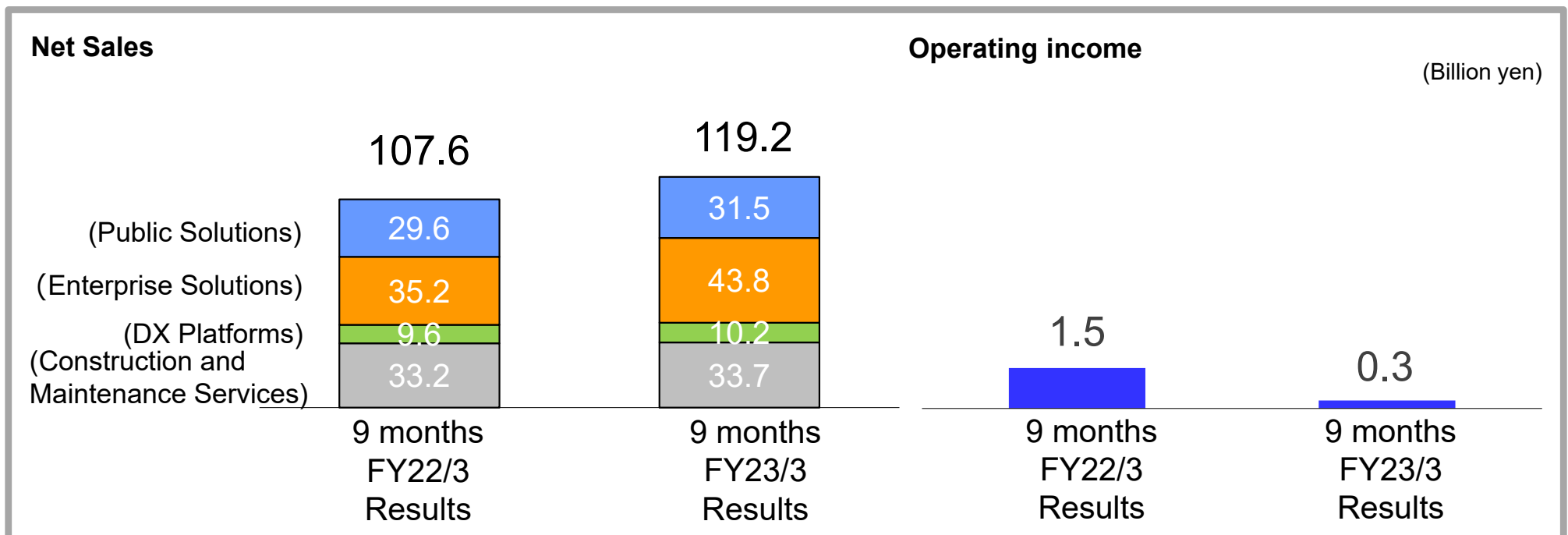
Reasons for Changes in Operating Income/Loss

- 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.



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)



