

Financial Results for 1H FY2023

November 8, 2023

Oki Electric Industry Co., Ltd.

Summary of Financial Results

- Net sales and operating income increased YOY.
Operating income increased even excluding the one-time gain from the reversal of allowance for doubtful accounts recorded in Q1.
- Net sales increased due to production recovery thanks to supply chain normalization and the start of large-scale projects.
- Operating income increased due to an increase in production volume.

(Billion yen)	1H FY2023 (Actual)	1H FY2022 (Actual)	Variance
Net sales	174.9	162.8	+12.1
Operating income (loss)	1.0	(4.0)	+5.0
Ordinary income (loss)	0.5	(4.9)	+5.4
Profit (loss) attributable to owners of parent	0.3	(5.7)	+6.0
USD average exchange rate (Yen)	141.0	134.0	+7.0
EUR average exchange rate (Yen)	153.4	138.7	+14.7

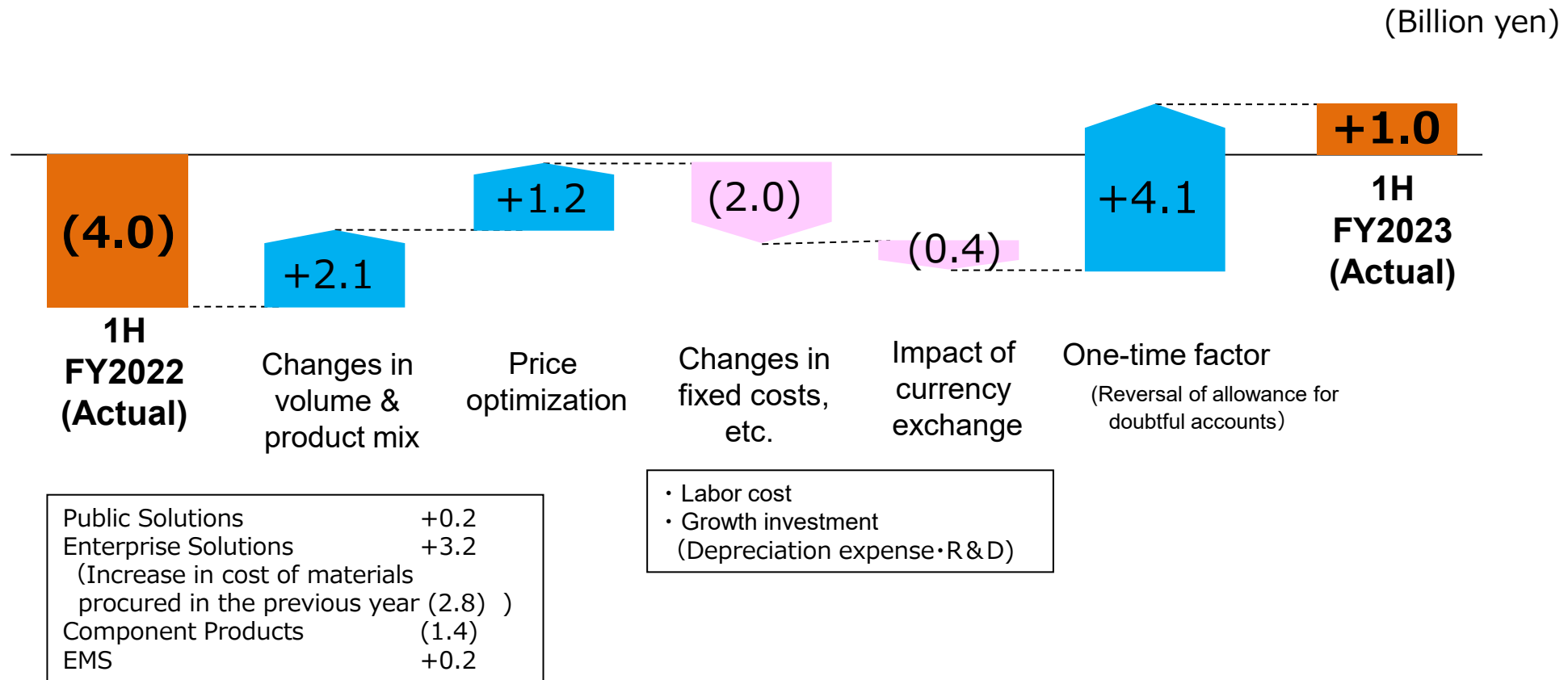
Segment Information (Net Sales / Operating Income)

- Net sales increased in three segments excluding Component Products.
- Operating income increased at Enterprise Solutions and EMS.

