

Financial Results for 1H FY2024

November 7, 2024

Oki Electric Industry Co., Ltd.

1. Financial Results for 1H FY2024

- Consolidated revenue and profit recorded significant YOY growth, extending gains from Q1.
- Overall progress is basically on track to achieve the annual performance targets.

2. Full-Year Forecast for FY2024

- Segment-level performance forecasts have been revised to reflect the current business environment and performance trends.
- The consolidated forecast remains unchanged from the initial forecast.

- First, I will start with the points for today's content.
- Performance for Q2 total showed significant increases in both revenues and profits YOY on a consolidated basis, continuing from Q1. Overall, we are generally on track to achieve our annual performance targets.
- Although we have revised our full-year earnings forecast by segment, as we consider the current business environment and performance trends, the consolidated total remains unchanged from the forecast at the beginning of the fiscal year.

- Net sales and operating income posted significant YOY growth, continuing the trend from Q1.

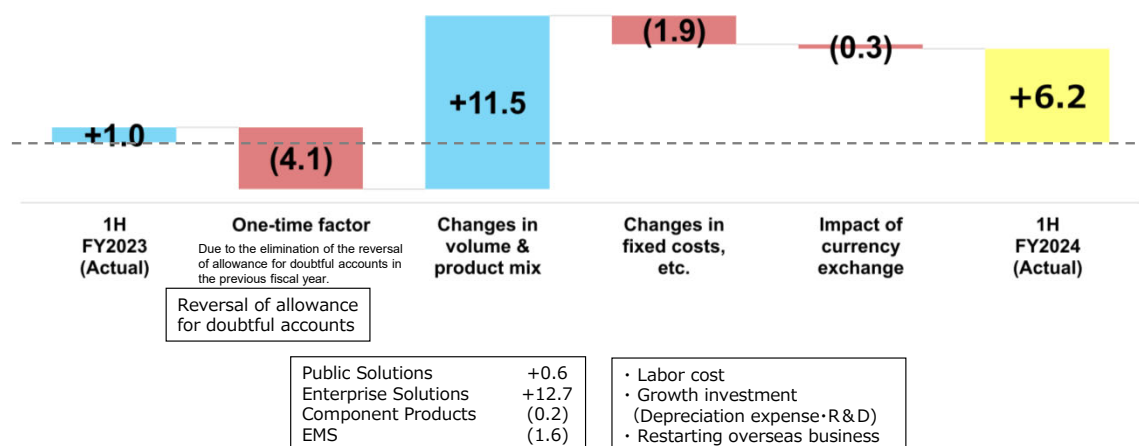
(Billion yen)	1H FY2024 (Actual)	1H FY2023 (Actual)	Variance
Net sales	197.7	174.9	+22.8
Operating income	6.2	1.0	+5.2
Ordinary income	4.5	0.5	+4.0
Profit attributable to owners of parent	2.4	0.3	+2.1
USD average exchange rate (Yen)	152.6	141.0	+11.6
EUR average exchange rate (Yen)	165.9	153.4	+12.5

- Net sales were JPY197.7 billion, operating income were JPY6.2 billion, ordinary income were JPY4.5 billion, and current net income were JPY2.4 billion for Q2 total of FY2024. Continuing from Q1, both revenues and profits increased YOY.
- Just like Q1, net sales increased 13% YOY to JPY22.8 billion, mainly due to the steady inflow of large-scale projects, which has continued since 2H of the previous fiscal year.
- Operating income also increased by JPY5.2 billion. Overall, the Company is generally on track to achieve its annual performance targets.
- Ordinary income increased by JPY4 billion from the previous year, whereas current net income also increased by JPY2.1 billion, despite the worsening situation with the change to foreign exchange.

Reasons for Changes in Operating Income/Loss

- Operating income posted a significant increase, driven by the sustained robust performance of large-scale projects in Enterprise Solutions from 2H FY2023 and the elimination of the impact of increased material costs from 1H FY2023.

