

**OKI REPORT
2023**



OKI GROUP VALUES

The “OKI Group Action Principles” we enacted in September 2016 give formal expression to values shared by all OKI Group executives and employees. Amid large changes in the business environment, we seek to embed these principles as extensively as we can into our practices with the commitments expressed in the “OKI Group Charter of Corporate Conduct” and the “OKI Group Code of Conduct” as the cornerstones of our corporate activities. We seek to realize our corporate philosophy by striving to embody our vision.

Corporate Philosophy

The people of OKI, true to the company’s “enterprising spirit,” are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age.

Vision

The OKI Group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of “Mono-zukuri” and “Koto-zukuri.”

*Mono-zukuri: manufacturing
*Koto-zukuri: creation of solutions and services

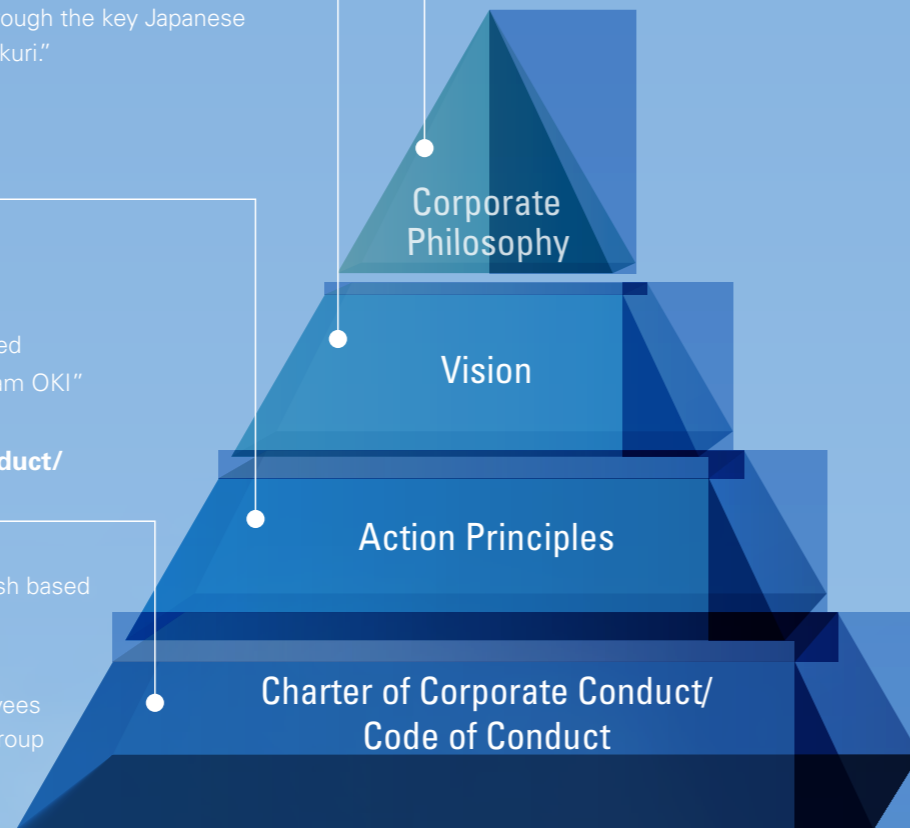
Action Principles

- Act with integrity
- Challenge and drive change
- Perform with speed and agility
- Be passionate, and determined to succeed
- Proactively encourage excellence as “Team OKI”

OKI Group Charter of Corporate Conduct/ OKI Group Code of Conduct

OKI Group Charter of Corporate Conduct
CSR activities OKI Group must accomplish based on its corporate philosophy

OKI Group Code of Conduct
Codes of conduct executives and employees must conform to in accordance to OKI Group Charter of Corporate Conduct



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Editorial Policy

OKI Report 2023 has been created with the aim of deepening the understanding of investors and other stakeholders regarding the OKI Group’s efforts aimed at sustainable growth. This report has been edited with a focus on providing an easy-to-understand presentation of the targets and policies for both the value creation strategy and value creation foundation based on the Medium-Term Business Plan 2025 announced in May 2023 and the Material Issues (Materiality) that were reviewed in conjunction with the formulation of the business plan, as well as the results of the initiatives based on the Material Issues through now. More detailed information is reported on our website, so please see that as well. Please note that in the editing of this report, we referred to the “International Integrated Reporting Framework” of the International Integrated Reporting Council (IIRC), and “Guidance for Collaborative Value Creation” from the Ministry of Economy, Trade and Industry.

Targeted Organizations

OKi Electric Industry Co., Ltd. and its domestic and international consolidated subsidiaries
Note that when the scope differs from the above, this has been individually mentioned.

Targeted Period

FY2022 (April 1, 2022 to March 31, 2023)
Some portions include information pertaining to April 2023 and after.

Forward-looking Statements

This report contains forward-looking statements concerning the OKI Group’s future plans, financial targets, technologies, products, services and performance. These forward-looking statements represent assumptions and beliefs based on data and calculation methods currently available to OKI as of the date of publication, and therefore they are not a guarantee of future accuracy. Also, these forward-looking statements, which include our analysis and forecasts, are not a guarantee of future performance or outcomes. These statements involve business risks and uncertainties. Due to various factors, actual results may differ from those discussed in this document.

Information Disclosure System

Financial Information	Non-Financial Information
●OKI Report https://www.oki.com/en/sustainability/report/index.html	
●Website: Investor Relations https://www.oki.com/en/ir/ ●Financial Results https://www.oki.com/en/ir/data/results/	●Website: Sustainability https://www.oki.com/en/sustainability/ ●Corporate Governance Report https://www.oki.com/en/ir/corporate/governance/
















• All company and product names included in this report are trademarks or registered trademarks of each of the companies they represent.

THE PATH TO VALUE CREATION

For over 140 years since its founding, OKI has been delivering a succession of advanced products and services underpinned by the Company's "enterprising spirit" to meet the needs of society. We will continue our efforts to realize a comfortable and affluent tomorrow for everyone by creating values that contribute to the resolution of social issues.

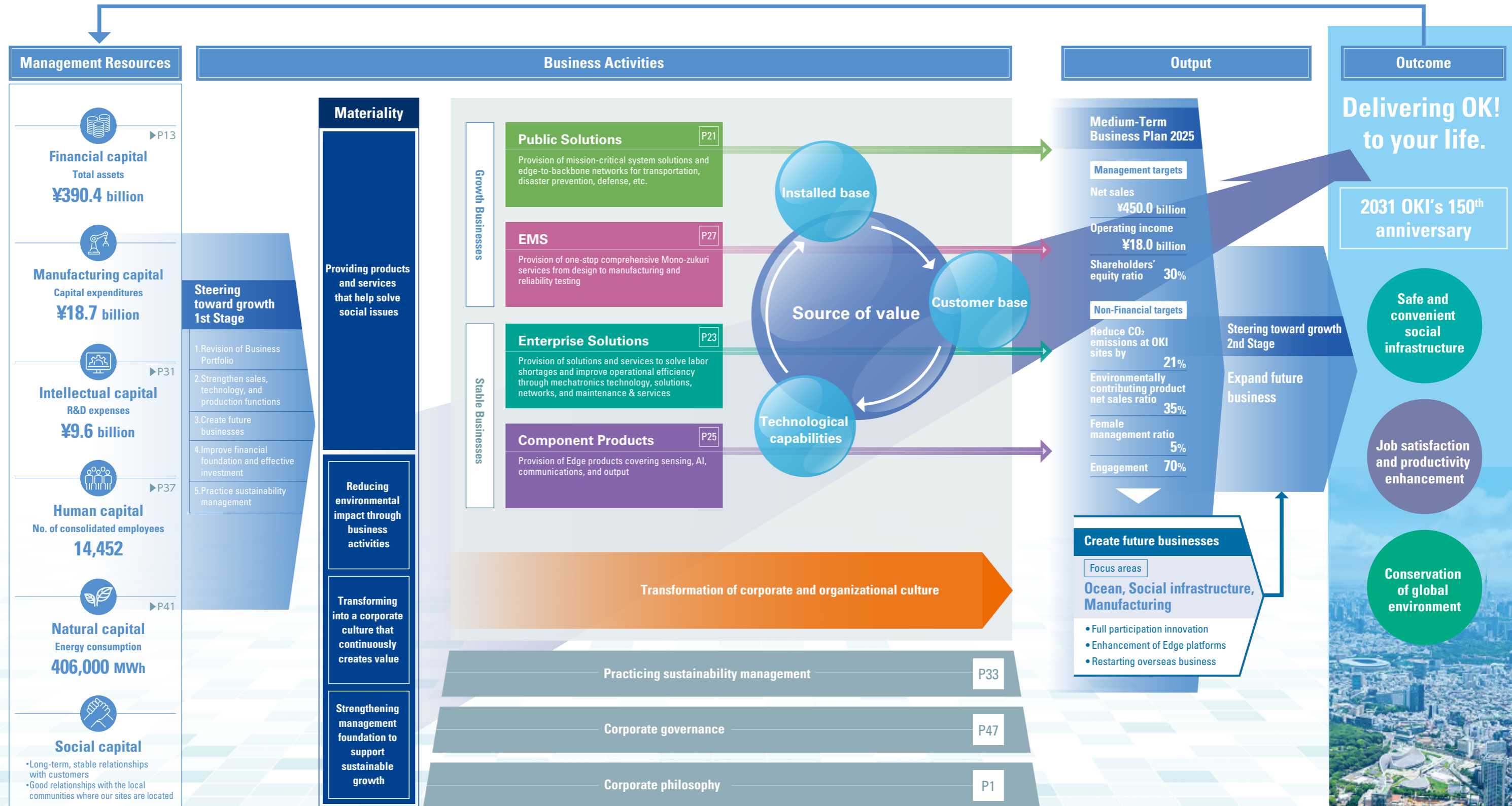
For details on OKI's history, please visit the websites below. —
 • History
<https://www.oki.com/en/profile/history/>
 • The 120-Year History of Oki Electric
<https://www.oki.com/en/profile/history/120y.html>
 • 130th Anniversary Column: OKI and the Changing Times
<https://www.oki.com/en/130column/>

Delivering OK! to your life.

	1881-	1950-	1980-	2000-	2010-
<p>Values provided by OKI</p>	<p>Contributing to the development of domestic telecommunications networks as a pioneer of the times</p>	<p>Working hard on post-war telecommunications network reconstruction Participating in a joint project of the public and private sector to develop a domestically produced computer to lead the times as a comprehensive telecommunications manufacturer</p>	<p>Celebrating the 100th anniversary, providing systems and products worldwide necessary for an advanced information society</p>	<p>Developing products and services that respond to needs based on our original technology in order to support social infrastructure in a broad sense</p>	<p>Creating products that respond to new social needs, including disaster prevention and reduction as well as non-contact/non-face-to-face products</p>
<p>1881 (14th year, Meiji Era) Kibatato Oki established Meikosha, Ltd.</p>  <p>Japan's postal, telegraph, and telephone services all started in the early Meiji era, when Kibatato Oki founded Meikosha, Ltd., and one by one evolved to become our present information communication system. In the early days of telecommunications, Kibatato recognized the future of telegraphs and telephones and worked hard to develop them. Four years after the phone was brought in from the United States, he succeeded in developing Japan's first domestic telephone. The "enterprising spirit" of Kibatato, who paved the way with his own technology and creativity, has been passed down inside the company and makes OKI what it is today.</p>	<p>1881 Meikosha, Ltd. established by Kibatato Oki. Japan's first domestically produced telephone developed and displayed at the National Industrial Exhibition</p> <p>1896 Japan's first domestically produced in-line multiple telephone switchboard delivered to Naniwacho Branch Telephone Office in Tokyo and put into operation</p> <p>1902 First Japan-made magnetic parallel multiple telephone switchboard delivered to Nagasaki Telephone Office</p> <p>1918 100% Japan-made common-battery telephone switchboard delivered to Takanawa Telephone Office in Tokyo</p> <p>1930 First in-house AEI-type automatic exchange delivered to Nakano Telephone Office in Tokyo</p>  <p>Promotional poster for Meikosha, Ltd.</p>  <p>Magnetic parallel multiple telephone switchboard</p>	<p>1950 Mass production of the Type-4 telephone—a symbol of Japan's reconstruction—began</p> <p>1953 Page printing telegram "Teletypewriter" released</p> <p>1961 Computer equipped with first Japan-made core memory released</p> <p>1962 Order received from Honduras to construct a telecommunications network</p> <p>1963 Mass production of Type-600 telephone began. Shipped a total of 3.9 million such phones by 1971</p> <p>1969 "OKITAC-4300" minicomputer released</p> <p>1971 D10 electronic telephone switchboard delivered to Nippon Telegraph and Telephone Public Corporation</p> <p>1975 Agreement concluded with US-based Bell Laboratories to jointly develop a cellular car phone</p> <p>1976 "OKIFAX 7100" digital thermal facsimile machine released</p>  <p>Teletypewriter</p>  <p>600形電話機</p>  <p>OKITAC-4300</p>	<p>1980 "if800 series" of personal computers released</p> <p>1981 World's first LED printer developed</p> <p>1982 World's first cash-recycling ATMs, the "AT-100 series," released</p> <p>1985 Integrated production of car/mobile phones began by Oki Telecom Group of Oki America Inc.</p> <p>1986 Japanese-English automatic translation system "PENSEE" released</p> <p>1996 Computer-Telephony Integration System "CTstage" released Japan's first VoIP system released</p> <p>1998 ISO 14001 certification acquired for all OKI production bases</p>  <p>LED printer</p>  <p>VoIP system</p>  <p>Cash-recycling ATM</p>	<p>2000 World's first millimeter wave optical fiber wireless transmission system for ITS road-vehicle communication systems successfully developed</p> <p>2002 EMS business began</p> <p>2003 Next-generation Aeronautical Telecommunication Network (ATN) router delivered to the United States Federal Aviation Administration (FAA)</p> <p>2005 Real-time earthquake disaster prevention system developed</p> <p>2006 World's first dissimilar-material thin-film-bonding technology, "CFB (Crystal Film Bonding)," successfully mass-produced at the practical level</p> <p>2008 "COREFIDO" series of printers and Multifunction Printers (MFPs) released for the Japanese market with the industry's first free five-year warranty</p> <p>2009 "ATM-Recycler G7," a cash-recycling ATM capable of handling the paper money of multiple countries, developed for the worldwide market</p>  <p>COREFIDO</p>  <p>ATM-Recycler G7</p>  <p>An early EMS factory</p>	<p>2010 Participated in the United Nations Global Compact</p> <p>2014 "River Monitoring System" that uses a 920 MHz band multi-hop wireless network developed</p> <p>2019 Expressed support for the TCFD</p> <p>"AI Edge Robot," a service robot that helps resolve labor shortages, developed</p> <p>2020 "Hygienic Touch Panel," which enables non-contact screen operation, developed</p> <p>2022 Honjo Plant H1 building completed as Japan's first "ZEB" certified large-scale production facility</p> <p>Simultaneous launch of the "moniif" infrastructure monitoring service and zero-energy high-sensitivity camera</p> <p>2023 Launch of the "LocoMoses" AI delivery plan optimization service</p>  <p>AI Edge Robot</p>  <p>Zero-energy high-sensitivity camera</p>  <p>Honjo Plant H1 building</p>
<p>Historical background and social issues</p>	<p>Dawn of industrial modernization Reconstruction after the Great Kanto earthquake</p>	<p>Post-war reconstruction Period of high economic growth</p>	<p>Development of globalization Spread of the Internet and the advancement of information society</p>	<p>Changes in the social order and increasingly diverse values and needs Increased awareness of the environment, human rights, etc.</p>	<p>One natural disaster after another and various social issues becoming apparent Toward achieving SDGs</p>

