

(Translation)

Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2023 (J-GAAP)

August 10, 2022

Listed Company Name: Oki Electric Industry Co., Ltd.

Securities Code: 6703

Stock Exchange Listing: Tokyo Stock Exchange

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Filing of Quarterly Securities Report (Scheduled): August 12, 2022

Commencement of Dividend Payment (Scheduled): –

Supplementary Document on Quarterly Financial Results: Yes

Quarterly Financial Results Briefing: Yes (for institutional investors)

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Results for the Three Months Ended June 30, 2022 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2022	78,127	(2.2)	(3,001)	–	(3,082)	–	(3,186)	–
June 30, 2021	79,869	–	(2,911)	–	(2,647)	–	(3,695)	–

(Note) Comprehensive income Three months ended June 30, 2022: ¥(3,342) million (–%)
Three months ended June 30, 2021: ¥(4,438) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2022	(36.78)	–
June 30, 2021	(42.68)	–

(Note) From the fourth quarter of the fiscal year ended March 31, 2022, overseas subsidiaries of the Company that apply International Financial Reporting Standards (IFRS) changed their accounting policies based on the “Configuration or Customization Costs in a Cloud Computing Arrangement (IAS 38),” an agenda decision announced by the IFRS Interpretations Committee (IFRIC) in April 2021. Accordingly, figures for the first quarter of the fiscal year ended March 31, 2022 have been retroactively adjusted to reflect these changes in accounting policies. In addition, year-on-year changes are not stated.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2022	371,619	101,694	27.3
As of March 31, 2022	369,170	107,635	29.1

(Reference) Shareholders' equity As of June 30, 2022: ¥101,508 million
As of March 31, 2022: ¥107,437 million

2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2022	–	0.00	–	30.00	30.00
Fiscal year ending March 31, 2023	–				
Fiscal year ending March 31, 2023 (Projection)		0.00	–	30.00	30.00

(Note) Revisions to dividend projection most recently announced: None

3. Consolidated Results Projection for the Fiscal Year Ending March 31, 2023
(from April 1, 2022 to March 31, 2023)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	425,000	20.7	9,000	53.5	8,000	4.0	3,000	45.2	34.64

(Note) Revisions to operating results projection most recently announced: None

Notes:

- (1) Changes in significant subsidiaries during the period
(changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies in accordance with revision of accounting standards, etc.: Yes
 - 2) Any changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None

(Note) For details, please refer to “(4) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 9 of the Attachment.

- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at the end of the period (including treasury shares)
 - As of June 30, 2022: 87,217,602 shares
 - As of March 31, 2022: 87,217,602 shares
 - 2) Number of treasury shares at the end of the period
 - As of June 30, 2022: 597,759 shares
 - As of March 31, 2022: 617,937 shares
 - 3) Average number of shares during the period
 - Three months ended June 30, 2022: 86,619,897 shares
 - Three months ended June 30, 2021: 86,600,990 shares

Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Explanation regarding appropriate use of results projection and other special notes

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. For the conditions assumed for the results projection and notes on the use of such projections, please refer to “(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other” of “1. Qualitative Information on Financial Results for the Period” on page 4 of the Attachment.

(How to obtain supplementary document on financial results)

The Company is scheduled to hold a financial results briefing for institutional investors on August 10, 2022 (Wednesday). The document on financial results is disclosed on TDNet at the same time as this Summary of Consolidated Financial Results and is also made available on the Company’s website on the same day.

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1. Qualitative Information on Financial Results for the Period

(1) Operating Results

1) Overview of the first quarter of the fiscal year ending March 31, 2023 (April 1, 2022 to June 30, 2022)

In addition to new outbreaks of COVID-19 largely involving variant strains, rising geopolitical risks due to the prolonged conflict between Russia and Ukraine, and the continued precipitous drop in the yen have contributed to a future that still remains uncertain. In addition, supply chain disruptions such as soaring raw material prices and material shortages — especially for semiconductors — have continued into the current fiscal year.

Given this state of affairs, OKI considers strengthening its ability to respond to the above risks to be an urgent priority and aims to build a strong foundation for realizing sustainable growth by resolving social issues. Based on the materiality of the OKI Group, we are working on ways to resolve seven social issues (aging of infrastructure, natural disasters, traffic congestion, environmental problems, labor shortages, labor productivity, and the spread of infectious diseases).

