

# Financial Results for the FY Ended March 31, 2021

May 10, 2021

Oki Electric Industry Co., Ltd.

## Executive Summary

### ■ FY2021/3 Results

- ✓ Results as planned for the first year of Medium-Term Business Plan 2022
- ✓ Overcame challenging business environment in some areas with our comprehensive capability

### ■ “Medium-Term Business Plan 2022” First Year Initiatives

- ✓ COVID-19 Impact: longer impact than initially expected in overseas. Relatively limited impact in Japan
- ✓ Structural Reforms: steadily implemented measures such as design resource shifts and reorganization of affiliated companies
- ✓ Solution Systems: co-creation in the digital transformation (DX) domain moves toward bearing fruits from development phase.
- ✓ Components & Platforms: invested in development for portfolio shift. New products scheduled for release in FY2022/3.
- ✓ Growth Investment: investment phase continues for building foundation for sustainable growth.

- First of all, I would like to summarize our financial results, which were generally in line with our expectations. Although the business environment has been tough in some areas, we believe that we have been able to recover by demonstrating OKI's comprehensive capabilities.
- Next, I would like to summarize our efforts in the first year of the "Medium-Term Business Plan 2022."
- The impact of COVID-19 is significant and has been prolonged beyond our initial expectations, especially overseas. In Japan, some customers were affected, though to a relatively limited extent.
- As for structural reforms, we are proceeding with resource shifts and organizational reviews as scheduled. In both the Solution Systems and Components & Platforms business, we have been aggressively investing in our focus areas. We recognize that we are about to enter a stage where we will see results. This will be explained by the General Manager of Business Division in the second part of today's presentation.
- Although we are not yet at a point where we can say that our P&L figures are sufficient, we recognize that we are currently at a stage where we are continuing to invest for growth.

## Summary of Financial Results

- Net sales fell short of forecast due to prolonged COVID-19 impact. Some of effects of structural reforms became apparent in profits.
- Net loss recorded due to reversal of differed tax assets and etc.

(Billion yen)	FY2021/3 Results	FY2021/3 Forecasts (As of Oct. 29)	Variance	FY2020/3 Results	Variance
Net sales	392.9	405.0	(12.1)	457.2	(64.3)
Operating income	9.5	8.5	+1.0	16.8	(7.3)
Ordinary income	9.4	8.0	+1.4	13.8	(4.4)
Profit attributable to owners of parent	(0.2)	1.0	(1.2)	14.1	(14.3)
USD average exchange rate (Yen)	105.72	110.00		108.93	
EUR average exchange rate (Yen)	123.48	120.00		120.96	

- Net sales totaled JPY392.9 billion, a decrease of JPY64.3 billion from the previous year.
- This was due to a combination of several factors, including a reactionary decline from large projects in the previous fiscal year, the impact of a change in the accounting standard for sales from the previous fiscal year, the transfer of the business of a Brazilian subsidiary, and the impact of the COVID-19, which amounted to approximately JPY27.0 billion. The decrease of JPY12.1 billion compared to the previous forecast is due to the fact that the prolongation of the COVID-19 pandemic exceeded our assumptions.
- As for profit and loss, operating income was JPY9.5 billion, and ordinary income was JPY9.4 billion, including the negative impact of COVID-19 of JPY6.5 billion.
- Loss attributable to owners of the parent was JPY0.2 billion. We unfortunately posted a final loss, due to the reversal of deferred tax assets, in addition to the recording of JPY4.6 billion in business structure improvement expenses.
- Based on the results of these financial results, and after making a comprehensive assessment of the business environment, we have decided to pay a year-end dividend of JPY20 per share.
- The average exchange rate during the period was JPY105.72 to the US dollar, JPY3.21 stronger than the previous year. The euro average exchange rate was JPY123.48, JPY2.52 depreciation compared to the previous year.