THE OKI GROUP'S VALUE CREATION PROCESS

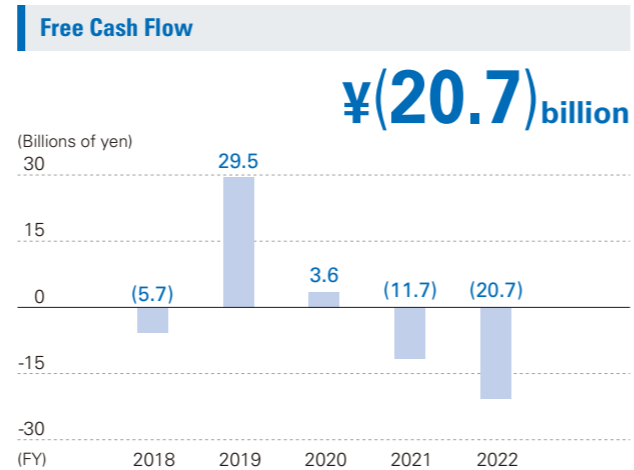
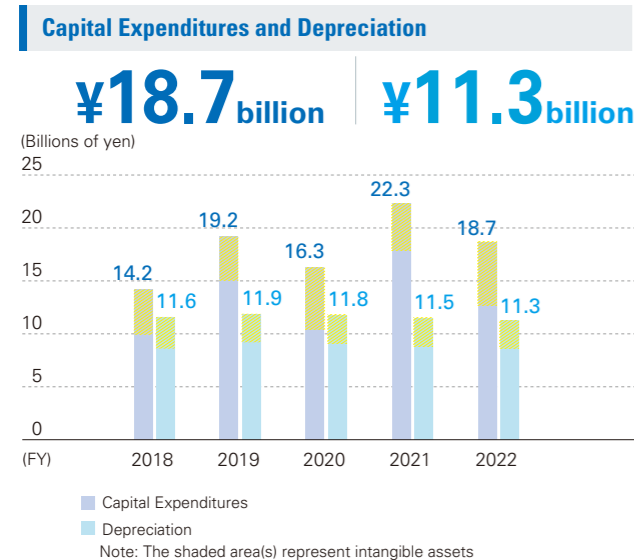
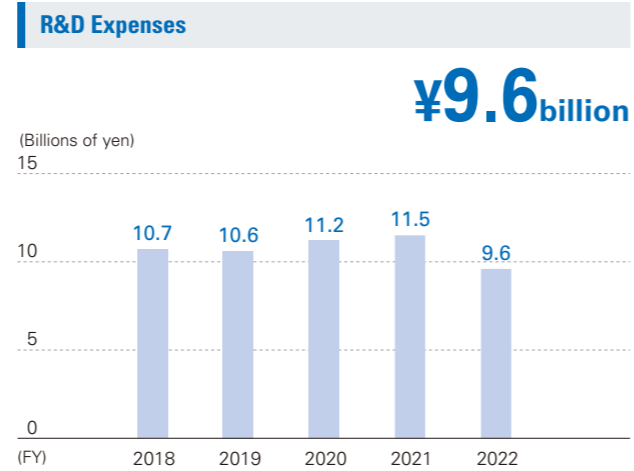
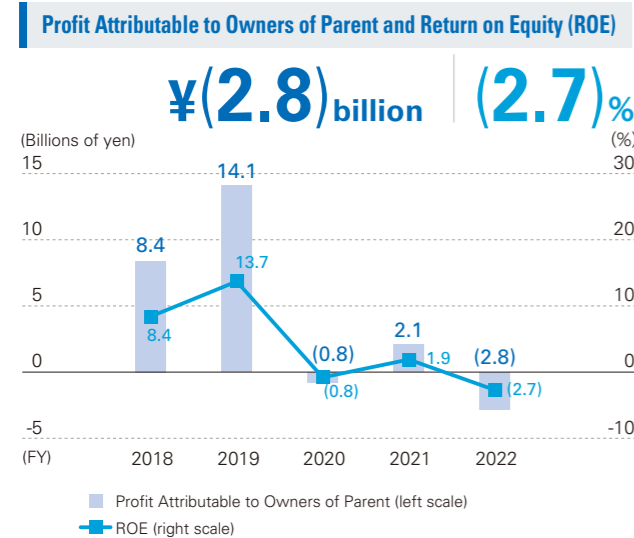
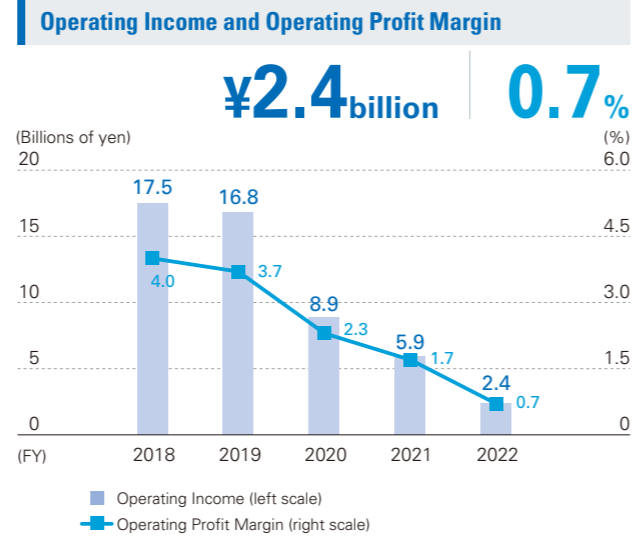
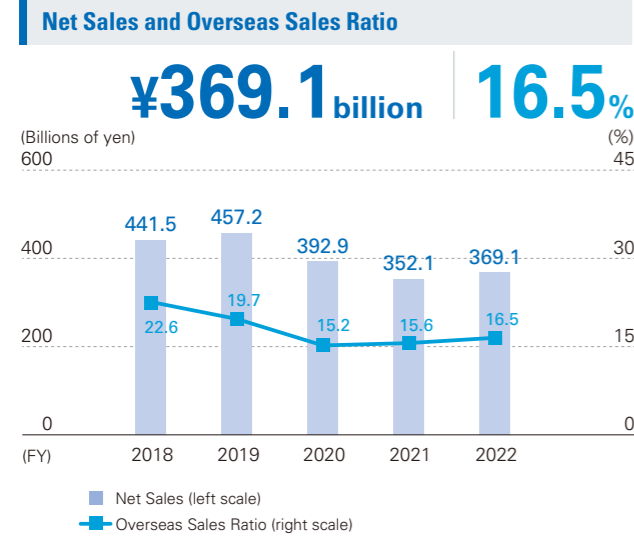
With the goal of "Delivering OK! to your life," the OKI Group is utilizing the technologies and know-how we have cultivated through now to provide products and services that help solve social issues in the "three fields of contribution." We aim to realize a sustainable society and achieve sustainable growth through the implementation of the Material Issues updated with the Mid-Term Business Plan 2025.



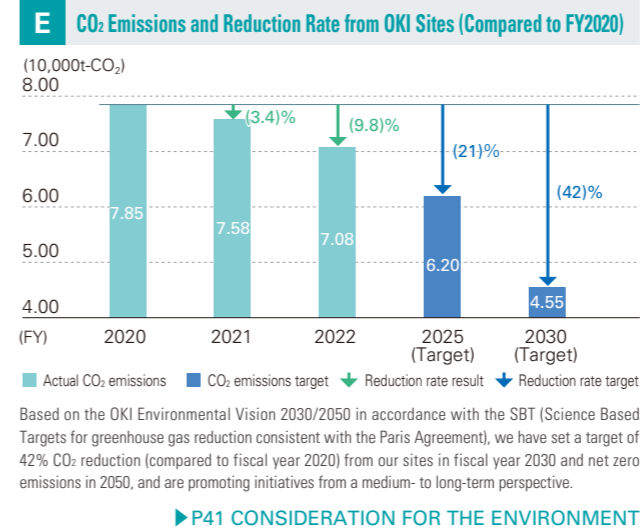
Amounts are either for FY2022 or as of March 31, 2023

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

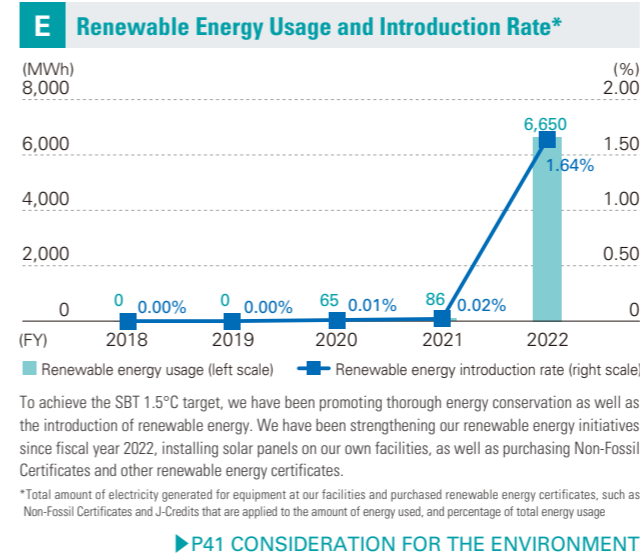
Financial Highlights



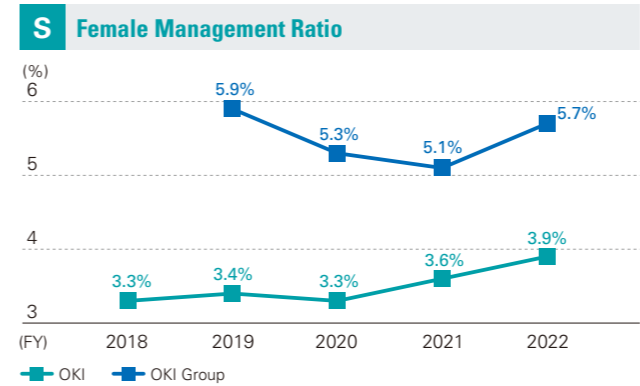
Non-Financial Highlights



▶P41 CONSIDERATION FOR THE ENVIRONMENT

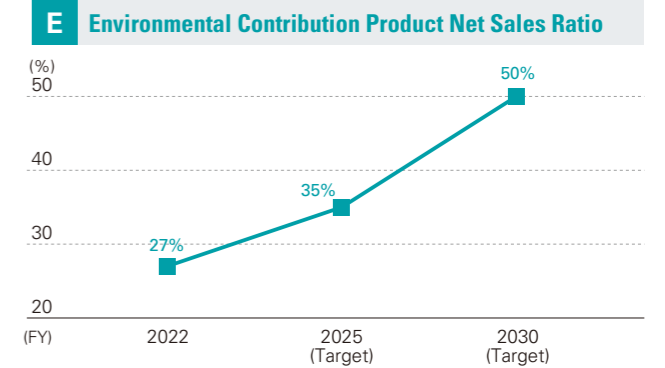


▶P41 CONSIDERATION FOR THE ENVIRONMENT



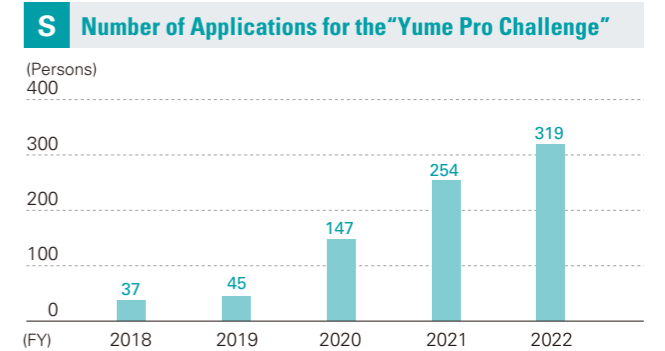
OKI's target is to increase the female management ratio to at least 5% (OKI) by April 2026. In the future, we aim to achieve an equal ratio of female managers proportional to female employees, and will strengthen our initiatives to encourage female employees to play an active role.

▶P37 HUMAN RESOURCE MANAGEMENT



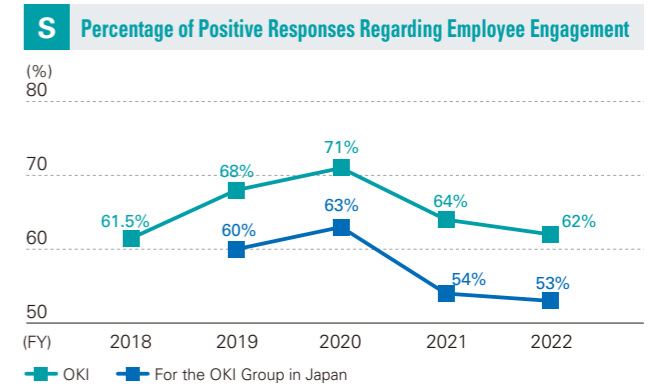
We aim to create and expand environmental contribution products, including products that address climate change, and are strengthening our environmental initiatives through our core business, including revising our definitions in light of the external situation. Our target is to have net sales of environmental contribution products account for 50% of total Group net sales by fiscal year 2030.

▶P41 CONSIDERATION FOR THE ENVIRONMENT



In order to realize full participation innovation, OKI is developing human resources through innovation training for all occupations as well as building an innovation management system. There is an increasingly high number of applications each year for the "Yume Pro Challenge," our business idea contest for sustainably creating new businesses, and some cases of commercialization have begun to emerge.

▶P29 INNOVATION INITIATIVES



Our target is to increase the percentage of positive responses for items related to job satisfaction (OKI work engagement) in the employee awareness survey to 70% (Domestic OKI Group) by fiscal year 2025. We aim to achieve this target through initiatives centered on the Organizational Culture Reform Department that was newly established in fiscal year 2023.

▶P37 HUMAN RESOURCE MANAGEMENT

MESSAGE FROM THE CEO

With an “enterprising spirit,” we will pursue our goal of “Delivering OK! to your life.” We are intently committed to achieving the Medium-Term Business Plan 2025.



Takahiro Mori
Representative Director and CEO

T. Mori

One year after becoming President and COO in April 2022, I became CEO in April 2023. Prior to that, I had served as president of a subsidiary company for many years. When I took over at OKI, I dared to follow the old ways of doing things and observe its inner workings to try to gain a better understanding of the Company as a whole. I saw that the core of the problem was OKI's vertically siloed and conservative corporate culture, which I am currently committed to transforming. I pledged in last year's OKI Report to “create a corporate

culture in which all employees can take on new challenges without being afraid of the corresponding risks” and to “tear down organizational walls to bring our management and sites closer together to boost our in-house vitality,” and the measures to keep the promises were incorporated into the new Medium-Term Business Plan announced in May 2023. In the remainder of this message, I will explain the details of the measures and my ideas on how to steer the OKI Group toward growth.

