

(Translation)

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

November 9, 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): November 14, 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 Six Months Ended September 30, 2022 (from April 1, 2022 to September 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	%
Six months ended September 30, 2022	162,756	1.8	(3,985)	–	(4,933)	–	(5,659)	–
September 30, 2021	159,815	–	(4,243)	–	(4,088)	–	(6,550)	–

(Note) Comprehensive income Six months ended September 30, 2022: ¥(5,438) million (–%)
Six months ended September 30, 2021: ¥(6,983) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2022	(65.33)	–
September 30, 2021	(75.64)	–

(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 Half 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 September 30, 2022	377,171	99,587	26.4
As of March 31, 2022	369,170	107,635	29.1

(Reference) Shareholders' equity As of September 30, 2022: ¥99,400 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	–	0.00			
Fiscal year ending March 31, 2023 (Projection)			–	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 September 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 September 30, 2022: 598,113 shares
 - As of March 31, 2022: 617,937 shares
 - 3) Average number of shares during the period
 - Six months ended September 30, 2022: 86,619,749 shares
 - Six months ended September 30, 2021: 86,600,792 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 November 9, 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 half of the fiscal year ending March 31, 2023 (April 1, 2022 to September 30, 2022)

Despite expectations of a recovery in economic activity due to improvement in circumstances surrounding the COVID-19 pandemic, the future remains uncertain owing to rising geopolitical risks stemming from the prolonged conflict between Russia and Ukraine and the ongoing precipitous drop in the yen. In addition, supply chain disruptions such as soaring raw material prices as well as parts 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 half of the fiscal year ending March 31, 2023 were ¥162.8 billion (a ¥3.0 billion, or 1.8%, increase year-on-year). This growth occurred despite a decline in production caused by shortages of semiconductors and other materials and was primarily due to the recording of sales that the Company originally expected to book in prior accounting periods and positive forex impact.

Operating loss amounted to ¥4.0 billion (a year-on-year improvement of ¥0.2 billion), narrowing thanks in part to factors such as sales volume growth and a decline in fixed costs, which offset negative supply chain impact. Although we continue to face supply chain issues, we are steadily optimizing prices and acquiring projects that were pushed back during the previous year due to difficulties associated with the procurement of parts and materials.

Ordinary loss worsened by ¥0.8 billion year-on-year, coming in at ¥4.9 billion due to factors such as a decrease in non-operating foreign exchange gains.

Net loss attributable to owners of parent was ¥5.7 billion, an improvement of ¥0.9 billion year-on-year. This improvement was due to a decrease in extraordinary losses accompanying structural reforms.

(Billions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2021	Year-on-year change rate
Net sales	162.8	159.8	1.8%
Operating income (loss)	(4.0)	(4.2)	—
Ordinary income (loss)	(4.9)	(4.1)	—
Profit (loss) attributable to owners of parent	(5.7)	(6.6)	—

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

2) Results by business segment

<Solution Systems>

Segment net sales came to ¥74.5 billion (a year-on-year increase of 8.1%, or ¥5.6 billion). Sales grew in the Public and Enterprise Solutions business fields thanks primarily to projects that were postponed during the previous year due to difficulties associated with the procurement of parts and materials.

Segment operating loss amounted to ¥0.9 billion (worsening by ¥0.7 billion year-on-year) due to negative forex impact and a sharp rise in parts and material prices.

(Billions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2021	Year-on-year change rate
Net sales	74.5	68.9	8.1%
Operating income(loss)	(0.9)	(0.2)	—

<Components & Platforms>

Segment net sales were ¥88.0 billion (a year-on-year decrease of ¥2.7 billion, or 2.9%). 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 area, production and sales were greatly impacted by shortages of semiconductors and other parts and materials, resulting in a decline in net sales.

Segment operating loss came to ¥0.7 billion (a year-on-year improvement of ¥0.4 billion) due to growth in sales generated through the Mono-zukuri Platforms business field and fixed cost reductions achieved through structural reforms.