(Billion yen)		1H FY2023 (Actual)	1H FY2022 (Actual)	Variance
Public Solutions	Net sales	39.3	39.2	+0.1
	Operating income	(0.8)	(0.6)	(0.2)
Enterprise Solutions	Net sales	63.9	47.8	+16.1
	Operating income	3.9	(2.7)	+6.6
Component Products	Net sales	34.9	40.9	(6.0)
	Operating income	0.5	1.5	(1.0)
EMS	Net sales	36.5	34.7	+1.8
	Operating income	0.9	0.5	+0.4
Others	Net sales	0.2	0.2	±0.0
	Operating income	(0.4)	0.2	(0.6)
Corporate & Eliminations	Operating income	(2.9)	(2.8)	(0.1)
Total	Net sales	174.9	162.8	+12.1
	Operating income	1.0	(4.0)	+5.0

Reasons for Changes in Operating Income/Loss

- The increase was due to recovery from the impact of a production decline caused by a component shortage and an increase in the volume of large-scale projects started.
- Labor costs and growth investment were implemented as planned.



Overview by Segment (Public Solutions / Enterprise Solutions)

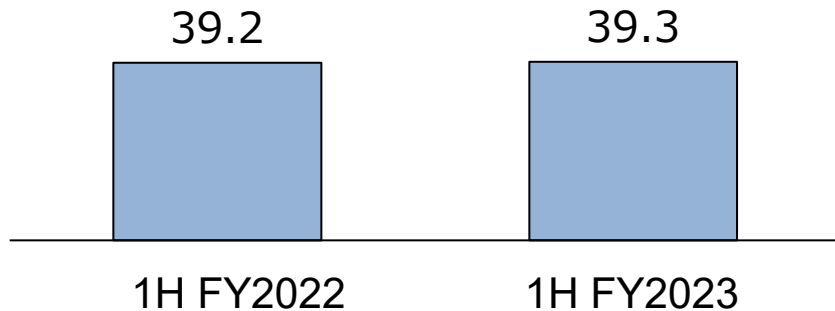
Public Solutions

- The business fields of road, firefighting and disaster prevention steadily increased.

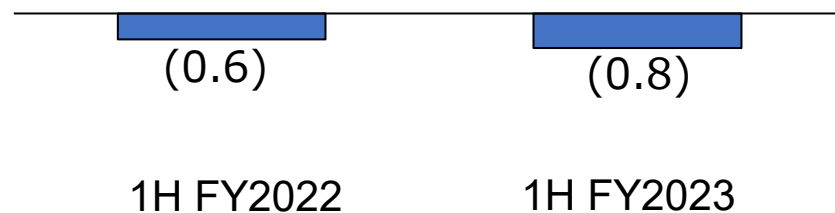
The defense business increased following Q1.

On the other hand, net sales and operating income as a whole for the segment remained unchanged from the previous year due to a decrease in the number of projects for communication carriers.

Net sales (Billion yen)



Operating income (Billion yen)

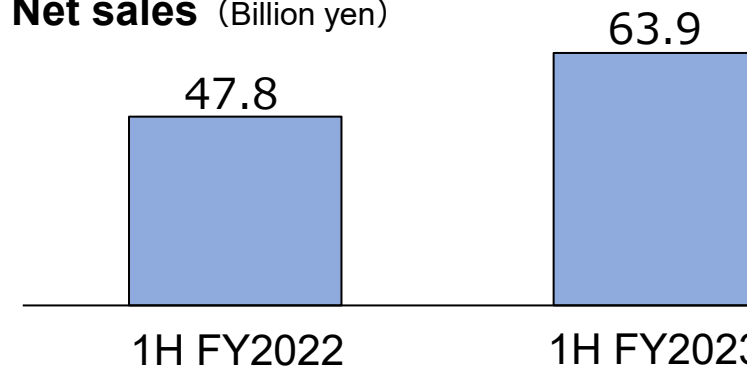


Enterprise Solutions

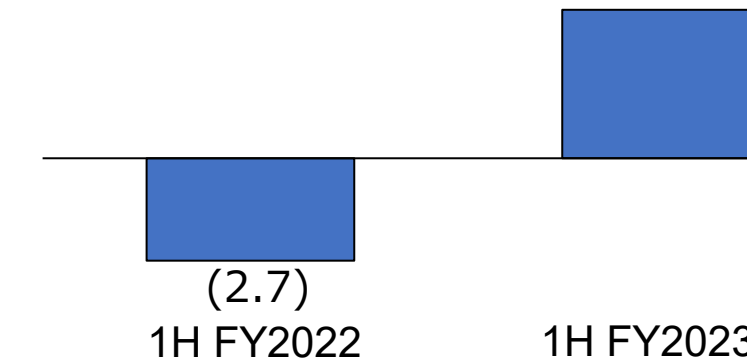
- Net sales increased due to improvement from the supply chain impact and large-scale projects.