Review of Medium-Term Business Plan 2022

The Medium-Term Business Plan 2022, which set operating income of 20 billion yen and a shareholders' equity ratio of 30% as management targets, was not achieved due to drastic changes in the external environment, including sluggish demand stemming from the COVID-19 pandemic, shortages of procured parts, and price hikes. We positioned fiscal year 2022, the final year of the plan, as a year of crisis response, and although we made some progress in reducing supply chain impacts by strengthening procurement activities, promoting alternative designs, and optimizing prices to our customers, we were unable to achieve the single-year plan targets. As President, I am keenly aware of my responsibility and cannot help but feel deep regret about this situation.

The various external factors mentioned above cannot be assigned all the blame. I believe that the essence of the problem lies in our fundamental lack of response to environmental changes. While other companies made all-out efforts to

respond to similar environmental changes, we lacked the speed and dynamism to do so.

Fundamental to this are the corporate culture and organizational structure issues I mentioned at the beginning. It is undeniable that, relative to its size in terms of sales, OKI has become a subdivided multilayered organization and this has led to a conservative corporate culture that tends to vertically divide business divisions, follow precedent, and get trapped in local optimal, which has hindered quick and accurate decision-making. I also believe that our domestically oriented business structure has also contributed to narrowing our perspective when making business decisions. In the business reorganization that took place in April 2023, prior to the announcement of the Medium-Term Business Plan, we abolished our Business Group System and simplified our previous eight business divisions into five. This was a first step toward overcoming our difficult situation.

Discussions on Formulation of New Medium-Term Business Plan

In light of the organizational and cultural issues identified in the Medium-Term Business Plan 2022, the formulation of the Medium-Term Business Plan 2025 was based on lively discussions among executives and a strong commitment to listening to and incorporating the voices of as many employees as possible.

Specifically, we discussed each item in the business plan in a working group-like format with key persons from each business or related division, and then the key persons briefed the Board of Directors on the status of our deliberations and exchanged opinions directly with the directors. As a result, although it took some time, I believe we were able to inject on-the-ground reality into the plan. At the same time, through this process, many of those participated in the deliberations had a change in mindset, from passively following the plan as it was given to actively working on it as if it were their own

business, and began to escape their silos and communicate cross-organizationally. The outside directors provided us with candid opinions on the plan, as well as sometimes harsh comments on the speed and format of our deliberations.

In the implementation phase of the plan, to manage progress based on changes in the situation on the ground, the managers in charge of each business regularly report on the progress of their measures to the Board of Directors and receive appropriate advice. I also believe it is important to ensure that measures are incorporated into the operations of each division and even of each individual employee to increase their sense of accomplishment, which is why I am also putting effort into further revitalizing communication mainly by personally traveling to each location to exchange ideas and opinions.

MESSAGE FROM THE CEO

About the Medium-Term Business Plan 2025

Based on these discussions, the Medium-Term Business Plan 2025 was formulated. Under the basic policy of “steer toward growth and break free from the downward trend,” we set management targets of net sales of 450 billion yen, operating income of 18 billion yen, and a shareholders’ equity ratio of 30% for fiscal year 2025, with the aim to “return to FY2019 levels of performance and restore the weakened financial foundation,” and “create future businesses for FY2026 and beyond.” To meet these targets, we will implement the measures set forth under “steering toward growth 1st Stage,” which will lead to “steering toward growth 2nd Stage” (fiscal year 2026 and beyond), which aims to expand future businesses by 2031, the 150th anniversary of the Company’s founding.

OKI’s Vision: Identifying the Three Fields of Contribution

In formulating this plan, we made some adjustments to OKI’s Vision. The ideal of the OKI Group remains unchanged: based on the “enterprising spirit” enshrined in our corporate philosophy, we will pursue our goal of “Delivering OK! to your life.” In other words, we will solve social issues through the provision of mission-critical products that cannot be stopped. However, we have updated the materiality and fields of contribution to better clarify OKI’s contribution to solving social issues in its business.

Under the materiality “providing products and services that help solve social issues,” the OKI Group will contribute to three fields: safe and convenient social infrastructure, conservation of global environment, and job satisfaction and productivity enhancement. We will concretely specify the value we provide in each field of contribution and work to realize it in each business. For example, in the social infrastructure field, as the infrastructure developed during Japan’s high-growth period continues to age, we will visualize its condition and connect it to remote monitoring and preventive maintenance. In the environmental field, while strengthening the provision of products that contribute to the environment, we will contribute

to environmental conservation and resource utilization by, for example, using our underwater acoustic technology for ocean data visualization. In the field of productivity, we will contribute to solving labor shortages through automation and self-service operations using the technology developed for our ATMs.

Recovering Business Performance and Restoring Weakened Financial Foundation

One of the themes of the Medium-Term Business Plan 2025 is to “return to FY2019 levels of performance and restore our weakened financial foundation.” However, this does not signify a return to the past. To break free from the downward trend that has lasted for nearly 10 years and steer toward growth, the first imperative is to recover the financial foundation that was weakened during the previous Medium-Term Business Plan. As a yardstick, we selected OKI’s business performance in fiscal year 2019 before the COVID-19 pandemic. In addition to growing earnings by steadily capitalizing on projects carried over from the previous Medium-Term Business Plan and on large-scale projects, we will reduce our working capital and optimize our asset holdings.

Furthermore, we conducted a review of our business portfolio and business strategy as the first measure to ensure we are steering toward growth. We organized our five business divisions in our new business structure into four segments and classified the positioning of each segment as either “growth” (Public Solutions, EMS) or “stability” (Enterprise Solutions, Component Products). The specific strategies for each segment are provided in the Overview of Operations section of this report. For each segment, depending on its positioning, we will implement a dynamic and speedy business development that includes subsidiaries and strengthen business management by introducing a ROIC perspective.

As the second measure, we strengthened our sales, technology, and production functions to enhance our business capabilities. In the marketing & sales section, in addition to reorganizing existing area-based organizations into

market-based organizations, we newly established Global Business & Marketing Division to strengthen our overseas business. With regard to technology, we established the Technology Division, where we will concentrate our efforts on R&D and leading-edge technology development by leveraging our strengths in edge technologies. With regard to production, we established the Production & Procurement Management Division to manage the production and procurement functions, which were previously divided by business unit, across the entire company. We will improve production efficiency and optimize QCD under the “Virtual One Factory” concept that connects all the Group’s production plants.

Creating Future Businesses

Under the other theme, “creating future businesses for FY2026 and beyond,” by strengthening our mono-zukuri infrastructure and using the technologies and processes developed through innovation activities for products and services, we aim to create value in our three fields of contribution and create businesses that contribute to solving social and customer issues, with social infrastructure, manufacturing, and ocean as our focused areas.

The cornerstone of this value creation strategy is the “full participation innovation” strategy we have been working on since fiscal year 2017. We developed a system and provided education aimed at the continuous creation of new businesses, and many ideas emerged from that, but the next step of putting the ideas into practice, for example in the form of a commercial product, was taking too long. We therefore newly established Innovation Business Development Center to strengthen these activities and accelerate commercialization for the future with a view to global expansion.




A further emphasis under this theme is a restart of our overseas business. The markets for printers and ATMs, the core of our overseas business, are shrinking due to global trends. However, when thinking about the future of the Company, a domestically oriented business structure is a major problem, and expanding the overseas business is essential. Positioning overseas sales companies as front-line bases for all OKIs, we will grow sales of existing products, expand the air display business and EMS parts business, and link this to R&D from a global perspective and management talent development. By fiscal year 2031, we hope to increase overseas sales from the current level of 50 billion yen to 100 billion yen.

Sustainability Initiatives

In the Medium-Term Business Plan 2025, we positioned the practice of sustainability management as one of the measures to “steer toward growth.” As indicated in the three fields of contribution of our business, sustainability is the very essence of OKI’s management goal of “Delivering OK! to your life.” The newly established Sustainability Promotion & Corporate Communication Division will take the lead in systematically promoting environmental, social, and governance activities based on the new materiality.

Under one material issue, “transforming into a corporate culture that continuously creates value,” to create an environment in which diverse human resources can play an active role, we will invest 4 billion yen per year in human resources initiatives including recruitment, talent development, and revision of the grading system. To achieve a culture of taking on challenges, we will improve employee engagement through these human resources measures, implement the above-mentioned “full participation innovation,” and ensure free and vigorous communication across the organization.



Materiality	Safe and convenient social infrastructure	Conservation of global environment	Job satisfaction and productivity enhancement
<ul style="list-style-type: none"> • Providing products and services that help solve social issues • Reducing environmental impact through business activities • Transforming into a corporate culture that continuously creates value • Strengthening management foundation to support sustainable growth 	 <p>Achieve safe and secure infrastructure use through on-site visualization and remote monitoring</p> <p>Create safe and secure transportation methods using data</p>	 <p>Provide products that contribute to the environment</p> <p>Preserve the environment and utilize resources through ocean data visualization</p>	 <p>Address labor shortages through self-service and automation</p> <p>Improve operational efficiency with real-time sensing</p>

OKI’s materiality and the social value it provides in its three fields of contribution

In Conclusion

I have discussed OKI’s initiatives for the future, centered on the Medium-Term Business Plan 2025. It is true that reforming a manufacturing company like OKI takes time. However, to ensure that we are able to break free from the downward trend, I am determined to take the measures necessary for growth from a long-term perspective without falling into

short-term thinking. While remaining intently committed to achieving the Medium-Term Business Plan 2025, everyone in the OKI Group will work with an “enterprising spirit” toward our goal of “Delivering OK! to your life.”

I look forward to the ongoing guidance and encouragement of all our stakeholders in this regard.

MESSAGE FROM THE CFO

We will pursue future growth and improved profitability, aiming to realize sustainable corporate value enhancement.

Masayuki Hoshi

Senior Executive Vice President,
Member of the Board and
Chief Financial Officer



Reflections on FY2022

Fiscal year 2022 was the final year of the previous Medium-Term Business Plan. We fell far short of the Plan with sales of 369.1 billion yen, operating income of 2.4 billion yen, and net loss of 2.8 billion yen for the fiscal year. Production delays due to shortages of semiconductors and other items as well as higher material prices resulted in higher-than-expected working capital requirements and negative free cash flow. Although structural reforms were effective in streamlining manufacturing and sales sites, mainly overseas, growth strategies remained a challenge. Positioning the period from fiscal year 2023 as the 1st Stage to steer toward growth, we will make all efforts to put our production recovery on track through measures undertaken in fiscal year 2022, improve our financial base including optimization of inventories, and effectively execute investments.

Financial Strategy Under the Medium-Term Business Plan 2025

Under the Medium-Term Business Plan 2025, we will make investments for business expansion on the premise of

improving our financial base and maintaining a BBB credit rating. We have made inclusive investment in growth businesses based on an ROIC perspective, and clearly stated our cash allocation policy.

Cash Flow Generation and Cash Allocation Policy

Under the Medium-Term Business Plan 2025, we will first ensure cash inflow by recovering profitability, compressing working capital, and optimizing held assets.

1 Recovery of Profitability

First, we will conduct shipments in a timely manner for rollover projects that could not be delivered in fiscal year 2022 due to impacts of the supply chain. In addition, for large new projects and demand for renewal for existing businesses with a high probability of receiving orders which we are preparing for, we will recover profitability via investing in aggressive plans in new business segments optimally reorganized based on the business value chain rearranged under the Medium-Term Business Plan 2025.

2 Compression of Working Capital

By delivering products to customers, we will optimize our inventories, which have remained at a high level. We will work to normalize working capital as soon as possible, partly due to the effects of responding to alternative materials through design changes implemented in fiscal year 2022.

3 Improvement of Asset Efficiency

We have been continuously reviewing all of our held assets, including policy-held stocks, and will continue to do so in the current fiscal year. The ratio of policy-held stocks to net assets is currently 31.4%, but we have set a target of 20% by the end of fiscal year 2025.

In order to recover our financial base, return profits to shareholders, and invest in growth, we will steer the company toward growth in accordance with the cash allocation policy established in the Medium-Term Business Plan.

Shareholder Return Policy

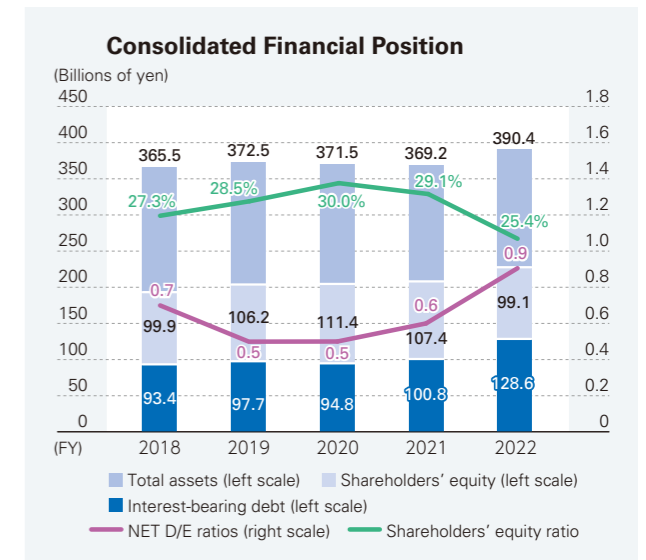
We consider it extremely important to pay stable dividends on an ongoing basis. In our Medium-Term Business Plan 2025, we set a target of a dividend payout ratio of 30% or more.

Financial Soundness

Improving our financial base is a key issue in our Medium-Term Business Plan 2025. While maintaining a certain degree of leverage, we will work to achieve a shareholders' equity ratio of 30% and a NET D/E ratio of 0.7 or less as our benchmark by accumulating profits.

Growth Investment and ROIC

In order to create future businesses from fiscal year 2026 onward, we plan to invest a cumulative total of 65 to 70 billion



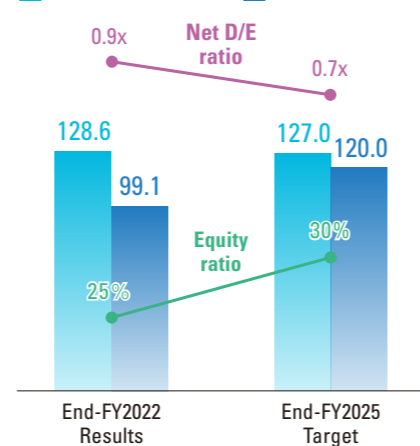
Execute investments aimed at further business expansion, while maintaining a BBB*1 credit rating

- Secure and capture rollover and large-scale projects, turning them into profit.
- Normalize the excess working capital caused by supply chain disruptions at an early stage
- Optimize held assets, including policy-held stocks: aiming to achieve a ratio of policy-held stocks to net assets in the range around 20%
- Inclusive investment in growth businesses based on ROIC perspective

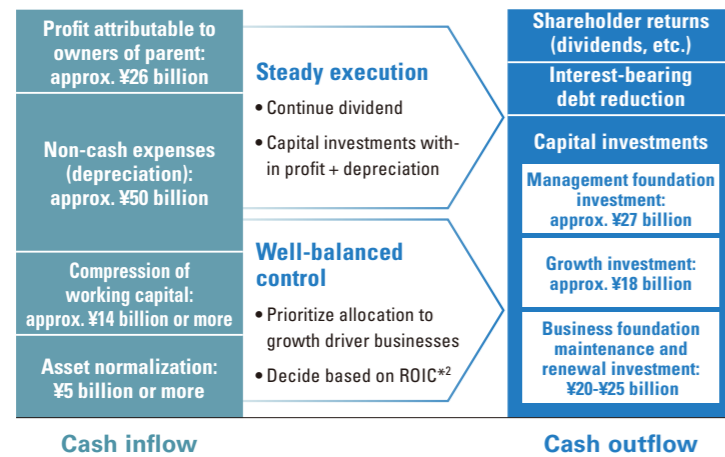
With the recovery of the financial foundation as a premise, target an ROE of 10% or more in the long term

Financial Foundation

(Billions of yen)



FY2023-2025 Cash Allocation



*1 Rating and Investment Information, Inc. (R&I)
*2 ROIC: Introduce and trial in FY2023

yen in capital investments under the Medium-Term Business Plan 2025. On the other hand, in order to achieve both a recovery of our financial base and a prioritized allocation of investment to growth driver businesses, management measures will be strengthened in the execution of the Plan. Specifically, we will classify investments into (1) Management foundation investment, (2) Growth investment, and (3) Business foundation maintenance and renewal investment, while keeping the total amount of investment within the range of "profit + depreciation," and will conduct operations that maximize returns by incorporating the concept of ROIC (return on invested capital) for each business.

