

(Translation)

## Summary of Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2022 (J-GAAP)

February 7, 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): February 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 Nine Months Ended December 31, 2021

(from April 1, 2021 to December 31, 2021)

#### (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	%
Nine months ended December 31, 2021	246,413	(7.7)	(380)	–	(176)	–	(6,473)	–
December 31, 2020	266,853	(18.6)	(2,588)	–	(3,433)	–	(8,465)	–

(Note) Comprehensive income  
Nine months ended December 31, 2021: ¥ (8,914) million (–%)  
Nine months ended December 31, 2020: ¥ (6,011) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Nine months ended December 31, 2021	(74.75)	–
December 31, 2020	(97.79)	–

(Note) The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022 and figures for the year ending March 31, 2022 reflect this change of accounting method.

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of December 31, 2021	362,208	102,592	28.3
As of March 31, 2021	373,213	113,265	30.3

(Reference) Shareholders' equity  
As of December 31, 2021: ¥102,400 million  
As of March 31, 2021: ¥113,023 million

(Note) The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022 and figures for the year ending March 31, 2022 reflect this change of accounting method.

## 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, 2021	–	0.00	–	20.00	20.00
Fiscal year ending March 31, 2022	–	0.00	–		
Fiscal year ending March 31, 2022 (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, 2022 (from April 1, 2021 to March 31, 2022)

(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	365,000	(7.1)	9,000	(5.4)	9,000	(4.1)	3,500	–	40.43

(Note) Revisions to operating results projection most recently announced: Yes

### Notes:

- (1) Changes in significant subsidiaries during the period  
(changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes  
New: - (Company name: -), Excluded: 1 company (Company name: Oki Data Corporation)  
(Note) For details, please refer to “(4) Notes to Consolidated Financial Statements (Changes of Significant Subsidiaries during the Nine Months Ended December 31, 2021)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 10 of the Attachment.
- (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 10 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 December 31, 2021: 87,217,602 shares
    - As of March 31, 2021: 87,217,602 shares
  - 2) Number of treasury shares at the end of the period
    - As of December 31, 2021: 617,564 shares
    - As of March 31, 2021: 653,801 shares
  - 3) Average number of shares during the period
    - Nine months ended December 31, 2021: 86,600,564 shares
    - Nine months ended December 31, 2020: 86,564,567 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 5 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 February 7, 2022 (Monday). 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 nine months of the fiscal year ending March 31, 2022 (April 1, 2021 to December 31, 2021)

As for the COVID-19, the situation has varied by region. With the progress of vaccination, economic activities in Europe and the United States have been normalized. On the other hand, emerging countries are forced to restrict their activities again due to the re-spread of COVID-19. In addition, supply chain disruptions, such as shortages of raw materials, particularly semiconductors, and soaring raw material prices, are worsening, and the future remains uncertain.

In this environment, OKI continues to promote structural reforms with the aim of establishing a foundation for sustainable growth through the resolution of social issues. At the same time, based on the materiality of the OKI Group, we are working to realize products and services that resolve seven social issues (aging problems, natural disasters, traffic issues, environmental issues, labor shortages, labor productivity, and the infectious diseases).

For the business conditions in the first nine months of the fiscal year ending March 31, 2022, net sales were ¥246.4 billion, a ¥20.5 billion or 7.7% decrease year-on-year. Sales to FA/semiconductor manufacturing equipment, which have been on a recovery trend since the end of the previous fiscal year, remained strong. There was also an increase in sales due to the impact of foreign exchange rates. On the other hand, with respect to the prolonged delay in the supply of parts and materials, we are trying to minimize the impact by increasing the number of suppliers and procuring substitutes. However, production delays continue due to the expansion of parts and materials shortage. In addition, sales decreased due to the impact of large-scale projects in the previous fiscal year.

In terms of profit, the operating loss was ¥0.4 billion, improved by ¥2.2 billion year-on-year. The impact of the supply chain, mainly due to material shortages and soaring raw materials prices, and the impact of a decline in sales volume have been partially offset by reductions in fixed costs through structural reforms. In addition, an allowance for ATM receivables in China was reversed by ¥3.1 billion. The impact of production delays due to material shortages is estimated to have been approximately ¥18.0 billion in net sales and ¥5.5 billion in operating income.

