

# Financial Results for the First Nine Months of the FY Ending March 31, 2021

February 4, 2021

Oki Electric Industry Co., Ltd.

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## Executive Summary

- **Cumulative Q3 FY2021/3 Results**
  - ✓ Net sales decreased due to one-off factors (sales standards and large-scale projects) in the previous fiscal year.
  - ✓ Results were generally as initially planned.
- **COVID-19 Impact on Results**
  - ✓ Overseas: Greater and longer impact than initially expected
  - ✓ Japan: The impact increased on some customers; investment plans have been revised.
- **Structural Reforms**
  - ✓ Measures implemented steadily in line with the medium-term business plan scenario.
  - ✓ Expect certain contribution from the structural reforms to the FY2021/3 results

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- With regard to the overall business sentiment, excluding the effects of temporary factors such as the change in sales standards and large-scale projects in the previous fiscal year, although the situation differs by segment, the financial results are generally in line with the initial plan.
- The corona effect was strong in the whole. The impact has been longer than expected, mainly in overseas markets. In particular, the recovery in the automated equipment market in Asia has been weak against expectations. In the domestic market, the impact on some customers has expanded, and revisions to investment plans have become apparent, affecting the EMS business.
- As for structural reform, we are steadily implementing measures in line with the medium-term business plan's scenario. We expect that structural reforms will contribute to a certain extent to the current fiscal year.

## Summary of Financial Results

- Net sales and profit decreased year-on-year on rebound of specific factors of the previous fiscal year and prolonged impact of COVID-19.

(Billion yen)	9 months FY2021/3 (Results)	9 months FY2020/3 (Results)	Variance
Net sales	266.9	327.9	(61.0)
Operating income (loss)	(2.6)	9.1	(11.7)
Ordinary income (loss)	(3.4)	7.3	(10.7)
Profit (loss) attributable to owners of parent	(8.5)	7.2	(15.7)
USD average exchange rate (Yen)	106.12	108.67	(2.55)
EUR average exchange rate (Yen)	122.37	121.05	+1.32

- Net sales decreased ¥61.0 billion to ¥266.9 billion.
- Sales decreased significantly from the previous fiscal year as a result of a combination of several factors, including a reactionary decline from large-scale projects in the previous fiscal year, the impact of a change in revenue recognition standards from the previous fiscal year, the transfer of business at a subsidiary in Brazil, and the COVID-19 impact (negative of about ¥23.0 billion).
- As for profit and loss, operating loss was ¥2.6 billion (negative impact of ¥7.0 billion) and ordinary loss was ¥3.4 billion.
- Net loss was ¥8.5 billion, mainly due to business structure improvement expenses of ¥2.7 billion.
- The average exchange rate during the period was ¥106.12 to the U.S. dollar, down ¥2.55 from the previous year, and ¥122.37 to the euro, up ¥1.32.

## Segment Information (Net Sales)

- **Solution Systems**  
Although a reactionary decline from large-scale projects and a change in sales standards affected 9-month results, quarterly results continued to increase from the last quarter.
- **Components & Platforms**  
Decreased year-on-year significantly due to continuing impact of COVID-19, mainly in overseas markets.

(Billion yen)	9 months FY2021/3 (Results)	9 months FY2020/3 (Results)	Variance
Solution Systems	128.6	157.3	(28.7)
Components & Platforms	135.2	161.0	(25.8)
Others	3.1	9.5	(6.4)
<b>Total</b>	<b>266.9</b>	<b>327.9</b>	<b>(61.0)</b>

\*Results for 9 months FY2020/3 are restated.

- Sales in the Solution Systems business fell ¥28.7 billion year on year to ¥128.6 billion. A reactionary decline from the previous fiscal year has been incorporated into the initial plan. Quarterly sales also growing, and we have been able to keep up with our plans.
- Sales in the Component & Platform business fell ¥25.8 billion year on year to ¥135.2 billion. Overseas markets were strongly influenced by COVID-19.
- In particular, the markets of Asian countries, which are growing markets for automated machines, have been more stagnant than expected. Regarding printers in Europe and the United States, there are some improvements, but they are limited. Although the domestic market had been relatively stable, as the impact of COVID-19 continued for a long period of time, some customers of EMS and automated machines began to revise or extend plans.
- Others decreased due to the impact of the transfer of business of a Brazilian subsidiary.