Outlook for FY2023

For fiscal year 2023, the first year of the new Medium-Term Business Plan, we forecast net sales of 440 billion yen (up 70.9 billion yen YoY), operating income of 15 billion yen (up 12.6 billion yen YoY), ordinary income of 12.5 billion yen (up 12.8 billion yen YoY), and profit attributable to owners of parent of 8 billion yen (up 10.8 billion yen YoY). * We expect a significant increase in each profit item as a result of a significant increase in the volume of materials due to improvements resulting from supply chain impact measures, which were prioritized in the previous fiscal year, as well as renewal demand for large-scale projects.

*Our initial business forecast was revised on August 10 due to a court ruling in favor of our Chinese subsidiary.

MEDIUM-TERM BUSINESS PLAN 2025

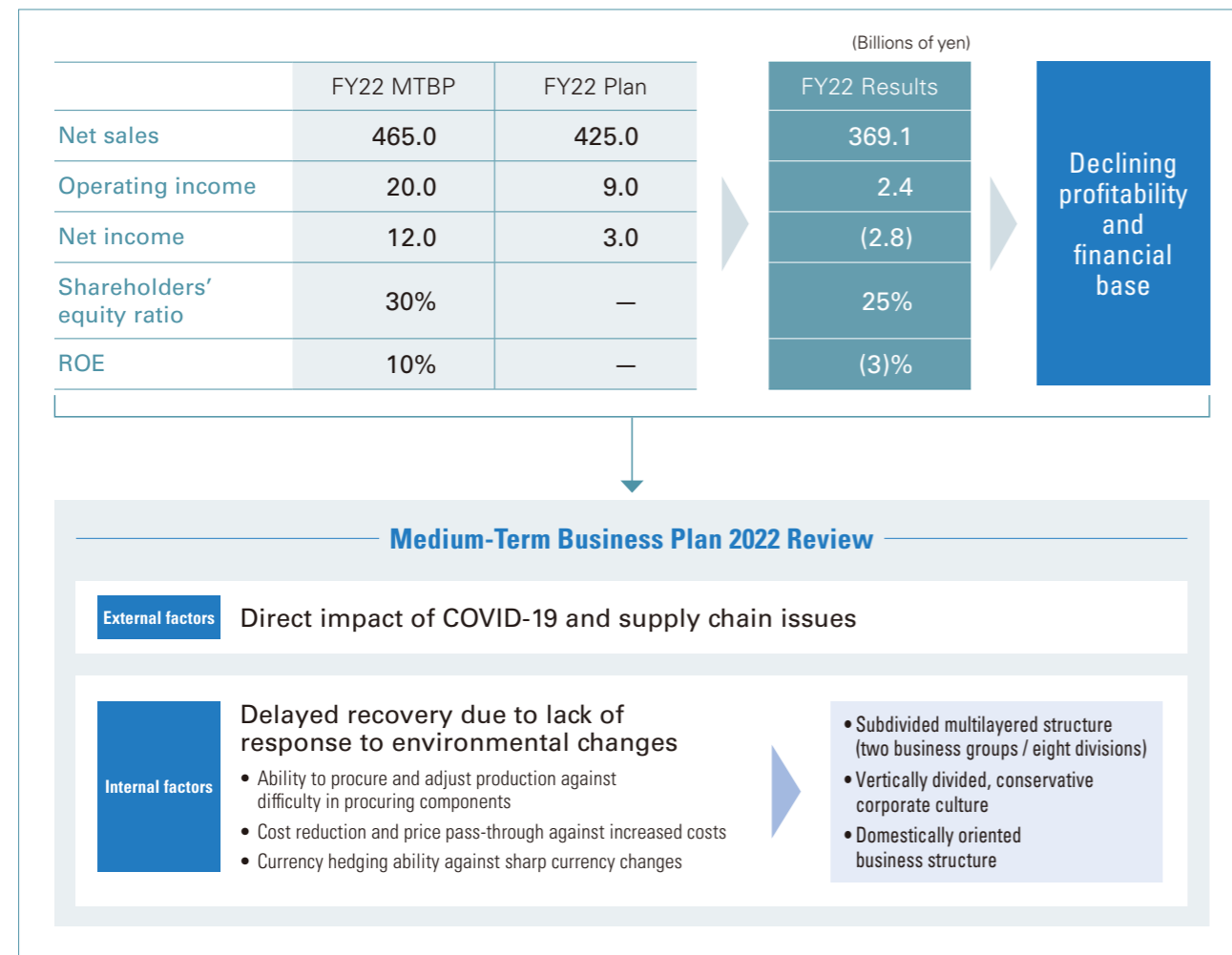
We have formulated our three-year Medium-Term Business Plan 2025 covering the period from fiscal year 2023 to 2025. Under the Plan, we will strengthen our ability to respond to environmental changes under the new structure formed in April 2023, break free from the downward trend of our performance, and ensure we are steering toward growth as a company "Delivering OKI to your life."



Medium-Term Business Plan 2022 Review

Our Medium-Term Business Plan 2022 is positioned as a "foundation" for OKI's goal of sustainable growth through solutions to social issues. While shifting our business portfolio, we have been working to achieve operating income higher than in fiscal year 2019 and to build a stable management foundation. However, we were unable to achieve the goals

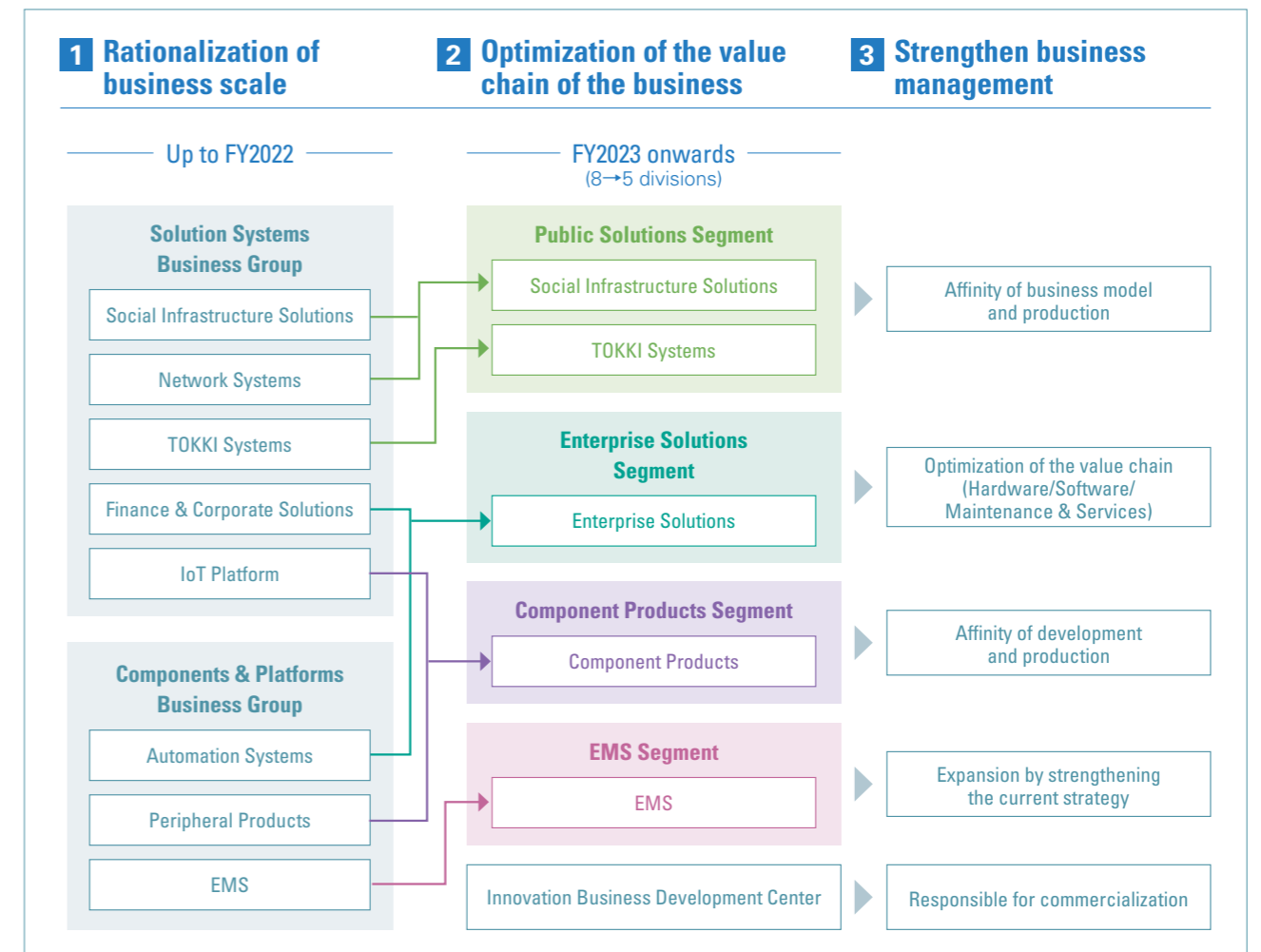
of our medium-term plan amidst drastic changes in the external environment, such as the COVID-19 pandemic and supply chain problems. We positioned fiscal year 2022 as a year of crisis response and made a single-year plan, but we were also unable to achieve that plan due to our inability to respond to the changes in the environment.



Revision of Business Structure

Based on a review of the Medium-Term Business Plan 2022, we recognized that the first issues that should be addressed are internal to OKI, such as our subdivided, multi-layered structure and vertically divided, conservative corporate culture. Starting in fiscal year 2023, we have simplified our structure by eliminating business groups, consolidating eight business divisions into five,

and reorganizing our business segments into four accordingly. We have three aims: 1) to unify the business scale to the 100 billion yen net sales level and increase the dynamism of measures and the speed of development, 2) to optimize the business value chain and increase business profitability, and 3) to strengthen business management by introducing an ROIC perspective.



Medium-Term Business Plan 2025 Basic Policy

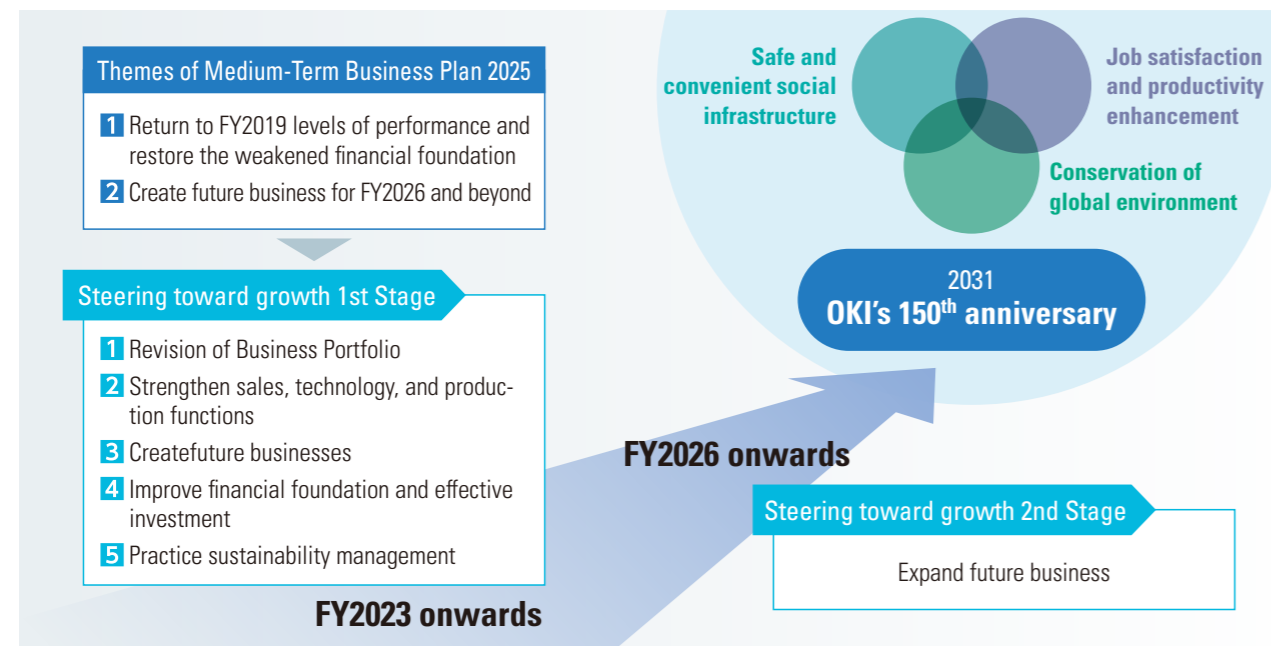
OKI is a company “Delivering OK! to your life” that helps solve social issues through mission-critical Mono-zukuri and Koto-zukuri.

As a company that contributes to maintaining ceaseless social infrastructures amid a time when society faces various challenges, we are focusing on the growing severity of climate change, the declining workforce due to the falling birthrate and aging population, and the aging of social infrastructures.

Based on this perspective, OKI’s vision for 2031, the 150th anniversary of our founding, is to provide value that leads to solutions to social issues in three fields of contribution:

“Safe and convenient social infrastructure,” “Job satisfaction and productivity enhancement,” and “Conservation of global environment.”

Under the Medium-Term Business Plan 2025, we will steer toward growth and break free from the downward trend in order to realize this vision. To achieve this, we will first restore OKI’s business performance to the fiscal 2019 level and recover our financial foundation. Then, to create future businesses for fiscal year 2026 and beyond, we will take five measures as the “Steering toward growth 1st Stage.”



Management Targets

We will break free from the downward trend and achieve net sales and operating income at fiscal year 2019 levels, while restoring the financial foundation.