Ordinary loss was ¥0.2 billion, improved by ¥3.2 billion year-on-year, due to an improvement in foreign exchange gains and losses included in the non-operating segment.

In addition to the above, the Company recorded an extraordinary loss of ¥2.8 billion for business restructuring expenses associated with the closure of the printer plant in China and structural reform of sales companies in Europe and the United States, as well as ¥2.6 billion for income taxes. As a result, the net loss attributable to owners of the parent was ¥6.5 billion, improved by ¥2.0 billion year-on-year.

The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022. As a result, net sales in the first nine of the fiscal year ending March 31, 2022 increased by ¥0.9 billion. For details, please refer to “(4) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” of “2. Consolidated Financial Statements and Significant Notes Thereeto.”

(Billions of yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2020	Year-on-year change rate
Net sales	246.4	266.9	(7.7)%
Operating income(loss)	(0.4)	(2.6)	–
Ordinary income(loss)	(0.2)	(3.4)	–
Profit (loss) attributable to owners of parent	(6.5)	(8.5)	–

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

From the first quarter of the fiscal year ending March 31, 2022, the reportable segment classification and the method of measuring have been changed. Therefore, in the comparison of the same period of the previous fiscal year below, figures for the same period of the previous fiscal year are compared with figures reclassified according to the segment classification and measurement method after the change.

## 2) Results by business segment

### < Solution Systems >

Net sales came to ¥107.6 billion (a year-on-year decrease of 15.5% or ¥19.7 billion) and operating income was ¥1.5 billion (a year-on-year decrease of ¥5.0 billion). Sales decreased mainly in the Enterprise Solutions business field and Public Solutions business field, due to factors such as the negative impact of large-scale projects in the previous fiscal year, the growing impact of production and sales due to a shortage of materials, and a delay in timing of orders.

Material shortage is mainly affecting network terminals, PBXs and other products in the Enterprise Solutions business field and DX Platform business field, as well as servers, network devices and other equipment.

(Billions of yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2020	Year-on-year change rate
Net sales	107.6	127.3	(15.5)%
Operating income	1.5	6.5	(76.4)%

### < Components & Platforms >

Net sales came to ¥138.5 billion (a year-on-year decrease of 0.4% or ¥0.6 billion). In the Mono-zukuri Platforms business field, sales for FA/semiconductor manufacturing equipment continued to be strong, but in the Components business field, the impact of production and sales increased due to material shortage for Automation Systems, resulting in a slight year-on-year decrease in earnings.

In terms of profits, the structural reform of Peripheral Products implemented in the medium-term business plan is making steady progress, and the cost structure is improving. In addition, as a result of a reversal of ¥3.1 billion of the allowance for ATM receivables in China, operating income was ¥3.1 billion, (a year-on-year improvement of ¥7.4 billion).

(Billions of yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2020	Year-on-year change rate
Net sales	138.5	139.1	(0.4)%
Operating income(loss)	3.1	(4.3)	—

### <Others>

Net sales came to ¥0.3 billion (a year-on-year decrease of 32.5% or ¥0.2 billion) and operating income came to ¥0.2 billion (a year-on-year improvement of ¥0.4 billion).

(Billions of yen)	Nine months ended December 31, 2021	Nine months ended December 31, 2020	Year-on-year change rate
Net sales	0.3	0.5	(32.5)%
Operating income(loss)	0.2	(0.2)	—

## (2) Financial Position

### 1) Assets, liabilities, net assets, etc., at the end of the first nine months of the fiscal year ending March 31, 2022

At the end of the period under review, total assets decreased by ¥11.0 billion from the end of the previous fiscal year to ¥362.2 billion. Shareholders' equity decreased ¥10.6 billion from the end of the previous fiscal year to ¥102.4 billion mainly due to the recording of ¥6.5 billion in loss attributable to owners of parent and a ¥2.4 billion decrease in accumulated other comprehensive income in the first nine months of the fiscal year ending March 31, 2022. As a result, shareholders' equity ratio stood at 28.3%.

