

Financial Results for Q1 FY2024

August 8, 2024

Oki Electric Industry Co., Ltd.

Summary of Financial Results

- Net sales and Operating income increased significantly YOY.
- Overall, the start has been roughly in line with the plan.

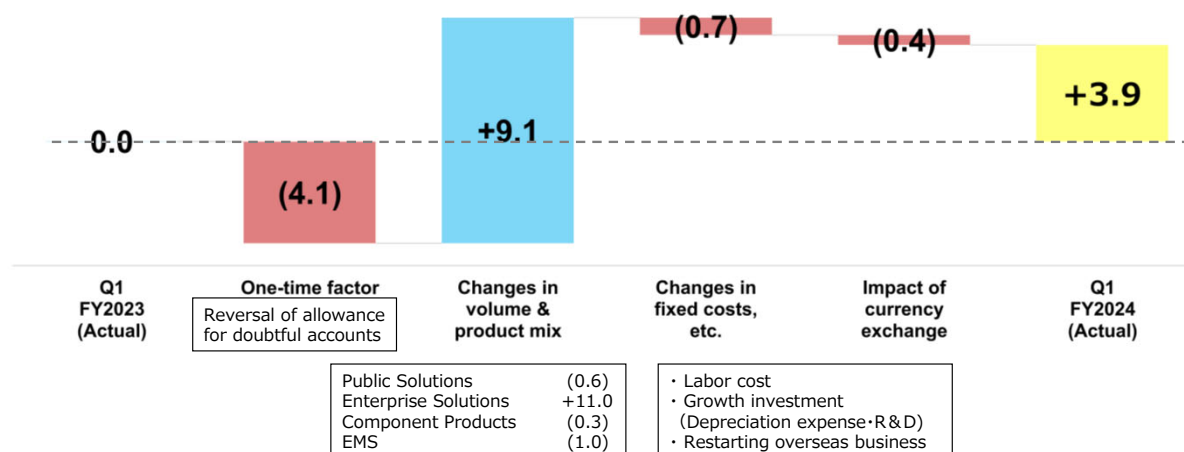
(Billion yen)	Q1 FY2024 (Actual)	Q1 FY2023 (Actual)	Variance
Net sales	97.9	81.5	+16.4
Operating income (loss)	3.9	0.0	+3.9
Ordinary income (loss)	3.9	(0.3)	+4.2
Profit (loss) attributable to owners of parent	1.8	(0.2)	+2.0
USD average exchange rate (Yen)	155.9	137.4	+18.5
EUR average exchange rate (Yen)	167.9	149.5	+18.4

- For Q1, net sales were JPY97.9 billion, operating income and ordinary income were JPY3.9 billion each, and net income was JPY1.8 billion. Both sales and income increased YoY.
- We steadily reaped large projects continuously since H2 of the previous fiscal year. Mainly due to these factors, net sales increased by approximately 20% or JPY16.4 billion YoY, and operating income increased by JPY3.9 billion. We generally got off to a good start as planned.
- Ordinary income increased by JPY4.2 billion YoY partly due to an improvement in foreign exchange gains, and net income also increased by JPY2 billion.

Reasons for Changes in Operating Income/Loss

- Operating income increased significantly due to the continued robust performance of large-scale projects in Enterprise Solutions from the second half of the previous fiscal year and the elimination of the impact of increased material costs in the same period of the previous fiscal year.

(Billion yen)



- Next is the factors for change in operating income for Q1.
- In FY2023, there was a one-time factor, namely, a JPY4.1 billion reversal of allowance for doubtful accounts. Taking this into account, the increase in profit was JPY8 billion in real terms.
- The change in volume and product mix contributed positively for JPY9.1 billion. Large projects in Enterprise Solutions since H2 of the previous fiscal year remained strong. In addition, the impact of higher material costs in the same period of the previous year has run its course and was removed. As a result, profits improved significantly.
- The change in fixed costs and other expenses is negative JPY700 million. The increase is mainly due to growth investments and expenses for resuming overseas operations.
- The overall foreign exchange impact is negative JPY400 million. This is mainly due to the impact of dollar-denominated purchases in Public Solutions and Enterprise Solutions.
- These were the explanations for the changes in operating income.