Although the impact of the increase in the cost of materials procured in the previous fiscal year remained, profit increased due to an increase in sales of hardware and software and profits from construction and maintenance.

Net sales (Billion yen)



Operating income (Billion yen)



(Reference) Breakdown

	FY22	FY23
Hardware/Software	26.7	41.0
Construction & Maintenance	21.1	22.9

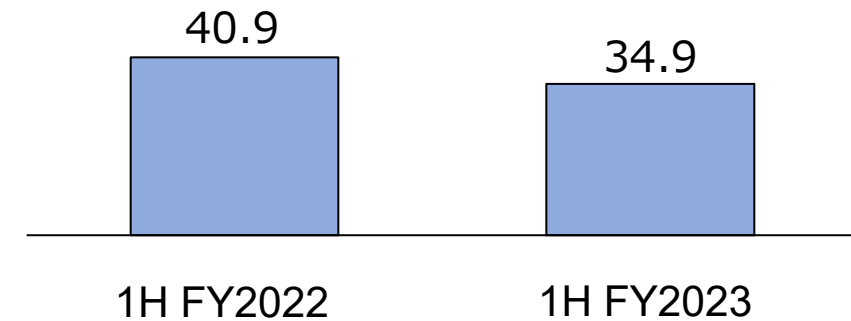
(Reference) Breakdown

	FY22	FY23
Hardware/Software	(4.3)	0.5
Construction & Maintenance	1.6	3.4

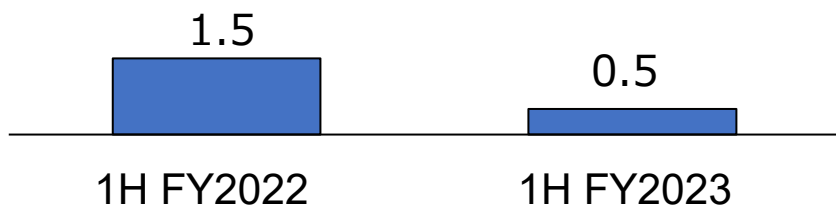
Component Products

- IoT is positive due to improvement from procurement difficulties due to supply chain impact.
Printer operating income declined due to the large impact of a net sales decrease caused by stagnant overseas demand and excessive inventory in distribution channels.

Net sales (Billion yen)



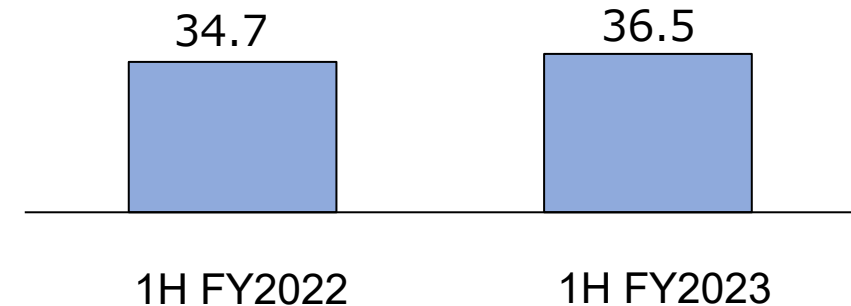
Operating income (Billion yen)



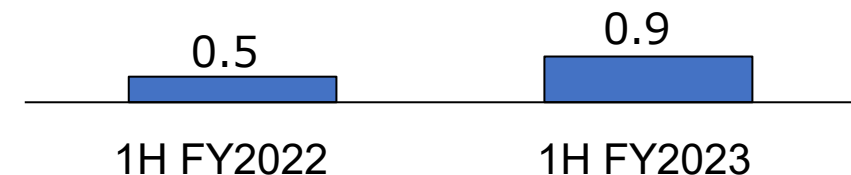
EMS

- Net sales and operating income increased due to improvement from the supply chain impact.
Although there was a sense of stagnation in some markets due to the semiconductor market and the economic slowdown in China, this was offset by other strong markets.