Net sales for the first quarter of the fiscal year ending March 31, 2023 were ¥78.1 billion, a ¥1.8 billion, or 2.2%, decrease year-on-year. Although the exchange rate provided a small bump to net sales, decreased production due to shortages of materials such as semiconductors were impactful, resulting in an overall drop in net sales.

In terms of profits, there was a ¥3.0 billion operating loss (a deterioration of ¥100 million year-on-year) resulting from supplementing the supply chain impact with positive factors such as fixed cost reductions and project composition differences. Negative effects on operating income due to supply chain impacts are expected to be approximately ¥3.2 billion.

Ordinary loss worsened by ¥500 million year-on-year, coming in at ¥3.1 billion due to factors such as a decrease in non-operating foreign exchange gains.

Net loss attributable to owners of parent was ¥3.2 billion, an improvement of ¥500 million year-on-year. This improvement was due to a decrease in extraordinary losses accompanying structural reforms.

(Billions of yen)	Three months ended June 30, 2022	Three months ended June 30, 2021	Year-on-year change rate
Net sales	78.1	79.9	(2.2) %
Operating income (loss)	(3.0)	(2.9)	—
Ordinary income (loss)	(3.1)	(2.6)	—
Profit (loss) attributable to owners of parent	(3.2)	(3.7)	—

Net sales to external customers and operating income by business segment were as follows.

2) Results by business segment

<Solution Systems>

Net sales came to ¥36.1 billion (a year-on-year increase of 6.4%, or ¥2.2 billion). Net sales were up — mainly in the enterprise solution business area — after projects that were delayed from the previous fiscal year because of difficulties in procuring parts and materials shifted to the quarter under review.

Operating loss came to ¥1.2 billion, a ¥1.1 billion deterioration year-on-year. These were due to the significant negative impacts of soaring component prices.

(Billions of yen)	Three months ended June 30, 2022	Three months ended June 30, 2021	Year-on-year change rate
Net sales	36.1	33.9	6.4 %
Operating income(loss)	(1.2)	(0.1)	—

<Components & Platforms>

Net sales were ¥41.9 billion (a year-on-year decrease of ¥4.0 billion, or 8.6%). In the Mono-zukuri Platforms business field, FA/semiconductor manufacturing equipment sales remained strong, a continuation from the previous fiscal year. In the Component business field, production and sales were greatly impacted by shortages of materials for semiconductors and others, resulting in a decline in net sales.

Operating loss came to ¥0.8 billion (an improvement of ¥0.7 billion year-on-year) due to fixed cost reduction effects from structural reforms and project mix differences.

(Billions of yen)	Three months ended June 30, 2022	Three months ended June 30, 2021	Year-on-year change rate
Net sales	41.9	45.9	(8.6) %
Operating income(loss)	(0.8)	(1.5)	—

<Others>

Net sales were ¥0.1 billion (unchanged year-on-year, an increase of 29.4%) and operating income was ¥0.1 billion (unchanged year-on-year).

(Billions of yen)	Three months ended June 30, 2022	Three months ended June 30, 2021	Year-on-year change rate
Net sales	0.1	0.1	29.4 %
Operating income(loss)	0.1	0.1	170.0%

(2) Financial Position

- 1) Assets, liabilities, net assets, etc., at the end of the first quarter of the fiscal year ending March 31, 2023
As of June 30, 2022, total assets were ¥371.6 billion, up ¥2.4 billion from the end of the previous fiscal year. Shareholders' equity decreased ¥5.9 billion from the end of the previous fiscal year to ¥101.5 billion mainly due to the recording of a ¥3.2 billion quarterly net loss attributable to owners of parent and the payment of ¥2.6 billion in ordinary dividends. As a result, the shareholders' equity ratio stood at 27.3%.

Major changes in assets included an increase of ¥16.6 billion in inventories. Meanwhile, notes and accounts receivable—trade, and contract assets decreased by ¥19.2 billion.

In terms of liabilities, borrowings mainly increased, and totaled ¥96.1 billion, an increase of ¥8.9 billion from ¥87.2 billion at the end of the previous fiscal year.

- 2) Cash flow for the first quarter of the fiscal year ending March 31, 2023

For the period under review, net cash provided by operating activities amounted to ¥0 billion (¥21.4 billion of cash inflow for the same period of the previous fiscal year), due mainly to a decrease in working capital.

Net cash used in investing activities came to ¥4.9 billion (versus ¥4.3 billion), mainly because of purchases of property, plant, and equipment.