		(Billions of yen)		
		2019 Results	2022 Results	FY2025 Plan
Growth potential	Net sales	457.2	369.1	450.0
	Operating income	16.8	2.4	18.0
	Net income	14.1	(2.8)	10.0
Profitability	Operating income margin	4%	1%	4%
Financial soundness	Shareholders' equity ratio	29%	25%	30%
Capital efficiency	ROE	14%	(3)%	8%
Shareholder returns	Dividend payout ratio	31%	—	30% or more

Management Targets
Net sales ¥450.0billion
Operating income ¥18.0billion
Shareholders' equity ratio 30%

Five Measures in Steering Toward Growth 1st Stage

1 Review of Business Portfolio

From fiscal year 2023, we have established a new business structure with an awareness of rationalization of business scale, optimization of the value chain, and strengthening business management, and have clarified the positioning of each segment. We will achieve dynamic and speedy business development, including for our subsidiaries, and work to secure major projects and expand our focus areas through strategies appropriate to the positioning of each segment, working to improve profitability.

2 Strengthening Sales, Technology, and Production Functions

Under the new structure, we have reorganized our sales divisions to focus on market alignment and established the Global Business & Marketing Division to restart our overseas business. In addition, the Technology Division, which is responsible for technology development management, and the Production and Procurement Management Division, which aims to maximize the efficiency of all plants and optimize QCD and the supply chain, were newly established as cross-functional divisions across the entire company. By strengthening these functions, the OKI Group will have a structure that makes it possible to demonstrate our comprehensive capabilities and boost our business capabilities without being swayed by changes in the external environment.

3 Creating Future Businesses

We will evolve the Group’s manufacturing infrastructure and innovation activities and apply the technologies and processes we have developed to solutions, products, and services, thereby creating value in the three fields of contribution as well as contributing to solving issues faced by society and our customers. We will continuously strengthen our Edge technologies, such as ICT technologies, sensing technologies, and component technologies required for self-service and automation, which are our strengths, as well as focus on data management and promote the creation of platforms to deepen the use of data obtained from the real field.

Focus Areas

By 2025, setting “social infrastructure,” “manufacturing,” and “ocean” as focus areas, we will strengthen solutions for “infrastructure monitoring” for roads and railroads and “river basin flood control,” as well as “advanced remote operations” and “streamlining of logistics” by utilizing traffic data. Beyond that, we will take on the challenge of creating products by developing technologies for the marine domain and leveraging our “manufacturing know-how” accumulated through EMS and in-house production.

Innovation

To date, we have focused on activities to raise awareness of innovation among all employees, such as innovation training and the introduction of an innovation management system. Under the Medium-Term Business Plan 2025, we will strengthen these activities at the Innovation Business Development Center, which was established as a business unit responsible for new businesses, and accelerate commercialization for the future in the areas of “advanced remote operations,” “logistics,” “healthcare and medical care,” and “CFB (crystal film bonding),” with a view to global expansion.

Restarting Overseas Business

We will position our overseas sales companies as front-line bases for all of OKI, and in addition to expanding sales of existing products, we will first develop the air display business and EMS parts business. What is even more important is R&D activities for technologies and products from a global perspective. We will also consider new bases to search for the latest technologies and find partners.

4 Improving Financial Foundation and Effective Investment

We will execute investments for business expansion premised on improving our financial foundation and maintaining our BBB credit rating. We will increase profits by steadily reaping the benefits of rollover and large-scale projects from the previous Medium-Term Business Plan period. We will also quickly normalize working capital, which has become excessive due to supply chain effects, and optimize our held assets by selling policy-held stocks and other measures. We will also return profits to shareholders, reduce interest-bearing debts, and make steady capital investments in a balanced manner, including aggressive capital investments in growth businesses.

5 Practicing Sustainability Management

In conjunction with the formulation of the Medium-Term Business Plan 2025, we have updated our Material Issues (Materiality) for sustainability management. Along with “Products and services that help solve social issues” that constitutes efforts for resolution of social issues in the three fields of contribution, we will steadily promote environmental, social, and governance initiatives by “reducing environmental impact through business activities,” “transforming into a corporate culture that continuously creates value,” and “strengthening management foundation to support sustainable growth.”

Website “Medium-Term Business Plan 2025”
<https://www.oki.com/en/ir/corporate/strategy/>

BUSINESS OVERVIEW

At a Glance

The OKI Group aims to solve social issues through mission-critical Mono-zukuri and Koto-zukuri. In order to achieve our vision, we will actively undertake challenges not only in existing business fields but also new fields where growth is expected, aiming to create future businesses.

PUBLIC SOLUTIONS

Business Description

We provide mission-critical solutions that are not allowed to stop to various fields such as roads, aviation, firefighting and disaster prevention, government, telecommunications, and defense. We also provide security, safety, and convenience through services specialized for customer operations related to social infrastructure by leveraging OKI's strengths.

Products and Services

- **Social Infrastructure Solutions**
 - Roads (ETC/VICS), air traffic control, disaster prevention, firefighting
 - Central government work systems, government statistics systems
 - Infrastructure monitoring
 - Carrier networks, video distribution, 5G/local 5G
- **TOKKI Systems**
 - Defense systems (underwater acoustics/information)
 - Aviation instrument

TOPICS

Updating Japan's only All-Weather Offshore Measurement Barge Facility

We have updated our all-weather offshore measurement barge located in Uchiura Mito, Numazu City, Shizuoka Prefecture. We have enlarged the measurement apertures and workrooms and increased the power generation capacity to improve the efficiency of offshore testing and consulting operations and support our focused maritime business. In addition, we will acquire weather and maritime data such as wind direction and speed, temperature and humidity, precipitation, water temperature, dissolved oxygen, and salinity, and provide these data to the fishery industry for effective utilization.



New "SEATEC NEO" Stationary Measurement Barge

ENTERPRISE SOLUTIONS

Business Description

We provide secure and convenient solution services through our integrated value chain, which includes the design, development, and installation of mechatronic products, solutions including mechatronic products and networks, as well as everything from installation, construction, and maintenance to fully-outsourced recurring ATM operation and monitoring.

Products and Services

- ATMs, cash handling equipment
- Sales branch terminals, ticket reservations and issuing terminals, check-in terminals
- ATM monitoring/operation services
- Bank branch systems for financial institutions, centered-administration systems
- Railway ticketing systems, airport check-in systems
- Manufacturing systems (ERP/IoT)
- Construction and Maintenance Services

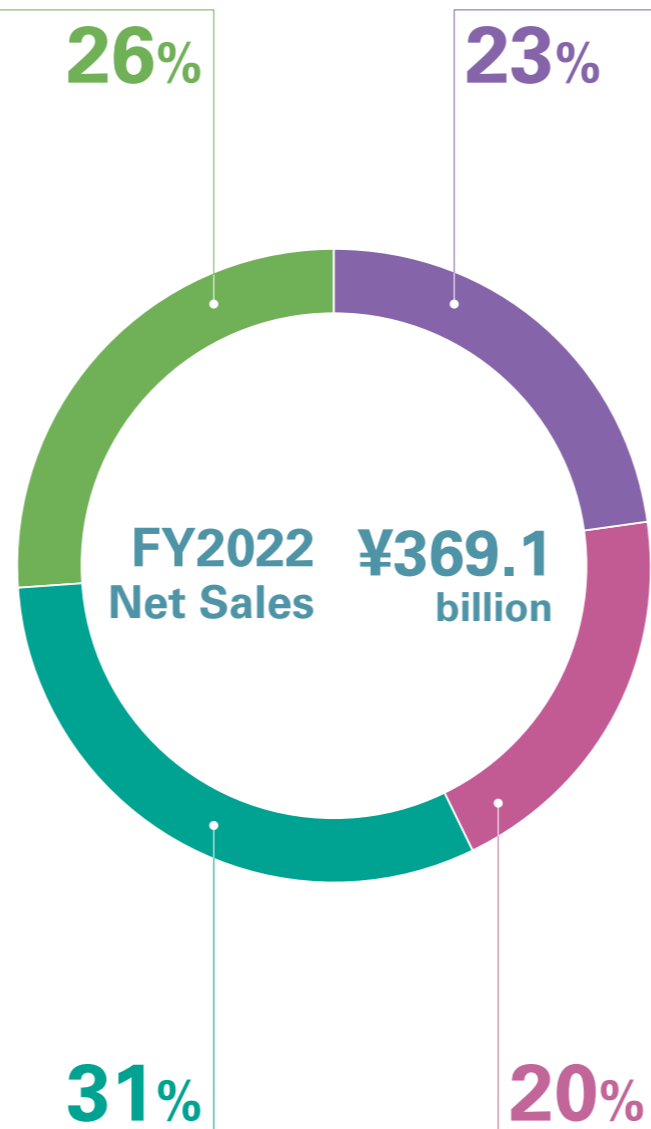
TOPICS

Sales Launch of "Self-Service Machines for Tax and Public Funds Collection" for Municipalities to Reduce the Burden of Tax and Public Funds Collection Operations

As part of the municipality DX initiative, we have developed "Self-Service Machines for Tax and Public Funds Collection" for municipalities to improve the efficiency of tax and public funds collection operations. Taxes and public funds paid by customers through the machines are managed by the machines and linked to the municipal system to improve the work efficiency of municipal employees and enable customers to complete payment procedures easily without standing in line at the counter. We will expand the "Self-Service Machines for Tax and Public Funds Collection" to municipalities throughout Japan and contribute to the promotion of DX to improve the efficiency of municipal operations beyond tax and public funds collection operations.



Network type self-service deposit and withdrawal machines "Smart Cash Station"



COMPONENT PRODUCTS

Business Description

In addition to the sensing and communication technologies OKI has cultivated over many years, we will incorporate the latest technologies such as AI to provide Edge devices that contribute to solving social issues such as aging infrastructure and labor shortages, as well as communication products that utilize voice, video, and text to improve business productivity, and printers that offer toughness and space-saving options.

Products and Services

- Edge devices (IoT), sensor network
- PBX, business phones, contact centers
- Cloud services
- LED printer

TOPICS

The World's Smallest Color LED Printer Renewal with Label Printing Function and Roll Paper Holder Option

Due to the diversification of consumer needs, manufacturers and distributors are increasingly producing a wider variety of products in smaller quantities and using a greater variety of labels that require visibility and identification via colors, and there is growing demand for in-house production to improve efficiency in process control and label inventory management. "PLAVI Pro330S" meets these needs by contributing to improved work efficiency in the field, such as the production of shelf labels and POP in retail stores, the cutting of separated POP within one sheet of paper, and the immediate issuance of narrow color labels in the manufacturing and logistics industries.



PLAVI Pro330S when the roll paper holder is installed

EMS

Business Description

Mainly consists of EMS (consigned designing and manufacturing services), components business, and engineering business, and provides comprehensive Mono-zukuri services covering design, manufacturing, and reliability testing.

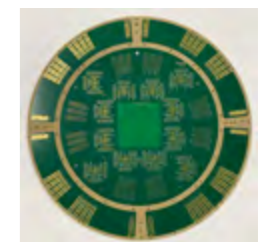
Products and Services

- Consigned designing and manufacturing services
- Components (printed wiring boards / cables and electrode wires / motors)
- Engineering
- Power supplies / cases

TOPICS

Start of Mass Production of Semiconductor Test Substrates for Large Size (643 x 558 mm)

We have started mass production of test substrates (substrates for inspection equipment) that are approximately 30% larger than conventional ones to accommodate capability tests of next-generation semiconductors. As semiconductors continue to be refined (denser wiring and more PIN diodes) and more integrated on a large scale, the area of test circuits is expanding and test equipment is becoming larger in order to process many complex signals and perform capability tests. Test substrates used for equipment must also have even more refined circuitry and larger and more multilayered substrates to accommodate more complex capability tests. The test substrate that we have begun mass production of is capable of testing large LSI (5,000-PIN class) and next-generation memory.



Large probe card now in mass production

PUBLIC SOLUTIONS

Business Policy Contribute to customers' development by providing solutions that support social infrastructure

For the base fields, we will provide safe and secure social infrastructure through new highly convenient products. We will aim for growth in both axes by taking on the challenges in new fields focused on automated driving, V2X infrastructure, and disaster prevention.

Hajime Inoue

Executive Officer
Head of Social Infrastructure Solutions Division



While the defense business remains strong, we will spin off core technologies, such as acoustics developed in the defense business, to the private sector and enter the maritime business. We will aim for growth through global expansion utilizing the channels of the civil aviation business.

Yoichi Kato

Senior Executive Officer
Head of TOKKI Systems Division



FY2022 Results

Net sales were 95.7 billion yen, including a base increase from the acquisition of the aviation instrument business. Operating income was 3.4 billion yen due to soaring materials prices and foreign exchange effects.

Strengths

- Sensing technology / network technology focusing on Edge fields
- Wide installed base / business know-how

Opportunities and Risks

- Recovery from COVID-19 and supply chain impacts
- Green infrastructure and acceleration toward digitization

Initiatives to Achieve the Medium-Term Business Plan 2025

In the firefighting, disaster prevention, transportation, and defense businesses, we will raise the baseline by steadily reaping the rewards of large projects through introducing new product and other such measures. In addition, we aim to achieve 130.0 billion yen in sales and 9.5 billion yen in operating income in fiscal year 2025 for Public Solutions through aggressive investment and the provision of operation-specialized platforms.

We will implement three policies to achieve our vision.

1 Introduction of New Products

We will introduce new, differentiated products that meet customer needs, and steadily capture demand for updates centered on firefighting and disaster prevention.

2 Entry into New Business Fields

We will deepen the use and application of data acquired from Edge devices, which is one of OKI's strengths, and provide platforms specialized for customer operations.

We are advancing commercialization of Edge platforms that provide effective information for the operations of railroad operators, road operators, and others, and have begun offering AI Detection System for People/Objects Trapped in Railroad Crossings, which contributes to preventing accidents at

railroad crossings through highly accurate, real-time AI image processing.

In addition, we will continue to develop new business in the ocean by leveraging our technological strengths in underwater acoustics, environmental sensing, underwater acoustic communication, and ruggedization technology* for environmental resistance, as well as our environmental advantage of owning our stationary measurement barge, Japan's only underwater acoustics measurement facility.

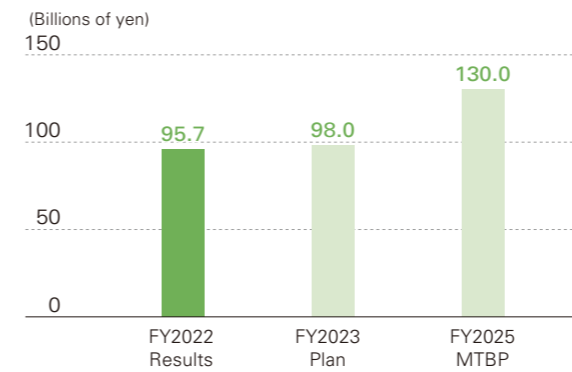
*Ruggedization technology: Technology that makes products and systems resilient against the environment, such as extended operating temperature range, cold resistance, water resistance, dust resistance, and shock resistance.

3 Promotion of Global Expansion

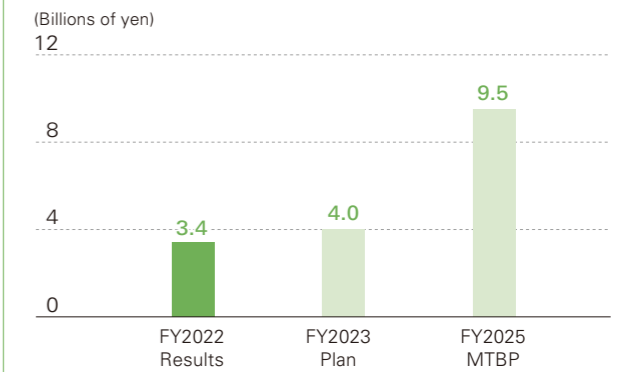
We will develop areas that utilize OKI's core technologies for customers in the commercial aviation business. In addition, we will promote expansion in Asia, starting with Singapore where we will launch a production site, and beyond that, we will proceed with our plans with a view to global expansion to North America and elsewhere.