(Billion yen)



- Next, the factors behind the change in operating income for 1H.
- There was a transient factor for FY2023, which was a JPY4.1 billion reversal of the allowance for doubtful accounts. If we consider these effects, the profit increase would be JPY9.3 billion.
- Changes in volume and product mix were positive at JPY11.5 billion. In addition to the steady uptake of projects for new JPY notes and other large-scale projects in Enterprise Solutions since the second half of the previous fiscal year, the impact of the increase in material costs in the same period of the previous fiscal year has dissipated, resulting in a significant improvement in profit.
- Next, fixed costs and other expenses contributed to minus JPY1.9 billion. The increase was mainly due to the growth investments and expenses for restarting overseas business.
- The effects of foreign exchange were minus JPY300 million yen overall. The effects are mainly attributed to dollar-based procurements from Public Solutions and Enterprise Solutions.
- This explains the factors behind changes in operating income.

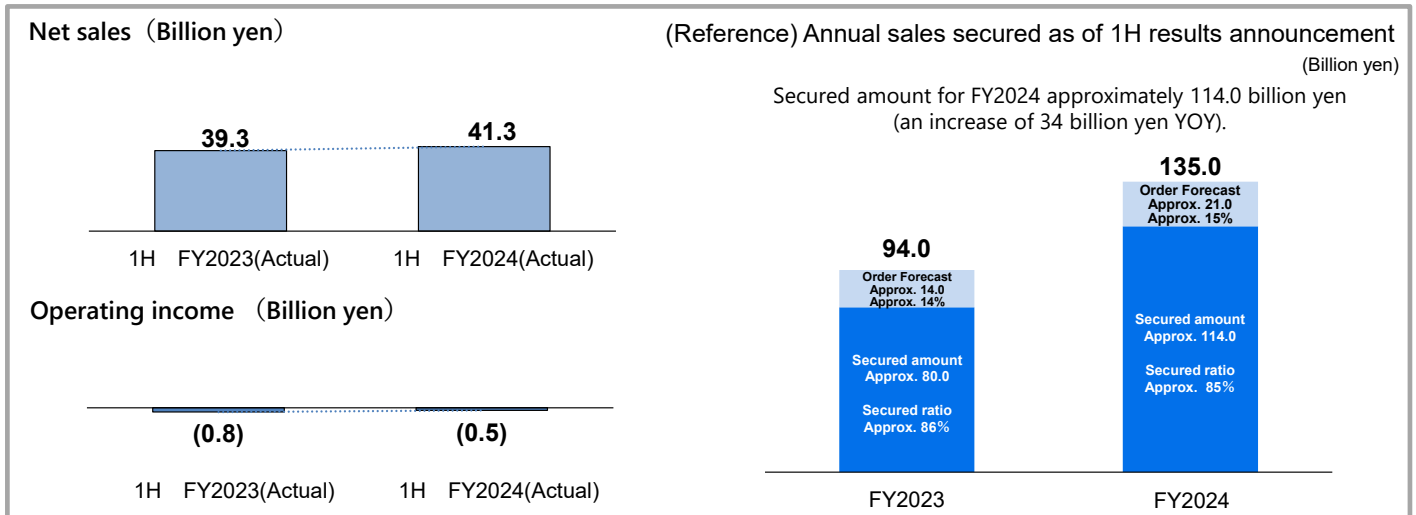
Segment Information (Net Sales / Operating Income)

(Billion yen)		1H FY2024 (Actual)	1H FY2023 (Actual)	Variance
Public Solutions	Net sales	41.3	39.3	+2.0
	Operating income	(0.5)	(0.8)	+0.3
Enterprise Solutions	Net sales	87.1	63.9	+23.2
	Operating income	11.3	3.9	+7.4
Component Products	Net sales	36.7	34.9	+1.8
	Operating income	0.9	0.5	+0.4
EMS	Net sales	32.4	36.5	(4.1)
	Operating income	(1.0)	0.9	(1.9)
Others	Net sales	0.2	0.2	0.0
	Operating income	(0.8)	(0.4)	(0.4)
Corporate & Eliminations	Operating income	(3.7)	(2.9)	(0.8)
Total	Net sales	197.7	174.9	+22.8
	Operating income	6.2	1.0	+5.2

- Next, net sales and operating income by business segment.
- From the top of the table, we will start with Public Solutions. It has improved its operating income YOY, mainly due to an increase in net sales.
Enterprise Solutions saw a significant increase in both revenues and profits, mainly due to large-scale projects within the previous fiscal year.
Component Products also saw an increase in both revenues and profits, due to cost reductions and other factors.
EMS saw a decrease in revenues due to the continued effects of market conditions.
Operating income also worsened due to these conditions.
- For others segment and the corporate and eliminations expenses, we are continuing to make investments that are essential for growth, such as R&D expenses for the creation of future businesses, including the establishment of overseas R&D centers.
- The details of each business segment are explained on the following pages.