As a result, free cash flow (operating cash flow plus investing cash flow) was a negative ¥4.9 billion (versus a positive ¥17.1 billion).

Net cash provided by financing activities was ¥4.3 billion (compared with ¥6.6 billion used in these activities in the previous year). Proceeds from borrowings were the main source of cash.

Owing to these factors, plus the ¥1.3 billion positive impact of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the end of the first quarter of the fiscal year ending March 31, 2023 amounted to ¥34.2 billion, up from ¥33.4 billion at the end of the previous fiscal year.

(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other

With respect to the full-year earnings forecast, the figures announced on May 11, 2022 remain unchanged. We will continue to minimize impacts through measures designed to strengthen the ability to respond to impacts in the supply chain, such as strengthening procurement capabilities and optimizing sales prices.

In the event that a significant deviation from the figures in the initial plan is observed, the Company will promptly disclose this after having examined the environment in which the business operates, such as future exchange rate fluctuations as well as market and supply chain trends.

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. Major factors that may affect actual results include market trends, a sharp rise in raw material prices, abrupt currency fluctuations and disasters. It should be noted, however, that factors that may affect actual results are not limited to these items.

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	36,691	37,698
Notes and accounts receivable - trade, and contract assets	94,469	75,333
Finished goods	17,425	20,883
Work in process	14,713	21,646
Raw materials and supplies	26,023	32,267
Other	22,572	25,008
Allowance for doubtful accounts	(57)	(107)
Total current assets	211,837	212,730
Non-current assets		
Property, plant and equipment	57,653	58,729
Intangible assets	14,027	14,383
Investments and other assets	85,652	85,775
Total non-current assets	157,333	158,888
Total assets	369,170	371,619
Liabilities		
Current liabilities		
Notes and accounts payable - trade	56,691	57,195
Short-term borrowings	43,337	54,799
Provisions	4,478	4,706
Other	53,450	54,097
Total current liabilities	157,958	170,798
Non-current liabilities		
Long-term borrowings	43,838	41,341
Provision for retirement benefits for directors (and other officers)	195	175
Other provisions	925	952
Retirement benefit liability	31,320	31,263
Other	27,297	25,392
Total non-current liabilities	103,576	99,125
Total liabilities	261,535	269,924
Net assets		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	19,006	18,994
Retained earnings	55,103	49,319
Treasury shares	(869)	(841)
Total shareholders' equity	117,241	111,473
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,030	332
Deferred gains or losses on hedges	22	94
Foreign currency translation adjustment	(9,069)	(8,613)
Remeasurements of defined benefit plans	(1,788)	(1,778)
Total accumulated other comprehensive income	(9,804)	(9,964)
Share acquisition rights	138	121
Non-controlling interests	60	64
Total net assets	107,635	101,694
Total liabilities and net assets	369,170	371,619

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)
(For the Three Months Ended June 30, 2021 and 2022)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	79,869	78,127
Cost of sales	60,759	60,613
Gross profit	19,110	17,513
Selling, general and administrative expenses	22,021	20,515
Operating loss	(2,911)	(3,001)
Non-operating income		
Interest income	12	36
Dividend income	349	361
Miscellaneous income	686	254
Total non-operating income	1,048	653
Non-operating expenses		
Interest expenses	334	397
Penalty fee	0	(292)
Loss on disaster	—	170
Miscellaneous expenses	450	459
Total non-operating expenses	785	734
Ordinary loss	(2,647)	(3,082)
Extraordinary losses		
Business restructuring expenses	599	—
Total extraordinary losses	599	—
Loss before income taxes	(3,247)	(3,082)
Income taxes - current	274	369
Income taxes - deferred	166	(266)
Total income taxes	440	102
Loss	(3,688)	(3,185)
Profit attributable to non-controlling interests	7	1
Loss attributable to owners of parent	(3,695)	(3,186)

(Consolidated Statements of Comprehensive Income)
(For the Three Months Ended June 30, 2021 and 2022)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Loss	(3,688)	(3,185)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,011)	(698)
Deferred gains or losses on hedges	(53)	71
Foreign currency translation adjustment	(184)	459
Remeasurements of defined benefit plans, net of tax	499	9
Total other comprehensive income	(749)	(157)
Comprehensive income	(4,438)	(3,342)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,443)	(3,347)
Comprehensive income attributable to non-controlling interests	5	4

