

# CONSOLIDATED BALANCE SHEETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
As of March 31, 2020

ASSETS	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Current assets:</b>			
Cash and deposits	¥ 49,227	¥ 29,730	\$ 455,805
Notes and accounts receivable	111,314	106,672	1,030,685
Lease receivables and investments in leases	14,150	11,513	131,018
Finished goods	15,901	18,823	147,231
Work in process	14,332	25,007	132,703
Raw materials and supplies	21,978	20,777	203,500
Other current assets	10,202	10,940	94,462
Allowance for doubtful receivables	(382)	(257)	(3,537)
<b>Total current assets</b>	<b>236,726</b>	<b>223,206</b>	<b>2,191,907</b>
<b>Non-current assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings and structures	21,357	19,656	197,750
Machinery, equipment and vehicle	9,421	8,166	87,231
Tools, furniture and fixtures	8,719	8,464	80,731
Land	11,611	12,829	107,509
Construction in progress	318	277	2,944
<b>Total property, plant and equipment (Note 5)</b>	<b>51,428</b>	<b>49,393</b>	<b>476,185</b>
Intangible assets	11,288	10,457	104,518
<b>Investments and other assets:</b>			
Investments in securities (Note 5)	34,694	43,621	321,240
Asset for retirement benefits	20,007	18,339	185,250
Long-term trade receivables	20,549	21,940	190,268
Other investments and other assets (Note 5)	15,765	17,921	145,972
Allowance for doubtful receivables	(17,989)	(19,376)	(166,564)
<b>Total investments and other assets</b>	<b>73,027</b>	<b>82,446</b>	<b>676,175</b>
<b>Total non-current assets</b>	<b>135,744</b>	<b>142,296</b>	<b>1,256,888</b>
<b>Total assets</b>	<b>¥ 372,471</b>	<b>¥ 365,503</b>	<b>\$ 3,448,805</b>

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Current liabilities:</b>			
Notes and accounts payable	¥ 61,714	¥ 67,465	\$ 571,425
Short-term borrowings (Note 5)	35,415	48,880	327,916
Lease obligations	4,539	2,918	42,027
Other accrued expenses	21,590	21,764	199,907
Other current liabilities	36,681	35,165	339,638
<b>Total current liabilities</b>	<b>159,940</b>	<b>176,194</b>	<b>1,480,925</b>
<b>Long-term liabilities:</b>			
Long-term borrowings	42,310	29,673	391,759
Lease obligations	15,417	11,926	142,750
Deferred tax liabilities	9,784	9,945	90,592
Provision for directors' retirement benefits	372	463	3,444
Liability for retirement benefits	32,129	30,158	297,490
Other long-term liabilities	6,075	6,941	56,250
<b>Total long-term liabilities</b>	<b>106,090</b>	<b>89,108</b>	<b>982,314</b>
<b>Total liabilities</b>	<b>266,030</b>	<b>265,302</b>	<b>2,463,240</b>
<b>NET ASSETS</b>			
<b>Shareholders' equity:</b>			
Capital stock	44,000	44,000	407,407
Additional paid-in capital	19,047	19,057	176,361
Retained earnings	60,847	51,785	563,398
Treasury stock, at cost	(971)	(997)	(8,990)
<b>Total shareholders' equity</b>	<b>122,923</b>	<b>113,845</b>	<b>1,138,175</b>
<b>Accumulated other comprehensive income:</b>			
Net unrealized holding gain (loss) on other securities	(218)	2,816	(2,018)
Gain (loss) on deferred hedges	112	169	1,037
Translation adjustments	(9,029)	(10,884)	(83,601)
Retirement benefits liability adjustments	(7,583)	(6,006)	(70,212)
<b>Total accumulated other comprehensive income</b>	<b>(16,718)</b>	<b>(13,904)</b>	<b>(154,796)</b>
<b>Subscription rights to shares</b>	<b>171</b>	<b>133</b>	<b>1,583</b>
<b>Non-controlling interests</b>	<b>64</b>	<b>126</b>	<b>592</b>
<b>Total net assets</b>	<b>106,440</b>	<b>100,200</b>	<b>985,555</b>
<b>Total liabilities and net assets</b>	<b>¥ 372,471</b>	<b>¥ 365,503</b>	<b>\$ 3,448,805</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENTS OF INCOME [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net sales	¥ 457,223	¥ 441,452	\$ 4,233,546
Cost of sales	339,415	322,624	3,142,731
<b>Gross profit</b>	<b>117,807</b>	118,827	<b>1,090,805</b>
Selling, general and administrative expenses (Note 6)	100,978	101,305	934,981
<b>Operating income</b>	<b>16,829</b>	17,522	<b>155,824</b>
Non-operating income			
Interest income	87	97	805
Dividend income	1,430	1,302	13,240
Dividend income of insurance	363	391	3,361
Receipt on litigation	438	—	4,055
Other	790	627	7,314
Total non-operating income	3,109	2,419	28,787
Non-operating expenses			
Interest expense	1,721	1,633	15,935
Foreign exchange loss	3,274	1,280	30,314
Other	1,138	1,550	10,537
Total non-operating expenses	6,135	4,464	56,805
<b>Ordinary income</b>	<b>13,804</b>	15,477	<b>127,814</b>
Extraordinary income			
Gain on sale of fixed assets	4,842	1,426	44,833
Gain on sale of investments in securities	4,682	969	43,351
Gain on sales of shares of subsidiaries and associates	165	—	1,527
Insurance claim income	617	—	5,712
Compensation for damage income	202	—	1,870
Total extraordinary income	10,510	2,396	97,314
Extraordinary loss			
Loss on sale and disposition of fixed assets	560	475	5,185
Loss on impairment of fixed assets (Note 6)	846	2,890	7,833
Loss on sales of shares of subsidiaries and associates	192	—	1,777
Loss on valuation of investment securities	234	—	2,166
Loss on disaster (Note 6)	411	—	3,805
Business structure improvement expenses (Note 6)	2,418	3,489	22,388
Total extraordinary loss	4,663	6,855	43,175
<b>Profit before income taxes</b>	<b>19,651</b>	11,018	<b>181,953</b>
Income taxes			
Current	4,267	2,476	39,509
Deferred	1,262	108	11,685
Total income taxes	5,529	2,585	51,194
<b>Profit</b>	<b>14,122</b>	8,432	<b>130,759</b>
Profit attributable to non-controlling interests	35	27	324
<b>Profit attributable to owners of parent</b>	<b>¥ 14,086</b>	¥ 8,405	<b>\$ 130,425</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Profit</b>	<b>¥ 14,122</b>	¥ 8,432	<b>\$ 130,759</b>
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	<b>(3,036)</b>	(3,762)	<b>(28,111)</b>
Gain (loss) on deferred hedges	<b>(56)</b>	134	<b>(518)</b>
Translation adjustments	<b>1,852</b>	1,321	<b>17,148</b>
Retirement benefits liability adjustments	<b>(1,576)</b>	(2,551)	<b>(14,592)</b>
Share of other comprehensive income of entities accounted for using equity method	<b>0</b>	0	<b>0</b>
Total other comprehensive income (Note 7)	<b>(2,815)</b>	(4,856)	<b>(26,064)</b>
<b>Comprehensive income</b>	<b>¥ 11,306</b>	¥ 3,576	<b>\$ 104,685</b>
Comprehensive income attributable to:			
Owners of the parent	<b>¥ 11,273</b>	¥ 3,546	<b>\$ 104,379</b>
Non-controlling interests	<b>¥ 33</b>	¥ 30	<b>\$ 305</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Year ended March 31, 2020

	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Gain (Loss) on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
	Millions of yen												
Balance at March 31, 2018	¥ 44,000	¥ 19,795	¥ 45,983	¥ (563)	¥ 109,215	¥ 6,578	¥ 34	¥ (12,203)	¥ (3,455)	¥ (9,045)	¥ 101	¥ 1,873	¥ 102,144
Dividends from surplus			(2,603)		(2,603)								(2,603)
Profit attributable to owners of parent			8,405		8,405								8,405
Purchases of treasury stock				(448)	(448)								(448)
Disposition of treasury stock		(9)		30	21								21
Change in ownership interest of parent due to transactions with non-controlling interests		(728)		(15)	(744)								(744)
Net changes in items other than shareholders' equity during the term						(3,761)	134	1,318	(2,551)	(4,858)	31	(1,746)	(6,574)
Net changes during the term	—	(737)	5,801	(433)	4,630	(3,761)	134	1,318	(2,551)	(4,858)	31	(1,746)	(1,943)
Balance at March 31, 2019	<b>44,000</b>	<b>19,057</b>	<b>51,785</b>	<b>(997)</b>	<b>113,845</b>	<b>2,816</b>	<b>169</b>	<b>(10,884)</b>	<b>(6,006)</b>	<b>(13,904)</b>	<b>133</b>	<b>126</b>	<b>100,200</b>
Cumulative effects of changes in accounting policies			(698)		(698)								(698)
Restated balance	<b>44,000</b>	<b>19,057</b>	<b>51,086</b>	<b>(997)</b>	<b>113,146</b>	<b>2,816</b>	<b>169</b>	<b>(10,884)</b>	<b>(6,006)</b>	<b>(13,904)</b>	<b>133</b>	<b>126</b>	<b>99,502</b>
Dividends from surplus			(4,325)		(4,325)								(4,325)
Profit attributable to owners of parent			14,086		14,086								14,086
Purchases of treasury stock				(5)	(5)								(5)
Disposition of treasury stock		(10)		32	21								21
Net changes in items other than shareholders' equity during the term						(3,035)	(56)	1,855	(1,576)	(2,813)	38	(62)	(2,838)
Net changes during the term	—	(10)	9,761	26	9,776	(3,035)	(56)	1,855	(1,576)	(2,813)	38	(62)	6,938
Balance at March 31, 2020	<b>¥ 44,000</b>	<b>¥ 19,047</b>	<b>¥ 60,847</b>	<b>¥ (971)</b>	<b>¥ 122,923</b>	<b>¥ (218)</b>	<b>¥ 112</b>	<b>¥ (9,029)</b>	<b>¥ (7,583)</b>	<b>¥ (16,718)</b>	<b>¥ 171</b>	<b>¥ 64</b>	<b>¥ 106,440</b>

