

Financial Results for Q3 FY2024

February 6, 2025

Oki Electric Industry Co., Ltd.

1. Financial Results for Q3 FY2024

- Total consolidated net sales and operating income continued their YOY increases, maintaining the trend from Q2.
- Overall progress is basically on track to achieve the annual performance targets.

2. Full-Year Forecast for FY2024

- Net sales and operating income forecasts for each segment have been revised to reflect the current business environment and performance trends.
- Consolidated net sales forecast has been revised, while the consolidated operating income forecast remains unchanged from the initial forecast.

- First, I will start with the points for today's content.
- Continuing Q2, the cumulative Q3 performance showed YOY increases in both net sales and operating income on a consolidated basis. Overall, we are generally on track to achieve our annual performance targets.
- We have revised our earnings forecast for the full year regarding net sales and operating income by segment, considering the current business environment and performance trends. Although the consolidated net sales forecast was revised, the consolidated operating income forecast remains unchanged from the initial forecast.

Summary of Financial Results

- Net sales and operating income posted YOY growth, continuing the trend from Q2.
- Overall progress is basically on track to achieve the annual performance targets.

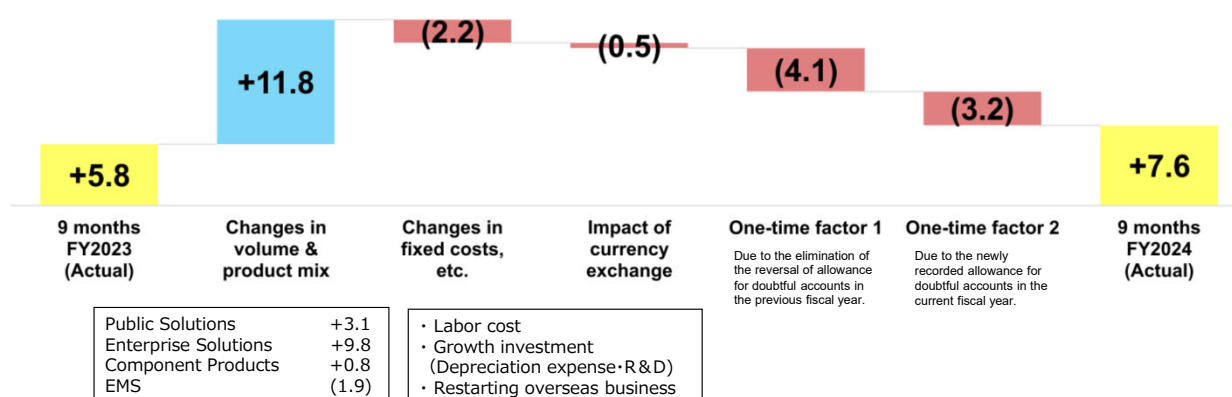
(Billion yen)	9 months FY2024 (Actual)	9 months FY2023 (Actual)	Variance
Net sales	307.0	286.6	+20.4
Operating income	7.6	5.8	+1.8
Ordinary income	5.6	4.8	+0.8
Profit attributable to owners of parent	2.0	2.0	-
USD average exchange rate (Yen)	152.6	143.3	+9.3
EUR average exchange rate (Yen)	164.8	155.3	+9.5

- Net sales were JPY307 billion, operating income were JPY7.6 billion, and ordinary income were JPY5.6 billion, with YOY increases in both revenues and profits continuing from Q2.
- Net sales increased by 7% YOY to JPY20.4 billion, whereas operating income increased by JPY1.8 billion, mainly due to steady efforts in H1 of the fiscal year, including large-scale projects that were ongoing since H2 of the previous fiscal year. Overall, we are generally on track to achieve our annual performance targets.
- Ordinary income increased by JPY800 million YOY, despite the worsening loss on foreign exchange, while current net profits were almost at the same level as the previous year.