Segment Information (Net Sales / Operating Income)

(Billion yen)		Q1 FY2024 (Actual)	Q1 FY2023 (Actual)	Variance
Public Solutions	Net sales	19.1	19.3	(0.2)
	Operating income	(1.3)	(0.1)	(1.2)
Enterprise Solutions	Net sales	45.2	27.4	+17.8
	Operating income	7.8	1.9	+5.9
Component Products	Net sales	17.9	17.0	+0.9
	Operating income	(0.1)	(0.8)	+0.7
EMS	Net sales	15.6	17.7	(2.1)
	Operating income	(0.6)	0.6	(1.2)
Others	Net sales	0.1	0.1	0.0
	Operating income	(0.4)	(0.1)	(0.3)
Corporate & Eliminations	Operating income	(1.6)	(1.4)	(0.2)
Total	Net sales	97.9	81.5	+16.4
	Operating income	3.9	0.0	+3.9

- Next are net sales and operating income by segment.
- I will start from the top of the table on the screen.

In Public Solutions, operating income deteriorated from the previous year due to the difference in product mix and other factors.

Enterprise Solutions posted a significant increase in sales and profit mainly due to large-scale projects since the previous fiscal year.

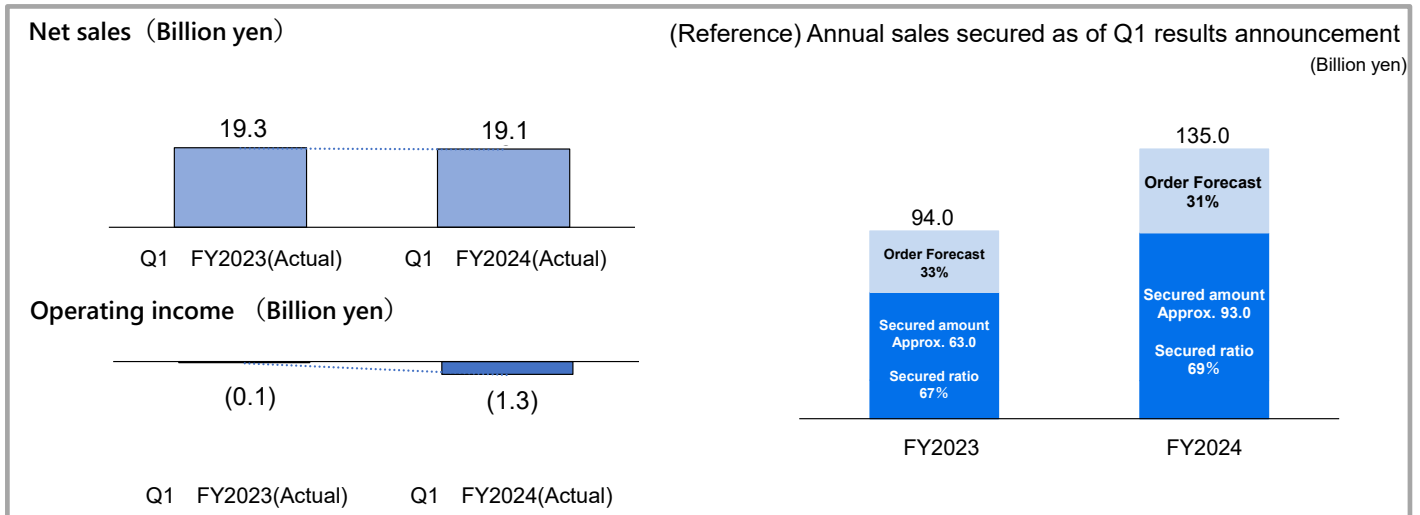
Component Products reported higher sales and improved operating income.

In addition, sales of EMS decreased partly due to market conditions, and operating income deteriorated accordingly.

- In addition, for the others segment and the corporate and elimination segment, we are continuing to make investments that are essential for growth, such as R&D for future business creation, including the establishment of overseas R&D bases.
- The details of each will be explained on the following pages and beyond.