We will also make aggressive investment to promote these three policies.

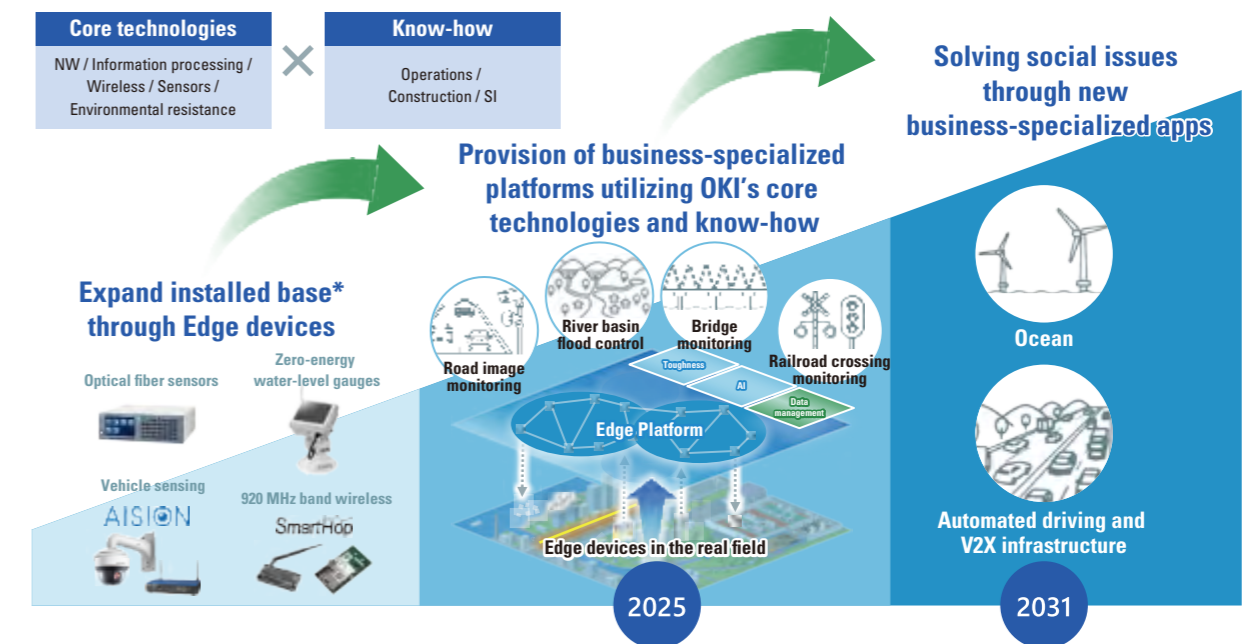
Net Sales



Operating Income



Entry into new fields through business-specialized platforms



Safe and convenient social infrastructure



We provide services that "visualize" the condition of structures based on installed sensor information, thereby contributing to the realization of safe and convenient social infrastructure through remote monitoring.

Conservation of global environment



We contribute to the preservation of the global environment through data utilization by reducing CO₂ emissions with the elimination of traffic congestion by facilitating traffic flow as well as protecting marine life by monitoring marine noise.

Job satisfaction and productivity improvement



We contribute to solving labor shortages and improving operational efficiency by providing highly convenient solutions for public service operations.

*Installed base: A track record of providing device groups at edge domains, and solutions centered on those device groups

ENTERPRISE SOLUTIONS

Business Policy Develop and provide solutions and services based on products that solve social issues

By uniting mechatronics technology, solutions, networks, maintenance, and services, we will provide safe and convenient solutions and services, and contribute to resolving labor shortages and improving business efficiency.



Hiroshi Tomizawa
Senior Vice President,
Head of Enterprise
Solutions Division

FY2022 Results

Net sales totaled 112.9 billion yen due to the significant impact of production decrease caused by materials shortages. Operating income was 1.5 billion yen due to decreased production as well as the impact of soaring material prices and increased costs for software development projects.

Strengths

- Installed base/business know-how/mechatronics technology
- Consistent service provision in the value chain

Opportunities and Risks

- Promotion of horizontal division of labor due to labor shortages
- Expansion of elimination of the need to use physical items, such as cash-less payments

Initiatives to Achieve the Medium-Term Business Plan 2025

We will ensure the implementation of large-scale projects expected in fiscal years 2023 and 2024. At the same time, we will shift to a stable profit structure for future growth, aiming for sales of 140.0 billion yen and operating income of 9.0 billion yen in fiscal year 2025.

We will address three policies to achieve our vision.

1 Recurring* Shift

We will create a selection of services such as ATM operation monitoring provided to financial institutions, offer them to the public/medical, transportation, and distribution markets, and expand their fields. In addition, in order to provide further convenience, we will advance development of a service platform that can be easily connected to new services in collaboration with various providers.

*Recurring: A business model in which equipment provision and business process outsourcing (BPO) are provided as a combined service

2 Self-Service and Labor Saving

Financial institutions are reducing the amount of transactions involving cash with the advancement of IT, and are focusing

on operations that allow transactions to be completed over the counter, rather than with background processing at branches. In addition, retailers and distributors are shifting to labor-saving store operations due to the changing environment with labor shortages caused by the declining birthrate and aging population.

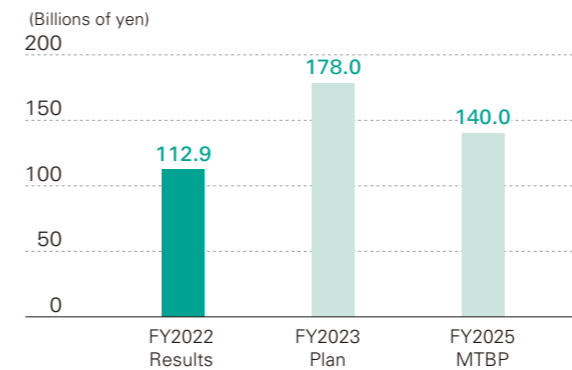
In response to these changes in the market environment, we are strengthening our lineup of products that accommodate self-service and labor saving and modules for processing of physical items to provide products in the forms desired by customers.

3 Strengthen Product Competitiveness

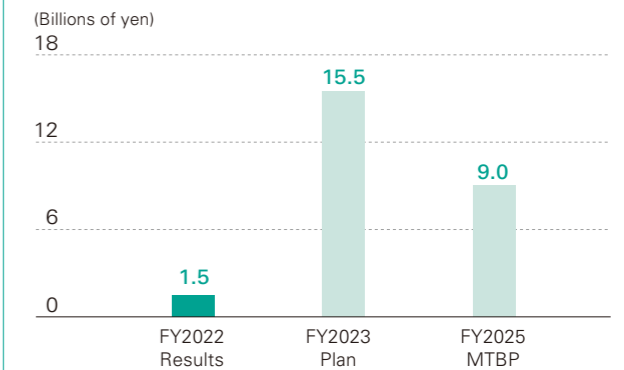
Instead of product development for separately optimized products, we will standardize hardware/software modules to achieve timely product releases and strengthen price competitiveness.

This initiative will be executed in three steps. As the first step, we will implement “highly versatile module development” for our products base as well as “service platform development for the financial market.”

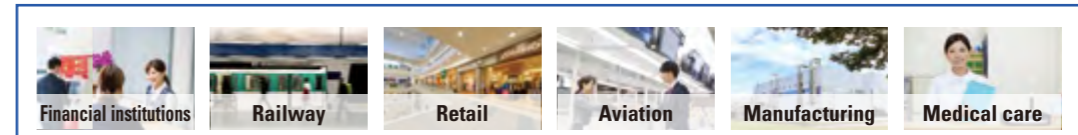
Net Sales



Operating Income



Products and services that contribute to solving social issues



Resolution of labor shortages

Improvement of business efficiency



Job satisfaction and productivity improvement



We contribute to job satisfaction by helping to resolve labor shortages through products that enable automation and self-service, and by enabling customers to use the resulting freed-up labor time for tasks related to their core business.

Conservation of global environment



We contribute to the environment through products with reduced electricity consumption and reduction of CO₂ emissions at factories. Preventive and predictive maintenance through outsourcing of operations and remote monitoring reduces the number of trips made to onsite locations and contributes to the reduction of environmental impact in operational scenarios as well.

Safe and convenient social infrastructure



By providing remote monitoring and operation for edge devices such as ATMs, we ensure the operation of ATMs and systems, contributing to the maintenance of safe and convenient social infrastructure.

BUSINESS OVERVIEW

COMPONENT PRODUCTS

Business Policy Contribute to solving social issues with components covering sensing, AI, communications, and output

While maintaining the base business, we will transform ourselves into a strong business structure by creating new products and expanding sales of our focus products. In addition, we will leverage our printer business assets and begin global development of Edge devices.



Takashi Inoue
Executive Officer,
Head of Component
Products Division

FY2022 Results

Net sales were 84.6 billion yen due to foreign exchange effects. Operating income was 1.6 billion yen due to the significant impact of increased material costs caused by supply chain disruptions.

Strengths

- Strong technologies such as Space Saving Technology and sensing devices
- Global structure for sales, production/development, etc.

Opportunities and Risks

- Global trends of automation and DX
- Environmental consciousness trends such as energy and resource saving
- Shrinking printer and business communication markets
- Shortage of materials supply due to supply chain disruptions

Initiatives to Achieve the Medium-Term Business Plan 2025

We aim to achieve sales of 83.0 billion yen and operating income of 4.0 billion yen for Component products business in fiscal year 2025 by implementing a cycle of securing sales scale and profitability in profitable and stable businesses (printers and business communications) and nurturing new businesses (Edge devices) by investing in growth businesses. We will implement four initiatives to achieve our vision.

1 Characteristic, Competitive Printers

For printers, during the period of the previous Medium-Term Business Plan, we significantly reviewed our business structure, narrowing down to our focus products that emphasize competitiveness and profitability and reviewing the scale of our regional business development. We will maintain this structure and continue to focus on profitability.

2 Provision of Products that Respond to Changes in Needs

Although the overall business communication market is shrinking, the decline in domestic demand is limited and

sales are expected to remain stable. We will continue to offer products that realize new means of communication by flexibly responding to changes in market needs.

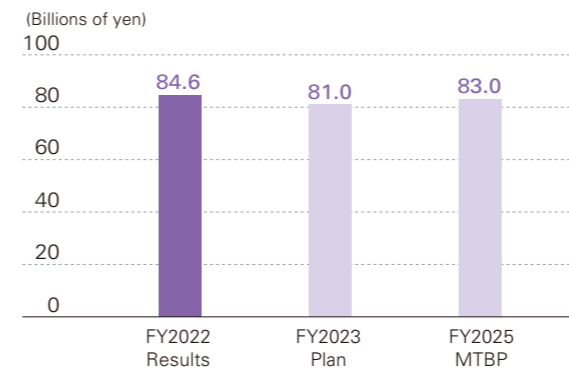
3 Expansion of Edge Devices

We have continued to improve the functions of Edge devices through proof of concept (PoC) work with co-creation partners. We will begin full-scale market expansion this fiscal year. We will also pursue the possibility of overseas expansion of SmartHop®/Zero Energy Gateway (ZEGW) and aim to put it on a growth trajectory during the current Medium-Term Business Plan.

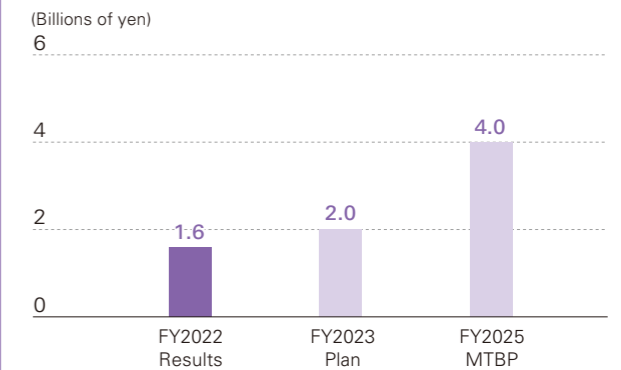
4 Printer OEM Expansion

We believe that we can expect business expansion in the printer market by not only selling finished products, but also as components, differentiating ourselves in embedded applications where OKI can demonstrate its strengths and separation initiative in OEM business.

Net Sales



Operating Income



Providing products that contribute to three areas that aim to solve social issues

Job satisfaction and productivity improvement

Business communications
Innovation of work styles and customer contact points through the use of telephony functions

Printers
Office and business printing transformation with toughness and speed

Safe and convenient social infrastructure

Edge Devices
Detection of car driving in the wrong direction

Support for safety and security by leveraging AI applications

Conservation of global environment

SmartHop
Easy and efficient sensor network

Environmentally friendly remote monitoring for social infrastructure

We contribute to reduce environmental impact by creating products that can be used safely and reliably over the long term

OKI developed the world's first LED head as a light source for printing in 1981. We have also achieved high luminous efficiency of LEDs and enhanced energy saving by using CFB* technology. The compact LED head features have been contributed to reduce the size of printer, which helps reduce the amount of resources and the size of packaging, thereby reducing CO₂ emissions throughout the entire supply chain. We also contribute to the reduction of environmental impact by providing long-life products through the use of highly durable LED heads with simple structures and long-life design on a component basis. Furthermore, in order to build a recycling-oriented society, we will promote the collection of used products, the reuse of consumable components, and the use of recycled materials with low environmental impact.

*Crystal film bonding (CFB): Semiconductor bonding technology developed in the LED printer business

BUSINESS OVERVIEW

EMS

Business Policy Aim for a manufacturing platformer that supports customer concerns in terms of production

We provide comprehensive Mono-zukuri services ranging from design to manufacturing and engineering. We contribute to the realization of a secure and safe society through the manufacturing of our customers' products.



Hiroshi Nishimura
Senior Executive Officer,
Head of EMS Division

FY2022 Results

Net sales were 75.3 billion yen and operating income was 2.3 billion yen. Despite the impact of materials shortages due to supply chain effects, sales and profits increased compared to fiscal year 2021 due to continued strong performance in the business for FA/semiconductor manufacturing equipment.

Strengths

- Production capacity tailored to high quality/various kinds and various volumes
- Design and manufacturing services covering the entire manufacturing process

Opportunities and Risks

- Return to domestic manufacturing due to expanding country risk, expansion of domestic EMS utilization due to labor shortages
- Shortages of materials due to supply chain effects

Initiatives to Achieve the Medium-Term Business Plan 2025

In addition to the four key strategies of "DMS business shift," "aggressive capital investment," "overseas expansion," and "creation of new services," we will provide customers with solutions that combine the distinctive technologies of the EMS Group companies, aiming to become a business entity with sales exceeding 100 billion yen by fiscal year 2026.

We will implement three policies to achieve our vision.