	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Gain (Loss) on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
	Thousands of U.S. dollars												
Balance at March 31, 2019	\$ 407,407	\$ 176,453	\$ 479,490	\$ (9,231)	\$ 1,054,120	\$ 26,074	\$ 1,564	\$ (100,777)	\$ (55,611)	\$ (128,740)	\$ 1,231	\$ 1,166	\$ 927,777
Cumulative effects of changes in accounting policies			(6,462)		(6,462)								(6,462)
Restated balance	<b>407,407</b>	<b>176,453</b>	<b>473,018</b>	<b>(9,231)</b>	<b>1,047,648</b>	<b>26,074</b>	<b>1,564</b>	<b>(100,777)</b>	<b>(55,611)</b>	<b>(128,740)</b>	<b>1,231</b>	<b>1,166</b>	<b>921,314</b>
Dividends from surplus			(40,046)		(40,046)								(40,046)
Profit attributable to owners of parent			130,425		130,425								130,425
Purchases of treasury stock				(46)	(46)								(46)
Disposition of treasury stock		(92)		296	194								194
Net changes in items other than shareholders' equity during the term						(28,101)	(518)	17,175	(14,592)	(26,046)	351	(574)	(26,277)
Net changes during the term	—	(92)	90,379	240	90,518	(28,101)	(518)	17,175	(14,592)	(26,046)	351	(574)	64,240
Balance at March 31, 2020	<b>\$ 407,407</b>	<b>\$ 176,361</b>	<b>\$ 563,398</b>	<b>\$ (8,990)</b>	<b>\$ 1,138,175</b>	<b>\$ (2,018)</b>	<b>\$ 1,037</b>	<b>\$ (83,601)</b>	<b>\$ (70,212)</b>	<b>\$ (154,796)</b>	<b>\$ 1,583</b>	<b>\$ 592</b>	<b>\$ 985,555</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 19,651	¥ 11,018	\$ 181,953
Depreciation and amortization	12,574	12,367	116,425
Impairment loss	846	2,890	7,833
Increase (decrease) in provisions	1,841	1,443	17,046
Interest and dividend income	(1,517)	(1,400)	(14,046)
Interest expense	1,722	1,633	15,944
Gain on sales of investment securities	(4,682)	(925)	(43,351)
Gain on disposition of fixed assets	(4,282)	(933)	(39,648)
(Increase) decrease in notes and accounts receivable	(6,629)	(6,823)	(61,379)
(Increase) decrease in inventories	11,098	(4,529)	102,759
(Decrease) increase in notes and accounts payable	(2,999)	(418)	(27,768)
Other, net	8,593	(4,867)	79,564
Subtotal	36,215	9,452	335,324
Interest and dividend income received	1,518	1,400	14,055
Interest expense paid	(1,716)	(1,551)	(15,888)
Income taxes paid	(3,469)	(2,937)	(32,120)
<b>Net cash provided by (used in) operating activities</b>	<b>32,547</b>	<b>6,364</b>	<b>301,361</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment	(11,840)	(9,486)	(109,629)
Proceeds from sales of property, plant and equipment	6,123	2,186	56,694
Purchase of intangible assets	(4,441)	(3,908)	(41,120)
Proceeds from sales of investment securities	8,941	1,726	82,787
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(0)	—	(0)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	27	—	250
Purchase of long-term prepaid expenses	(2,067)	(1,224)	(19,138)
Other payments	(766)	(1,872)	(7,092)
Other proceeds	1,052	479	9,740
<b>Net cash (used in) provided by investing activities</b>	<b>(2,972)</b>	<b>(12,099)</b>	<b>(27,518)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(8,734)	(6,896)	(80,870)
Proceeds from long-term borrowings	26,660	24,970	246,851
Repayments of long-term borrowings	(18,296)	(22,071)	(169,407)
Dividends paid	(4,307)	(2,601)	(39,879)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,502)	—
Repayments of lease obligations	(4,476)	(3,416)	(41,444)
Other, net	(69)	(452)	(638)
<b>Net cash provided by (used in) financing activities</b>	<b>(9,224)</b>	<b>(12,971)</b>	<b>(85,407)</b>
Effect of exchange rate changes on cash and cash equivalents	(658)	48	(6,092)
Net increase (decrease) in cash and cash equivalents	19,693	(18,657)	182,342
Cash and cash equivalents at beginning of the year	26,823	45,481	248,361
<b>Cash and cash equivalents at end of the year (Note 9)</b>	<b>¥ 46,517</b>	<b>¥ 26,823</b>	<b>\$ 430,712</b>

The accompanying notes are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
March 31, 2020

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1) Basis of preparing consolidated financial statements

The accompanying consolidated financial statements of Oki Electric Industry Co., Ltd. (the "Company") and consolidated subsidiaries (the OKI Group) have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥108 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2020. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

In addition, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

### 2) Scope of consolidation

All 73 subsidiaries are included in the scope of consolidation.

The following companies have been newly established and included in the scope of consolidation from the fiscal year under review: OKI VIET NAM COMPANY LIMITED; OKI DATA EUROPE B.V.; ORIGAMI BRASIL TECNOLOGIA E SERVIÇOS EM AUTOMAÇÃO LTDA.

The following companies have been excluded from the scope of consolidation: Oki Customer Adtech Co., Ltd., which merged with Oki Wintech Co., Ltd., a consolidated subsidiary; TIE Co., Ltd. and Takasaki Precision Products Co., Ltd., which merged with TOMIOKA ELECTRONICS CO., LTD., a consolidated subsidiary; ML Supply Co., Ltd., which merged with OKI Data Manufacturing and Engineering Service Corporation, a consolidated subsidiary; Oki Electric Cable Service Co., Ltd., which merged with Oki Electric Cable Co., Ltd., a consolidated subsidiary; BIOLOGICA SISTEMAS S.A., OKI BR PORTUGAL S.A., and OKI BR PARAGUAY S.A., due to transfer of all shares; OKI DATA SERVICE (AUSTRALIA) PTY. LTD., due to liquidation. In addition, Oki Wintech Co., Ltd. has changed its company name to OKI Crosstech Co., Ltd., and TOMIOKA ELECTRONICS CO., LTD. has changed its company name to OKI TOMIOKA Manufacturing Co., Ltd.

### 3) Application of equity method

(1) Name of affiliated company to which the equity method is applied:  
BANKING CHANNEL SOLUTIONS LIMITED and other one company

(2) Name of affiliated company to which the equity method is not applied:  
TOWN NETWORK SERVICE Corporation  
Reason for not applying the equity method:  
The company has little influence and has no significance on profit or loss and retained earnings.

(3) Changes in scope of application of the equity method  
Marubeni OKI Network Solutions Inc. has been excluded from the scope of application of the equity method due to transfer of all shares.

### 4) Accounting standards

(1) Valuation standards and methods for significant assets

(i) Securities

The Company and its domestic consolidated subsidiaries value securities in accordance with how they are held as indicated below. Overseas consolidated subsidiaries apply the lower of cost or fair value.

Other securities:

Marketable securities:

Stated at fair value based on the market price at the end of the fiscal year. (Any difference between book value and fair value is included in net assets; sales costs are calculated by the moving average method.)

Non-marketable securities:

Stated at cost based on the moving average method.

(ii) Inventories

The Company and its domestic consolidated subsidiaries evaluate inventories as follows, and overseas consolidated subsidiaries primarily apply the lower of cost or fair value.

Finished goods:

Stated at cost based on the moving average method. (Balance sheet values are measured by the method of devaluing the book price to reflect declines in profitability.)

Work in process:

Stated at cost based on the specific identification method. (Balance sheet values are measured by the method of devaluing the book price to reflect declines in profitability.)

Raw materials and supplies:

Stated at cost based on the moving average method. (Balance sheet values are measured by the method of devaluing the book price to reflect declines in profitability.)

(iii) Derivatives

Stated at fair value.

(2) Depreciation and amortization

(i) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries apply the declining-balance method; overseas consolidated subsidiaries primarily apply the straight-line method.