With respect to assets, there was a decrease of ¥22.0 billion in notes and accounts receivable - trade, and contract assets, while there was an increase of ¥16.4 billion in inventories.

Liabilities came to ¥259.6 billion, unchanged from the end of the previous fiscal year. While borrowings increased by ¥9.1 billion, notes and accounts payable-trade decreased by ¥6.4 billion. Borrowings at the end of the third quarter under review amounted to ¥87.1 billion.

### 2) Cash flows for the first nine months of the fiscal year ending March 31, 2022

For the period under review, net cash used in operating activities amounted to ¥0.3 billion (¥11.0 billion of cash inflow for the same period of the previous fiscal year), due mainly to the increase in working capital.

Net cash used in investing activities amounted to ¥15.2 billion (¥11.1 billion of cash outflow for the same period of the previous fiscal year), due to payments for purchase of property, plant and equipment.

As a result, free cash flow, which is the sum of cash flows from operating activities and cash flows from investing activities, resulted in a net outflow of ¥15.5 billion (net outflow of ¥0.1 billion for the same period of the previous fiscal year).

Net cash provided by financing activities amounted to ¥3.5 billion (¥7.1 billion of cash outflow for the same period of the previous fiscal year), mainly due to payments for the repayment of lease obligations and the payment of ordinary dividends, despite proceeds from borrowings.

In addition to the above factors, due to an increase of ¥0.5 billion from the effect of exchange rate change on cash and cash equivalents, cash and cash equivalents at the end of the period under review came to ¥30.4 billion from ¥41.8 billion at the end of the previous fiscal year.

(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other  
 For the fiscal year ending March 31, 2022, based on recent business trends and other factors, the Company revised its consolidated forecast to net sales of ¥365.0 billion (a decrease of ¥35.0 billion from the previous announcement), operating income of ¥9.0 billion (a decrease of ¥3.0 billion) and ordinary income of ¥9.0 billion (a decrease of ¥3.0 billion). The breakdown by business segment was also revised as follows.

For details, please refer to the "Financial Results for First Nine Months of the FY Ending March 31, 2022" announced today.

(Reference)

Full-year consolidated results projection for the fiscal year ending March 31, 2022  
 (from April 1, 2021 to March 31, 2022)

	(Billion yen)			
	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
Previous projection (A)	400.0	12.0	12.0	3.5
Current projection (B)	365.0	9.0	9.0	3.5
Amount change (B – A)	(35.0)	(3.0)	(3.0)	-
Percentage change (%)	(8.8)	(25.0)	(25.0)	-
(Reference) Actual results for the fiscal year ended March 31, 2021	392.9	9.5	9.4	(0.2)

		(Billion yen)		
(Billions of yen)		FY2022/3 Revised	FY2022/3 Previous	Change
Solution Systems	Net sales	173.0	198.5	(25.5)
	Operating income	12.5	16.5	(4.0)
Components & Platforms	Net sales	191.5	201.0	(9.5)
	Operating income	3.5	2.5	1.0
Others	Net sales	0.5	0.5	0.0
	Operating income	0.0	0.0	0.0
Elimination/corporate	Operating income	(7.0)	(7.0)	0.0
Total	Net sales	365.0	400.0	(35.0)
	Operating income	9.0	12.0	(3.0)

(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, 2021	As of December 31, 2021
<b>Assets</b>		
Current assets		
Cash and deposits	44,845	33,428
Notes and accounts receivable - trade	105,371	—
Notes and accounts receivable - trade, and contract assets	—	83,373
Finished goods	14,889	18,013
Work in process	14,558	21,190
Raw materials and supplies	17,937	24,620
Other	24,732	24,573
Allowance for doubtful accounts	(165)	(170)
Total current assets	222,170	205,028
Non-current assets		
Property, plant and equipment	51,314	56,419
Intangible assets	13,637	14,164
Investments and other assets	86,091	86,596
Total non-current assets	151,043	157,179
Total assets	373,213	362,208
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	56,706	50,343
Short-term borrowings	38,123	57,817
Provisions	4,469	4,559
Other	54,852	54,749
Total current liabilities	154,151	167,470
Non-current liabilities		
Long-term borrowings	39,848	29,280
Provision for retirement benefits for directors (and other officers)	286	233
Other provisions	905	864
Retirement benefit liability	31,419	31,325
Other	33,336	30,441
Total non-current liabilities	105,795	92,144
Total liabilities	259,947	259,615
<b>Net assets</b>		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	19,029	19,006
Retained earnings	56,315	48,112
Treasury shares	(919)	(868)
Total shareholders' equity	118,425	110,250
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,570	992
Deferred gains or losses on hedges	82	56
Foreign currency translation adjustment	(8,655)	(9,248)
Remeasurements of defined benefit plans	(399)	350
Total accumulated other comprehensive income	(5,401)	(7,849)
Share acquisition rights	168	138
Non-controlling interests	74	53
Total net assets	113,265	102,592
Total liabilities and net assets	373,213	362,208