Reasons for Changes in Operating Income/Loss

- Operating income posted a significant increase, supported by the sustained robust performance of large-scale projects in Enterprise Solutions from 2H FY2023 and the steady progress of Public Solutions, which has been a focus area this fiscal year, heading into Q4.
- We reviewed the collectability of trade receivables related to the China ATM project and recorded an allowance for doubtful accounts.

(Billion yen)



- Next, the fluctuation factors attributed to operating income for the Q3 total.
- First, the change in volume and product composition was a positive JPY11.8 billion.
- Since the latter half of the previous fiscal year, Enterprise Solutions has been steadily acquiring the new JPY notes projects and other large-scale projects. Simultaneously, the effects of increased material costs in the same period of the previous fiscal year have been resolved. Additionally, firefighting, disaster preparedness, road, and defense projects in Public Solutions are a focus area for the current fiscal year, and they were also launched steadily toward Q4. These factors have resulted in a significant improvement in profits.
- Next, fixed expenses increased by JPY2.2 billion. This is mainly attributed to growth investments and expenses for restarting overseas operations.
- Also, the foreign exchange affected profits with a JPY500 million decrease. This is mainly attributed to US-dollar-based procurements from Public Solutions and Enterprise Solutions.
- There are two transitory factors that are both changes to the allowance for doubtful accounts related to trade receivables in the Chinese ATM project. If you exclude these effects that total JPY7.3 billion, actual operating income will amount to an increase of JPY9.1 billion.

- We filed a lawsuit in 2015 to collect payment for these trade receivables. Based on the final ruling in June 2023 while considering that we are holding preserved real estate and other factors, we examined the possibility of recovering those trade receivables and reversed the allowance for doubtful accounts of JPY4.1 billion in Q1 FY2023.
- In response to the final ruling, we proceeded with procedures to collect the trade receivables and conducted the first auction for intact real estate last December. However, the auction did not yield good results due to the rapid deterioration of the real estate market in China. We revised the previous collection scenario and calculated a new allowance for doubtful accounts of JPY3.2 billion.
- This concludes the explanation of factors behind the changes to operating income.

Segment Information (Net Sales / Operating Income)

(Billion yen)		9 months FY2024 (Actual)	9 months FY2023 (Actual)	Variance
Public Solutions	Net sales	70.3	63.8	+6.5
	Operating income	2.7	0.6	+2.1
Enterprise Solutions	Net sales	132.4	115.5	+16.9
	Operating income	11.8	10.5	+1.3
Component Products	Net sales	55.8	53.4	+2.4
	Operating income	2.1	(0.3)	+2.4
EMS	Net sales	48.1	53.6	(5.5)
	Operating income	(1.6)	0.8	(2.4)
Others	Net sales	0.3	0.3	0.0
	Operating income	(1.0)	(0.7)	(0.3)
Corporate & Eliminations	Operating income	(6.3)	(5.1)	(1.2)
Total	Net sales	307.0	286.6	+20.4
	Operating income	7.6	5.8	+1.8

- Next, net sales and operating income by business segment.
- From the top of the table, we will start with Public Solutions.
- Both revenues and profits increased YOY from projects in firefighting, disaster preparedness, roads, and defense, which we have been focusing on since the current fiscal year.

Enterprise Solutions business increased in both revenues and profits, mainly due to acquiring large-scale projects from the previous year in H1 of this fiscal year.