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## Segment Information (Operating Income/Loss)

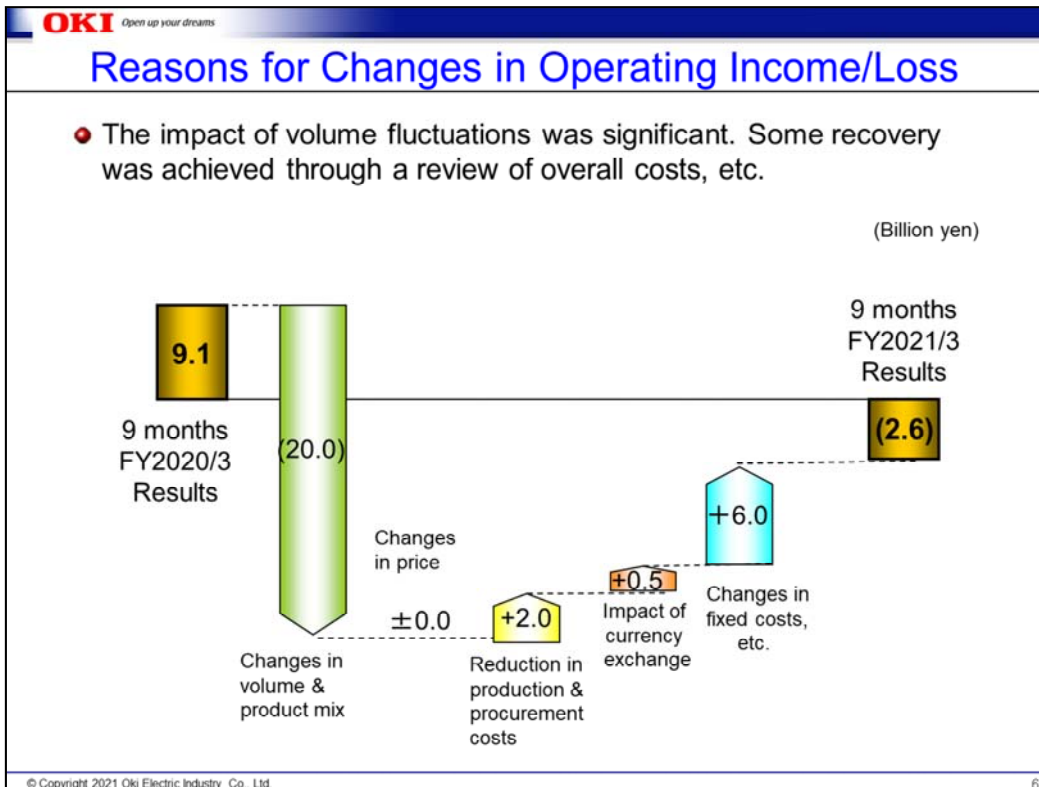
- **Solution Systems**  
While reactionary decline in sales had impact on 9-month results, quarterly operating income continued to improve.
- **Components & Platforms**  
Quarterly loss decreased due to cost reductions, forex and a temporary increase (as a result of the reaction up to Q2) in consumables sales in Europe. 9-month results declined due to lower sales.

(Billion yen)	9 months FY2021/3 (Results)	9 months FY2020/3 (Results)	Variance
Solution Systems	6.5	10.7	(4.2)
Components & Platforms	(4.2)	3.9	(8.1)
Others	(0.3)	(0.2)	(0.1)
Corporate & Eliminations	(4.6)	(5.4)	+0.8
<b>Total</b>	<b>(2.6)</b>	<b>9.1</b>	<b>(11.7)</b>

\*Results for 9 months FY2020/3 are restated.

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- Operating income in the Solution Systems decreased ¥4.2 billion to ¥6.5 billion. Although operating income decreased due to a reactionary decline in sales, it improved steadily each quarter, slightly exceeding the initial plan.
- The Components & Platform business recorded an operating loss of ¥4.2 billion, worsened ¥4.2 billion.
- With regard to Automated Machine business, the impact of the stagnation of the overseas market was large. Although there was a large replacement demand expected in Japan, we were unable to fully cover it. Domestic demand has also become concentrated in Q4, and operations have become temporarily inefficient due to production shifts caused by changes in production bases. Although we expect to post a profit in Q4, we cannot eliminate the cumulative loss and expect to post a double-digit loss for the full year.
- As for Printers under structural reform, in addition to the effects of structural reform, the effects of exchange rates and a temporary increase in sales of consumables in the Q3 in reaction to the extreme decrease in the Q1 – Q2 resulted in a slight surplus in the Q3.
- As the impact of COVID-19 has been prolonged, even the relatively stable EMS business in Japan has been affected by the extension of client plans.