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)  
(For the Nine Months Ended December 31, 2020 and 2021)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Net sales	266,853	246,413
Cost of sales	202,603	184,286
Gross profit	64,250	62,127
Selling, general and administrative expenses	66,838	62,507
Operating loss	(2,588)	(380)
Non-operating income		
Interest income	28	79
Dividend income	803	805
Foreign exchange gains	—	912
Miscellaneous income	993	663
Total non-operating income	1,825	2,461
Non-operating expenses		
Interest expenses	1,070	996
Miscellaneous expenses	1,599	1,261
Total non-operating expenses	2,669	2,257
Ordinary loss	(3,433)	(176)
Extraordinary income		
Gain on sale of businesses	525	—
Total extraordinary income	525	—
Extraordinary losses		
Loss on disposal of non-current assets	704	—
Impairment losses	761	893
Business restructuring expenses	2,708	2,765
Total extraordinary losses	4,174	3,658
Loss before income taxes	(7,082)	(3,835)
Income taxes - current	95	1,369
Income taxes - deferred	1,262	1,258
Total income taxes	1,357	2,628
Loss	(8,440)	(6,463)
Profit attributable to non-controlling interests	24	9
Loss attributable to owners of parent	(8,465)	(6,473)

(Consolidated Statements of Comprehensive Income)  
(For the Nine Months Ended December 31, 2020 and 2021)

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
Loss	(8,440)	(6,463)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,063	(2,578)
Deferred gains or losses on hedges	(271)	(26)
Foreign currency translation adjustment	437	(596)
Remeasurements of defined benefit plans, net of tax	1,198	750
Total other comprehensive income	2,428	(2,450)
Comprehensive income	(6,011)	(8,914)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(6,038)	(8,921)
Comprehensive income attributable to non-controlling interests	26	6

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Nine months ended December 31, 2020	Nine months ended December 31, 2021
<b>Cash flows from operating activities</b>		
Loss before income taxes	(7,082)	(3,835)
Depreciation	9,318	9,689
Impairment losses	761	893
Increase (decrease) in provisions	(2,269)	(3,199)
Interest and dividend income	(831)	(885)
Interest expenses	1,070	996
Loss (gain) on sale of businesses	(525)	—
Decrease (increase) in trade receivables	30,712	23,640
Decrease (increase) in inventories	(9,699)	(17,329)
Increase (decrease) in trade payables	(10,629)	(8,676)
Other, net	2,877	17
<b>Subtotal</b>	<b>13,702</b>	<b>1,310</b>
Interest and dividends received	831	885
Interest paid	(1,067)	(963)
Income taxes paid	(2,506)	(1,504)
<b>Net cash provided by (used in) operating activities</b>	<b>10,960</b>	<b>(271)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(19,817)	(10,987)
Purchase of intangible assets	(2,943)	(3,903)
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(1,045)	—
Other payments	(1,448)	(1,025)
Other proceeds	14,198	722
<b>Net cash provided by (used in) investing activities</b>	<b>(11,055)</b>	<b>(15,194)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	10,421	19,095
Repayments of long-term borrowings	(9,893)	(10,568)
Dividends paid	(4,305)	(1,724)
Repayments of lease obligations	(3,356)	(3,329)
Other, net	25	23
<b>Net cash provided by (used in) financing activities</b>	<b>(7,107)</b>	<b>3,497</b>
Effect of exchange rate change on cash and cash equivalents	(122)	492
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(7,325)</b>	<b>(11,476)</b>
Cash and cash equivalents at beginning of period	46,517	41,830
<b>Cash and cash equivalents at end of period</b>	<b>39,191</b>	<b>30,354</b>