Net sales (Billion yen)



Operating income (Billion yen)

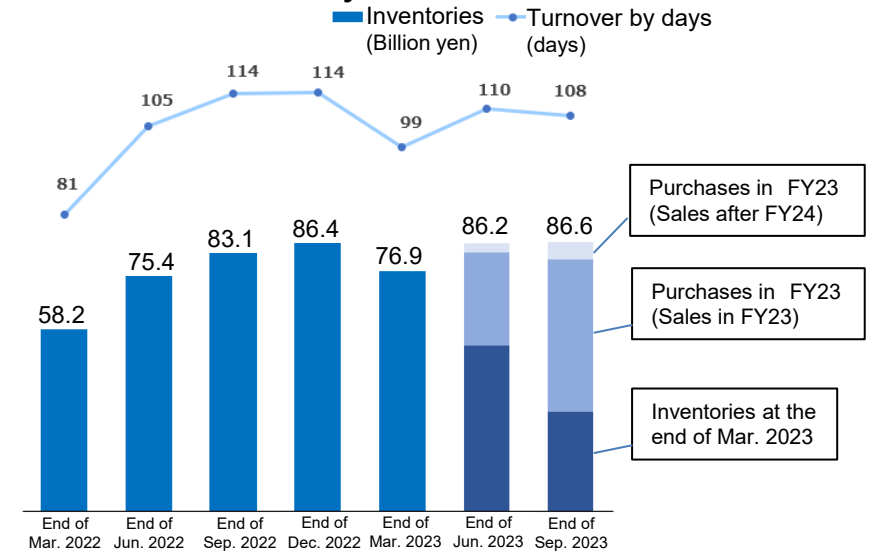


Balance Sheets

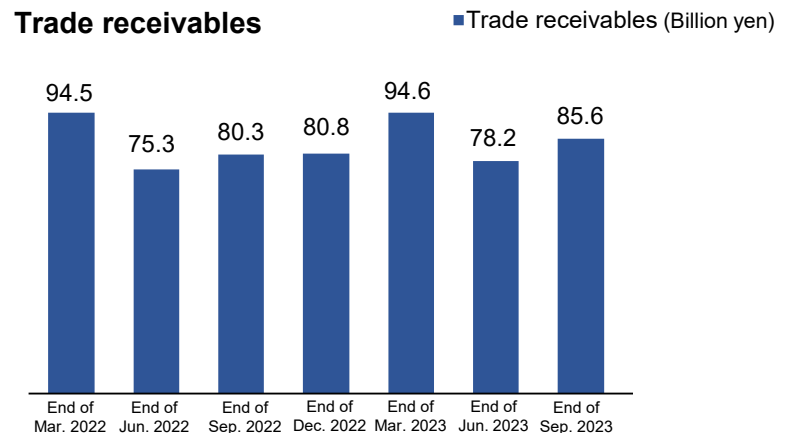
- Inventories increased compared to the end of March, but remained at the same level as the end of June due to increased shipments on production normalization and inventory management.
- Trade receivables increased compared to the end of June due to higher sales, but the increase was suppressed due to the liquidation of receivables.
- Shareholders' equity ratio increased by 1.0 percentage points.

(Billion yen)	Sep. 2023	Mar. 2023	Variance
Current assets	221.1	230.2	(9.1)
Fixed assets	169.5	160.2	+9.3
Assets	390.5	390.4	+0.1
Current liabilities	192.9	205.3	(12.4)
Fixed liabilities	94.5	85.9	+8.6
Liabilities	287.4	291.1	(3.7)
Shareholders' equity	103.0	99.1	+3.9
Others	0.1	0.2	(0.1)
Net assets	103.1	99.3	+3.8
Total liabilities and net assets	390.5	390.4	+0.1
Shareholders' equity ratio (%)	26.4	25.4	+1.0
D/E ratio (times)	1.2	1.2	±0.0

Inventories / Turnover by days



Trade receivables



- Operating cash flows improved YOY due to improved working capital, mainly in inventories.

