

Financial Results for 1H of the FY Ending March 31, 2021

October 29, 2020

Oki Electric Industry Co., Ltd.

Summary of Financial Results

- Net sales decreased due to a reactionary decline following the completion of a series of large-scale projects and the continuing expansion of COVID-19. As a result, each profit deteriorated.

(Billion yen)	1H FY2021/3 (Results)	1H FY2020/3 (Results)	Variance
Net sales	173.5	218.4	(44.9)
Operating income (loss)	(2.6)	5.2	(7.8)
Ordinary income (loss)	(3.2)	2.9	(6.1)
Profit (loss) attributable to owners of parent	(5.4)	4.1	(9.5)
USD average exchange rate (Yen)	106.9	108.6	(1.7)
EUR average exchange rate (Yen)	121.3	121.4	(0.1)

- Cumulative Q2 net sales decreased by JPY44.9 billion to JPY173.5 billion. In addition to the completion of large-scale projects such as network-related projects for carriers, which we explained at the previous financial results briefing, and the transfer of the business of our Brazilian subsidiary, the contagion of COVID-19 is continuing to expand and has had a particularly significant impact in Europe.
- A substantial decrease in sales resulted in an operating loss of JPY2.6 billion.
- We recognize that COVID-19 impact in the current cumulative period was approximately JPY16.5 billion in net sales and approximately JPY5 billion in operating income.
- Ordinary loss was JPY3.2 billion, and loss attributable to owners of parent was JPY5.4 billion due to the recording of a loss of JPY1.8 billion associated with business restructuring. In the previous fiscal year, there were gains on the sale of non-operating properties, and as a result, net profit deteriorated by JPY9.5 billion YoY.
- The average exchange rate during the period under review was JPY106.9 to the US dollar, a JPY1.7 appreciation compared with the previous fiscal year, and JPY121.3 to the euro, a JPY0.1 appreciation compared with the previous fiscal year.

OKI Open up your dreams

Segment Information (Net Sales)

- **Solution Systems**
Despite the impact of the previous fiscal year, including a reactionary decline from large-scale projects (for network-related and some government offices) and changes in sales standards, the year-on-year decrease shrank in Q2.
- **Components & Platforms**
The impact of COVID -19 continued, mainly in overseas markets, and equipment sales remained sluggish.

(Billion yen)	1H FY2021/3 (Results)	1H FY2020/3 (Results)	Variance
Solution Systems	83.5	103.6	(20.1)
Components & Platforms	87.8	108.4	(20.6)
Others	2.2	6.3	(4.1)
Total	173.5	218.4	(44.9)

*Results for 1H FY2020/3 are restated.

© Copyright 2020 Oki Electric Industry Co. Ltd. 3

- Net sales of the Solution Systems decreased by JPY20.1 billion YoY to JPY83.5 billion. Despite the impact of the first year of the change in the scope of application of the percentage-of-completion method in the previous year and a decrease due to the completion of a large-scale project, quarterly sales increased compared to the Q1, and the amount of decrease compared to the previous year shrank.
- Components & Platforms net sales decreased by JPY20.6 billion YoY to JPY87.8 billion. With regard to the impact of the spread of COVID-19, there are generally no signs of an improvement in business in overseas markets. This is because infections are expanding again, particularly in Europe, and there are no major changes in the conditions of infections in India. On the other hand, in the domestic market, there were no major concerns, and the trend was generally stable.
- The decrease in Others was due to the transfer of business of a subsidiary in Brazil.

OKI Open up your dreams

Segment Information (Operating Income/Loss)