Public Solutions

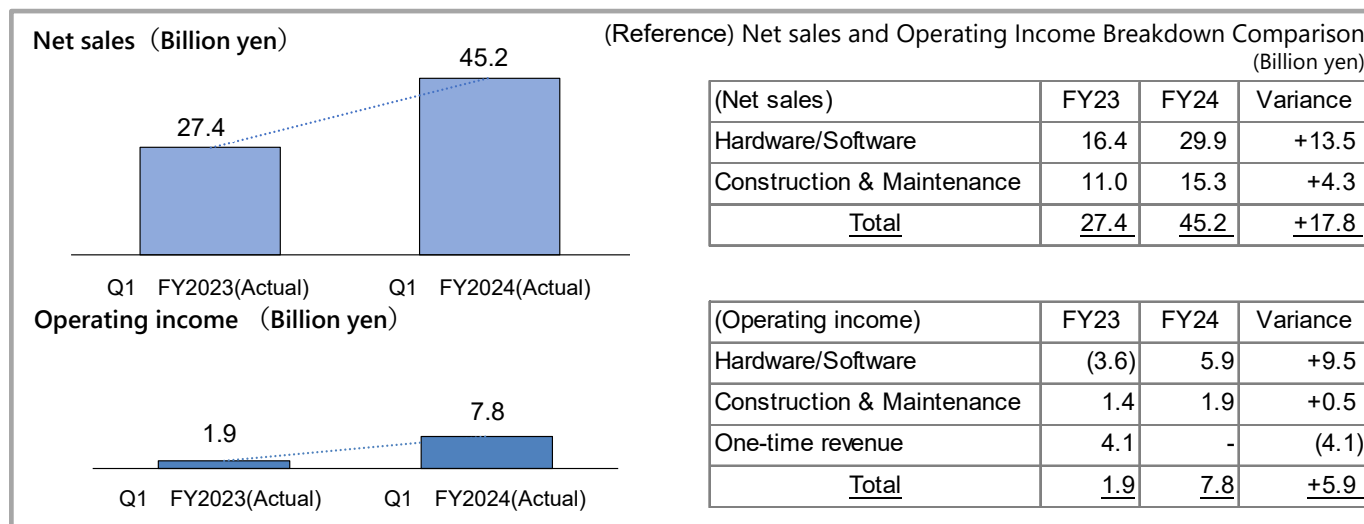
- Net sales were roughly flat YOY, and while operating income was slightly lower from the previous year due to differences in product mix, the start was as planned.
- Orders received during the fiscal year are growing steadily.



- First is Public Solutions.
- Net sales are almost unchanged from the previous year at JPY19.1 billion, while operating income is down JPY1.2 billion to negative JPY1.3 billion. Although profit decreased from the previous year due to the difference in the product mix of network projects and other factors, the start of the fiscal year was almost in line with the plan.
- For the full year of FY2024, we plan to achieve a significant increase in sales compared to the previous year, particularly in firefighting, disaster prevention, roads, and defense.
- The current status of securing annual sales is shown in the graph on the right. Of the JPY135 billion in annual sales forecast for the current fiscal year, approximately 70%, or JPY93 billion, has been secured at this point. Orders are steady toward achieving the target.

Enterprise Solutions

- Net sales and operating income increased significantly due to the continuation of large-scale projects from the second half of the previous fiscal year and the elimination of the impact of increased material costs in the same period.



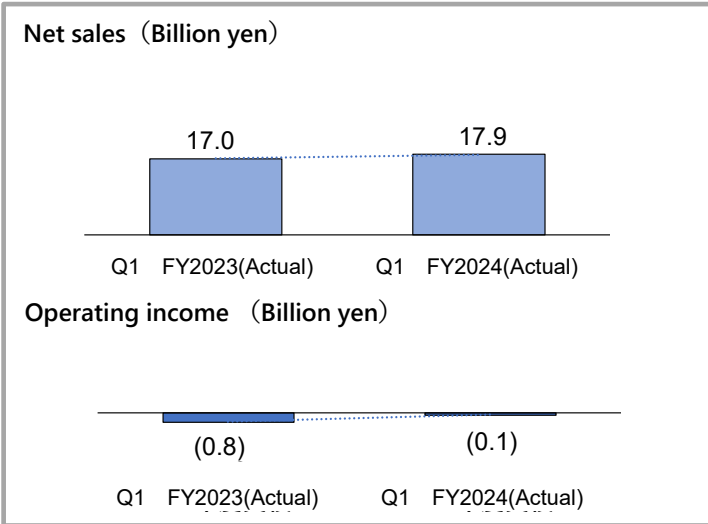
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6/14