1 Business Model Shift from EMS to DMS

OKI is developing its EMS business in high-end areas that require manufacturing of various kinds and various volumes of products that can leverage Japan's advanced manufacturing technology, as well as reliability and technical capabilities directly related to life and lifestyle infrastructure. In order to expand the DMS business with the aim of improving business profitability, we will greatly enhance the capabilities of our system engineers, who are well versed in the market, and focus on acquiring large scale, high value-added projects. In addition to the strong semiconductor and industrial fields, we will work to develop new DMS customers in the EV-related and aerospace fields, which are expected to grow in the future, and position them as growth markets.

2 Base Business Expansion

We will make aggressive capital investment to have production capacity that keeps pace with the growth of the strong markets (FA and semiconductors). We will aim to expand sales through growth investment and increase profits by improving productivity through investment in manufacturing infrastructure, such as automation, and upgrades to the latest equipment.

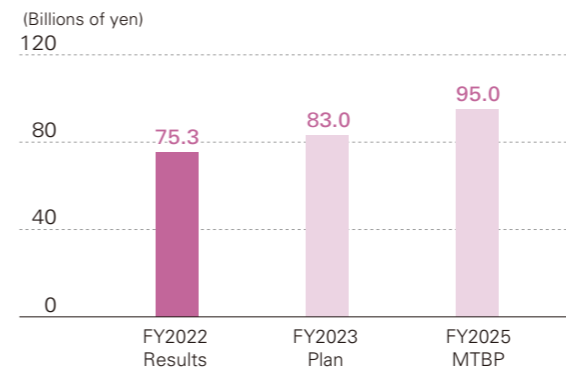
3 Expansion of Overseas Sales

We will further strengthen co-creation relationships with outstanding customers, centered on the parts business, where we have a track record of overseas sales, and aim to expand sales by acquiring new orders.

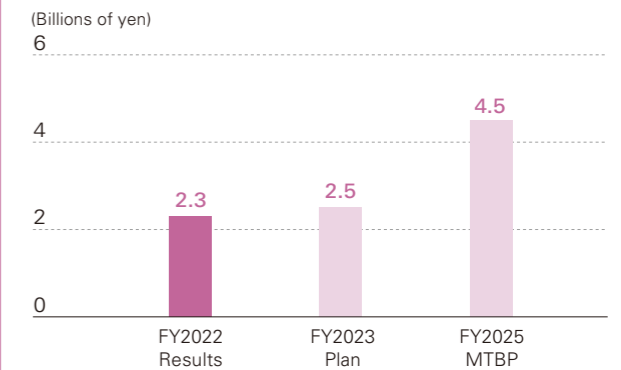
We will take on the challenge of entering new overseas markets on the strength of our domestic certifications in the aerospace field, as well as EMS OUT-OUT manufacturing services* utilizing OKI's overseas manufacturing sites.

*OUT-OUT manufacturing service: Service in which customers' products for overseas markets are manufactured on contract at OKI's overseas sites.

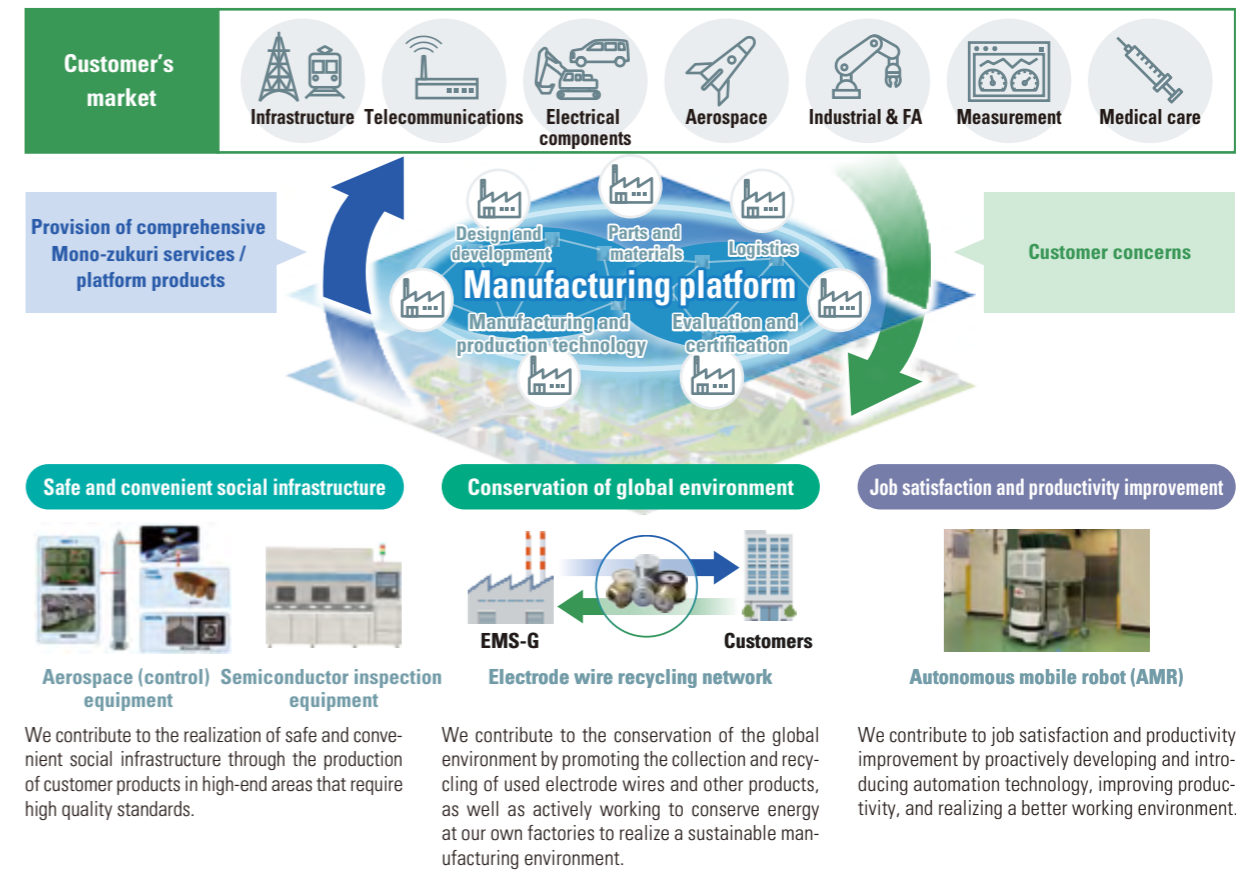
Net Sales



Operating Income



Manufacturing platformer that supports customer products in terms of production



INNOVATION INITIATIVES

OKI developed the Innovation Management System (IMS) “Yume Pro” in anticipation of the international standard ISO 56002 and is implementing “full participation innovation” throughout the Company. In fiscal year 2023, OKI started conducting full-scale implementation-mode innovation activities, and we are accelerating our “shift to a corporate culture that continuously creates value,” which is one of our issues of materiality, as we take on the challenge of creating future business and expanding globally.

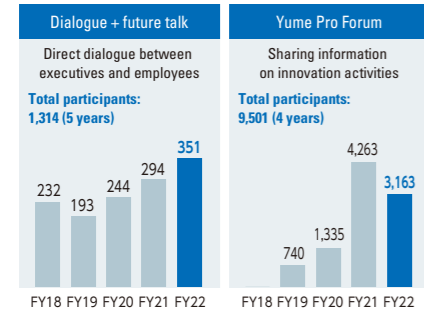
Accelerating Full Participation Innovation

OKI started developing “Yume Pro” in 2017, declared its intention to become an “IMS Ready” company in 2020, and is promoting the development of regulations aimed at creating value through full participation innovation as well as enhanced innovation education and other initiatives. In addition, in 2018, OKI started holding its annual “Yume Pro Challenge,” a business idea contest aimed at helping to sustainably create new business, and, in fiscal year 2022, 319 ideas were entered from throughout the Group. We are also starting to see examples of commercialization as a result of activities in line with our “Yume Pro” process based on proposal themes. In addition to our “Innovation Dialogue,” which offers the opportunity for direct dialogue between our management and employees, we added “Innovation Future Talk,” which gives small groups the opportunity to more deeply dive into

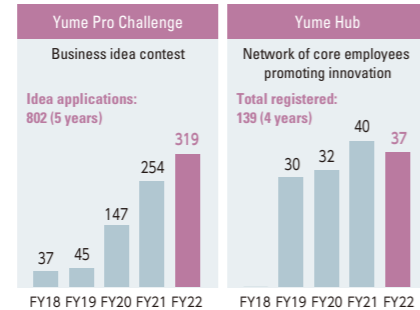
issues, in 2022, and a total of 1,314 people have participated. A total of 9,501 people have also attended the “Yume Pro Forum” for information sharing. We are also making steady progress on our corporate culture reforms aimed at achieving innovation, such as the number of people undergoing basic innovation training reaching 9,735 trainees in fiscal year 2022.

As a result of activities conducted in line with the above process, we set forth “new fields aimed at creating future business” in Medium-Term Business Plan 2025. (For details, see the next section.) As we strive to come up with specific ways to provide and further increase value in these fields, we will also conduct activities starting in 2023 that include promoting initiatives focused on work process reforms as well as accelerating implementation-mode innovation activities.

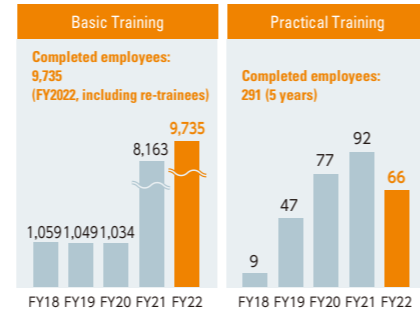
I Corporate Culture Reform by Management



II Employee Implementation Support



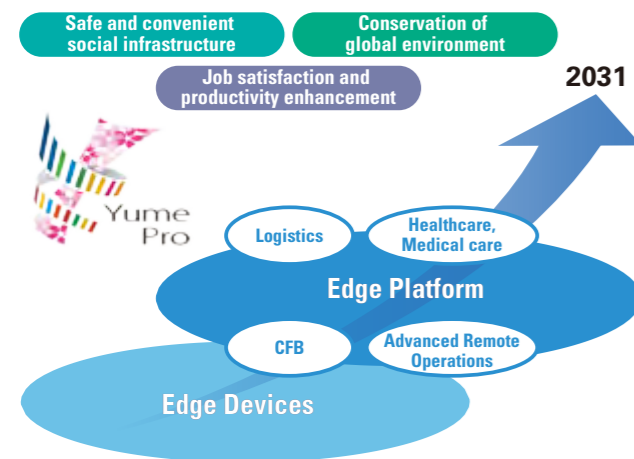
III Innovation Training



Promoting the Commercialization of Four New Fields

Our specific implementation-mode initiatives aimed at creating value in the four fields shown in the table are introduced below.

Innovation Business Development Center: Practice and Globalization of Innovation Activities



New Areas	Issues	OKI's strengths x Entry strategy
Advanced Remote Operations	<ul style="list-style-type: none"> Labor shortages Productivity enhancement 	Efficiency of security, facility management, manufacturing, and construction site operations through the use of remotely operated platforms and multi-vendor edge modules
Logistics	<ul style="list-style-type: none"> Labor shortages CO₂ reduction 	Optimize transport routes from feeder lines to trunk lines with real-time AI sensing Link this with warehouse integrated platforms to optimize the entire supply chain
Healthcare, Medical care	<ul style="list-style-type: none"> Labor shortages Health Management 	Support health promotion and testing with behavioral change, wireless vital/biosensing, and medical device manufacturing
CFB*	<ul style="list-style-type: none"> Labor shortages Power saving 	Apply CFB technology developed in LED printer heads High-brightness displays, various semiconductor wafers/functional films

*CFB: Crystal Film Bonding : Semiconductor bonding technology cultivated in the LED printer business

Advanced Remote Operations

As labor shortages become increasingly severe and various kinds of work undergo a digital transformation, individual edge devices are being substituted for on-site work, which is causing problems related to cooperation between people and devices as well as the inability to create value through multiple kinds of work. In line with the actual characteristics of on-site work, OKI has developed “REMOWAY™,” an advanced remote operation platform that combines edge modules (ROMBOX®) with reliable wireless communications to flexibly handle cooperative work between people and edge devices in real time. Our aim is to achieve the integrated management of multi-vendor robots and devices as well as autonomous cooperation between people and robots in various fields (security/facility management, offices, shopping centers, plants (manufacturing), and construction sites), thereby realizing both the increased efficiency of various types of on-site work and business expansion.



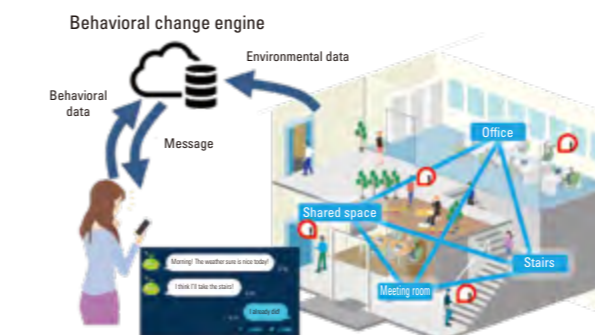
Advanced remote operation platform: “REMOWAY”

Healthcare, Medical Care

As the birthrate declines and the population ages—leading to issues that include a shrinking workforce and increasing medical insurance premiums—there is an increasing need to increase the health awareness of individuals and improve the healthy life expectancy while also increasing the efficiency of medical settings.

OKI is repeatedly conducting experimental trials and promoting the commercialization of the following services: a “behavioral change service” that encourages health promoting behavior by sending users real-time messages at suitable times according to their behavioral characteristics; a “physical education ICT solution” that is intended to raise the awareness of young people of health management through physical education classes that utilize vital information measured by using wearable devices.

In addition, by developing medical equipment that takes advantage of our optical sensing technology and other strengths, we aim to increase the efficiency of medical settings.

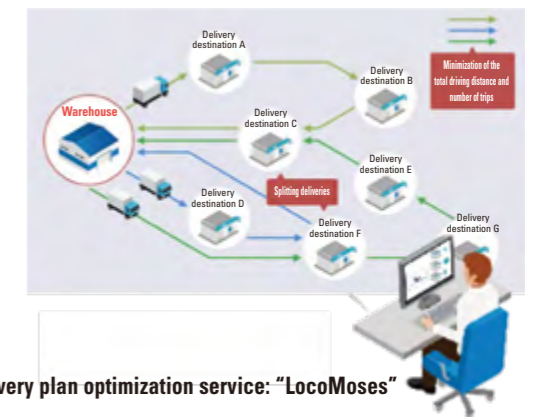


Behavioral change service (Wellness Office) overview

Logistics

In the logistics field, there are issues related to labor shortages and CO₂ reduction, but many sites are still limited to analog approaches that are dependent on individual skills and sheer numbers, which is a major barrier in terms of resolving such issues. OKI aims to resolve site-level issues while promoting digital transformation efforts and utilizing real-time AI processing to optimize the overall supply chain.

In March of 2023, as a result of the Yume Pro process, we commercialized the delivery plan optimization service “LocoMoses®,” which uses AI to achieve more efficient deliveries in response to “2024 logistics problems.” In addition, in terms of warehouse work, we are focusing on the problem of shipping work grinding to a halt as a result of freight temporarily getting lost, and we are aiming to achieve simple location management by utilizing sensing technology to automatically track the position of freight.