(ii) Intangible assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries apply the straight-line method.

For software sold in the market, amortization is based on the estimated amounts of sales in the estimated number of years for sales (3 years). For software for internal use, the straight-line method, based on the estimated useful life (mainly 5 years), is used.

Overseas consolidated subsidiaries apply the straight-line method.

(iii) Lease assets

Lease assets relating to finance lease transactions that do not transfer ownership are depreciated over the lease contract's lifetime by the straight-line method, assuming the residual value is zero.

- (3) Basis of provision
- (i) Allowance for doubtful receivables  
To prepare for any losses of accounts receivable and loans, the Company and its domestic consolidated subsidiaries calculate the amount of potential loss by using the historical loss ratio for non-classified loans/receivables and individual assessment for classified loans/receivables. Overseas consolidated subsidiaries calculate the amount of potential losses by individually assessing the possibility of collection for specific loans/receivables.
  - (ii) Provision for directors' retirement benefits  
Certain consolidated subsidiaries record the necessary amount at the end of the year in accordance with company's internal rules to prepare for the payment of directors' retirement allowance.
- (4) Method of accounting for retirement benefits
- (i) Attributing expected retirement benefits to a period  
The estimated amount of retirement benefits for employees is attributed to each period by the benefit formula method.
  - (ii) Accounting for actuarial gains and losses, and prior service costs  
Prior service costs are amortized by the straight-line method over a set number of years (10 to 13 years) determined by the average remaining years of service of employees.  
Actuarial gains and losses are amortized by the straight-line method over a set number of years (10 to 13 years) determined by the average remaining years of service of employees at the time of accrual in each fiscal year. Amortization of such gains and losses commences in the following fiscal year.
- (5) Recognition of revenue and costs
- Recognition of revenue relating to contract work and software development contracts
- (i) Revenue from those with results in progress before the end of the fiscal year  
Percentage-of-completion method (The progress ratio of construction is estimated by the cost proportion method.)
  - (ii) Other revenue  
Inspection basis (completed-contract method for certain domestic consolidated subsidiaries)
- (6) Hedge accounting methods
- (i) Method of hedge accounting  
Deferred hedging is applied. Allocation treatment is applied for forward exchange contracts eligible for allocation treatment. Special treatment is applied to interest rate swaps that meet requirements for special treatment.
  - (ii) Hedging instruments and hedged items  
Forward exchange contracts are used to hedge fluctuations of exchange rates on credits and debts in foreign currencies. Interest rate swaps are employed to hedge fluctuations of market interest rates on variable-rate long-term borrowings.
- (iii) Hedging policy  
Derivative transactions are used to hedge fluctuations of market rates on credits and debts.
  - (iv) Assessment method of the effectiveness of hedges  
To determine the effectiveness of hedges, the Company compares the accumulated total of market fluctuations or cash flow fluctuations for the targets of hedging and that of the market fluctuations or the cash flow fluctuations for the means of hedging, during the period from the start of hedging to the assessment. The Company then makes a decision based on the changes of the two.
- (7) Amortization of goodwill and amortization period  
Goodwill is amortized using the straight-line method over its useful life (mainly 5 years).
- (8) Cash equivalents  
All highly liquid investments, with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.
- (9) Other important matters in preparation of consolidated financial statements
- (i) Accounting processing of consumption tax  
The tax-exclusion method is used for accounting of consumption tax and local consumption tax.
  - (ii) Application of consolidated tax payment  
The consolidated tax payment is applied.
  - (iii) Application of deferred tax accounting for the transition from the consolidated taxation system to the group tax sharing system  
As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and consolidated subsidiaries in Japan have not applied the provisions of Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of Paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**2. NOTES ON CHANGES IN ACCOUNTING POLICIES**

Overseas consolidated subsidiaries, excluding those in the U.S., began applying IFRS 16 Leases effective from the beginning of the fiscal year under review. As a result of applying these accounting standards, property, plant and equipment increased ¥2,285 million (\$21,157 thousand), lease obligations under current liabilities increased ¥1,010 million (\$9,351 thousand), lease

obligations under long-term liabilities increased ¥1,635 million (\$15,138 thousand) and retained earnings decreased ¥533 million (\$4,935 thousand) in the consolidated balance sheet for the fiscal year under review. The impact of this change on profit and loss for the fiscal year under review is immaterial.

**3. UNAPPLIED ACCOUNTING STANDARDS****1) Accounting standard for revenue recognition**

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 31, 2020)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

**(1) Summary**

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition, and announced "Revenues arising from contracts with customers" (IFRS 15 in the IASB and Topic 606 in the FASB) publicly in May, 2014. Considering the situation that "IFRS 15 is applied from the fiscal year beginning on after January 1, 2018" and "Topic 606 is applied from the fiscal year beginning on after December 15, 2017", Accounting Standards Board of Japan (ASBJ) developed a comprehensive accounting standard for revenue recognition and announced it publicly with guidance.

The basic policies for developing accounting standards for revenue recognition by the ASBJ are as follows. (1) In order to enable comparison between financial statements, we adopt the basic principles of IFRS 15 and establish accounting standards. (2) In the case where there are items that should be taken into consideration in practice that have been carried out in Japan, substitute treatment is added to the extent that comparability is not impaired.

**(2) Expected date to apply**

It will be applied from the beginning of the fiscal year ending March 31, 2022.

**(3) Impact of application of accounting standard**

The impact on the consolidated financial statements is currently being evaluated.

**2) Accounting standard for fair value measurement**

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 July 4, 2019)

"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 March 31, 2020)

**(1) Summary**

The IASB and the FASB have detailed guidance on measuring fair value that is similar in detail "Fair Value Measurement" in International Financial Reporting Standards (IFRS 13). In view of the situation that Topic 820 "Fair value measurement" of accounting standardization is established in the US GAAP, the ASBJ has adopted the Japanese standard as an international standard, mainly regarding the guidance and disclosure regarding the fair value of financial instruments. Efforts have been made to ensure consistency with various accounting standards, and "Accounting Standards for Market Value Calculation" etc. have been announced.

From the perspective of improving the comparability of financial statements between domestic and foreign companies by using a uniform calculation method as a basic policy for the development of accounting standards for the calculation of market value by the ASBJ, It is decided that all the provisions of IFRS 13 will be basically adopted, and in consideration of the practice etc. that have been carried out in Japan up to now, individual items will be It is supposed that the other handling is decided.

**(2) Expected date to apply**

It will be applied from the beginning of the fiscal year ending March 31, 2022.

**(3) Impact of application of accounting standard**

The impact on the consolidated financial statements is still decided.

**3) Accounting standard for disclosure of accounting estimates**  
“Accounting Standard for Disclosure of Accounting Estimates”  
(ASBJ Statement No. 31 March 31, 2020)

(1) Summary

The IASB requires disclosure in paragraph 125 of International Accounting Standard (IAS) No. 1 “Presentation of financial statements” (hereinafter “IAS No. 1”) published in 2003. Regarding the “Cause of uncertainty in estimation”, there was a request to consider requesting disclosure as note information even under Japanese GAAP as information that is highly useful to users of financial statements, and the accounting standard for disclosure of the above estimate (hereinafter referred to as “the accounting standard”) has been developed and published by the ASBJ. As a basic policy for the development of this accounting standard by the ASBJ, rather than expanding each note, the principle (disclosure purpose) is shown and the specific disclosure content is disclosed by the company. It was decided to make a decision in light of the above, and in the development, it was decided to refer to the provisions of paragraph 125 of IAS No. 1.

(2) Expected date to apply

It will be applied from the fiscal year ending March 2021.

**4) Accounting standard for accounting policy disclosures, accounting changes and error corrections**

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 March 31, 2020)

(1) Summary

In response to the proposal to consider the enhancement of the information regarding the notes relating to “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear, the ASBJ made necessary revisions. It was published as an accounting standard for disclosure of accounting policies, accounting changes and correction of errors.

In addition, when attempting to enhance the note information pertaining to “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear,” when the provisions of related accounting standards, etc. In order not to affect the practice, the provisions of the Note on Corporate Accounting Principles (Note 1-2) will be taken over.

(2) Expected date to apply

It will be applied from the fiscal year ending March 2021.

## **4. ADDITIONAL INFORMATION**

### **1) Arbitration request for consolidated subsidiary**

Oki Banking Systems (Shenzhen) Co., Ltd., a consolidated subsidiary, has filed a request for arbitration against Shenzhen Yihua Computer Industrial Co., Ltd. on October 10, 2015, demanding payment of accounts receivable of RMB 1,115,463 thousand or ¥17,066 million (\$158,018 thousand) and compensation of damages. Currently, the South China International Economic and Trade Arbitration Commission continues to review the matter.

In consideration of the status of litigation, since the period for collecting the receivables is expected to lengthen, an allowance for doubtful receivables of ¥10,279 million (\$95,175 thousand) was recorded at the end of the fiscal year.

### **2) Expanded application of the percentage-of-completion method**

Previously, the percentage-of-completion method was applied for the work whose outcome from the completed portion was deemed definite and the completed-contract method was applied

for other work. In conjunction with the measures to develop and enhance the cost management system, since the fiscal year under review, the percentage-of-completion method has also been applied to some of this other work because it became possible to reliably estimate the work.