Public Solutions

- Net sales grew on increases in road and defense, and operating income improved. 1H ended largely as planned.
- Approximately 85% of the forecasted annual sales have already been secured in terms of orders received.

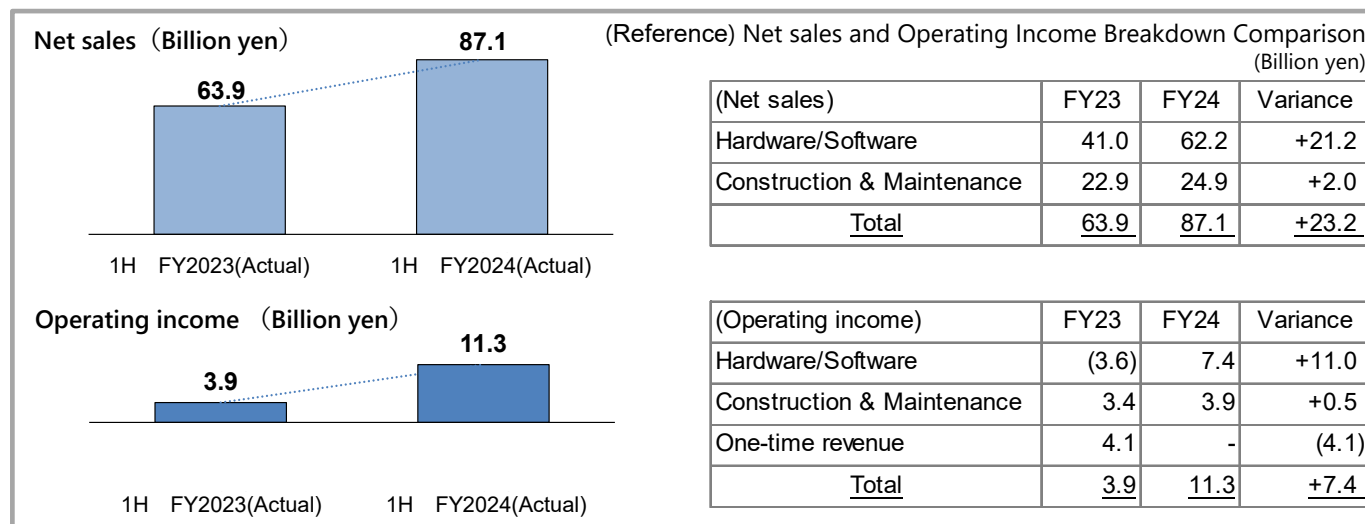


➤ First, I will explain Public Solutions.

- Net sales increased JPY2 billion YOY to JPY41.3 billion, whereas operating income improved by JPY300 million to minus JPY500 million, due to increased revenues from road and defense projects.
- We have positioned the current fiscal year as the year for expanding our Public Solutions. We plan to achieve significant YOY sales growth in FY2024, mainly in the firefighting, disaster prevention, road, and defense. The current situation for achieving annual net sales is shown on the graph to the right.
- The annual net sales forecast for the current fiscal year is JPY135 billion. We have achieved approximately 85% of the forecast so far, or JPY114 billion. As we try to achieve the planned figures, we are steadily continuing to receive orders since Q1.

Enterprise Solutions

- Net sales and operating income increased significantly due to the continuation of large-scale projects from 2H FY2023 and the elimination of the impact of increased material costs from 1H FY2023.

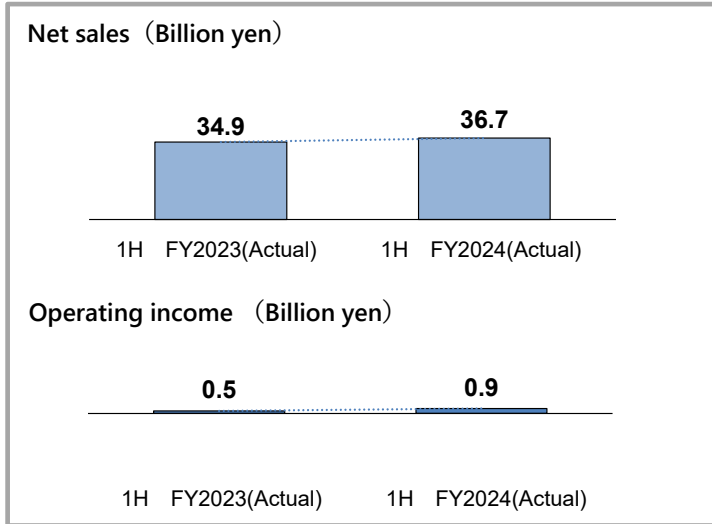


➤ Next is Enterprise Solutions.