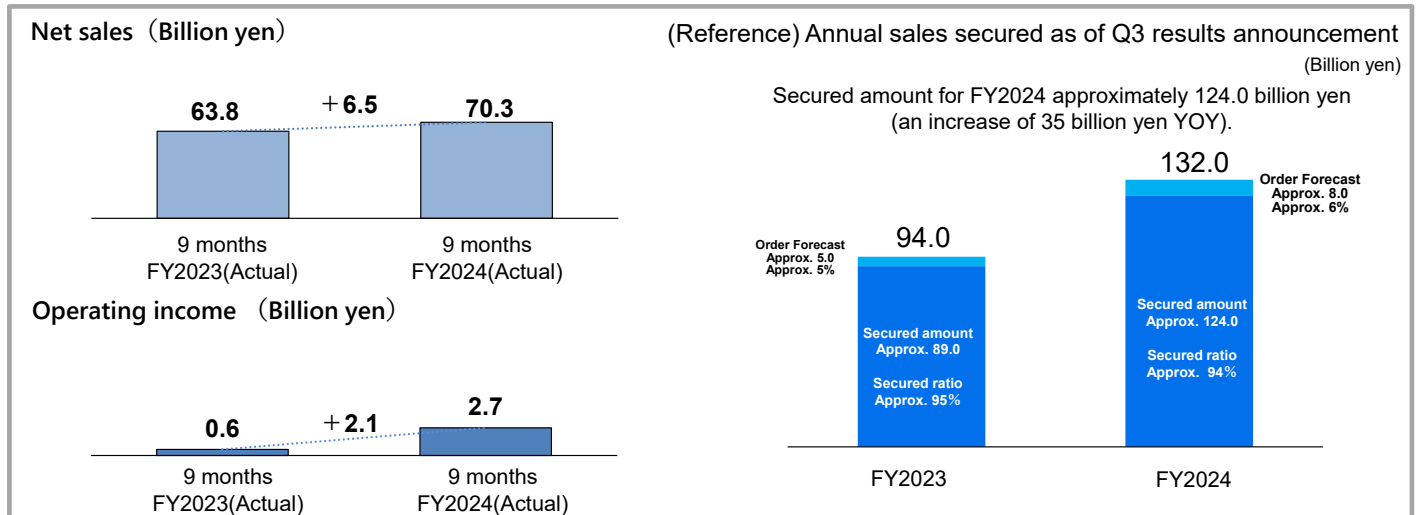
Component Products also saw an increase in both revenues and profits, due to differences in product composition, cost reductions, and other factors.

Revenues for EMS declined due to the ongoing market conditions and other factors, resulting in worsening operating income as well.

- For miscellaneous, along with elimination and headquarter expenses, we continue to make investments that are essential for growth, such as R&D and other factors for the creation of future businesses. This includes the establishment of overseas R&D sites.
- Details by business segment will be explained, starting from the next page.

Public Solutions

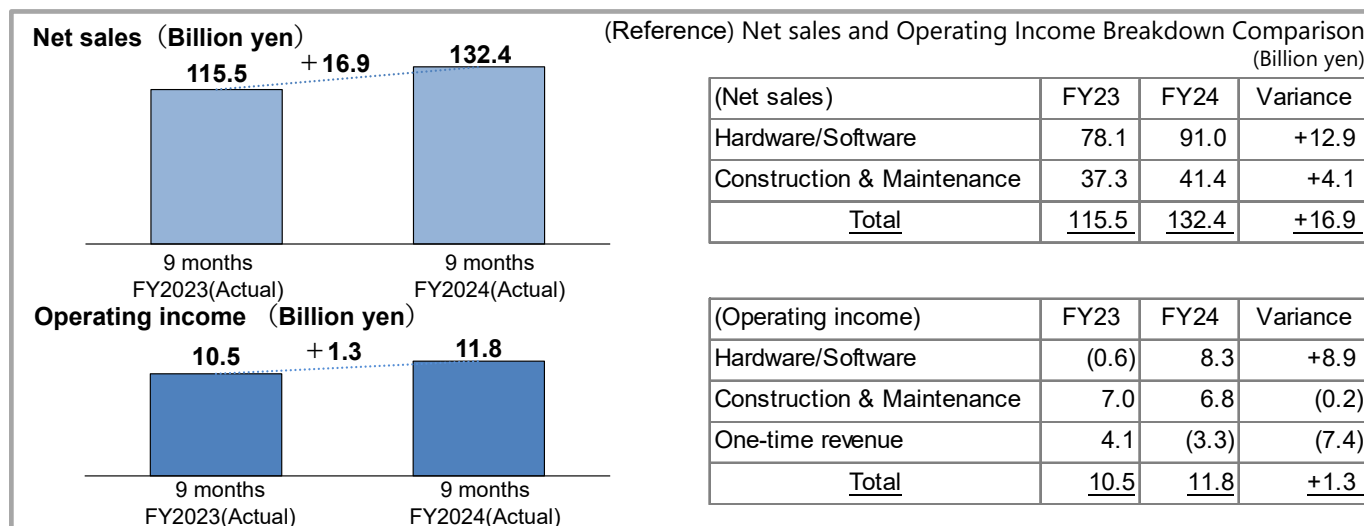
- Net sales and operating income increased due to key projects in areas such as firefighting, disaster prevention, road, and defense.
- Approximately 94% of the forecasted annual sales have already been secured in terms of orders received.