As a result, for the fiscal year under review, net sales increased ¥10,487 million (\$97,101 thousand), and operating income, ordinary income and profit before income taxes decreased ¥85 million (\$787 thousand) each.

### **3) Impact of COVID-19**

The OKI Group (the Company and its consolidated subsidiaries) has made an accounting estimate (recoverability of deferred tax assets, indication of impairment of fixed assets) under the assumption that the impact of COVID-19 expansion will continue for a certain period in the next consolidated fiscal year. However, the impact of COVID-19 expansion has many uncertainties, and future results may differ from these estimates and assumptions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**5. CONSOLIDATED BALANCE SHEET**

**1) Accumulated depreciation for property, plant and equipment**

Accumulated depreciation for Property, plant and equipment at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accumulated depreciation	¥ 158,259	¥ 157,470	\$ 1,465,361

**2) Assets pledged as collateral and liabilities collateralized by the above assets**

Assets pledged as collateral at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in securities	¥ 7,654	¥ 14,609	\$ 70,870

Liabilities collateralized by the above assets at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Short-term borrowings	¥ 1,000	¥ 4,500	\$ 9,259

Other than the above, assets pledged as collateral for bank guarantees at March 31, 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments and other assets	—	¥ 2,606	—

**3) Investments in unconsolidated subsidiaries and affiliates**

Investments in unconsolidated subsidiaries and affiliates at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in securities	¥ 1,667	¥ 2,041	\$ 15,435

**4) Liabilities for guarantee**

Guarantee for borrowings by employees at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Guarantee for borrowings by employees	¥ 110	¥ 141	\$ 1,018

**5) Contingent liabilities**

OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. (OKI Brasil), a consolidated subsidiary, received an additional tax assessment notice from the tax authorities of Sao Paulo State on August 20, 2018.

According to this notice, OKI Brasil was ordered to pay 90 million BRL as ICMS (tax on distribution of goods and services). However, OKI Brasil refuses to accept this order, and it has filed a lawsuit. The Company cannot reasonably estimate the probability of the occurrence of a loss or the amount of a loss at present.

**6) The unexecuted balance of overdraft**

The OKI Group has concluded an overdraft agreement with transaction banks etc. for efficient procurement of working capital.

The unexecuted balance of overdraft at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total overdraft amount	¥ 45,078	¥ 59,795	\$ 417,388
Amount of borrowing execution balance	12,837	17,245	118,861
Net	¥ 32,241	¥ 42,550	\$ 298,527

## 6. CONSOLIDATED STATEMENT OF INCOMES

### 1) Research and development expenses

Research and development expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Selling, general and administrative expenses	¥ 10,558	¥ 10,700	\$ 97,759

### 2) Loss on impairment of fixed assets

The OKI Group recorded impairment losses of ¥3,127 million for the year ended March 31, 2019 of which ¥2,890 million were presented as impairment losses in the extraordinary loss category and ¥237 million were included in business structure improvement expenses in the same category.

Major impairment losses were as follows:

Business	Purpose of use	Location	Type of assets	Millions of yen
Mechatronics Systems	Business assets	Japan	Buildings and structures	¥ 1,102
			Machinery, equipment and vehicle	397
			Tools, furniture and fixtures	627
			Intangible assets	86
			Other assets	30
		China, and other countries	Machinery, equipment and vehicle	43
			Tools, furniture and fixtures	112
			Intangible assets	448
			Other assets	3

Regarding business assets, the OKI Group basically sets up asset groups based on business segments. However, if certain business assets (e.g. assets to be disposed of) are considered to independently create cash flows, they are grouped by asset.

Because the OKI Group could not expect to receive the initially anticipated earnings from Mechatronics Systems business assets, it reduced their book values to recoverable amounts, which were calculated using net realizable value based on real estate appraisals, etc.

The OKI Group recorded impairment losses of ¥846 million (\$7,833 thousand) for the year ended March 31, 2020.

Major impairment losses were as follows:

Purpose of use	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Company-owned house	Saitama, Saitama Pref.	Land	¥ 730	\$ 6,759
		Other assets	93	861

Regarding business assets, the OKI Group basically sets up asset groups based on business segments. However, if certain business assets (e.g. assets to be disposed of) are considered to independently create cash flows, they are grouped by asset.

Company-owned house that was subject to impairment will be sold. Therefore, the book value has been reduced to the recoverable amounts in the current consolidated fiscal year. The recoverable amount of the asset is measured by the net realizable value.

### 3) Loss on disaster

The OKI Group recorded loss on disaster of ¥411 million (\$3,805 thousand) for the years ended March 31, 2020 of which ¥293 million (\$2,712 thousand) is due to fire on September 2019 and ¥116 million (\$1,074 thousand) is a fixed cost incurred during the period when the operation was stopped to prevent the spread of COVID-19.

### 4) Business structure improvement expenses

For the years ended March 31, 2020 and 2019, the OKI Group recorded losses for restructuring related costs.

The nature of the losses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Special retirement expenses	¥ 481	¥ 1,784	\$ 4,453
Loss on sale of subsidiary	1,908	—	17,666
Reversal of foreign currency translation adjustment	—	753	—
Loss on disposal of inventories	—	475	—
Impairment loss	—	237	—
Other	28	239	259
Total	¥ 2,418	¥ 3,489	\$ 22,388

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**7. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

Amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ (690)	¥ (4,786)	\$ (6,388)
Reclassification adjustments	(3,380)	(673)	(31,296)
Before tax effect	(4,070)	(5,460)	(37,685)
Tax effect	1,034	1,698	9,574
Net unrealized holding gain (loss) on other securities	(3,036)	(3,762)	(28,111)
Gain (loss) on deferred hedges:			
Amount arising during the year	(81)	194	(750)
Asset acquisition cost adjustments	—	—	—
Before tax effect	(81)	194	(750)
Tax effect	25	(59)	231
Gain (loss) on deferred hedges	(56)	134	(518)
Translation adjustments:			
Amount arising during the year	1,925	567	17,824
Reclassification adjustments	(72)	753	(666)
Translation adjustments	1,852	1,321	17,148
Retirement benefits liability adjustments:			
Amount arising during the year	(3,116)	(3,106)	(28,851)
Reclassification adjustments	840	(383)	7,777
Before tax effect	(2,275)	(3,489)	(21,064)
Tax effect	698	938	6,462
Retirement benefits liability adjustments	(1,576)	(2,551)	(14,592)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	0	0	0
Reclassification adjustments	0	—	0
Share of other comprehensive income of entities accounted for using equity method	0	0	0
Total other comprehensive income	¥ (2,815)	¥ (4,856)	\$ (26,064)

**8. SHAREHOLDERS' EQUITY**

Matters concerning class and total number of shares outstanding during the years ended March 31, 2020 and 2019 were as follows:

	Thousands of shares			
	2020			
	March 31, 2019	Increase in the year	Decrease in the year	March 31, 2020
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	709	4	23	690
Total	709	4	23	690

\*1 The increase of treasury stock was due to purchase of shares less than one trading unit.

\*2 The decrease of treasury stock was due to the exercise of stock options.

	Thousands of shares			
	2019			
	March 31, 2018	Increase in the year	Decrease in the year	March 31, 2019
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	417	379	88	709
Total	417	379	88	709

\*1 The increases of treasury stock were due to the acquisition of treasury stock held by consolidated subsidiaries and purchase of shares less than one trading unit.

\*2 The decreases of treasury stock were due to the decrease in treasury stock held by consolidated subsidiaries and the exercise of stock options.

## 9. CONSOLIDATED STATEMENTS OF CASH FLOWS

### 1) Reconciliations of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash and deposits	¥ 49,227	¥ 29,730	\$ 455,805
Deposits with restrictions on withdrawals	(2,710)	(2,906)	(25,092)
Cash and cash equivalents	¥ 46,517	¥ 26,823	\$ 430,712

### 2) The content of important non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
The amount of non-cash transactions on assets and liabilities under finance lease	¥ 9,903	¥ 6,557	\$ 91,694

## 10. LEASES

(Lessee)

Operating lease transactions

The minimum rental commitments under non-cancellable operating leases at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥ 1,413	¥ 2,244	\$ 13,083
Due after one year	4,607	7,330	42,657
Total	¥ 6,021	¥ 9,575	\$ 55,750

\* Lease transactions for which assets and liabilities were recorded on the consolidated balance sheet due to the application of IFRS 16 are not included in operating leases for the current consolidated fiscal year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**11. FINANCIAL INSTRUMENTS**

**1) Matters concerning the status of financial instruments**

(1) Policy on financial instruments

The OKI Group mainly uses short-term deposits and highly safe marketable securities for fund management, and raises its funds primarily through borrowings from financial institutions and issuance of corporate bonds. The OKI Group uses derivatives to hedge risk as described below, and does not engage in speculative transactions.

(2) Description of financial instruments, related risks, and risk management system

The OKI Group strives to mitigate its customers' credit risks associated with notes and accounts receivable, which are operating receivables, by carrying out customer credit investigations in accordance with regulations for the management of accounts receivable of individual companies.