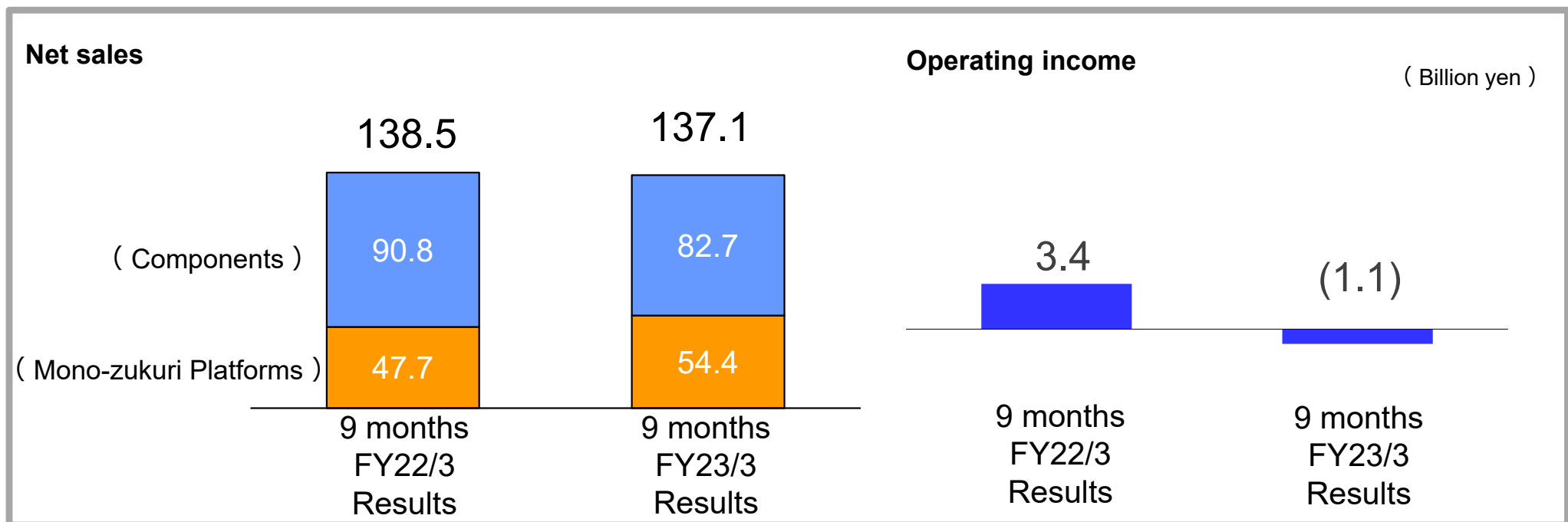
Overview: Components & Platforms Business

- 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.



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

Cash Flows

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

	9 months FY2023/3 (Results)	9 months FY2022/3 (Results)	Variance
(Billion yen)			
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)

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

		FY2023/3 Revised	FY2023/3 Previous	Variance	FY2022/3 Results	Variance
(Billion yen)						
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)
Total	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)

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”

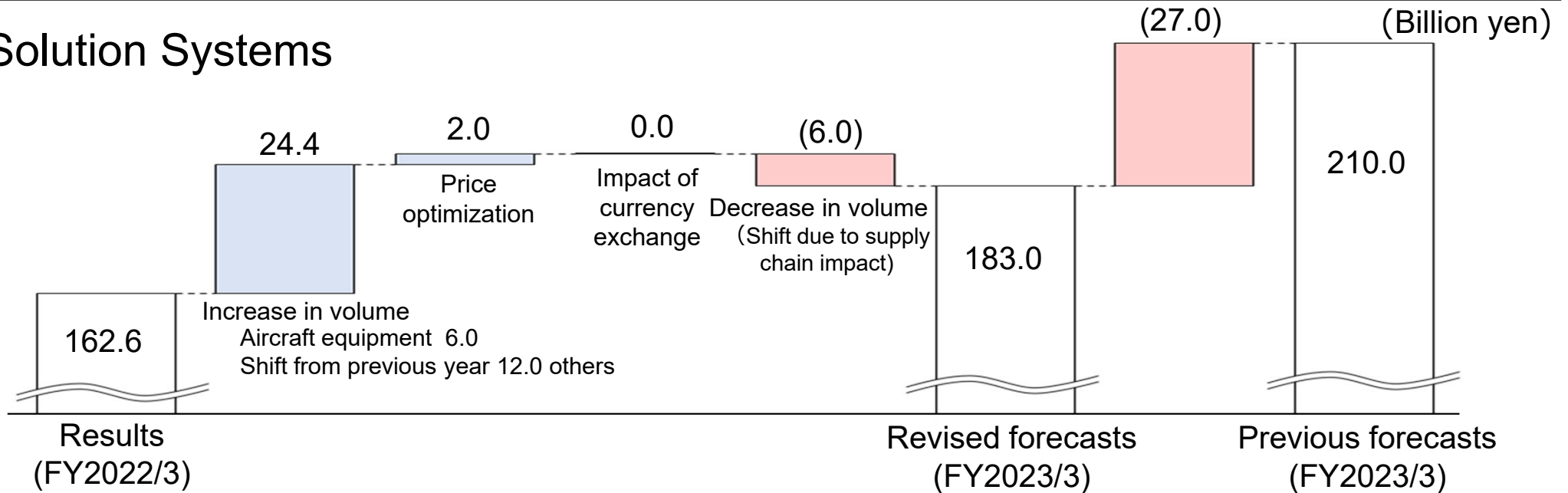
- We will increase the level of procurement of key semiconductor components.
- We aim to switch to alternative parts by changing designs.
- We do price optimization.
- We plan to "restructure business capabilities" and reflect this in the FY2024/3 organizational structure (released today).