## Segment Information (Net Sales)

- **Solution Systems**  
Decreased YoY due to reactionary declines from large scale projects and change in sales standard, etc. Results generally as expected, driven by network-related, despite some COVID-19 impact.
- **Components & Platforms**  
Decreased YoY and from the forecast as well, due to prolonged COVID-19 pandemic, mainly in overseas markets

(Billion yen)	FY2021/3 Results	FY2021/3 Forecasts (As of Oct. 29)	Variance	FY2020/3 Results	Variance
Solution Systems	192.5	195.0	(2.5)	229.1	(36.6)
Components & Platforms	196.5	205.0	(8.5)	216.3	(19.8)
Others	3.8	5.0	(1.2)	11.9	(8.1)
<b>Total</b>	<b>392.9</b>	<b>405.0</b>	<b>(12.1)</b>	<b>457.2</b>	<b>(64.3)</b>

- Net sales of Solution Systems decreased JPY36.6 billion YoY to JPY192.5 billion. This is due to the aforementioned reactionary decline from the factors unique to the previous year. Despite the impact of COVID-19 on some customers, the results were generally in line with expectations as a result of contributions from network-related business throughout the year.
- Sales of Components & Platforms decreased by JPY19.8 billion YoY to JPY196.5 billion. We were strongly affected by the COVID-19 pandemic in overseas markets, especially in printers. Compared to the forecast, the market in Asian countries, which is a growth market for automatic machines, has been stagnant more than expected. In the domestic market, the COVID-19 pandemic is continuing longer than expected, and the EMS business has been affected. The printer business, which is currently undergoing structural reforms, is getting out of the worst phase.
- The reason for the YoY decrease in Others is the inclusion of the impact of the transfer of the business of the Brazilian subsidiary.

## Segment Information (Operating Income/Loss)

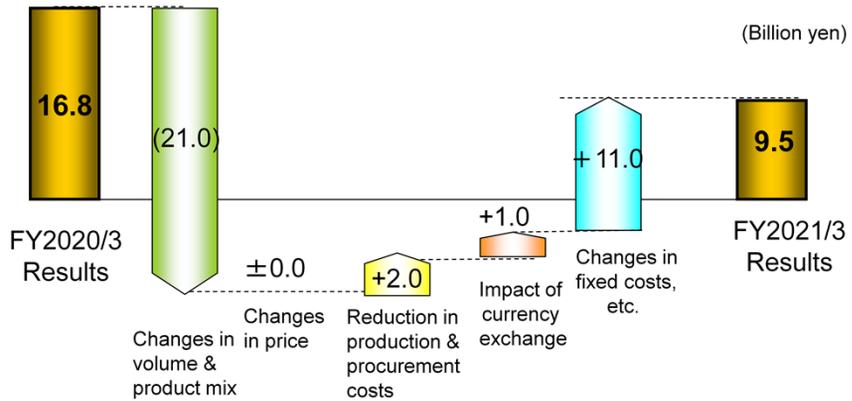
- **Solution Systems**  
Improved from forecast, driven by network-related.  
Decreased YoY due to reactionary declines in net sales.
- **Components & Platforms**  
Decreased YoY and from the forecast as well, due to the decrease in overseas sales. Slightly recovered due to structural reforms.

(Billion yen)	FY2021/3 Results	FY2021/3 Forecasts (As of Oct. 29)	Variance	FY2020/3 Results	Variance
Solution Systems	16.3	15.0	+1.3	20.2	(3.9)
Components & Platforms	(0.1)	1.0	(1.1)	5.2	(5.3)
Others	(0.3)	0.0	(0.3)	(0.5)	+0.2
Corporate & Eliminations	(6.4)	(7.5)	+1.1	(8.0)	+1.6
<b>Total</b>	<b>9.5</b>	<b>8.5</b>	<b>+1.0</b>	<b>16.8</b>	<b>(7.3)</b>

- The Solution Systems segment posted an operating income of JPY16.3 billion, a decrease of JPY3.9 billion from the previous year. This was due to the aforementioned reactive decline in sales. Compared to the forecast, it was an increase of JPY1.3 billion.
- Components & Platforms reported an operating loss of JPY0.1 billion, a deterioration of JPY5.3 billion from the previous year. The impact of the year-round stagnation in overseas markets for automatic machines was significant, and domestic demand at the end of the year was not enough to compensate. Although the effects of structural reforms are beginning to emerge, unfortunately, they did not reach our expectations.
- In terms of Corporate & Eliminations, there was an effect of reducing unnecessary expenses against the backdrop of uncertainty in the external environment.