For borrowings, the OKI Group raises short-term funds mainly for working capital and long-term funds for working capital and capital investment. For borrowings exposed to the interest rate risk, the OKI Group applies derivative instruments (interest rate swap transactions) to hedge its risk.

Derivative transactions consist of forward foreign exchange contracts which aim to hedge exchange rate fluctuation risks related to foreign currency-denominated receivables and payables and interest rate swap transactions, which aim to hedge interest rate fluctuation risks related to the payment of borrowings. The Company assesses the validity of hedges with interest rate swaps by comparing the accumulated fair value changes of hedged items and those of hedging instruments, but does not perform such assessment if they are subject to special treatment.

The Group executes and manages derivative transactions in accordance with OKI Group's policy.

(3) Supplemental explanation regarding the disclosure concerning fair value of financial instruments

The fair value of financial instruments is based on market prices, but if no market prices are available, their fair value reflects the value reasonably calculated. Because fluctuation factors are incorporated into the calculation of the said value, it may change if different prerequisites, etc. are used. Contract amounts, etc. related to derivative transactions described in "2. Disclosure concerning fair value of financial instruments" do not indicate market risks related to these transactions.

**2) Disclosure concerning fair value of financial instruments**

As of March 31, 2020 (consolidated balance sheet date), the amount recorded in the consolidated balance sheet, fair value, and the amount of differences are as shown in the table below.

Any item whose fair value is deemed extremely difficult to assess is excluded from the table. (See Note 2 below.)

	Millions of yen						Thousands of U.S. dollars		
	2020			2019			2020		
	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 49,227	¥ 49,227	¥ —	¥ 29,730	¥ 29,730	¥ —	\$ 455,805	\$ 455,805	\$ —
(2) Notes and accounts receivable	111,314	111,314	—	106,672	106,672	—	1,030,685	1,030,685	—
(3) Investments in securities	26,409	26,417	7	34,895	34,903	8	244,527	244,601	64
(4) Long-term trade receivables	20,549			21,940			190,268		
Allowance for doubtful receivables <sup>(1)</sup>	(13,289)			(14,490)			(123,046)		
	7,260	7,260	—	7,450	7,450	—	67,222	67,222	—
Total assets	194,213	194,220	7	178,748	178,756	8	1,798,268	1,798,333	64
(1) Notes and accounts payable	61,714	61,714	—	67,465	67,465	—	571,425	571,425	—
(2) Short-term borrowings <sup>(2)</sup>	21,400	21,400	—	30,570	30,570	—	198,148	198,148	—
(3) Other accrued expenses	21,590	21,590	—	21,764	21,764	—	199,907	199,907	—
(4) Long-term borrowings <sup>(2)</sup>	56,324	56,634	310	47,983	48,377	394	521,518	524,388	2,870
Total liabilities	161,029	161,340	310	167,783	168,177	394	1,491,009	1,493,888	2,870
Derivative transactions <sup>(3)</sup>	¥ 375	¥ 375	¥ —	¥ 559	¥ 559	¥ —	\$ 3,472	\$ 3,472	\$ —

\*1 Allowance for doubtful receivables specifically provided for long-term trade receivables is deducted.

\*2 As of March 31, 2020 and 2019, Long-term borrowing (¥14,014 million (\$129,759 thousand) and ¥18,310 million) that are due within one year are classified as "short-term" borrowings in the consolidated balance sheet.

\*3 The amount of the receivables and payables derived from derivative transactions is presented on a net basis and the amounts in parentheses are liabilities as the result of netting.

Notes:

1. Disclosure concerning methods of calculation of fair value of financial instruments, securities and derivative transactions.

Assets

(1) Cash and deposits and (2) Notes and accounts receivable

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is determined to be equal to their book value.

(3) Investments in securities

The fair value of investments in securities is based on their prices determined at the financial instruments exchanges, and the fair value of bonds is based on the quotations offered by the correspondent financial institution as of the balance sheet date.

(4) Long-term trade receivables

Fair value of long-term trade receivables is determined by deducting the present estimated doubtful receivables from the book value as estimated doubtful receivables are calculated based on the present value of loans / receivables.

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, and (3) Other accrued expenses

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is determined to be equal to their book value.

(4) Long-term borrowings

The fair value is based primarily on the method of calculation whereby the sum of principal and interest is discounted by an assumed interest rate based on rates currently available to the Company for similar transactions. Some long-term borrowings with floating interest rates are prescribed to be subject to special accounting treatment applicable to interest rate swaps (see below). Hence, the fair value of a long-term borrowings is based on the method of calculation whereby the sum of principal and interest, treated in combination with the said interest rate swap, is discounted by an assumed interest rate based on rates currently available to the Company for similar transactions.

Derivative transactions

Described in Note13

2. Financial instruments whose fair value is considered extremely difficult to assess

Unlisted equity securities at of March 31, 2020 and 2019, are not included in (3) Investments in securities because they have no market price and it is deemed extremely difficult to assess their fair values.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted equity securities	<b>¥ 8,284</b>	¥ 8,725	<b>\$ 76,703</b>

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2020 and 2019:

	Millions of yen			
	2020			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	<b>¥ 49,227</b>	¥ —	¥ —	¥ —
Notes and accounts receivable	<b>109,855</b>	<b>1,459</b>	—	—
Total	<b>¥ 159,083</b>	<b>¥ 1,459</b>	¥ —	¥ —

  

	Millions of yen			
	2019			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 29,730	¥ —	¥ —	¥ —
Notes and accounts receivable	105,317	1,355	—	—
Total	¥ 135,047	¥ 1,355	¥ —	¥ —

  

	Thousands of U.S. dollars			
	2020			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	<b>\$ 455,805</b>	\$ —	\$ —	\$ —
Notes and accounts receivable	<b>1,017,175</b>	<b>13,509</b>	—	—
Total	<b>\$ 1,472,990</b>	<b>\$ 13,509</b>	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

4. Repayment schedule for long-term borrowings and other interest-bearing debt at of March 31, 2020 and 2019:

Millions of yen						
2020						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 21,400	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	14,014	13,326	13,326	10,326	5,332	—
Total	¥ 35,415	¥ 13,326	¥ 13,326	¥ 10,326	¥ 5,332	¥ —

  

Millions of yen						
2019						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 30,570	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	18,310	8,691	7,994	7,994	4,994	—
Total	¥ 48,880	¥ 8,691	¥ 7,994	¥ 7,994	¥ 4,994	¥ —

  

Thousands of U.S. dollars						
2020						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	\$ 198,148	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term borrowings	129,759	123,388	123,388	95,611	49,370	—
Total	\$ 327,916	\$ 123,388	\$ 123,388	\$ 95,611	\$ 49,370	\$ —

12. SECURITIES

1) Trading securities

Not applicable

2) Bonds held to maturity

Not applicable

3) Other securities

Securities at March 31, 2020 and 2019 were summarized as follows. Securities for which it is extremely difficult to reasonably measure its fair value are not included in the table below.

	Millions of yen						Thousands of U.S. dollars		
	2020			2019			2020		
	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference
Other securities whose fair value recorded in balance sheet exceeds their acquisition costs:									
Equity securities	¥ 3,829	¥ 2,699	¥ 1,129	¥ 14,271	¥ 9,217	¥ 5,054	\$ 35,453	\$ 24,990	\$ 10,453
Subtotal	3,829	2,699	1,129	14,271	9,217	5,054	35,453	24,990	10,453
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	22,580	23,742	(1,161)	20,623	21,480	(856)	209,074	219,833	(10,750)
Subtotal	22,580	23,742	(1,161)	20,623	21,480	(856)	209,074	219,833	(10,750)
Total	¥ 26,409	¥ 26,442	¥ (32)	¥ 34,895	¥ 30,698	¥ 4,197	\$ 244,527	\$ 244,833	\$ (296)

**4) Sales of other securities for the years ended March 31, 2020 and 2019 were as follows:**

	Millions of yen						Thousands of U.S. dollars		
	2020			2019			2020		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	¥ 7,810	¥3,637	¥ 52	¥1,466	¥ 717	¥ 44	\$ 72,314	\$33,675	\$ 481
Total	¥ 7,810	¥3,637	¥ 52	¥1,466	¥ 717	¥ 44	\$ 72,314	\$33,675	\$ 481

**5) Impairment losses on securities**

Year ended March 31, 2019

Not applicable

Year ended March 31, 2020

¥224 million (\$2,074 thousand)

**13. DERIVATIVES**

Derivative transactions at March 31, 2020 and 2019 were as follows:

**1) Derivative transactions which do not qualify for hedge accounting**

(i) Currency related

	Millions of yen				Thousands of U.S. dollars			
	2020				2020			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:								
Sell:								
U.S. dollars	¥ 815	¥ —	¥ (6)	¥ (6)	\$ 7,546	\$ —	\$ (55)	\$ (55)
Euro	¥ 4,451	—	¥ 191	¥ 191	\$ 41,212	—	\$ 1,768	\$ 1,768
Chinese yuan	¥ 43	—	¥ (2)	¥ (2)	\$ 398	—	\$ (18)	\$ (18)
A. dollars	¥ 144	—	¥ 11	¥ 11	\$ 1,333	—	\$ 101	\$ 101
Buy:								
U.S. dollars	2,049	—	18	18	18,972	—	166	166
Total	¥ 7,503	¥ —	¥ 212	¥ 212	\$ 69,472	\$ —	\$ 1,962	\$ 1,962

	Millions of yen			
	2019			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:				
Sell:				
Euro	¥ 8,239	¥ —	¥ 268	¥ 268
Buy:				
U.S. dollars	1,840	—	46	46
Total	¥ 10,079	¥ —	¥ 315	¥ 315

Note: Fair value is based on the quotes presented by the financial institutions.