(4) Notes to Consolidated Financial Statements  
(Going Concern Assumption)  
Not applicable

(Significant Changes in Shareholders' Equity)  
Not applicable

(Changes of Significant Subsidiaries during the Nine Months ended December 31, 2021)

For the first three months ended June 30, 2021, Oki Data Corporation, the Company's specified company and wholly owned subsidiary, is excluded from the scope of consolidation since it disappeared due to an absorption-type merger in which the Company was the surviving company.

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition)

The Company has adopted "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022, and recognize revenue at the amount expected to be received in exchange for its goods or services when the dominance of the promised goods or services is transferred to a customers.

As a result of its change, revenue is recognized over a certain period of time as performance obligations are fulfilled for contract manufacturing and various types of work, except for very short-term work. In the past, the Company used to apply the percentage of completion standard to all construction projects and contract manufacturing, except for those that are very short term, and the completion standard to all other construction projects, when the results of the construction projects were deemed certain. The Company also uses the input method, which is calculated as the ratio of the actual cost to the estimated total cost, as a method to estimate the progress of fulfillment of the performance obligation. In cases where it is not possible to reasonably estimate the degree of progress in fulfilling the performance obligations, but it is expected that expenses incurred will be recovered, revenue is recognized only within the scope of the actual costs incurred.

With regard to the adoption of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment stipulated in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition, the cumulative effect of retroactively adopting the new accounting policy prior to the beginning of the fiscal year ending March 31, 2022, has been added to or deducted from retained earnings at the beginning of the fiscal year ending March 31, 2022 and the new accounting policy has been adopted from the beginning balance of the fiscal year ending March 31, 2022. However, the Company does not apply the new accounting policy retroactively to contracts for which the Company had recognized the amount of almost all revenues before the beginning of the first quarter under review according to the previous handling by applying the method stipulated in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, applying the method stipulated in the in-addition clause (1) of Paragraph 86 of the Accounting Standard for Revenue Recognition, the Company accounted for changes in contracts that had been entered into before the beginning of the first quarter under review based on the terms of the contracts after reflecting all the changes in contracts and adds and subtracts their cumulative effects to and from retained earnings at the beginning of the first quarter under review.

As a result, net sales and cost of sales increased by ¥947 million and ¥725 million, respectively, and selling, general and administrative expenses decreased by ¥518 million. Operating income improved by ¥740 million. As a result of a ¥10 million decrease in non-operating expenses, ordinary income and income before income taxes and minority interests each improved by ¥750 million. The impact on retained earnings at the beginning of the first quarter of the current fiscal year is minimal.

In accordance with the application of Accounting Standard for Revenue Recognition and related implementation guidance from the first quarter of the current fiscal year, notes and accounts receivable, which were included in in the consolidated balance sheets of the previous fiscal year, have been included in "notes and accounts receivable - trade and contract assets". The Company has not reclassified the previous consolidated fiscal year using the new presentation method in accordance with the transitional treatment prescribed in Article 89, Paragraph -2 of the Accounting Standard for Revenue Recognition.

(Adoption of the Accounting Standard for Fair Value Measurement)

The Group has adopted “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30, July 4, 2019) and related implementation guidance from the beginning of the fiscal year ending March 31, 2022. Based on the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Group have decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement into the future. These changes had no impact on the quarterly consolidated financial statements.

(Additional Information)

(Application for Arbitration by Consolidated Subsidiaries)

On October 10, 2015, the consolidated subsidiary in China, Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter, "OBSZ"), filed an arbitration procedure (hereinafter, "Case A") against Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter, “Yihua Industrial”) with the South China International Economic and Trade Arbitration Commission (hereinafter, "SCIA"), seeking payment of RMB 1,115,463 thousand (¥20,156 million at the end of the third quarter under review) of uncollected trade receivables, and compensation for damages. In addition, OBSZ filed a lawsuit (hereinafter, "Case B") against the parent company of Yihua Industrial, Shenzhen Yihua Computer Co., Ltd (hereinafter, “Yihua Computer”) etc. with the Guangdong Provincial High People's Court, seeking joint and several liability for the obligations mentioned above, and filed an application for asset protection.