## Reasons for Changes in Operating Income/Loss

- Significant impact of volume fluctuations. Achieved some recovery through a review of overall costs, etc.



- The following is an image chart of changes in operating income in units of JPY0.5 billion.
- Overall, operating income decreased due to a decrease in the volume.
- Fixed costs decreased due in part to the effects of structural reforms.

## Balance Sheets

- No major change in the composition of each asset and liability
- Shareholders' equity ratio: 30.3% (increased by 1.8 points)

(Billion yen)	Mar. 2021	Mar. 2020	Variance
Current assets	222.2	236.7	(14.5)
Fixed assets	151.0	135.7	+15.3
Assets	373.2	372.5	+0.7
Current liabilities	154.1	159.9	(5.8)
Fixed liabilities	105.8	106.1	(0.3)
Liabilities	259.9	266.0	(6.1)
Shareholders' equity	113.0	106.2	+6.8
Others	0.3	0.2	+0.1
Net assets	113.3	106.4	+6.9
Total liabilities and net assets	373.2	372.5	+0.7
Shareholders' equity ratio (%)	30.3	28.5	+1.8
D/E ratio (times)	0.7	0.7	0.0

- There has been no significant change in the composition of each asset and liability.
- Total assets were JPY373.2 billion, almost unchanged from the end of the previous fiscal year, and shareholders' equity increased by JPY6.8 billion to JPY113.0 billion.
- As a result, the shareholders' equity ratio was 30.3% and the D/E ratio was 0.7 times.

## Cash Flows

- FCF: net inflow of ¥3.6 billion
- Maintain ample cash reserves in preparation for changes in the market environment

(Billion yen)	FY2021/3 (Results)	FY2020/3 (Results)	Variance
I Cash flows from operating activities	18.1	32.5	(14.4)
II Cash flows from investing activities	(14.5)	(3.0)	(11.5)
Free cash flows ( I + II )	3.6	29.5	(25.9)
III Cash flows from financing activities	(8.9)	(9.2)	+0.3
Cash and cash equivalents	41.8	46.5	(4.7)
Purchases of PP&E and intangible assets	26.5	16.3	+10.2
Depreciation	12.9	12.6	+0.3

- Free cash flow was a net inflow of JPY3.6 billion.
- We believe that cash equivalents of JPY41.8 billion are at a necessary and sufficient level.

## Financial Forecasts

- Aim to increase sales and profits by implementing structural reforms and growth investment in line with the Medium-Term Business Plan 2022.
- Annual dividend plan: ¥30.00 per share

(Billion yen)		FY2022/3 Forecasts	FY2021/3 Results	Variance
Solution Systems	Net sales	198.5	190.8	7.7
	Operating income	16.5	16.3	0.2
Components & Platforms	Net sales	201.0	201.5	(0.5)
	Operating income	2.5	(0.4)	2.9
Others	Net sales	0.5	0.6	(0.1)
	Operating income	0.0	(0.1)	+0.1
Corporate & Eliminations	Operating income	(7.0)	(6.4)	(0.6)
Total	Net sales	400.0	392.9	7.1
	Operating income	12.0	9.5	2.5
	Ordinary income	12.0	9.4	2.6
	Profit attributable to owners of parent	3.5	(0.2)	3.7