■ Financial Summary

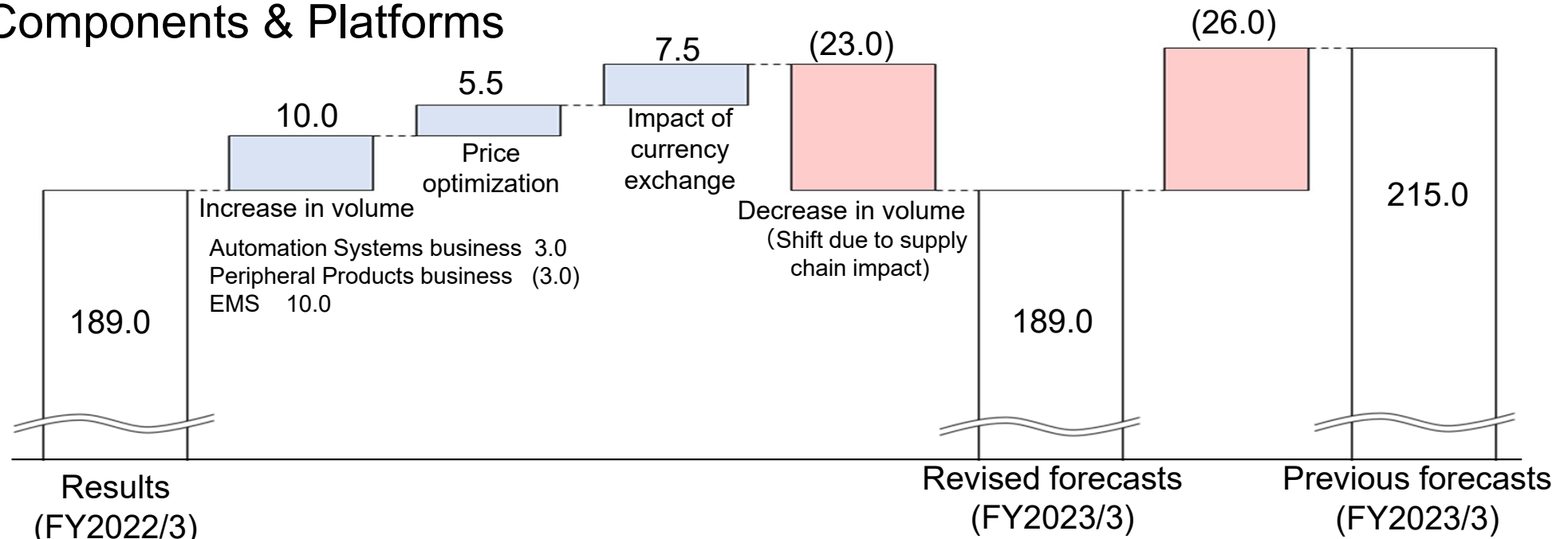
- ✓ Net sales increased by approximately ¥20 B from the previous year and decreased by approximately ¥53 B from the previous forecast.
- ✓ Operating income decreased from the previous forecast due to supply chain impact, costs of failure and foreign exchange fluctuations.
- ✓ Inventory increases peaked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