- Next is Enterprise Solutions.
- Net sales increased by JPY17.8 billion from the previous year to JPY45.2 billion, and operating income increased by JPY5.9 billion from the previous year to JPY7.8 billion. We are steadily reaping the benefits of large-scale projects that we have been focusing on since H2 of the previous fiscal year, and production is continuing at full capacity.
- Accompanying this, the construction and maintenance businesses are also performing well.
- Profitability also increased significantly, as the impact of higher material costs in the same period of the previous year was removed, reversing the impact of one-time gains in the previous fiscal year.

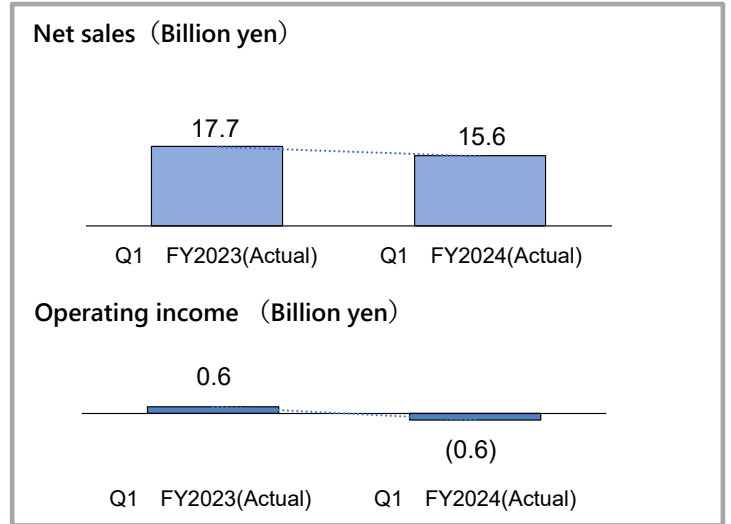
Component Products

- Net sales increased due to the impact of foreign exchange rates, although overseas printer demand remained severe. Operating income improved due to cost reduction efforts and other factors.



EMS

- Net sales decreased due to the ongoing decline in demand in the semiconductor market and the FA and robot markets since the second half of the previous year, and operating income also deteriorated.

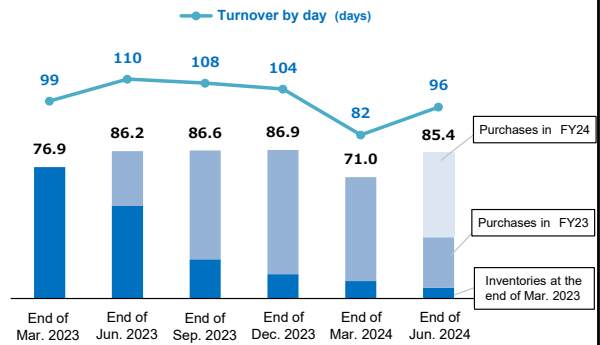


- Next is Component Products.
- Net sales increased JPY900 million YoY to JPY17.9 billion partly due to the weaker yen, and operating income improved by JPY700 million to negative JPY100 million.
- The European market for the printer business continued to face difficult conditions. On the other hand, operating income improved due to cost reductions and other factors.
- Finally, we will discuss EMS.
- Net sales decreased JPY2.1 billion from the previous year to JPY15.6 billion, and operating income decreased JPY1.2 billion to negative JPY600 million. Both sales and profits decreased due to the continuing decline in demand for printed circuit boards for semiconductor manufacturing equipment and cables for factory automation and robotics, caused by factors such as the sluggish semiconductor market and the sluggish Chinese economy since H2 of the previous fiscal year.