- The image chart shows the changes of operating income in units of ¥500 million.
- Overall, operating income decreased due to a decrease in sales volume.
- As a result of structural reforms, fixed costs decreased.

## Balance Sheets

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

(Billion yen)	Dec. 2020	Mar. 2020	Variance
Current assets	204.4	236.7	(32.3)
Fixed assets	137.5	135.7	1.8
Assets	341.9	372.5	(30.6)
Current liabilities	150.8	159.9	(9.1)
Fixed liabilities	94.9	106.1	(11.2)
Liabilities	245.8	266.0	(20.2)
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	341.9	372.5	(30.6)
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 ¥30.6 billion from the previous fiscal year-end to ¥341.9 billion, and shareholders' equity decreased by ¥10.3 billion to ¥95.9 billion.
- As a result, the shareholders' equity ratio was 28.0% 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)	9 months FY2021/3 (Results)	9 months FY2020/3 (Results)	Variance
I Cash flows from operating activities	11.0	11.6	(0.6)
II Cash flows from investing activities	(11.1)	1.0	(12.1)
Free cash flows ( I + II )	(0.1)	12.6	(12.7)
III Cash flows from financing activities	(7.1)	(5.8)	(1.3)
Cash and cash equivalents	39.2	33.7	+5.5
Purchases of PP&E and intangible assets	19.8	8.5	+11.3
Depreciation	9.3	9.2	+0.1

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- Free cash flows saw an outflow of ¥0.1 billion. Excluding a one-time gain from the sale of assets in the previous year, the level was about the same.
- We maintained sufficient cash on hand with cash equivalents of ¥39.2 billion.



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## Progress of Medium-Term Business Plan

<Progress of Measures> (as of Feb. 4, 2021)

- Overseas sales strategy shift and reorganization of sales models, bases and personnel
  - Completed the selection of printer models, mainly for specific applications
  - Suspend printer hard sales in North America by the end of FY2021/3. Started reorganization of sales bases in Europe.
  - Reduction of employees at business sites in process, accordance with medium-term business plan. (Target: 60% reduction)
- Reorganization of production bases
  - End of ATM production and sales in China (Shenzhen Plant closed and production transferred to Vietnam Plant)
- Strengthening development capabilities through resource shifts
  - Apr. 2020, transferred 50 engineers from Oki Data to the Development Division (DMS) to begin technology integration (from Printers to Peripheral Products)
  - Apr. 2021 Merge Oki Data. Integrate printer engineers to create Development Division with a workforce of 700 people.
- Strengthening group-wide production control (promote conversion to Virtual One Factory and smart factory)
  - Apr. 2021 establish Production Management Division, Manufacturing Reinforcement Division
  - FY2022/3 establish new plant in Honjo District
- Group-wide cost reform
  - Shift to telework. Reorganize and consolidate offices in Shibaura and Toranomon areas. (Target : 50% reduction of office space)

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- Finally, I would like to explain the progress of some of the measures outlined in the medium-term business plan.
- Review of overseas sales strategy  
 We have completed the selection of printers mainly for specific applications. Sales of the printer hard in North America will be suspended by the end of fiscal 2020, and started reorganization of sales bases in Europe.  
 We are aiming to reduce the number of employees at business site by 60%, in accordance with our medium-term business plan.  
 As for the structural reform of printers in Japan It is expected that half of the total personnel will be transferred to the Component & Platform business or the Solution Systems business. We have also narrowed down the scope of development for specific applications, focusing on profitability.
- Reorganization of production bases  
 We have stopped ATM production and sales in China and transferred production from the Shenzhen Plant in China to the Vietnam Plant.
- Strengthening development capabilities through resource shifts  
 In April 2020, 50 engineers of OKI Data Corporation were transferred to the R&D Division (DMS) to begin technology integration. In April 2021, Oki Data will merge with OKI. We will integrate printer engineers to create Development Division with a workforce of 700 person.
- Strengthening Group-wide Production Control  
 In April 2021, we will establish the Production Management Division and the Manufacturing Reinforcement Division. In fiscal 2021(2022/3), we will build a new plant in the Honjo district.
- As for the Group-wide cost reforms, we plan to reorganize and consolidate offices in Shibaura and Toranomon with the aim of halving office space by focusing on telework.

## 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.

