

MESSAGE FROM THE CFO



To grow sustainably
in parallel with society

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Senior Executive Vice President,
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With “Delivering OK! to your life.” as our key message, the OKI Group aims to be a corporate group supporting safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri and Koto-zukuri.

Medium-Term Business Plan 2022 is positioned as a foundation for achieving sustainable growth by providing products and services that respond to changes in social structures and new needs accompanying those changes. Accordingly, we have worked on structural reforms to adapt to the changing busi-

ness environment, while aggressively investing to enhance our corporate value. Meanwhile, in fiscal year 2022, which is also the final year of the plan, the changes in the external environment have exceeded expectations, including COVID-19 and supply chain effects, making it difficult to achieve the targets of the Medium-Term Business Plan. For these reasons, we have formulated a single-year plan for fiscal year 2022. Under these circumstances, I will fulfill my responsibilities as CFO to grow sustainably while ensuring the stability of our financial base.

OKI's basic concept of capital policy is as follows:

Capital Policy

Basic Strategy

As a company deeply rooted in society, we strive to contribute to society by improving corporate value sustainably, and make returns to stakeholders.

Basic Policy

1. Make investments for growth
2. Secure the strong financial base
3. Sustain steady shareholder returns

Financial Soundness

- Maintain an adequate level of shareholders' equity within a risk allowance, while making growth investments
- Pursue the right balance between capital efficiency and securing stable growth investment funds, namely, optimal capital structure
- Disclose shareholders' equity and DE ratios as indicators of financial soundness

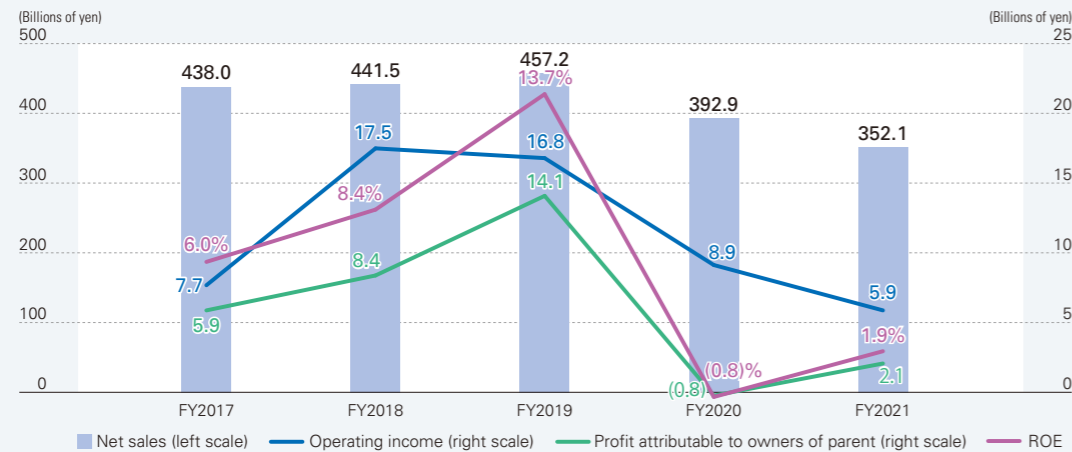
Shareholder Returns

- Strive to maintain stable dividends
- Pay dividends with a focus on balancing growth investment and shareholder returns in consideration of cash flows while maintaining earning capacities
- Emphasize on rewarding long-term shareholders

Asset Efficiency

- Maximize shareholder value by striving to improve asset efficiency
- Improve total asset turnover: Strive to optimize capital allocation and working capital