(Billions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2021	Year-on-year change rate
Net sales	88.0	90.7	(2.9)%
Operating income(loss)	(0.7)	(1.1)	—

<Others>

Net sales were ¥0.2 billion (unchanged year-on-year, an increase of 18.5%) and operating income was ¥0.2 billion (a year-on-year increase of ¥0.1 billion).

(Billions of yen)	Six months ended September 30, 2022	Six months ended September 30, 2021	Year-on-year change rate
Net sales	0.2	0.2	18.5%
Operating income(loss)	0.2	0.1	206.9%

(2) Financial Position

1) Assets, liabilities, net assets, etc., at the end of the first half of the fiscal year ending March 31, 2023

As of September 30, 2022, total assets were ¥377.2 billion, up ¥8.0 billion from the end of the previous fiscal year. Shareholders' equity decreased ¥8.0 billion from the end of the previous fiscal year to ¥99.4 billion mainly due to the recording of a ¥5.7 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 26.4%.

Major changes in assets included a decrease of ¥14.2 billion in notes and accounts receivable—trade and contract assets and an increase of ¥24.2 billion in inventories.

In terms of liabilities, borrowings mainly increased, and totaled ¥112.8 billion, an increase of ¥25.6 billion from ¥87.2 billion at the end of the previous fiscal year.

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

For the period under review, net cash used through operating activities amounted to ¥12.3 billion (¥9.9 billion of cash inflow for the same period of the previous fiscal year) and was primarily impacted by growth in working capital.

Net cash used in investing activities came to ¥10.4 billion (versus ¥7.5 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 ¥22.7 billion (versus a positive ¥2.4 billion).

Net cash provided by financing activities was ¥19.0 billion (compared with ¥6.3 billion used in these activities in the previous year). Proceeds from borrowings were the main source of cash.

Owing to these factors, plus the ¥2.0 billion positive impact of exchange rate changes on cash and cash equivalents, the balance of cash and cash equivalents at the end of the second quarter of the fiscal year ending March 31, 2023 amounted to ¥31.7 billion, down 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 for the fiscal year ending March 31, 2023, 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, adopting design changes that allow the use of alternative components, 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 September 30, 2022
Assets		
Current assets		
Cash and deposits	36,691	31,943
Notes and accounts receivable - trade, and contract assets	94,469	80,294
Finished goods	17,425	24,265
Work in process	14,713	23,970
Raw materials and supplies	26,023	34,136
Other	22,572	22,893
Allowance for doubtful accounts	(57)	(90)
Total current assets	211,837	217,413
Non-current assets		
Property, plant and equipment	57,653	58,604
Intangible assets	14,027	14,632
Investments and other assets	85,652	86,520
Total non-current assets	157,333	159,757
Total assets	369,170	377,171
Liabilities		
Current liabilities		
Notes and accounts payable - trade	56,691	52,109
Short-term borrowings	43,337	78,023
Provisions	4,478	4,558
Other	53,450	50,742
Total current liabilities	157,958	185,434
Non-current liabilities		
Long-term borrowings	43,838	34,813
Provision for retirement benefits for directors (and other officers)	195	178
Other provisions	925	1,087
Retirement benefit liability	31,320	31,522
Other	27,297	24,547
Total non-current liabilities	103,576	92,148
Total liabilities	261,535	277,583
Net assets		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	19,006	18,994
Retained earnings	55,103	46,846
Treasury shares	(869)	(841)
Total shareholders' equity	117,241	109,000
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,030	651
Deferred gains or losses on hedges	22	49
Foreign currency translation adjustment	(9,069)	(8,513)
Remeasurements of defined benefit plans	(1,788)	(1,786)
Total accumulated other comprehensive income	(9,804)	(9,599)
Share acquisition rights	138	121
Non-controlling interests	60	65
Total net assets	107,635	99,587
Total liabilities and net assets	369,170	377,171