(ii) Interest rate related

Not applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

2) Derivative transactions which qualify for hedge accounting

(i) Currency related

		Millions of yen			Thousands of U.S. dollars		
		2020			2020		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):							
Sell:							
Euro	Accounts receivable	¥ 6,157	¥ —	¥ 113	\$ 57,009	\$ —	\$ 1,046
Buy:							
U.S. dollars	Accounts payable	5,405	—	48	50,046	—	444
Total		¥ 11,562	¥ —	¥ 162	\$ 107,055	\$ —	\$ 1,500

		Millions of yen		
		2019		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):				
Sell:				
Euro	Accounts receivable	¥ 14,924	¥ 1,899	¥ 206
A. dollars	Accounts receivable	¥ 310	¥ —	¥ (0)
Buy:				
U.S. dollars	Accounts payable	12,488	1,081	38
Total		¥ 27,723	¥ 2,981	¥ 244

Note: Fair value is based on the quotes presented by the financial institutions.

(ii) Interest rate related

		Millions of yen			Thousands of U.S. dollars		
		2020			2020		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):							
Pay fixed/receive floating	Long-term borrowings	¥ 48,899	¥ 37,152	*	\$ 452,768	\$ 344,000	*

		Millions of yen		
		2019		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):				
Pay fixed/receive floating	Long-term borrowings	¥ 39,811	¥ 24,749	*

\* Derivative transactions subject to special treatment applied to interest rate swaps are treated in combination with long-term borrowings as hedged items. Hence, their fair value is included in that of long-term borrowings.

Note: Fair value is based on the quotes presented by the financial institutions.

## 14. RETIREMENT BENEFITS

### 1) Overview of the retirement benefit system adopted

The Company and domestic consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans.

The noncontributory defined benefit plan that is a funded plan adopts a cash balance plan. In this plan, amount of benefit in which the "Point" based on the pay level is multiplied by rate based on the Japanese Government Bonds is provided to employee as pension or lump-sum payment.

The lump-sum retirement benefit is provided employee in accordance with the "Point" based on the business results, and the length of service. The lump-sum retirement payment plans are unfunded plans excluding the Company and certain consolidated subsidiary. The Company's and certain consolidated subsidiary's plan are a funded plan due to contribution to the pension and retirement benefit trust.

Several overseas consolidated subsidiaries have defined benefit and defined contribution pension plans.

The Company and certain consolidated subsidiary set up the retirement benefit trust for defined benefit plans and lump-sum retirement payment plans.

Certain consolidated subsidiaries appraise projected benefit obligation and retirement benefit expenses of lump-sum retirement payment plans by the simplified method.

The Company's and certain consolidated subsidiaries are members of the OKI corporate pension fund that is a multiemployer pension plans. The following amounts include multiemployer pension plans.

### 2) Defined benefit plan

(1) The changes in the retirement benefit obligation during the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligation at April 1, 2019 and 2018	¥ 109,248	¥ 111,428	\$ 1,011,555
Service cost	3,024	3,068	28,000
Interest cost	1,182	1,241	10,944
Actuarial gain / loss	1,615	355	14,953
Retirement benefit paid	(6,493)	(6,554)	(60,120)
Other	(64)	(291)	(592)
Retirement benefit obligation at March 31, 2020 and 2019	¥ 108,511	¥ 109,248	\$ 1,004,731

(2) The changes in plan assets during the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Plan assets at April 1, 2019 and 2018	¥ 97,429	¥ 98,971	\$ 902,120
Expected return on plan assets	1,008	1,641	9,333
Actuarial gain / loss	(1,502)	(2,751)	(13,907)
Contributions by the Company and subsidiaries	4,324	4,631	40,037
Retirement benefits paid	(4,871)	(5,063)	(45,101)
Plan assets at March 31, 2020 and 2019	¥ 96,389	¥ 97,429	\$ 892,490

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2020 and 2019 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligation	¥ 90,649	¥ 92,296	\$ 839,342
Plan assets at fair value	(96,389)	(97,429)	(892,490)
	(5,739)	(5,133)	(53,138)
Unfunded retirement benefit obligation	17,861	16,952	165,379
Net liability for retirement benefits in the balance sheet	¥ 12,122	¥ 11,819	\$ 112,240
Liability for retirement benefits	32,129	30,158	297,490
Asset for retirement benefits	(20,007)	(18,339)	(185,250)
Net asset for retirement benefits in the balance sheet	¥ 12,122	¥ 11,819	\$ 112,240

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

(4) The components of retirement benefit expense for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 3,024	¥ 3,068	\$ 28,000
Interest cost	1,182	1,241	10,944
Expected return on plan assets	(1,008)	(1,641)	(9,333)
Amortization of actuarial gain / loss	959	(265)	8,879
Amortization of prior service cost	(118)	(118)	(1,092)
Other	188	195	1,740
Retirement benefit expense	¥ 4,226	¥ 2,480	\$ 39,129

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥ (118)	¥ (118)	\$ (1,092)
Actuarial gain / loss	(2,157)	(3,371)	(19,972)
Total	¥ (2,275)	¥ (3,489)	\$ (21,064)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	¥ (339)	¥ (457)	\$ (3,138)
Unrecognized actuarial gain / loss	5,494	3,337	50,870
Total	¥ 5,155	¥ 2,879	\$ 47,731

(7) Plan assets

(i) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 were as follows:

	2020	2019
Bonds	38%	38%
Stocks	29	30
Alternative	17	17
Other	16	15
Total*	100%	100%

\* The retirement benefit trust consists of 16% of the total plan assets for the year ended March 31, 2020 and 15% of the total plan assets for the year ended March 31, 2019, respectively.

(ii) The expected rate of return on plan assets has been estimated based on the average rate of return on plan assets of the latest 3 years.

(8) The assumptions used in accounting for the above plans were as follows:

	2020	2019
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	1.07%	1.7%

**3) Defined contribution plan**

The Company and domestic consolidated subsidiaries made required contributions to the defined contribution plans of ¥2,226 million (\$20,611 thousand) and ¥2,184 million for the years ended March 31, 2020 and 2019, respectively.

## 15. STOCK OPTION PLAN

The stock options outstanding as of March 31, 2020 are as follows:

### 1) The amount and the accounting subject in relation to the stock options existing for the year ended March 31, 2020.

Selling, general and administrative expenses for the years ended March 31, 2020 and 2019 is ¥59 million (\$546 thousand) and ¥53 million, respectively.

### 2) The size of stock option and its circumstances.

Date of approval by shareholders	July 29, 2016	July 28, 2017	July 27, 2018	July 26, 2019
Grantees	4 directors and 13 executive officers	3 directors and 15 executive officers	2 directors and 16 executive officers	4 directors and 14 executive officers
Type of shares for which new subscription rights offered (Note below)	55,700 shares of Common stock	61,700 shares of Common stock	60,400 shares of Common stock	61,600 shares of Common stock
After the resolution				
End of the preceding term	35,500 shares	49,800 shares	60,400 shares	—
Vested	—	—	—	61,600 shares
Exercised	5,400 shares	8,800 shares	8,800 shares	—
Cancelled	—	—	—	—
Outstanding	30,100 shares	41,000 shares	51,600 shares	61,600 shares
Date of issuance	August 16, 2016	August 15, 2017	August 14, 2018	August 14, 2019
Condition of exercising	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.
Vesting period	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018	April 1, 2018 – March 31, 2019	April 1, 2019 – March 31, 2020
Exercise price	¥1 (\$0.00)	¥1 (\$0.00)	¥1 (\$0.00)	¥1 (\$0.00)
Exercisable period	August 17, 2016 – August 16, 2041	August 16, 2017 – August 15, 2042	August 15, 2018 – August 14, 2043	August 15, 2019 – August 14, 2044
Official price at the date of offered	¥860 (\$7.96)	¥1,000 (\$9.25)	¥878 (\$8.12)	¥961 (\$8.89)

Note: The amount is converted into the number of shares.

### 3) The evaluation of fair value of stock option

(1) The fair value of stock option value is determined using a Black-Scholes model.

(2) General information and the method of estimation.

Date of approval by shareholders	July 26, 2019
Stock market volatility (Note 1)	41.66%
Estimated residual period (Note 2)	12.5 years
Estimated dividends (Note 3)	¥50 (\$0.46) per share
Risk-free rate (Note 4)	(0.15) %

Notes: 1. The figure is calculated from the actual stock prices for the period of 12.5 years (from February, 2007 to August, 2019).