- First, I will explain public solutions.
- Net sales increased by JPY6.5 billion YOY to JPY70.3 billion. Operating income also increased by JPY2.1 billion YOY to JPY2.7 billion. We are on track to achieve our annual targets.
- This fiscal year is positioned as the year to expand our Public Solutions. As I mentioned earlier, we plan to achieve significant YOY sales growth within the year, mainly in firefighting, disaster preparedness, roads, and defense. The current status of securing net sales is shown on the graph on the right side.
- Based on the progress of the projects, the annual net sales forecast is JPY132 billion. We have secured JPY124 billion of this figure, which accounts for 94%. Received orders continue steadily from Q2.

Enterprise Solutions

- Net sales and operating income increased due to the continuation of large-scale projects from 2H FY2023 and the elimination of the impact of increased material costs from 1H FY2023.



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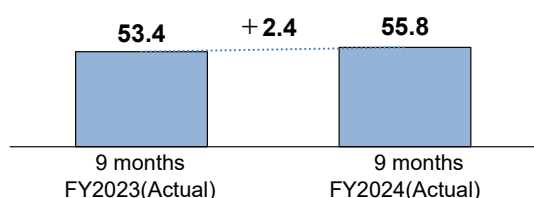
- Next is Enterprise Solutions.
- Net sales increased by JPY16.9 billion YOY to JPY132.4 billion. Operating income also increase by JPY1.3 billion to JPY11.8 billion.
- Since H2 of the previous fiscal year, we have been focusing on acquiring projects, such as new JPY notes project and other large-scale projects. Construction and maintenance businesses associated with these projects have also continued to grow steadily.
- This new JPY notes project has been finished. However, other large-scale projects are expected to continue in the next fiscal year. Profits also increased due to an increase in sales of large-scale projects and the elimination of effects from increased material costs in the same period of the previous fiscal year, which offset the one-time factor.

Component Products

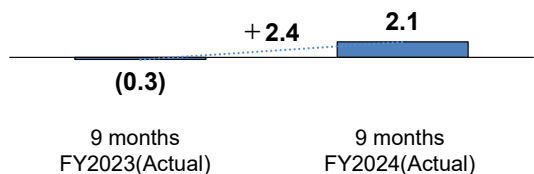
- Net sales increased due to growth in OEM sales and foreign exchange rate effects.

Operating income increased due to changes in the product mix, cost reductions, and other factors.

Net sales (Billion yen)



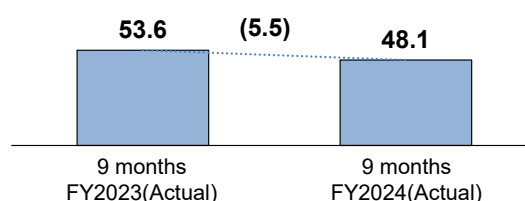
Operating income (Billion yen)



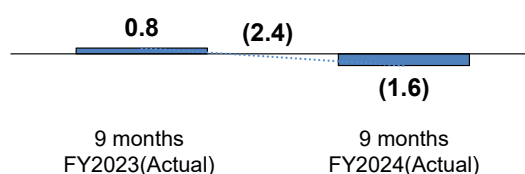
EMS

- Net sales declined due to the persistent demand downturn in the semiconductor and FA and robot markets since 2H FY2023, with operating income also adversely impacted.