Consolidated Business Performance



Analysis of Financial Position and Business Achievement

Summary of FY2021 Business Results

Although strong sales continued for factory automation and semiconductor manufacturing equipment, which have been on a recovery trend since the end of the previous fiscal year, net sales decreased by ¥40.8 billion year on year to ¥352.1 billion due to supply chain effects, such as material shortages. With regard to profits, operating income was ¥5.9 billion, down ¥3.0 billion from the previous year, due to the negative impact of supply chain factors, which more than offset the positive effects of lower fixed costs from structural reforms and a reversal of allowance for doubtful accounts for receiv-

ables in the Chinese ATM business. Profit attributable to owners of parent improved by ¥2.9 billion year on year to ¥2.1 billion, as we posted an extraordinary income of ¥1.1 billion from the sale of assets, while extraordinary losses included ¥2.8 billion in business structure improvement expenses related to sales companies in Europe and North America and the convergence of printer plants in China.

In terms of the financial situation, free cash flow was negative due in part to upfront investments in capital expenditures and R&D. These investments were made as they are necessary for sustainable growth to build a foundation for growth.

Outlook for FY2022

For fiscal year 2022, the final year of the Medium-Term Business Plan, we expect net sales to increase by ¥72.9 billion year on year to ¥425.0 billion, operating income to increase by ¥3.1 billion to ¥9.0 billion, and profit attributable to owners of parent to increase by ¥0.9 billion to ¥3.0 billion. To build the foundation for sustainable growth through solving social issues, we are steadily proceeding with structural reforms, including selection and con-

centration of businesses and optimization of mainly overseas manufacturing and sales sites. However, challenges remain in responding to the changes in the external environment, which have exceeded the assumptions made at the time of establishing the Medium-Term Business Plan, such as COVID-19 and supply chain effects, and we have fallen short of our targets in the plan. Given these circumstances, we will work to strengthen our risk response capabilities as an urgent priority in this fiscal year.

Growth Investment

We expect to invest ¥63.6 billion in capital expenditures and ¥34.7 billion in R&D over the three years of Medium-Term Business Plan 2022, which we have identified as the phase for building the foundation for growth to increase our future corporate value. Specifically, we built our own smart factory, which started operation in July 2022, expanded production facilities for our focal growth markets, and developed new products such

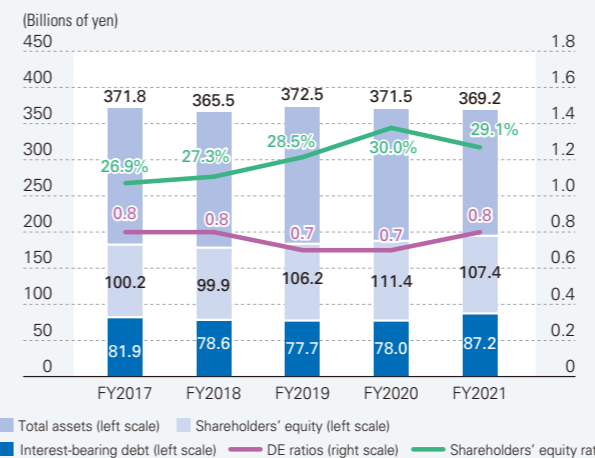
as new DX solutions. In April 2022, we acquired the aviation equipment business of the Yokogawa Group. While supply chain effects and other factors have delayed benefits realization from the investments made in the plan, we intend to steadily reap the benefits from the next fiscal year. Going forward, we will continue to aim to enhance our corporate value over the medium-to long-term, while appropriately allocating funds to maintain a balance between growth investment and shareholder returns.

Improving Asset Efficiency

Inventories temporarily increased due to two factors. First, as there continues to be a shortage in the supply of semiconductors and other materials, efforts were made to reduce the impact on production by strategically securing materials. Secondly, product shipments were delayed due the shortage of materials.

Looking ahead, we will work to improve working capital based on financial discipline, such as optimizing inventory levels by strengthening our risk response capabilities. For non-business assets, we are continuously reviewing the significance of our holdings through a periodic verification process, and again executed asset sales in non-focal areas in fiscal year 2021.

Consolidated Financial Position



Consolidated Free Cash Flow