(Billion yen)	1H FY2023 (Actual)	1H FY2022 (Actual)	Variance
I Cash flows from operating activities	(1.0)	(12.3)	+11.3
II Cash flows from investing activities	(10.2)	(10.4)	+0.2
Free cash flows (I + II)	(11.2)	(22.7)	+11.5
III Cash flows from financing activities	1.1	19.0	(17.9)
Cash and cash equivalents	28.8	31.7	(2.9)
Purchases of PP&E and intangible assets	9.7	9.1	+0.6
Depreciation	6.6	5.9	+0.7

■ Full-year earnings forecast unchanged from previous forecast of Aug. 10

(Billion yen)		FY2023 Forecasts	Variance from previous forecast(Aug. 10)	FY2022 Actual	Variance
Public Solutions	Net sales	98.0	±0.0	95.7	+2.3
	Operating income	4.0	±0.0	3.4	+0.6
Enterprise Solutions	Net sales	178.0	±0.0	112.9	+65.1
	Operating income	15.5	±0.0	1.5	+14.0
Component Products	Net sales	81.0	±0.0	84.6	(3.6)
	Operating income	2.0	±0.0	1.6	+0.4
EMS	Net sales	83.0	±0.0	75.3	+7.7
	Operating income	2.5	±0.0	2.3	+0.2
Others	Net sales	0.0	±0.0	0.5	(0.5)
	Operating income	(1.5)	±0.0	0.4	(1.9)
Corporate & Eliminations	Operating income	(7.5)	±0.0	(6.8)	(0.7)
Total	Net sales	440.0	±0.0	369.1	+70.9
	Operating income	15.0	±0.0	2.4	+12.6
	Ordinary income	12.5	±0.0	(0.3)	+12.8
	Profit attributable to owners of parent	8.0	±0.0	(2.8)	+10.8

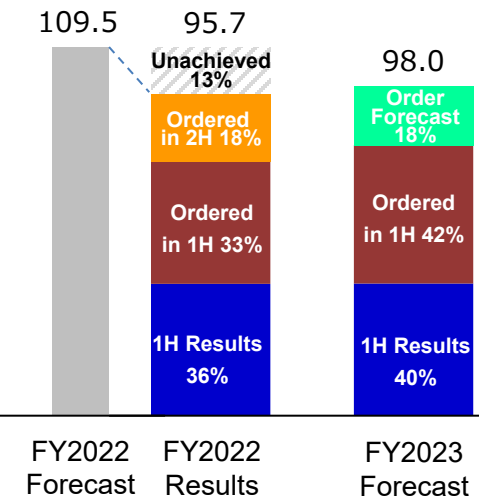
2H
Exchange rate
assumptions
USD : ¥148
EUR : ¥158

- Public Solutions
- Enterprise Solutions

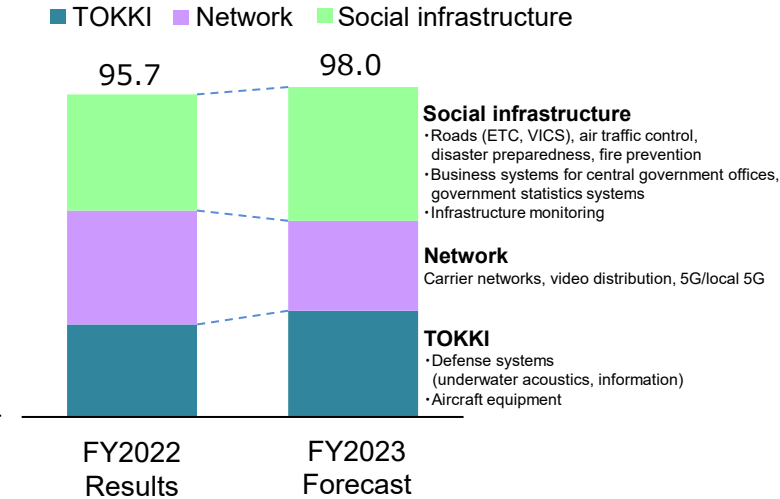
Public Solutions

- ✓ At the end of 1H, the ratio of secured deals to expected sales was 82%, up from the previous year.
- ✓ While there are strengths and weaknesses in each business fields, the overall plan is as planned.
 - The business fields of road, firefighting and disaster prevention increased steadily from the previous year, partly due to the market recovery from the impact of COVID-19.
 - The network business has already factored in investment restraint by large users.
 - The defense business is progressing as planned.