- Net sales increased by JPY23.2 billion YOY to JPY87.1 billion. Operating income also increased by JPY7.4 billion YOY to JPY11.3 billion.
- We have been steadily working on projects that we have been focusing on since 2H of the previous fiscal year, such as handling new banknotes and other large-scale projects. The construction and maintenance business that also works on such projects has also performed steadily.
Production is continuing at full capacity due to some large-scale projects that will continue into 2H and beyond.
- Profitability also rebounded from the effects of transient revenues from the previous year, partly due to the elimination of the impact of increased material costs from the same period of the previous year, resulting in a significant increase in profits since Q1.

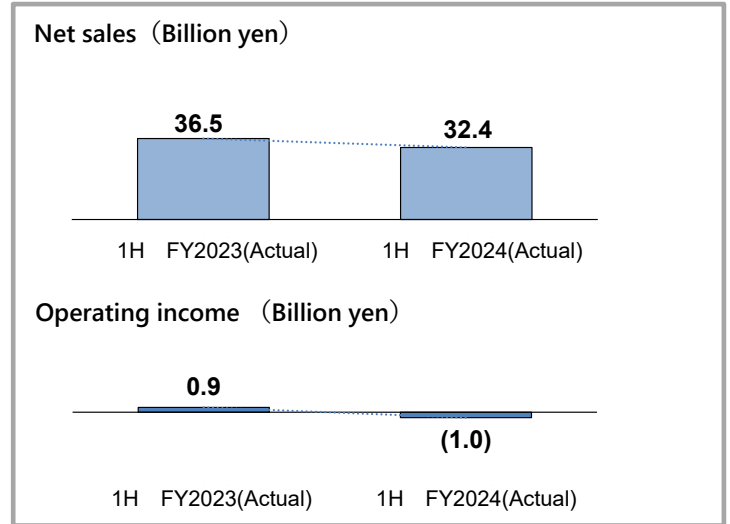
Component Products

- Net sales increased due to growth in OEM sales and foreign exchange rate effects.
Operating income increased as a result of cost-cutting measures and other factors.



EMS

- Net sales declined due to the persistent demand downturn in the semiconductor and FA and robot markets since 2H FY2023, with operating income also adversely impacted.

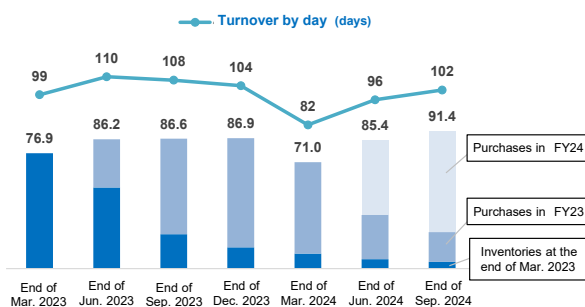


- Next is Component Products.
- Net sales increased by JPY1.8 billion YOY to JPY36.7 billion due to the effects of the weak yen and an increase in OEM projects. Operating income increased by JPY400 million to JPY900 million, due to cost reductions and other factors.
- Finally, we will discuss EMS.
- Net sales decreased by JPY4.1 billion YOY to JPY32.4 billion. Operating income decreased by JPY1.9 billion to minus JPY1 billion.
- Due to the semiconductor market since 2H of the previous fiscal year, along with the sluggish Chinese economy, demand for printed circuit boards for semiconductor manufacturing equipment and cables for factory automation and robots has continued to decline, resulting in a decrease in both revenues and profits like Q1.

- Inventories at end-FY2023 showed a steady decline.
- The shareholders' equity ratio was approximately the same as at end-FY2023.