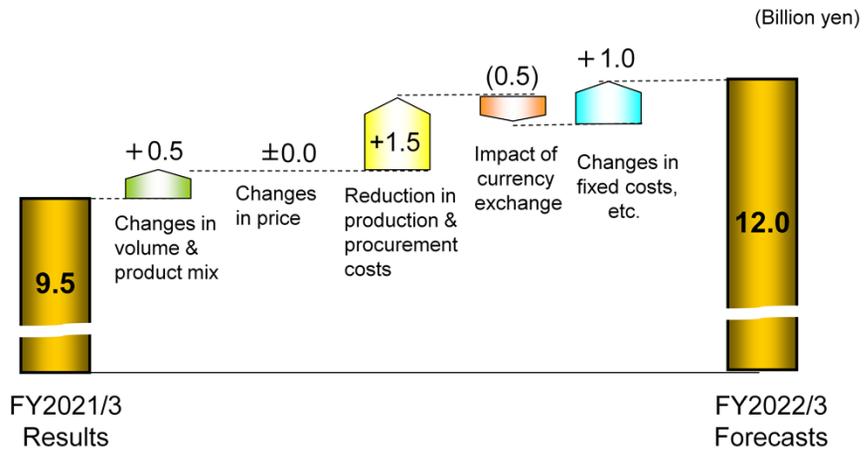
\*Restate figures for FY2021/3 have been revised.

Exchange rate assumptions: ¥105/USD  
¥120/EUR

- The forecast figures are as shown in the table.
- We aim to achieve a steady increase in sales. While making necessary investments for growth, we will improve profit margins and bring closure to a series of structural reforms.
- As for the overall progress of the medium-term plan, there are some delays due to the impact of changes in the social environment, but we will try to catch up as much as possible.
- The planned annual dividend is JPY30 per share.
- The assumed exchange rates are JPY105 for the US dollar and JPY120 for the euro.

## Reasons for Changes in Operating Income/Loss

- Improve profitability through ongoing structural reforms



- This is an image chart of the change in forecast operating income in units of JPY0.5 billion.
- Improvement is expected mainly due to the effects of structural reforms.

## Investments and Cash Flows Forecasts

Investments	FY2022/3 Forecasts	FY2021/3 Results	Variance
(Billion yen)			
Capital Expenditure*	31.0	16.3	+14.7
Depreciation*	14.0	11.8	+2.2
R&D	12.5	11.2	+1.3

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

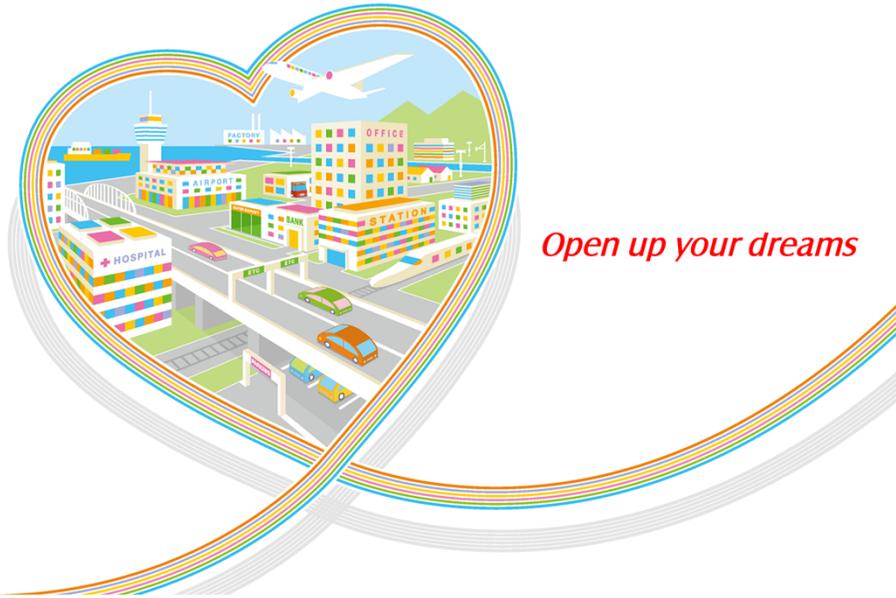
  

Cash Flows	FY2022/3 Forecasts	FY2021/3 Results	Variance
(Billion yen)			
I Cash flows from operating activities	22.0	18.1	+3.9
II Cash flows from investing activities	(31.0)	(14.5)	(16.5)
Free cash flows ( I + II )	(9.0)	3.6	(12.6)

- Capital investment will increase due partly to the new building project in Honjo.
- R&D expenses for both Solution Systems and Components & Platforms will include increased investment for growth.
- Free cash flow is expected to be an outflow of JPY9.0 billion due to an increase in investment-related expenditures in general.

## 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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