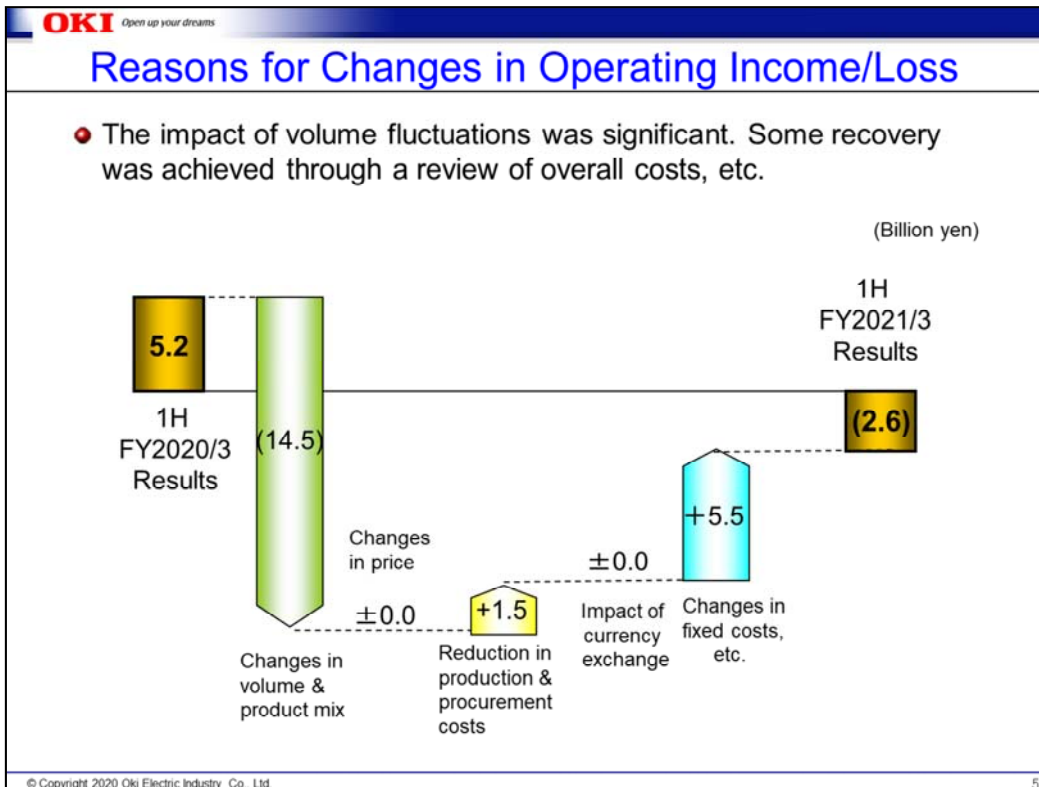
- **Solution Systems**
Profits were stable despite the impact of a reactionary decline in sales in the previous fiscal year
- **Components & Platforms**
Profits were low due to sluggish sales. Sales mix is in the process of improving.

(Billion yen)	1H FY2021/3 (Results)	1H FY2020/3 (Results)	Variance
Solution Systems	4.0	5.6	(1.6)
Components & Platforms	(3.6)	3.1	(6.7)
Others	(0.1)	(0.1)	0.0
Corporate & Eliminations	(2.8)	(3.4)	+0.6
Total	(2.6)	5.2	(7.8)

*Results for 1H FY2020/3 are restated.

© Copyright 2020 Oki Electric Industry Co. Ltd

- Operating income from Solution Systems decreased by JPY1.6 billion YoY to JPY4 billion. We secured stable earnings on a quarterly basis, despite the impact of a reactionary decline in sales compared to the previous year.
- Components & Platforms posted an operating loss of JPY3.6 billion, a YoY deterioration of JPY6.7 billion. This was mainly due to sluggish sales in foreign markets, where the impact of COVID-19 was significant. Although the decline in sales of printer consumables has stabilized to a certain extent, the overall feeling has not improved noticeably since the Q1. Income from automation equipment in the Asian region were also sluggish due to a lack of recovery in sales. The domestic market has been robust in line with expectations so far.



- The image chart shows the changes of operating income in units of JPY500 million.
- Overall, the impact of the decline in volume was significant.
- As for fixed costs, we made efforts to restrain overall expenses, including restrained investments in printer sales, but this could not compensate other declines.

Balance Sheets

- There is no major change in the composition of each asset and liability. Total assets were reduced.
- Shareholders' equity ratio decreased by 0.5 points.