- Inventories at the end of the previous fiscal year showed a steady decline.
- Shareholders' equity ratio was approximately the same as at the end of the previous fiscal year.

(Billion yen)	Jun. 2024	Mar. 2024	Variance
Current assets	233.7	239.7	(6.0)
Fixed assets	185.3	183.7	+1.6
Assets	419.0	423.4	(4.4)
Current liabilities	185.1	188.4	(3.3)
Fixed liabilities	93.9	93.7	+0.2
Liabilities	279.1	282.1	(3.0)
Shareholders' equity	139.8	141.2	(1.4)
Others	0.1	0.1	+0.0
Net assets	139.9	141.3	(1.4)
Total liabilities and net assets	419.0	423.4	(4.4)
Shareholders' equity ratio (%)	33.4	33.3	+0.1
D/E ratio (times)	0.7	0.8	(0.1)

Inventories / Turnover by days



- Next is an overview of the balance sheet.
- Total assets decreased by JPY4.4 billion from the end of the previous fiscal year to JPY419 billion. Current assets decreased mainly due to the collection of trade receivables. Although our sales in Q4 are usually large, they tend to decrease in Q1 due to the collection of accounts receivable.
- On the right, a graph of inventories is shown.
- The inventory at the end of last fiscal year has steadily declined, and we are currently in the process of preparing for future sales. The number of days inventory is held has improved compared to the same period last year. With regard to working capital, we intend to strengthen management more than before.
- Equity capital totaled JPY139.8 billion, with an equity ratio of 33.4% and a debt-to-equity ratio of 0.7 times.

Cash Flows

- Operating cash flow increased due to improved profits.
- Reduction of debt due to improved free cash flow.

(Billion yen)	Q1 FY2024 (Actual)	Q1 FY2023 (Actual)	Variance
I Cash flows from operating activities	14.3	2.2	+12.1
II Cash flows from investing activities	(4.4)	(5.9)	+1.5
Free cash flows (I + II)	9.9	(3.7)	+13.6
III Cash flows from financing activities	(10.4)	(3.8)	(6.6)
Cash and cash equivalents	34.8	30.8	+4.0
Purchases of PP&E and intangible assets	4.3	5.7	(1.4)
Depreciation	3.3	3.2	+0.1

- Next is cash flow.
- Operating cash flow was JPY14.3 billion, up JPY12.1 billion from the previous year due to improved profits.
- As for investment cash flow, we are prioritizing investments essential for growth in line with the policies of the Medium-Term Business Plan.
- As a result, free cash flow increased by JPY9.9 billion and debt was reduced.
- Cash equivalents amounted to JPY34.8 billion, providing the necessary cash reserves.

Financial Forecasts

- Initial forecasts left unchanged.

(Billion yen)		FY2024 (Forecasts)	FY2023 (Actual)	Variance
Public Solutions	Net sales	135.0	94.0	+41.0
	Operating income	10.5	4.4	+6.1
Enterprise Solutions	Net sales	170.0	180.1	(10.1)
	Operating income	12.5	22.0	(9.5)
Component Products	Net sales	75.0	73.4	+1.6
	Operating income	1.5	0.6	+0.9
EMS	Net sales	80.0	73.9	+6.1
	Operating income	2.5	1.1	+1.4
Others	Net sales	0.0	0.4	(0.4)
	Operating income	(1.8)	(1.1)	(0.7)
Corporate & Eliminations	Operating income	(9.2)	(8.3)	(0.9)
Total	Net sales	460.0	421.9	+38.1
	Operating income	16.0	18.7	(2.7)
	Ordinary income	14.5	18.3	(3.8)
	Profit attributable to owners of parent	9.5	25.6	(16.1)
Dividend per share (yen)		30	30	±0

Exchange rate assumptions
USD : ¥140
EUR : ¥150

- Finally, here are our full-year forecasts for FY2024.
- There is no change from the beginning of the fiscal year in the forecast of the current fiscal year. In Q1, Enterprise Solutions steadily progressed and made up the slow start of EMS due to semiconductor market and other factors, and we started the fiscal year generally in line with the plan in Q1.
- With regard to EMS, uncertainty for the market recovery remained. However, in Enterprise Solutions and Public Solutions, we will aim to achieve results for the current fiscal year by steadily capturing large-scale projects in the focused areas that we have been working on since last fiscal year.
- We will also strengthen and continue to invest in growth as planned while maintaining a balance with securing profits for the current fiscal year.
- This concludes our presentation of the financial results for Q1.
- Thank you very much for your attention.