Net sales (Billion yen)



Operating income (Billion yen)

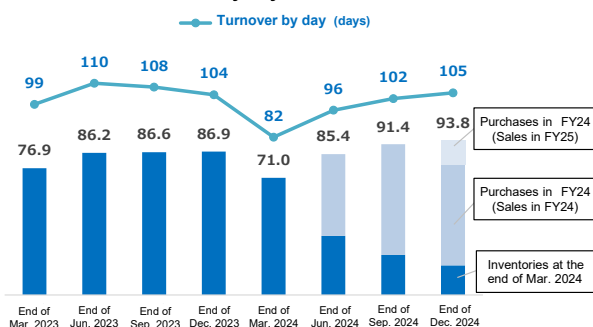


- Next is Component Products.
- Net sales increased by JPY2.4 billion YOY to JPY55.8 billion due to the effects of the weak yen and an increase in OEM projects. Operating income improved by JPY2.4 billion to JPY2.1 billion, partly due to the differences in product composition, cost reductions, and other factors.
- Finally, I will explain EMS. Net sales decreased by JPY5.5 billion YOY to JPY48.1 billion. Operating income decreased by JPY2.4 billion to minus JPY1.6 billion.
- As mentioned previously, the semiconductor market since H2 of the previous fiscal year and the sluggish Chinese economy have led to a continued drop in demand for printed circuit boards for semiconductor manufacturing equipment and cables for factory automation and robotics. Also, some of our clients in the information and telecommunications market underwent inventory adjustments, resulting in decreased revenues and profits similar to Q2.

- Inventories at end-FY2023 showed a steady decline.

(Billion yen)	Dec. 2024	Mar. 2024	Variance
Current assets	240.6	239.7	+0.9
Fixed assets	182.2	183.7	(1.5)
Assets	422.8	423.4	(0.6)
Current liabilities	194.0	188.4	+5.6
Fixed liabilities	90.3	93.7	(3.4)
Liabilities	284.3	282.1	+2.2
Shareholders' equity	138.4	141.2	(2.8)
Others	0.1	0.1	-
Net assets	138.5	141.3	(2.8)
Total liabilities and net assets	422.8	423.4	(0.6)
Shareholders' equity ratio (%)	32.7	33.3	(0.6)
D/E ratio (times)	0.9	0.8	+0.1

Inventories / Turnover by days



- Next, the overview of the balance sheet.
- Total assets decreased by JPY600 million from the end of the previous fiscal year to JPY422.8 billion. Similar to Q2, the inventory asset trends are shown on the graph on the right.
- Inventory assets are increasing as we prepare for the Q4 sales, and we are strengthening our operating capital management more than ever before.
- Shareholders' equity was JPY138.4 billion, equity ratio was 32.7%, and DE ratio was 0.9.

Cash Flows

- Cash flows from operating activities was positive YOY due to improved profits.
- Cash flows from investing activities turned positive YOY, partly due to the impact of the sale of investment securities.

(Billion yen)	9 months FY2024 (Actual)	9 months FY2023 (Actual)	Variance
I Cash flows from operating activities	3.5	1.3	+2.2
II Cash flows from investing activities	(10.2)	(13.1)	+2.9
Free cash flows (I + II)	(6.7)	(11.8)	+5.1
III Cash flows from financing activities	2.8	2.7	+0.1
Purchases of PP&E and intangible assets	11.4	13.2	(1.8)
Depreciation	11.1	10.2	+0.9
(Billion yen)	Dec. 2024 (Actual)	Mar. 2024 (Actual)	Variance
Cash and cash equivalents	31.2	34.4	(3.2)