(Billion yen)	Sep. 2020	Mar. 2020	Variance
Current assets	205.1	236.7	(31.6)
Fixed assets	137.0	135.7	1.3
Assets	342.1	372.5	(30.4)
Current liabilities	149.1	159.9	(10.8)
Fixed liabilities	96.9	106.1	(9.2)
Liabilities	246.0	266.0	(20.0)
Shareholders' equity	95.9	106.2	(10.3)
Others	0.2	0.2	0.0
Net assets	96.1	106.4	(10.3)
Total liabilities and net assets	342.1	372.5	(30.4)
Shareholders' equity ratio (%)	28.0	28.5	(0.5)
D/E ratio (times)	0.8	0.7	+0.1

- There has been no major change in the composition of each asset and liability.
- Total assets decreased by JPY30.4 billion from the previous fiscal year-end to JPY342.1 billion, and shareholders' equity decreased by JPY10.3 billion to JPY95.9 billion.
- As a result, the shareholders' equity ratio was 28% and the D/E ratio was 0.8 times.

Cash Flows

- Cash flows are almost unchanged from the previous year except for asset sales in the previous year.
- Cash reserves are at a level with some leeway.

(Billion yen)	1H FY2021/3 (Results)	1H FY2020/3 (Results)	Variance
I Cash flows from operating activities	16.6	12.1	+4.5
II Cash flows from investing activities	(10.1)	1.4	(11.5)
Free cash flows (I + II)	6.5	13.5	(7.0)
III Cash flows from financing activities	(6.7)	(13.3)	+6.6
Cash and cash equivalents	46.2	26.6	+19.6
Purchases of PP&E and intangible assets	20.1	7.4	+12.7
Depreciation	6.1	6.1	-

© Copyright 2020 Oki Electric Industry Co. Ltd

7

- Free cash flows saw an inflow of JPY6.5 billion. The results for the previous fiscal year include one-time special factors such as the sale of real estate.
- We maintain sufficient cash on hand with cash equivalents at JPY46.2 billion.

Financial Forecasts

- Net sales, operating income and segment figures are unchanged from the previous forecasts.
- Profit attributable to owners of parent includes the extraordinary losses arising from business restructuring.

Exchange rate assumptions: ¥110/USD, ¥120/EUR

(Billion yen)		FY2021/3 Forecasts	FY2020/3 Results	Variance
Solution Systems	Net sales	195.0	229.1	(34.1)
	Operating income	15.0	20.2	(5.2)
Components & Platforms	Net sales	205.0	216.3	(11.3)
	Operating income	1.0	5.2	(4.2)
Others	Net sales	5.0	11.9	(6.9)
	Operating income	0.0	(0.6)	+0.6
Corporate & Eliminations	Operating income	(7.5)	(8.0)	+0.5
Total	Net sales	405.0	(457.2)	(52.2)
	Operating income	8.5	16.8	(8.3)
	Ordinary income	8.0	13.8	(5.8)
	Profit attributable to owners of parent	1.0	14.1	(13.1)

*Restate figures for FY2020/3 have been partially revised.

- For net sales, operating income and segment figures, the previous announcement will be left unchanged in light of the current financial results and other factors.
- For items from ordinary income on down, which had not yet been determined, we expect ordinary income and net profit to be JPY8 billion and JPY1 billion, respectively, based on certain estimates.

OKI Open up your dreams

Investments and Cash Flows Forecasts

Investments	(Billion yen)	FY2021/3 Forecasts	FY2020/3 Results	Variance
Capital Expenditure		21.0	19.2	+1.8
Depreciation		13.0	12.0	+1.0
R&D		12.0	10.6	+1.4

Cash Flows	(Billion yen)	FY2021/3 Forecasts	FY2020/3 Results	Variance
I Cash flows from operating activities		20.0	32.5	(12.5)
II Cash flows from investing activities		(20.0)	(3.0)	(17.0)
Free cash flows (I + II)		0.0	29.5	(29.5)

© Copyright 2020 Oki Electric Industry Co. Ltd. 9

- The investment and cash flow forecasts are as shown.
- With regard to investments, we will increase investments in areas of focus for the future and secure a framework for strategic investments.
- The qualities associated with structural reforms were factored into the cash flows for the current fiscal year.

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.