Financial Forecasts Net sales

Solution Systems



Components & Platforms



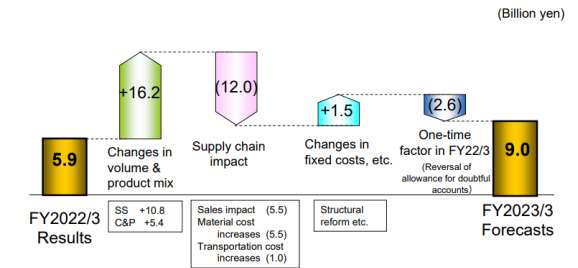
Financial Forecasts Operating income

Operating income: Major changes from the previous forecast

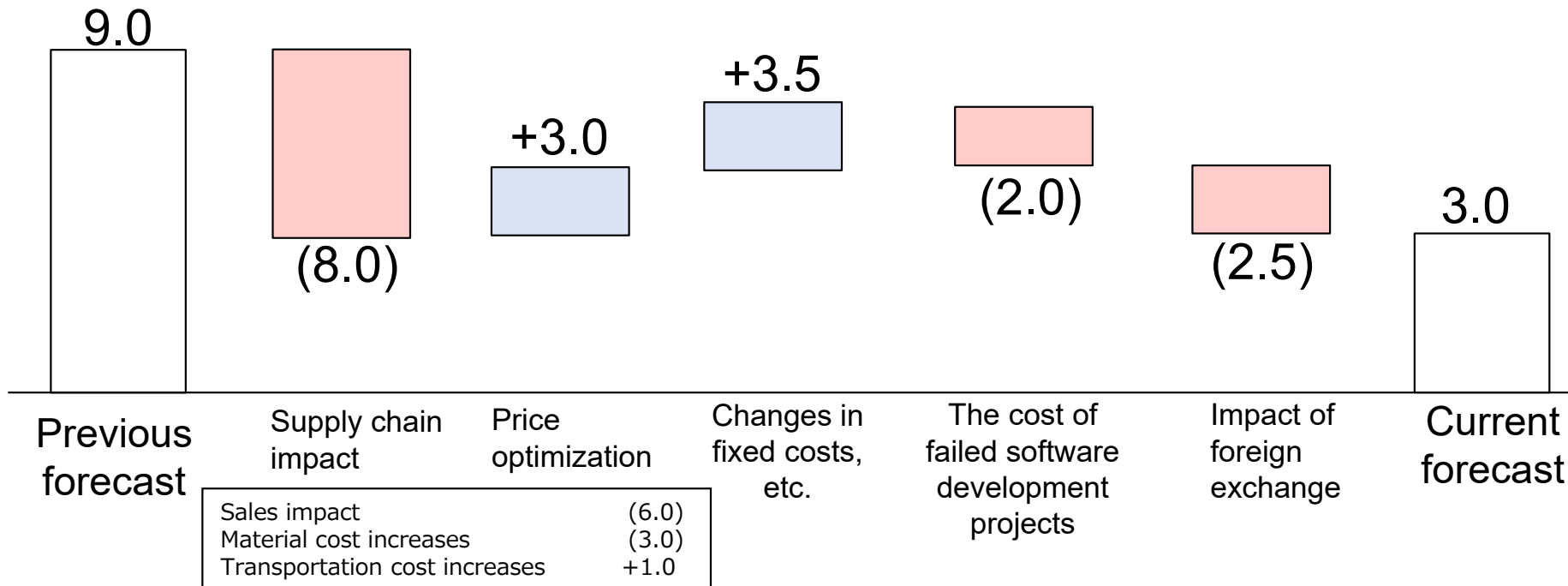
- ✓ Net sales will be delayed into the next fiscal year due to difficulties in procuring components for key semiconductors.
- ✓ Failure costs incurred on new software development projects.
- ✓ Higher costs due to currency fluctuations (weaker yen).

(Reference) Reasons for Changes in Operating Income

■ Plan YOY profit increase by offsetting the negative impact of supply chain issues and one-time factor with increases in volume, including shift from previous year, and improvement in fixed costs.