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Cash flows from operating activities		
Loss before income taxes	(3,247)	(3,082)
Depreciation	2,980	2,894
Increase (decrease) in provisions	377	(5)
Interest and dividend income	(362)	(398)
Interest expenses	334	397
Decrease (increase) in trade receivables	35,987	24,805
Decrease (increase) in inventories	(4,384)	(14,926)
Increase (decrease) in trade payables	(6,991)	(4,441)
Other, net	(2,868)	(4,290)
Subtotal	21,825	953
Interest and dividends received	362	398
Interest paid	(278)	(268)
Income taxes paid	(525)	(1,052)
Net cash provided by (used in) operating activities	21,384	29
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,585)	(2,789)
Purchase of intangible assets	(1,949)	(1,091)
Payments for acquisition of businesses	—	(1,500)
Other payments	(178)	(384)
Other proceeds	442	886
Net cash provided by (used in) investing activities	(4,271)	(4,878)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,429)	10,226
Repayments of long-term borrowings	(2,547)	(2,547)
Dividends paid	(1,543)	(2,326)
Repayments of lease liabilities	(1,101)	(1,037)
Other, net	51	28
Net cash provided by (used in) financing activities	(6,570)	4,343
Effect of exchange rate change on cash and cash equivalents	139	1,322
Net increase (decrease) in cash and cash equivalents	10,682	817
Cash and cash equivalents at beginning of period	41,830	33,379
Cash and cash equivalents at end of period	52,512	34,196

(4) Notes to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

Not applicable

(Changes in Accounting Policies)

The Group has adopted “the Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021; hereinafter referred to as “the Accounting Standard for Fair Value Measurement”) as of the beginning of the fiscal year ending March 31, 2023. Based on the transitional treatment prescribed in Paragraph 27-2 of the Accounting Standard for Fair Value Measurement, the Group has decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement in the future. These changes had no impact on the consolidated financial statements for the first quarter of the fiscal year ending March 31, 2023.

(Segment Information, etc.)

I First quarter of the fiscal year ended March 31, 2022 (From April 1, 2021 to June 30, 2021)

1. Information about amounts of net sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	33,924	45,856	79,781	87	79,869	—	79,869
Intersegment net sales or transfers	97	889	986	2,255	3,241	(3,241)	—
Total	34,021	46,746	80,767	2,343	83,111	(3,241)	79,869
Segment income (loss)	(72)	(1,492)	(1,564)	51	(1,513)	(1,398)	(2,911)

Notes: 1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.

2. The ¥(1,398) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥87 million, corporate expenses not allocated to each reportable segment of ¥(1,516) million, and an adjustment to fixed assets of ¥30 million. Corporate expenses consist mainly of general and administrative expenses and R&D expenses that are not attributable to the reportable segments.

3. Segment income or loss is adjusted with operating loss recorded on the consolidated statements of income.

2. Matters related to changes in reportable segments

(Implementation costs associated with cloud computing agreements)

Some overseas consolidated subsidiaries apply International Financial Reporting Standards (IFRS). In the past, they applied IAS 38 (“Intangible Assets”), recognizing configuration and customization costs associated with cloud computing agreements as intangible assets. However, based on an agenda decision by the IFRS Interpretations Committee announced in April 2021, beginning in the fourth quarter of the previous fiscal year, those overseas subsidiaries changed their accounting policy to recognize the costs of configuration and customization services as expenses when received. This change in accounting policy has been applied retroactively, and segment information for the first quarter of the previous fiscal year has been retroactively adjusted.

As a result, segment loss in the “Components & Platforms Business” improved by ¥115 million in the first quarter of the fiscal year ended March 31, 2022.

II First quarter of the fiscal year ending March 31, 2023 (From April 1, 2022 to June 30, 2022)

Information about amounts of net sales, profit and loss by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded on consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	36,095	41,917	78,013	113	78,127	—	78,127
Intersegment net sales or transfers	263	963	1,227	4,069	5,297	(5,297)	—
Total	36,359	42,881	79,241	4,183	83,424	(5,297)	78,127
Segment income (loss)	(1,189)	(836)	(2,025)	139	(1,886)	(1,114)	(3,001)

Notes: 1. "Others" consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.

2. The ¥(1,114) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥173 million, corporate expenses not allocated to each reportable segment of ¥(1,271) million, and an adjustment to fixed assets of ¥(16) million. Corporate expenses consist mainly of general and administrative expenses and R&D expenses that are not attributable to the reportable segments.

3. Segment income or loss is adjusted with operating loss recorded on the consolidated statements of income.