Status of Sales Secured (Billion yen)



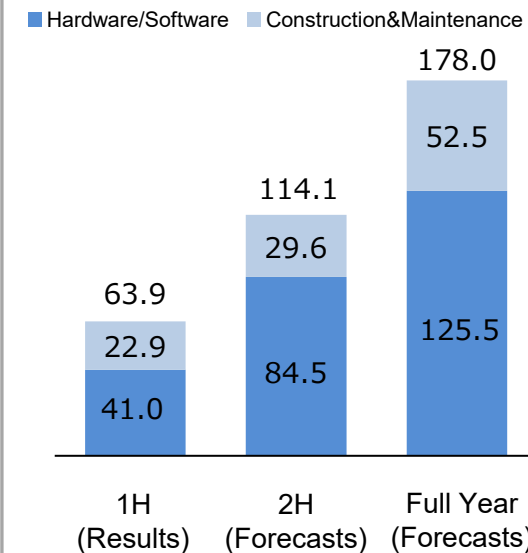
Net sales by Business field (Billion yen)



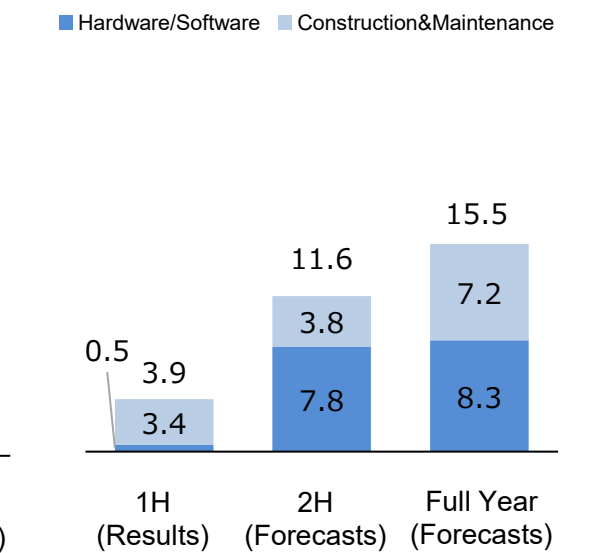
Enterprise Solutions

- ✓ Profits are expected to increase significantly in 2H due to sales growth caused by large-scale projects and a decrease in the impact of an increase in material costs.
 - In 2H, the increase in volume (including large-scale projects) will be in full swing.
 - The impact of high-cost components has been reduced.
 - Construction and Maintenance are doing well.

Net sales in FY2023 (Billion yen)



Operating income in FY2023 (Billion yen)



(Reference) Quarterly Results

(Billion yen)		FY2022					FY2023	
		Q1	Q2	Q3	Q4	FY	Q1	Q2
Public Solutions	Net sales	19.3	19.8	22.8	33.7	95.7	19.3	20.0
	Operating income	(0.3)	(0.3)	0.0	4.0	3.4	(0.1)	(0.7)
Enterprise Solutions	Net sales	23.3	24.5	29.7	35.4	112.9	27.4	36.5
	Operating income	(1.6)	(1.1)	0.1	4.1	1.5	1.9	2.0
Component Products	Net sales	19.2	21.8	21.4	22.3	84.6	17.0	17.9
	Operating income	(0.1)	1.6	(0.1)	0.2	1.6	(0.8)	1.3
EMS	Net sales	16.2	18.5	19.8	20.9	75.3	17.7	18.8
	Operating income	0.1	0.4	0.9	0.9	2.3	0.6	0.3
Others	Net sales	0.1	0.1	0.2	0.1	0.5	0.1	0.1
	Operating income	0.1	0.1	0.1	0.1	0.4	(0.1)	(0.3)
Corporate & Eliminations	Operating income	(1.2)	(1.7)	(1.8)	(2.2)	(6.8)	(1.4)	(1.5)
Total	Net sales	78.1	84.6	93.8	112.5	369.1	81.5	93.3
	Operating income	(3.0)	(1.0)	(0.8)	7.2	2.4	0.0	1.0

(Reference) Major Products and Services

Public Solutions	<ul style="list-style-type: none">• Roads (ETC, VICS), air traffic control, disaster preparedness, fire prevention• Business systems for central government offices, government statistics systems• Defense systems (underwater acoustics, information)• Aircraft equipment• Infrastructure monitoring• Carrier networks, video distribution, 5G/local 5G
Enterprise Solutions	<ul style="list-style-type: none">• ATMs, cash handling equipment• Bank branch terminals, ticket reservations issuing terminals, check-in terminals• ATM monitoring/operation services• Bank branch systems, system to centralized back office operations• Railway ticket issuance systems, airport check-in systems• Manufacturing systems (ERP, IoT)• Construction and Maintenance Services
Component Products	<ul style="list-style-type: none">• AI edge computers, sensors, IoT networks• PBXs, business phones, contact centers• Cloud services• LED printers
EMS	<ul style="list-style-type: none">• Consigned designing and manufacturing services• Printed circuit boards

- 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.