On December 16, 2020, SCIA ruled that Yihua Industrial pay RMB 1,096,866 thousand (¥19,820 million at the end of the third quarter under review) in unpaid product payments to OBSZ, as well as overdue interest and legal fees, and the arbitration was finalized. On December 23, 2021, the Guangdong Provincial High People's Court ruled that Yihua Computer etc. are jointly liable for Yihua Industrial's obligation to pay OBSZ. In response to this, Yihua Computer etc. filed an appeal against Case B to the Supreme People's Court on January 5, 2022, and deliberations are scheduled to take place.

In consideration of the status of the above litigation, OBSZ recorded a provision for doubtful accounts for RMB 495,931 thousand (¥8,961 million at the end of the third quarter under review) as uncollectible, based on cash flows that were determined to be collectible in consideration of the probability that the judgment of December 23, 2021 in Case B would be maintained and the litigation would become final and binding. For the first nine months of the fiscal year under review, a reversal of provision for doubtful accounts of ¥3,062 million was recorded as a reversal of selling, general and administrative expenses.

(COVID-19 Impact)

Based on the assumption that the spread of COVID-19 will continue for a certain period of time in the current consolidated fiscal year, the OKI Group (the Company and its consolidated subsidiaries) reflects the accounting estimate (determining the recoverability of deferred tax assets and indicators of impairment of fixed assets) in its accounting treatment. There has been no significant change in this assumption since the previous fiscal year.

However, the impact of COVID-19 is highly uncertain, and future results may differ from these estimates and assumptions.

(Segment Information)

I First nine months of the fiscal year ended March 31, 2021 (from April 1, 2020 to December 31, 2020)  
Information about amounts of net sales, income and loss by reportable segment

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	127,288	139,099	266,388	465	266,853	–	266,853
Intersegment net sales or transfers	2,494	4,779	7,273	8,823	16,097	(16,097)	–
Total	129,783	143,879	273,662	9,289	282,951	(16,097)	266,853
Segment income (loss)	6,481	(4,291)	2,190	(186)	2,003	(4,592)	(2,588)

- (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 adjustment to segment income or loss of ¥(4,592) million includes the elimination of intersegment transactions of ¥117 million, corporate expenses not allocated to each reportable segment of ¥(4,727) million, and an adjustment to non-current assets of ¥17 million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.
3. Segment income or loss is adjusted with operating income in the consolidated statements of income.

II First nine months of the fiscal year ending March 31, 2022 (from April 1, 2021 to December 31, 2021)

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

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	107,606	138,492	246,099	314	246,413	–	246,413
Intersegment net sales or transfers	522	2,777	3,299	7,657	10,957	(10,957)	–
Total	108,129	141,270	249,399	7,972	257,371	(10,957)	246,413
Segment income (loss)	1,528	3,130	4,658	150	4,808	(5,188)	(380)

(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 adjustment to segment income or loss of ¥(5,188) million includes the elimination of intersegment transactions of ¥170 million, corporate expenses not allocated to each reportable segment of ¥(5,331) million, and an adjustment to non-current assets of ¥(27) million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.

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

2. Matters related to changes in reportable segments

(Change in segment classification)

From the first quarter of the fiscal year ending March 31, 2022, Oki Micro Engineering Co., Ltd. and its subsidiaries, which were previously included in the “Others” category, have been reclassified into the “Components & Platforms business” category for the purpose of improving earnings by sharing resources and improving efficiency with subsidiaries in the Components & Platforms business.

Segment information for the first nine months of the previous fiscal year is prepared based on the reportable segment classification after the change.

(Change in the measurement method)

From the first quarter of the fiscal year ending March 31, 2022, following the merger with Oki Data Corporation, the cases where Oki Data Corporation provided only its printer products to external customers via the Company have been reclassified from Solution Systems business to Components & Platforms business.

The segment information for the first nine months of the previous fiscal year has been prepared based on the changed measurement method.