- Next, I will explain the cash flow.
- Operating cash flow increased by JPY2.2 billion YOY to JPY3.5 billion due to improved profits.
- Investment cash flow is operated in accordance with the medium-term business plan policy, and we are prioritizing investments that are essential for growth. We are also steadily proceeding with the sale of cross shareholdings to achieve our medium-term business plan target of approximately 20% of net assets.
- Free cash flow had an expenditure of JPY6.7 billion, partly due to increased operating capital to accommodate sales from Q4, but it is steadily improving YOY.
- Cash and equivalents totaled JPY31.2 billion, securing necessary cash reserves.

Financial Forecasts



- Net sales and operating income forecasts for each segment have been revised to reflect the current business environment and performance trends.
- Consolidated net sales forecast has been revised, while the consolidated operating income forecast remains unchanged from the initial forecast.

(Billion yen)		FY2024 (Revised)	FY2024 (Previous)	Variance	FY2023 (Actual)	Variance
Public Solutions	Net sales	132.0	135.0	(3.0)	94.0	+38.0
	Operating income	11.0	10.5	+0.5	4.4	+6.6
Enterprise Solutions	Net sales	178.0	178.0	±0.0	180.1	(2.1)
	Operating income	15.0	15.0	±0.0	22.0	(7.0)
Component Products	Net sales	76.0	75.0	+1.0	73.4	+2.6
	Operating income	2.0	1.5	+0.5	0.6	+1.4
EMS	Net sales	67.0	72.0	(5.0)	73.9	(6.9)
	Operating income	0.0	1.0	(1.0)	1.1	(1.1)
Others	Net sales	0.0	0.0	±0.0	0.4	(0.4)
	Operating income	(1.8)	(1.8)	±0.0	(1.1)	(0.7)
Corporate & Eliminations	Operating income	(10.2)	(10.2)	±0.0	(8.3)	(1.9)
Total	Net sales	453.0	460.0	(7.0)	421.9	+31.1
	Operating income	16.0	16.0	±0.0	18.7	(2.7)
	Ordinary income	14.5	14.5	±0.0	18.3	(3.8)
	Profit attributable to owners of parent	9.5	9.5	±0.0	25.6	(16.1)
Dividend per share (yen)		30	30	±0	30	±0

Exchange rate
assumptions
USD : ¥152.9
EUR : ¥163.9

- Finally, the full-year performance forecast.
- For the full-year performance forecast for FY2024 , we have revised our consolidated net sales and performance forecasts by segment as we consider the current business environment and performance trends. On the other hand, consolidated operating income remains unchanged from the initial forecast.
- For Public Solutions, we have downward revised net sales based on the progress of projects, while operating income have been revised upward due to prime cost improvements and other factors.
- For Component Products, both sales and operating income were revised upward based on the situation up to Q3.
- EMS continues to struggle due to market conditions and other factors. As I mentioned earlier, inventory adjustments by some of our clients in the information and telecommunications market have also affected this. Therefore, we have downward revised our revenues and profits to reflect the Q4 forecast.
- By offsetting the downward revision to this EMS business with Public Solutions and the Component Products, we have left the initial forecast unchanged for consolidated operating income. This concludes the financial results presentation for Q3 FY2024.