2. Because accumulation of data is insufficient and reasonable estimation is difficult, this is estimated on the assumption that it will be exercised at the midpoint of the subscription rights exercise period.

3. This figure is a simple average of actual dividend for the most recent two periods.

4. The yield of government bond is accordance with estimated residual period.

### 4) The method of estimating the number of stock options vested

Fundamentally, only the actual number of cancelled stock options is shown as it is difficult to estimate the possible number of cancelled stock options.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**16. INCOME TAXES**

1) Deferred tax assets and liabilities at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Liability for retirement benefits	¥ 13,809	¥ 13,134	\$ 127,861
Loss carryforwards (Note)	10,361	14,320	95,935
Excess of allowance for doubtful receivables and bad debts expenses	4,467	4,804	41,361
Accrued bonuses	4,017	4,023	37,194
Write-downs of inventories	2,481	2,395	22,972
Write-downs of investments in securities	1,868	1,641	17,296
Impairment loss	1,190	941	11,018
Provision for loss on construction contracts	842	830	7,796
Asset retirement obligations	841	861	7,787
Other	6,516	6,144	60,333
Gross deferred tax assets	46,397	49,098	429,601
Valuation allowance for tax loss carryforwards (Note)	(10,011)	(13,290)	(92,694)
Valuation allowance for deductible temporary differences	(25,921)	(25,152)	(240,009)
Less: Valuation allowance	(35,933)	(38,443)	(332,712)
Total deferred tax assets	10,464	10,655	96,888
Deferred tax liabilities:			
Asset for retirement benefits	(7,100)	(6,365)	(65,740)
Write-ups of investments in securities	(5,723)	(5,723)	(52,990)
Taxable unrealized gain on contribution of securities to a pension trust	(1,957)	(1,957)	(18,120)
Fair-value accounting for associated with the acquisition of a subsidiary	(1,708)	(1,836)	(15,814)
Other	(1,230)	(2,496)	(11,388)
Total deferred tax liabilities	(17,719)	(18,379)	(164,064)
Net deferred tax liabilities	¥ (7,255)	¥ (7,724)	\$ (67,175)

Note: The amount by tax loss carryforward for tax and the deferred tax asset due date

	Millions of yen						
	2020						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	¥ 607	¥ 141	¥ 82	¥ 296	¥ 192	¥ 9,041	¥ 10,361
Less: Valuation allowance	(590)	(120)	(79)	(295)	(184)	(8,741)	(10,011)
Deferred tax assets	¥ 17	¥ 21	¥ 2	¥ 1	¥ 7	¥ 299	¥ 349

	Millions of yen						
	2019						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	¥ 2,565	¥ 665	¥ 165	¥ 103	¥ 320	¥ 10,499	¥ 14,320
Less: Valuation allowance	(1,944)	(646)	(143)	(96)	(318)	(10,141)	(13,290)
Deferred tax assets	¥ 620	¥ 19	¥ 22	¥ 6	¥ 2	¥ 358	¥ 1,029

	Thousands of U.S. dollars						
	2020						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	\$ 5,620	\$ 1,305	\$ 759	\$ 2,740	\$ 1,777	\$ 83,712	\$ 95,935
Less: Valuation allowance	(5,462)	(1,111)	(731)	(2,731)	(1,703)	(80,935)	(92,694)
Deferred tax assets	\$ 157	\$ 194	\$ 18	\$ 9	\$ 64	\$ 2,768	\$ 3,231

**2) Income taxes applicable to the company and domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 31% for the years ended March 31, 2020 and 2019, respectively. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their respective countries of incorporation. A reconciliation between the statutory tax rates and the effective tax rates as a percentage of profit (loss) before income taxes for the years ended March 31, 2020 and 2019 are summarized as follows:**

	2020	2019
Statutory tax rates	<b>30.6%</b>	30.6%
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	<b>(0.9)</b>	(1.5)
Permanent nondeductible differences such as entertainment expenses	<b>2.7</b>	7.8
Increase (decrease) in valuation allowance for deferred tax assets	<b>(5.9)</b>	(10.1)
Per capita portion of inhabitants' taxes	<b>1.5</b>	2.8
Other, net	<b>0.0</b>	(6.1)
Effective tax rates	<b>28.1%</b>	23.5%

## **17. BUSINESS COMBINATION**

Business combinations for the year ended March 31, 2020 consisted of the following:

(Transaction under Common Control)

Oki Wintech Co., Ltd. and Oki Customer Adtech Co., Ltd., both of which were consolidated subsidiaries of the Company, resolved to conduct an absorption-type merger at the Board of Directors meetings of the companies held on October 31, 2018, whereby the former would become the surviving entity and the latter the extinguished entity by absorption. The companies signed a merger agreement on the same day.

### **1) Outline of transactions**

(1) Name and content of business of the company involved in the merger

	Surviving company	Extinguished company
Name of the company	Oki Wintech Co., Ltd.	Oki Customer Adtech Co., Ltd.
Content of business	Engineering work for electrical and energy facilities, sales of ICT systems for businesses, and sales of traffic-relayed systems	Repair, maintenance, engineering work, remote supervision, operations management, manufacturing and sales of information processing, telecommunications, control, measurement, broadcasting, and medical equipment and systems; and development and sales of related software

(2) Date of business combination

April 1, 2019

(3) Legal forms of business combination

Absorption-type merger, whereby Oki Wintech Co., Ltd. becomes the surviving entity and Oki Customer Adtech Co., Ltd. becomes the extinguished entity

(4) Name of the company after combination

OKI Crosstech Co., Ltd. (the company name changed from Oki Wintech Co., Ltd. on April 1, 2019)

(5) Other items regarding outline of transaction

Oki Wintech Co., Ltd. with a long, good track record as an engineering company in the fields of construction and maintenance of voice networks, electrical works, and social infrastructure works has been merged with Oki Customer Adtech Co., Ltd. with an excellent track record in maintenance and operations of high-availability equipment such as ATMs, financial systems and servers. A new company capable of providing strong service solutions has been established, and it will enhance the recurring business platform and ensure sustainable growth of the OKI Group.

### **2) Outline of accounting procedures applied**

The transaction was accounted for as transactions under common control in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, January 16, 2019) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, January 16, 2019)

**18. SEGMENT INFORMATION**

**1) Segment information**

(1) Overview of reporting segments

In our reportable segments, the separated financial information of the Company’s constituent units is available, and the Board of Directors periodically reviews the information in order to determine the allocation of management resources and evaluate performance of the reportable segments.

The Company conducts the “ICT business”, the “Mechatronics Systems business” and the “EMS business”. And it has an Oki Data Group (Oki Data Corporation and its group companies) as an independent management unit and conducts the “Printers business”.

As the Company develops comprehensive domestic and overseas strategies for product instruments handled by each of the above businesses and develops business activities, it treats the above four business as reporting segments.

“ICT business” conducts business to provide solutions that realize optimization and efficiency of solutions and business processes utilizing IoT.

“Mechatronics Systems business” conducts business to provide products and services such as ATM and cash handling machines based on mechatronics technology.

“Printers business” conducts business to provide printers that make full use of the characteristics of LED technology.

“EMS business” conducts outsourcing business based on abundant achievements of social infrastructure equipment.

Major products and services belonging to each reporting segment are as follows:

Reporting segments	Major products and services
ICT	Transport infrastructure system, disaster prevention related system, defense related system, communication equipment for telecommunication carriers, financial branch office system, administrative centralized system, reservation ticketing system, IP-PBX, business phone, contact center, 920 MHz multihop wireless system etc.
Mechatronics Systems	ATM, cash handling machine, branch office terminal, reservation ticket issuing terminal, check-in terminal, foreign currency exchange machine, ATM monitoring and operation service etc.
Printers	Color / monochrome LED printer, color / monochrome LED multifunction printer, large format inkjet printer, dot impact printer, etc.
EMS	Consigned design & manufacturing services, printed wiring board, etc.

From the current consolidated fiscal year, the EMS business has been reorganized with the aim of further strengthening the one-stop service from sales to design/manufacturing and evaluation, as in the previous year.