(Reference) Quarterly Results

(Billion yen)		FY2023					FY2024
		Q1	Q2	Q3	Q4	FY	Q1
Public Solutions	Net sales	19.3	20.0	24.5	30.1	94.0	19.1
	Operating income	(0.1)	(0.7)	1.4	3.9	4.4	(1.3)
Enterprise Solutions	Net sales	27.4	36.5	51.5	64.7	180.1	45.2
	Operating income	1.9	2.0	6.6	11.4	22.0	7.8
Component Products	Net sales	17.0	17.9	18.5	20.0	73.4	17.9
	Operating income	(0.8)	1.3	(0.8)	0.9	0.6	(0.1)
EMS	Net sales	17.7	18.8	17.1	20.3	73.9	15.6
	Operating income	0.6	0.3	(0.1)	0.3	1.1	(0.6)
Others	Net sales	0.1	0.1	0.1	0.1	0.4	0.1
	Operating income	(0.1)	(0.3)	(0.3)	(0.4)	(1.1)	(0.4)
Corporate & Eliminations	Operating income	(1.4)	(1.5)	(2.2)	(3.2)	(8.3)	(1.6)
Total	Net sales	81.5	93.3	111.8	135.3	421.9	97.9
	Operating income	0.0	1.0	4.8	12.9	18.7	3.9

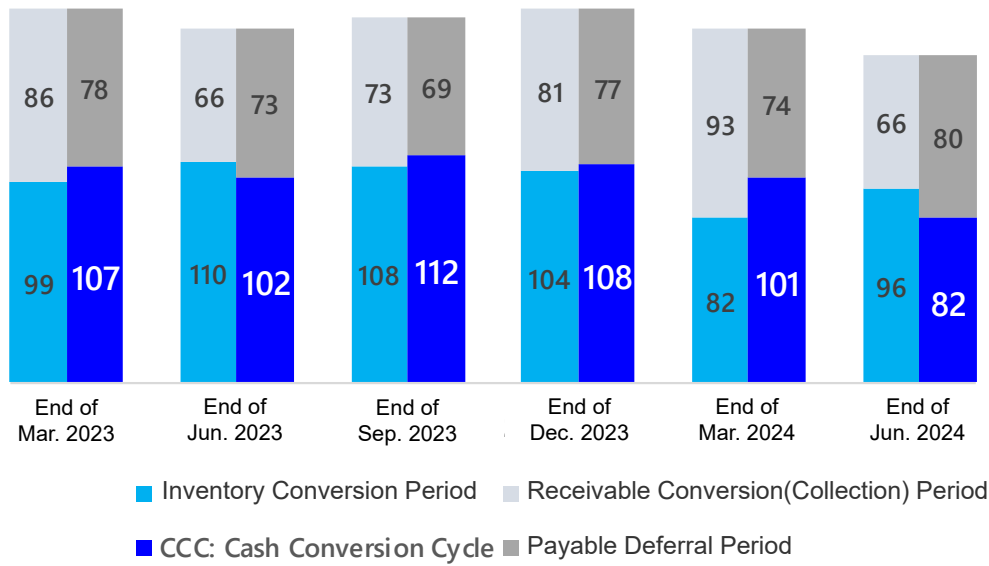
(Reference) Major Products and Services

Public Solutions	<ul style="list-style-type: none">• Roads (ETC, VICS), air traffic control, disaster prevention, firefighting• Business systems for central government offices, government statistics systems• Defense systems (underwater acoustics, information)• Aviation 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

(Reference) Major Working Capital: Changes in the number of days held



unit : days



- 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.