(Billion yen)	Sep. 2024	Mar. 2024	Variance
Current assets	229.2	239.7	(10.5)
Fixed assets	185.7	183.7	+2.0
Assets	414.9	423.4	(8.5)
Current liabilities	192.8	188.4	+4.4
Fixed liabilities	83.0	93.7	(10.7)
Liabilities	275.8	282.1	(6.3)
Shareholders' equity	139.0	141.2	(2.2)
Others	0.1	0.1	+0.0
Net assets	139.1	141.3	(2.2)
Total liabilities and net assets	414.9	423.4	(8.5)
Shareholders' equity ratio (%)	33.5	33.3	+0.2
D/E ratio (times)	0.7	0.8	(0.1)

Inventories / Turnover by days



- Next, the overview of the balance sheet.
- Total assets decreased by JPY8.5 billion from the end of the previous fiscal year to JPY414.9 billion. Like Q1, the graph on the right shows inventory asset trends.
- While the management of working capital has been more rigorous than usual, inventories that existed at the end of the previous fiscal year have been steadily decreasing, and the number of days for inventory retention continues to improve YOY. We are currently in the process of preparing a system for achieving future sales.
- Equity capital was JPY139 billion, equity ratio was 33.5%, and D/E ratio was 0.7.

Cash Flows

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

(Billion yen)	1H FY2024 (Actual)	1H FY2023 (Actual)	Variance
I Cash flows from operating activities	15.4	(1.0)	+16.4
II Cash flows from investing activities	(8.3)	(10.2)	+1.9
Free cash flows (I + II)	7.1	(11.2)	+18.3
III Cash flows from financing activities	(10.1)	1.1	(11.2)
Purchases of PP&E and intangible assets	7.5	9.7	(2.2)
Depreciation	7.2	6.6	+0.6
(Billion yen)	Sep. 2024	Mar. 2024	Variance
Cash and cash equivalents	30.9	34.4	(3.5)

- Next, I will explain cash flow.
- Operating cash flow increased by JPY16.4 billion YOY to JPY15.4 billion, due to improved profits.
- Investment cash flow is managed by prioritizing investments essential for growth while adhering to the policies of the midterm management plan.
- As a result, free cash flow increased by JPY7.1 billion, as we implemented borrowings reduction.

Financial Forecasts

- Based on the current business environment and performance trends, performance forecasts for Enterprise Solutions have been revised upward, while those for EMS have been revised downward. (The consolidated total remains unchanged from the initial forecast.)

(Billion yen)		FY2024 (Revised)	FY2024 (Previous)	Variance	FY2023 (Actual)	Variance
Public Solutions	Net sales	135.0	135.0	±0.0	94.0	+41.0
	Operating income	10.5	10.5	±0.0	4.4	+6.1
Enterprise Solutions	Net sales	178.0	170.0	+8.0	180.1	(2.1)
	Operating income	15.0	12.5	+2.5	22.0	(7.0)
Component Products	Net sales	75.0	75.0	±0.0	73.4	+1.6
	Operating income	1.5	1.5	±0.0	0.6	+0.9
EMS	Net sales	72.0	80.0	(8.0)	73.9	(1.9)
	Operating income	1.0	2.5	(1.5)	1.1	(0.1)
Others	Net sales	0.0	0.0	±0.0	0.4	(0.4)
	Operating income	(1.8)	(1.8)	±0.0	(1.1)	(0.7)
Corporate & Eliminations	Operating income	(10.2)	(9.2)	(1.0)	(8.3)	(1.9)
Total	Net sales	460.0	460.0	±0.0	421.9	+38.1
	Operating income	16.0	16.0	±0.0	18.7	(2.7)
	Ordinary income	14.5	14.5	±0.0	18.3	(3.8)
	Profit attributable to owners of parent	9.5	9.5	±0.0	25.6	(16.1)
Dividend per share (yen)		30	30	±0	30	±0