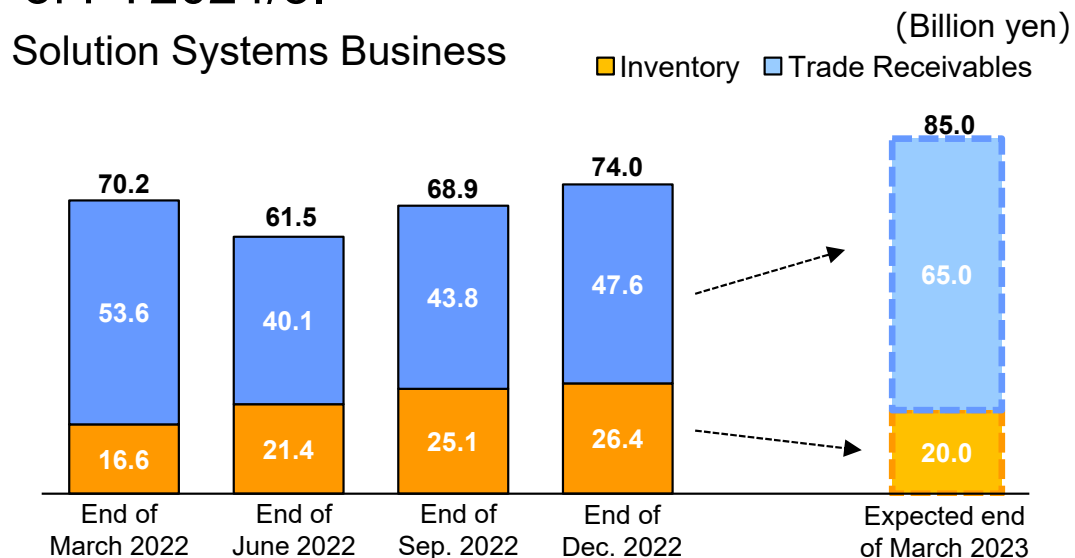


Changes in Operating Income (vs. previous forecast)

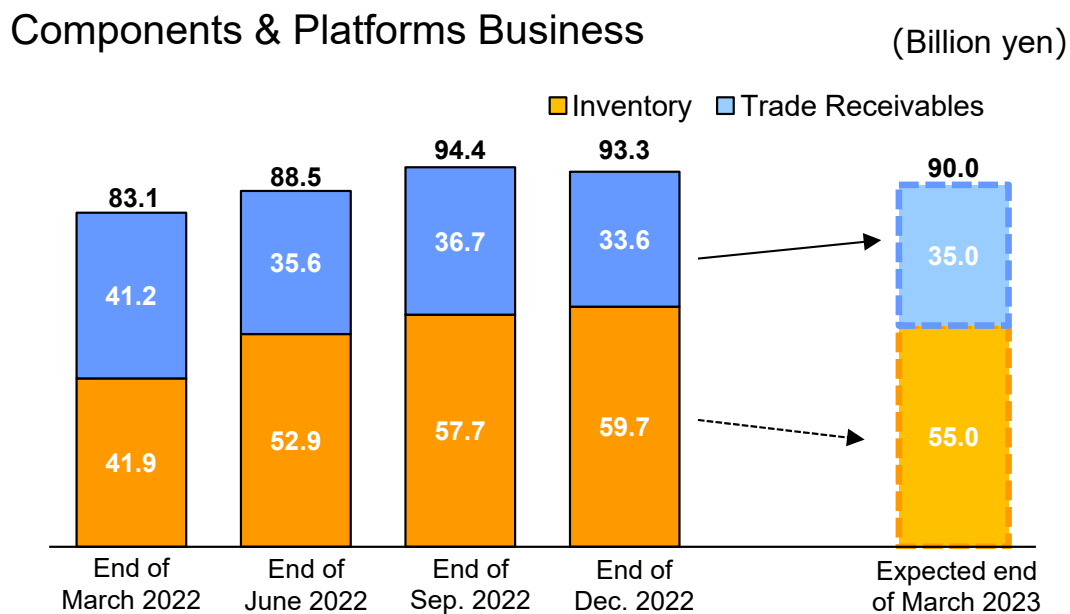


(Reference) Working Capital - Trade Receivables/Inventory

Despite an increase in working capital in FY2023/3, we expect improvements in the 1H of FY2024/3.



● Projected sales of ¥64 B to ¥67 B in 4Q of FY2023/3. (Up approximately ¥9 B to ¥11 B from the same period of the previous fiscal year), expected collection in 1Q of FY2024/3.



● Inventories peaked in 3Q of FY2023/3. Revenue for 1Q of FY2024/3 is expected to increase by approximately ¥6 B compared to the same period last year.