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The account policies of the reporting segments are the same as those described in “Note1. Summary of Significant Accounting Policies” and intersegment sales and transfers are calculated at the prevailing market prices.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment  
Reporting segment information as of March 31, 2020 and 2019 and for the years then ended were as follows:

For the year ended March 31	Millions of yen								
	2020								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	¥ 229,065	¥ 70,728	¥ 92,285	¥ 59,788	¥ 451,868	¥ 5,355	¥ 457,223	—	¥ 457,223
Inter-segment sales and transfers	3,689	1,272	5,328	1,172	11,463	15,889	27,352	(27,352)	—
Net sales	232,755	72,001	97,614	60,961	463,332	21,244	484,576	(27,352)	457,223
Operating income (loss)	20,835	(296)	2,774	2,074	25,387	389	25,776	(8,946)	16,829
Total assets	128,043	66,404	61,886	54,736	311,071	44,042	355,113	17,357	372,471
Depreciation and amortization	2,944	2,083	3,304	2,103	10,436	437	10,873	1,014	11,888
Investments in equity-method affiliates	1,667	—	—	—	1,667	—	1,667	—	1,667
Increase in property, plant, equipment and intangible assets	¥ 4,482	¥ 4,537	¥ 5,587	¥ 3,074	¥ 17,681	¥ 221	¥ 17,903	¥ 1,270	¥ 19,174

  

For the year ended March 31	Millions of yen								
	2019								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	¥ 184,286	¥ 82,731	¥ 102,554	¥ 66,246	¥ 435,819	¥ 5,632	¥ 441,452	—	¥ 441,452
Inter-segment sales and transfers	4,306	1,888	5,228	1,187	12,610	14,939	27,550	(27,550)	—
Net sales	188,592	84,620	107,782	67,434	448,430	20,572	469,003	(27,550)	441,452
Operating income (loss)	14,668	82	5,740	3,727	24,219	855	25,074	(7,552)	17,522
Total assets	125,322	63,231	64,791	56,995	310,340	11,605	321,946	43,557	365,503
Depreciation and amortization	2,856	2,501	2,691	2,109	10,159	425	10,584	993	11,577
Investments in equity-method affiliates	2,041	—	—	—	2,041	—	2,041	—	2,041
Increase in property, plant, equipment and intangible assets	¥ 3,576	¥ 2,529	¥ 3,818	¥ 3,146	¥ 13,071	¥ 269	¥ 13,340	¥ 890	¥ 14,230

  

For the year ended March 31	Thousands of U.S. dollars								
	2020								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	\$ 2,120,972	\$ 654,888	\$ 854,490	\$ 553,592	\$ 4,183,962	\$ 49,583	\$ 4,233,546	—	\$ 4,233,546
Inter-segment sales and transfers	34,157	11,777	49,333	10,851	106,138	147,120	253,259	(253,259)	—
Net sales	2,155,138	666,675	903,833	564,453	4,290,111	196,703	4,486,814	(253,259)	4,233,546
Operating income (loss)	192,916	(2,740)	25,685	19,203	235,064	3,601	238,666	(82,833)	155,824
Total assets	1,185,583	614,851	573,018	506,814	2,880,287	407,796	3,288,083	160,712	3,448,805
Depreciation and amortization	27,259	19,287	30,592	19,472	96,629	4,046	100,675	9,388	110,074
Investments in equity-method affiliates	15,435	—	—	—	15,435	—	15,435	—	15,435
Increase in property, plant, equipment and intangible assets	\$ 41,500	\$ 42,009	\$ 51,731	\$ 28,462	\$ 163,712	\$ 2,046	\$ 165,768	\$ 11,759	\$ 177,537

Notes: 1. The category "Others" is a business that is not included in the reporting segments, and is engaged in the provision of utilities and manufacturing and selling other equipment products.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating income (loss)			
Elimination of intersegment transactions	¥ 15	¥ 69	\$ 138
Corporate expense*	(8,786)	(7,530)	(81,351)
Fixed asset adjustment	(175)	(91)	(1,620)
Total	¥ (8,946)	¥ (7,552)	\$ (82,833)

\* Corporate expenses consist principally of expenses in the Company's General and Administrative Department and research and development expenses that are not attributable to the reportable segments.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total assets			
Elimination of intersegment transactions	¥ (119,644)	¥ (112,155)	\$ (1,107,814)
Corporate assets*	138,249	156,282	1,280,083
Fixed asset adjustment	(1,247)	(569)	(11,546)
Total	¥ 17,357	¥ 43,557	\$ 160,712

\* Corporate assets consist principally of the Company's surplus funds, funds for long-term investments and assets belonging to the General and Administrative Department.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Depreciation and amortization			
Depreciation expense for corporate assets	¥ 1,248	¥ 1,247	\$ 11,555
Fixed asset adjustment	(233)	(253)	(2,157)
Total	¥ 1,014	¥ 993	\$ 9,388

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Increase in property, plant, equipment and intangible assets			
Corporate assets	¥ 1,674	¥ 1,231	\$ 15,500
Fixed asset adjustment	(403)	(340)	(3,731)
Total	¥ 1,270	¥ 890	\$ 11,759

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

## 2) Related information

Related information as of March 31, 2020 and 2019 and for the years then ended were as follows:

### (1) Products and service information

Since the same information is disclosed in the segment information, the description is omitted.

### (2) Geographic information

#### (i) Sales

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 367,128	¥ 341,857	\$ 3,399,333
North America	13,281	14,733	122,972
Latin America	11,060	13,587	102,407
Europe	36,177	40,944	334,972
China	10,084	13,327	93,370
Other	19,491	17,002	180,472
Total	¥ 457,223	¥ 441,452	\$ 4,233,546

Note: Sales are classified as country or region based on the customer's location.

#### (ii) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 44,250	* ¥ —	\$ 409,722
Asia	5,156	—	47,740
Other	2,020	—	18,703
Total	¥ 51,428	¥ —	\$ 476,185

\* Since the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on the consolidated balance sheet, the disclosure is omitted.

## 3) Information on impairment loss by each reporting segment

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
ICT	¥ 6	¥ —	\$ 55
Mechatronics Systems	(7)	3,019	(64)
Printers	23	107	212
Company-wide	824	—	7,629
Total	¥ 846	¥ 3,127	\$ 7,833

Note: Impairment loss includes impairment loss shown as business structure improvement expenses.

## 4) Information on amortization of goodwill and unamortized balance by each reporting segment

Year ended March 31, 2019

The disclosure is omitted due to immateriality.

Year ended March 31, 2020

The disclosure is omitted due to immateriality.

## 5) Information on gain on negative goodwill by each reporting segment

Year ended March 31, 2019

Not applicable

Year ended March 31, 2020

Not applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**19. AMOUNTS PER SHARE**

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥ 1,227.42	¥ 1,155.28	\$ 11.36
Basic earnings per share	¥ 162.80	¥ 97.16	\$ 1.50
Diluted earnings per share	¥ 162.51	¥ 97.03	\$ 1.50

\*1 Basic and diluted earnings per share were calculated on the basis of the following data.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Basic earnings per share			
Profit attributable to owners of parent	¥ 14,086	¥ 8,405	\$ 130,425
Amounts not attributable to common stock	—	—	—
Profit attributable to owners of parent related to common stock	¥ 14,086	¥ 8,405	\$ 130,425
Weighted-average number of shares of common stock during the period (thousand shares)	86,529	86,508	
Diluted earnings per share			
Profit attributable adjustment to owners of parent	—	—	—
Increase in number of common stocks (thousand shares)	155	120	
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects	—	—	

\*2 Net assets per share were calculated on the basis of the following data.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥ 106,440	¥ 100,200	\$ 985,555
Amounts deducted from total net assets	¥ 235	¥ 259	\$ 2,175
(Subscription rights to shares)	¥ (171)	¥ (133)	\$ (1,583)
(Non-controlling interests)	¥ (64)	¥ (126)	\$ (592)
Net assets at the year end to common stock	¥ 106,205	¥ 99,941	\$ 983,379
Common stock at the year end used to calculated of the net assets per share (thousand shares)	86,527	86,508	

## 20. CONSOLIDATED SUPPLEMENTARY SCHEDULES

### 1) Schedule of company bonds

Not applicable

### 2) Schedule of borrowings, etc.

	Millions of yen				Thousands of U.S. dollars	
	2020				2020	
	Balance at March 31, 2019	Balance at March 31, 2020	Average interest rate	Term of payment	Balance at March 31, 2019	Balance at March 31, 2020
Short-term borrowings	¥ 30,570	¥ 21,400	2.2%	—	\$ 283,055	\$ 198,148
Long-term borrowings (Within 1 year)	18,310	14,014	1.3	—	169,537	129,759
Lease obligations (Within 1 year)	2,918	4,539	—	—	27,018	42,027
Long-term borrowings (Over 1 year)	29,673	42,310	1.2	2021~2025	274,750	391,759
Lease obligations (Over 1 year)	11,926	15,417	—	2021~2030	110,425	142,750
Total	¥ 93,399	¥ 97,682	—	—	\$ 864,805	\$ 904,462

Notes: 1. For the "average interest rate", the weighted average interest rate on the balance at the end of the fiscal year such as borrowings is stated. Since we adopt a method that does not recognize interest equivalent amount for part of lease obligations, the description of average interest rate is omitted.

2. The planned amount of repayment within five years after the consolidated closing date of "Long-term borrowings and Lease obligations (over 1 year)" is as follows:

	Millions of yen				Thousands of U.S. dollars			
	2020				2020			
	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
Long-term borrowings	¥ 13,326	¥ 13,326	¥ 10,326	¥ 5,332	\$ 123,388	\$ 123,388	\$ 95,611	\$ 49,370
Lease obligations	4,173	3,501	3,095	2,438	38,638	32,416	28,657	22,574

### 3) Schedule of asset retirement obligations

The amount of asset retirement obligations at the beginning of this consolidated fiscal year and at the end of the consolidated fiscal year ended March 31

Since it is less than 1 / 100th of the total amount of liabilities and net assets at the end of the fiscal year, note is omitted.