Exchange rate assumptions
USD : ¥148.1
EUR : ¥162.6

- Finally, the full-year forecast for FY2024.
As we consider the current business environment and performance trends, we have revised our earnings forecasts by segment.
There is no change in the consolidated total from the initial forecast.
- For Enterprise Solutions, both sales and operating income have been revised upward in consideration of the steady progress.
On the other hand, EMS has been struggling due to the semiconductor market and other factors, resulting in a downward revision due to decreased revenues and profits.
Corporate and Eliminations expenses reflect additional investments necessary for growth while considering the balance with securing profits in the current period.
- For the two areas, Enterprise Solutions and Public Solutions, we have been steadily acquiring large-scale projects in the areas we have been focusing on since last year, as we are on track to achieve our performance targets.
- Particularly for public solutions, as I mentioned earlier, we are forecasting a JPY41 billion increase in net sales and a JPY6.1 billion increase in operating profits YOY, mainly for firefighting, disaster prevention, road, and defense projects. On the other hand, we have decided to leave our initial forecast unchanged regarding the consolidated total for EMS, as we judge the need to carefully assess the situation while there is still uncertainty about the market recovery.
- This concludes my financial results presentation for 1H of FY2024.

(Reference) Quarterly Results

(Billion yen)		FY2023					FY2024		
		Q1	Q2	Q3	Q4	FY	Q1	Q2	1H
Public Solutions	Net sales	19.3	20.0	24.5	30.1	94.0	19.1	22.2	41.3
	Operating income	(0.1)	(0.7)	1.4	3.9	4.4	(1.3)	0.7	(0.5)
Enterprise Solutions	Net sales	27.4	36.5	51.5	64.7	180.1	45.2	41.9	87.1
	Operating income	1.9	2.0	6.6	11.4	22.0	7.8	3.5	11.3
Component Products	Net sales	17.0	17.9	18.5	20.0	73.4	17.9	18.7	36.7
	Operating income	(0.8)	1.3	(0.8)	0.9	0.6	(0.1)	1.1	0.9
EMS	Net sales	17.7	18.8	17.1	20.3	73.9	15.6	16.8	32.4
	Operating income	0.6	0.3	(0.1)	0.3	1.1	(0.6)	(0.4)	(1.0)
Others	Net sales	0.1	0.1	0.1	0.1	0.4	0.1	0.1	0.2
	Operating income	(0.1)	(0.3)	(0.3)	(0.4)	(1.1)	(0.4)	(0.3)	(0.8)
Corporate & Eliminations	Operating income	(1.4)	(1.5)	(2.2)	(3.2)	(8.3)	(1.6)	(2.2)	(3.7)
Total	Net sales	81.5	93.3	111.8	135.3	421.9	97.9	99.7	197.7
	Operating income	0.0	1.0	4.8	12.9	18.7	3.9	2.3	6.2

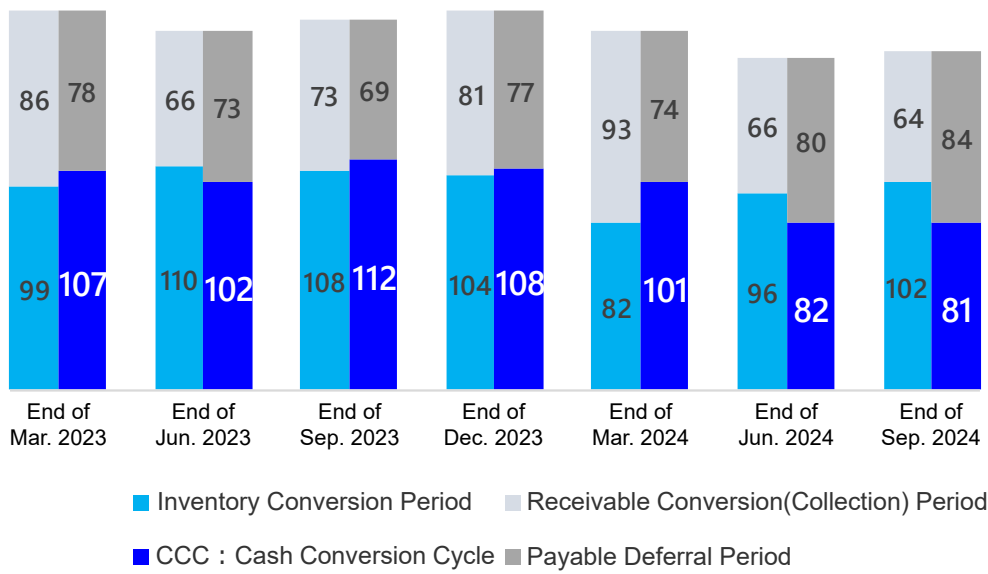
(Reference) Major Products and Services

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.