(Reference) Quarterly Results

(Billion yen)		FY2023					FY2024			
		Q1	Q2	Q3	Q4	FY	Q1	Q2	Q3	9 months
Public Solutions	Net sales	19.3	20.0	24.5	30.1	94.0	19.1	22.2	29.0	70.3
	Operating income	(0.1)	(0.7)	1.4	3.9	4.4	(1.3)	0.7	3.2	2.7
Enterprise Solutions	Net sales	27.4	36.5	51.5	64.7	180.1	45.2	41.9	45.4	132.4
	Operating income	1.9	2.0	6.6	11.4	22.0	7.8	3.5	0.5	11.8
Component Products	Net sales	17.0	17.9	18.5	20.0	73.4	17.9	18.7	19.2	55.8
	Operating income	(0.8)	1.3	(0.8)	0.9	0.6	(0.1)	1.1	1.2	2.1
EMS	Net sales	17.7	18.8	17.1	20.3	73.9	15.6	16.8	15.7	48.1
	Operating income	0.6	0.3	(0.1)	0.3	1.1	(0.6)	(0.4)	(0.6)	(1.6)
Others	Net sales	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.1	0.3
	Operating income	(0.1)	(0.3)	(0.3)	(0.4)	(1.1)	(0.4)	(0.3)	(0.2)	(1.0)
Corporate & Eliminations	Operating income	(1.4)	(1.5)	(2.2)	(3.2)	(8.3)	(1.6)	(2.2)	(2.6)	(6.3)
Total	Net sales	81.5	93.3	111.8	135.3	421.9	97.9	99.7	109.3	307.0
	Operating income	0.0	1.0	4.8	12.9	18.7	3.9	2.3	1.5	7.6

(Reference) Major Products and Services

Public Solutions

- Roads (ETC, VICS), air traffic control, disaster prevention, firefighting
- Business systems for central government offices, government statistics systems
- Defense systems (underwater acoustics, information)
- Aviation 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

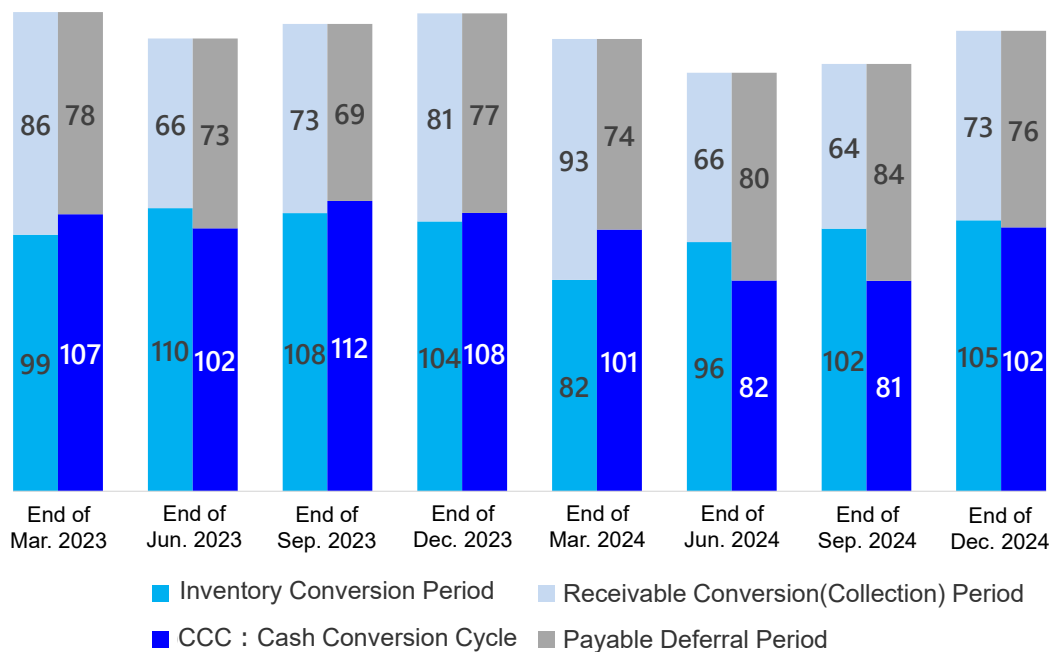
- AI edge computers, sensors, IoT networks
- PBXs, business phones, contact centers
- Cloud services
- LED printers

EMS

- Consigned designing and manufacturing services
- Printed circuit boards

(Reference) Major Working Capital: Changes in the number of days held

unit : days



- 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.