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Net sales	159,815	162,756
Cost of sales	120,559	124,695
Gross profit	39,256	38,061
Selling, general and administrative expenses	43,499	42,046
Operating loss	(4,243)	(3,985)
Non-operating income		
Interest income	52	71
Dividend income	697	720
Miscellaneous income	752	296
Total non-operating income	1,503	1,089
Non-operating expenses		
Interest expenses	668	842
Miscellaneous expenses	679	1,194
Total non-operating expenses	1,348	2,037
Ordinary loss	(4,088)	(4,933)
Extraordinary losses		
Impairment losses	457	—
Business restructuring expenses	2,451	—
Total extraordinary losses	2,909	—
Loss before income taxes	(6,997)	(4,933)
Income taxes - current	600	981
Income taxes - deferred	(1,057)	(268)
Total income taxes	(457)	712
Loss	(6,540)	(5,646)
Profit attributable to non-controlling interests	9	12
Loss attributable to owners of parent	(6,550)	(5,659)

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

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Loss	(6,540)	(5,646)
Other comprehensive income		
Valuation difference on available-for-sale securities	(550)	(379)
Deferred gains or losses on hedges	(12)	26
Foreign currency translation adjustment	(503)	558
Remeasurements of defined benefit plans, net of tax	624	1
Total other comprehensive income	(442)	207
Comprehensive income	(6,983)	(5,438)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(6,988)	(5,454)
Comprehensive income attributable to non-controlling interests	4	16

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2021	Six months ended September 30, 2022
Cash flows from operating activities		
Loss before income taxes	(6,997)	(4,933)
Depreciation	6,174	5,867
Increase (decrease) in provisions	821	398
Interest and dividend income	(750)	(792)
Interest expenses	668	842
Decrease (increase) in trade receivables	31,454	22,603
Decrease (increase) in inventories	(10,746)	(21,787)
Increase (decrease) in trade payables	(10,269)	(11,217)
Other, net	(151)	(2,004)
Subtotal	10,203	(11,021)
Interest and dividends received	750	792
Interest paid	(694)	(857)
Income taxes paid	(401)	(1,211)
Net cash provided by (used in) operating activities	9,858	(12,298)
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,550)	(6,298)
Purchase of intangible assets	(2,590)	(2,812)
Payments for acquisition of businesses	—	(1,500)
Other payments	(824)	(674)
Other proceeds	493	930
Net cash provided by (used in) investing activities	(7,472)	(10,354)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	5,595	34,174
Repayments of long-term borrowings	(8,021)	(10,525)
Dividends paid	(1,720)	(2,582)
Repayments of lease liabilities	(2,221)	(2,081)
Other, net	23	16
Net cash provided by (used in) financing activities	(6,343)	19,002
Effect of exchange rate change on cash and cash equivalents	127	1,955
Net increase (decrease) in cash and cash equivalents	(3,830)	(1,695)
Cash and cash equivalents at beginning of period	41,830	33,379
Cash and cash equivalents at end of period	38,000	31,683

(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 half of the fiscal year ending March 31, 2023.

(Segment Information, etc.)

I First half of the fiscal year ended March 31, 2022 (From April 1, 2021 to September 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	68,942	90,687	159,630	185	159,815	—	159,815
Intersegment net sales or transfers	286	1,849	2,136	4,622	6,758	(6,758)	—
Total	69,229	92,536	161,766	4,808	166,574	(6,758)	159,815
Segment income (loss)	(153)	(1,079)	(1,233)	72	(1,160)	(3,082)	(4,243)

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 ¥(3,082) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥122 million, corporate expenses not allocated to each reportable segment of ¥(3,202) million, and an adjustment to fixed assets of ¥(2) 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 half of the previous fiscal year has been retroactively adjusted.

As a result, segment loss in the “Components & Platforms Business” improved by ¥163 million in the first half of the fiscal year ended March 31, 2022.

II First half of the fiscal year ending March 31, 2023 (From April 1, 2022 to September 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	74,512	88,023	162,536	220	162,756	—	162,756
Intersegment net sales or transfers	459	2,012	2,471	6,720	9,192	(9,192)	—
Total	74,971	90,036	165,007	6,940	171,948	(9,192)	162,756
Segment income (loss)	(865)	(695)	(1,560)	222	(1,338)	(2,647)	(3,985)

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 ¥(2,647) million adjustment to segment income or loss includes the elimination of intersegment transactions of ¥243 million, corporate expenses not allocated to each reportable segment of ¥(2,882) million, and an adjustment to fixed assets of ¥(7) 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.