(Reference) Quarterly Results

(Billion yen)

Net Sales	FY2022/3					FY2023/3		
	1Q	2Q	3Q	4Q	FY	1 Q	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

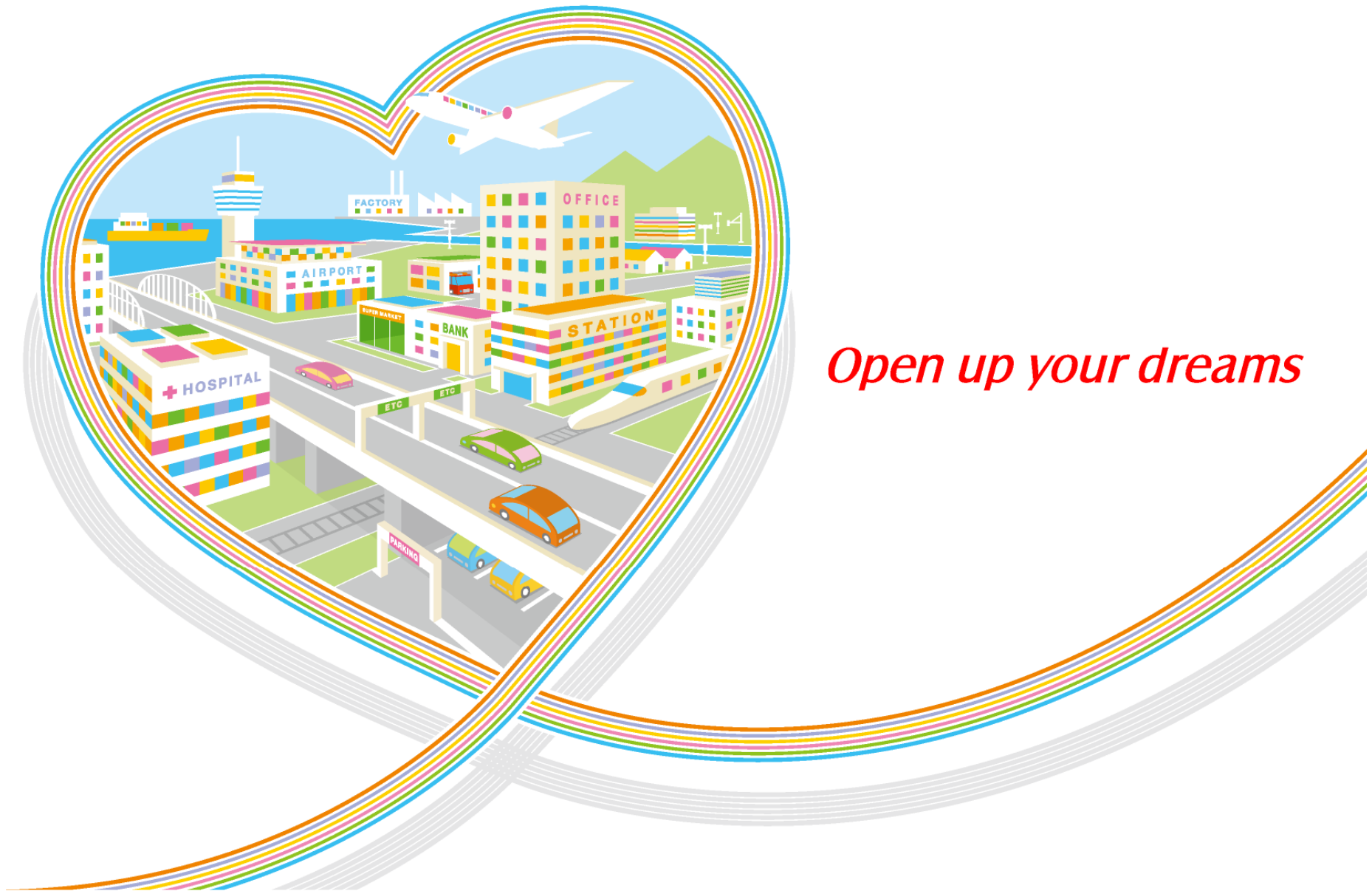
- ATMs, cash handling equipment
- Bank branch terminals, ticket reservations issuing terminals, check-in terminals
- ATM monitoring/operation services
- LED printers
- Wide format inkjet printers
- Dot-impact printers

■ 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.



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