Delivery plan optimization service: “LocoMoses”

CFB

By applying “CFB (Crystal Film Bonding)” —our dissimilar semiconductor material bonding technology, which we cultivated in the LED printer business—we create unique micro-LED displays, we support semiconductor-device-industry combination (More than Moore) with bonding technology, and we thereby contribute to increasing the sophistication of semiconductor devices.

OKI does not take on challenges such as the above alone. Instead—by pursuing co-creation with our customers and partners—we use CFB as a catalyst to make new combinations of different materials, industries, and ideas, thereby contributing to the open innovative development of micro-LED displays as well as increased added value for semiconductor devices.



In September of 2023, we collaborated with Shin-Etsu Chemical Co., Ltd. to use CFB technology to lift off only the gallium nitride (GaN) functional layer from their QST substrates, thereby successfully developing technology for bonding to a dissimilar-material substrate.

TECHNOLOGY STRATEGY

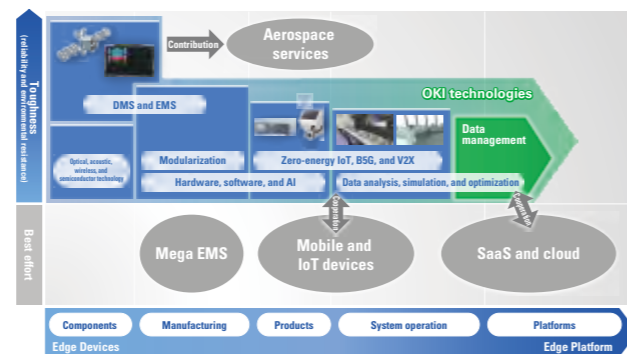
OKI's edge devices have supported society's infrastructure with high quality and advanced technology. We are aiming to further increase the sophistication of such edge technology as we promote the utilization of data flowing across the edge to provide increased value. To achieve this, we will promote the building of an "Edge Platform" that enhances data management.

Increasing the Value Provided by Our "Edge Platform"

Since founding, OKI has contributed to increasing the sophistication of social infrastructure, drawing on our strengths of automation, which are built on our network technologies and on our digital technologies for terminal devices. OKI technology used in such fields provides both the reliability necessary to ensure that infrastructure services do not stop and the environmental resistance necessary to ensure operation in extreme environments, qualities we refer to as "toughness." Under "Medium-Term Business Plan 2025," we have defined our "Edge Platform" as a social-infrastructure service enabler that enhances three characteristics: "toughness," "data management" that promotes data utilization, and advanced data processing "AI."

OKI's Edge Platform includes various edge technologies cultivated by OKI up until now, such as real-time sensing technology that combines advanced analog technology and AI technology, high-quality component technology that promotes the self-handling and automation of real services, V2X technology that ensures high reliability at traffic sites, advanced traffic infrastructure technology, and technology that contributes to disaster prevention/marine IoT infrastructure expansion with a high-quality network and high environmental resistance. The diverse kinds of data that come from tough edges such as the above are extremely important in terms of achieving secure and convenient social infrastructure as well as improving productivity and preserving the global environment. By using our platform to connect the above and utilize them cross-sectionally, we will not only help to solve the problems faced by specific sites but also contribute to strengthening and increasing the efficiency of society as a whole.

The figure on the upper right shows the positioning of OKI's technology, with toughness on the vertical axis and



OKI technology position map

the technology value chain on the horizontal axis. In terms of OKI's components, we have achieved the high reliability and toughness necessary to use the components in extreme aerospace and marine environments. Regarding normal social infrastructure—for which the ongoing provision of services is important—we have achieved the comprehensive toughness suitable for operations and maintenance.

Regarding operations, data that enables an understanding of the on-site situation is important, but we also expect to be able to provide increased value by moving such data to our platform and combining it in advanced ways. For example, through the dual use of infrastructure monitoring for disaster prevention and reduction as well as integrated analysis of data covering multiple regions, it will become possible to detect, predict, and otherwise understand various events for which such efforts would have been difficult using isolated data. To achieve such value expansion, we will promote enhanced data management in line with our platform.

Efforts to Promote Data Management

To provide increased value through cross-sectional data utilization, we launched a full-time data management organization in April of 2023. Because the added value of edge data is affected by the data acquisition scope, we will conduct a level-specific analysis of OKI's various business positions based on both the scope and the data utilization depth, and we will promote enhancement in terms of both of these axes. In addition, we will take steps that include establishing contract guidelines that clarify the data acquisition scope as well as building a data lake platform that makes it easy to store and analyze data on our Edge Platform while also developing highly data literate human resources regardless of their positions.

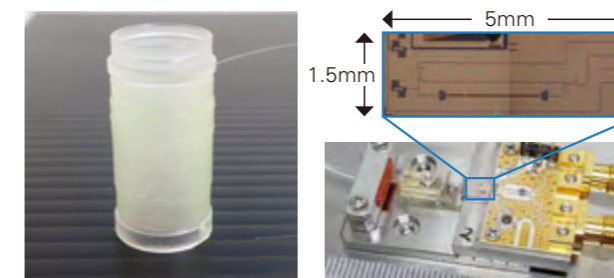
Analog + AI Initiatives

Initiatives for Advanced Analog Technology

• Photonics Technology

OKI is utilizing its original optical-part miniaturization and high-density mounting technology as well as its FBG (Fiber Bragg Grating) fabrication technology to develop high-sensitivity optical fiber acoustic sensors that are used underwater and receive acoustic waves coming from all directions. We are promoting the use of these sensors both for Ministry of Defense sonar systems and applications related to civilian life.

In terms of future research, we are considering working on silicon photonics technology for comprehensively mounting optical circuits, conventionally built using optical parts and optical fibers, on several-millimeter-square silicon chips as well as possible applications in fields that include optical transceivers, laser vibrometers, and optical fiber sensor systems. We are also taking on the challenge of developing optical biosensor technology capable of high-speed virus detection.



Optical fiber acoustic sensor Laser vibrometer core circuit

• Millimeter Wave Radar

We are developing millimeter wave sensing technology capable of detecting the position and speed of a wide range of vehicles, people, and other objects regardless of the environment—including the usage location and weather—in real time. We are also utilizing OKI's original antenna/RF circuit to improve the performance of both the detection distance and object recognition.



Millimeter wave antenna and RF boards

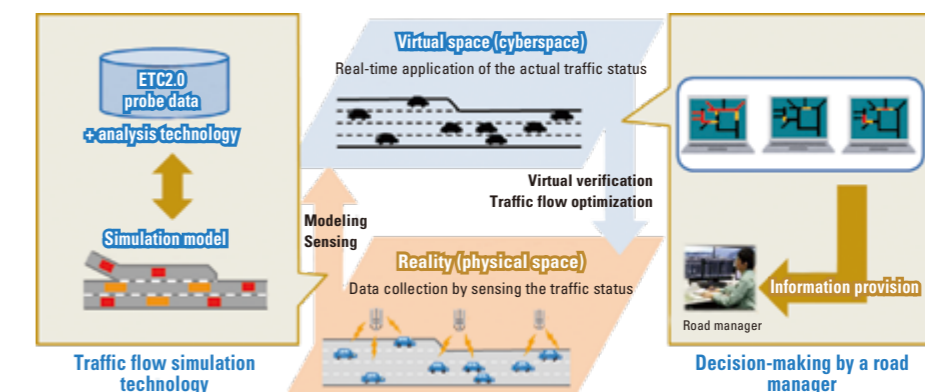
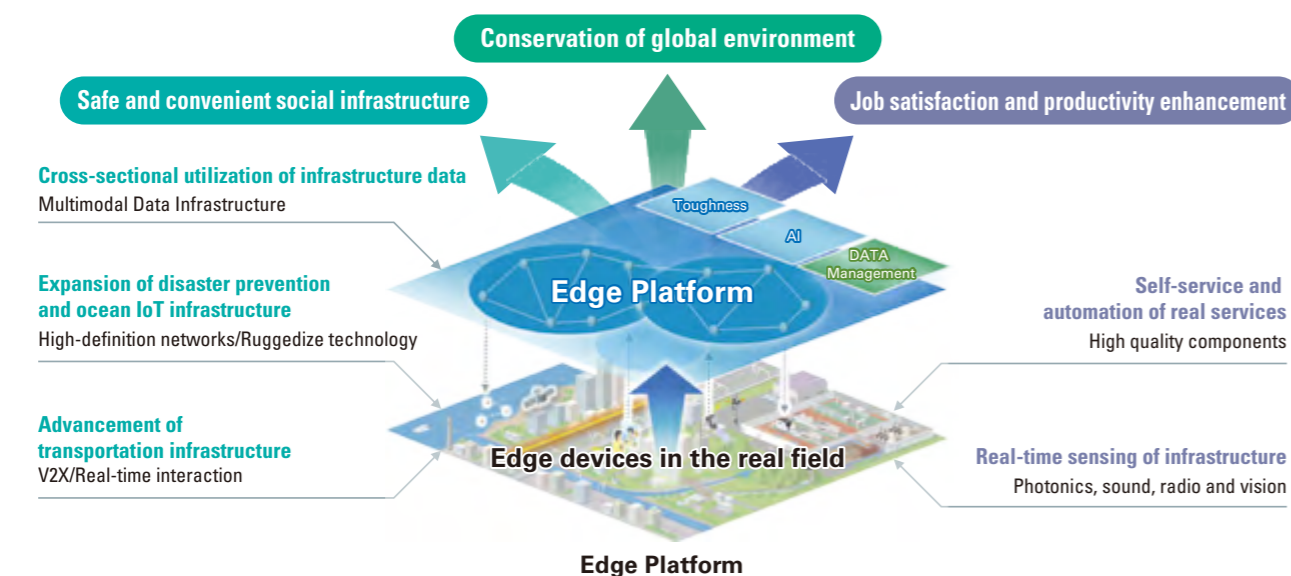
Initiatives for Various AI Technologies

OKI develops ASICs that contribute to edge AI implementation as well as AI Edge technology that emphasizes real-time processing as AI technologies for achieving advanced data processing. In addition, the Company researches and develops mathematical optimization technology that aggregates edge data to optimize social infrastructure.

In terms of AI Edge technology, OKI researches and develops technology for recognizing multimodal data obtained from various sensors as well as technology that miniaturizes AI models. We will also contribute to the utilization of AI in edge domains, including monitoring at various infrastructure sites. In addition, we will develop ASICs that enable high-speed, energy-saving AI processing and expand their applications to include OKI's printers and various other hardware products.

In terms of mathematical optimization technology, we are researching and developing topics that include the utilization of quantum computers to achieve the high-speed solving of optimization problems—which require an enormous number of calculations—as well as traffic congestion and traffic flow prediction based on the analysis of traffic probe data obtained from ETC2.0. As one result of such efforts, we have implemented LocoMoses®, a delivery-route optimization service for logistics companies.

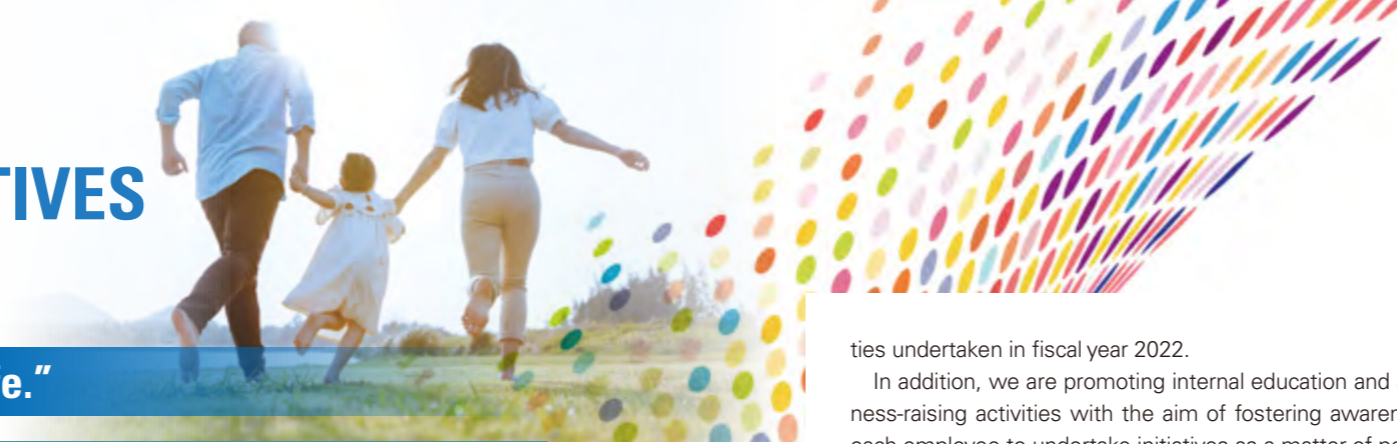
We have also been researching and developing generative AI technology—a subject of much attention in recent years—including the automatic generation of learning data via generative image AI as well as incorporating generative AI technology into applications, such as multimodal AI for expressing the information of multiple sensors in the same place. In addition, we provide large-scale language models and other services that can be safely used in-house to foster the literacy necessary to effectively utilize generative AI for various kinds of work.



Optimization AI technology: traffic flow simulation based on traffic probe data

SUSTAINABILITY INITIATIVES OF THE OKI GROUP

As a Company “Delivering OK! to your life.”



Based on the “enterprising spirit” raised in its corporate philosophy, the OKI Group is contributing to resolving social issues through the key Japanese concepts of Mono-zukuri and Koto-zukuri, and will also practice corporate activities built on integrity that are worthy of the trust of stakeholders.

Initiatives through Fiscal Year 2022

The OKI Group has been promoting initiatives to sustainably implement corporate activities built on integrity that meet the expectations of stakeholders. The actions to be taken by all OKI Group employees are summarized in the OKI Group Charter of Corporate Conduct and the OKI Group Code of Conduct, by positioning them as the foundation of the values that the OKI Group should share (see page 1), we have been working

to raise awareness through actions that are more familiar to people. While continuing this approach over the long term, in order to strengthen our sustainability efforts, we established the Sustainability Promotion Working Group (WVG) chaired by the President in fiscal year 2020.

The WVG has been promoting activities based on the Material Issues defined in the Medium-Term Business Plan 2022. The chart below shows an overview of the initiatives of the activi-

ties undertaken in fiscal year 2022.

In addition, we are promoting internal education and awareness-raising activities with the aim of fostering awareness in each employee to undertake initiatives as a matter of personal concern. In fiscal year 2022, in addition to implementing sustainability education for all Group employees in Japan, we held an internal forum on the theme of “Sustainability and Corporate Growth” with the President and the heads of related divisions as speakers.

Update of the Material Issues in Line with Our Medium-Term Business Plan 2025

In May 2023, the OKI Group announced its Medium-Term Business Plan 2025, which outlines our medium-term initiatives. In formulating the Plan, we reorganized OKI’s issues and updated our Material Issues in accordance with the process shown on page 35. We will steadily promote ESG initiatives through implementation of “providing products and services

that help solve social issues” in the three fields of contribution, as well as its underlying issues of “reducing environmental impact through business activities,” “transforming into a corporate culture that continuously creates value,” and “strengthening management foundation to support sustainable growth.”

To Strengthen Sustainability Initiatives

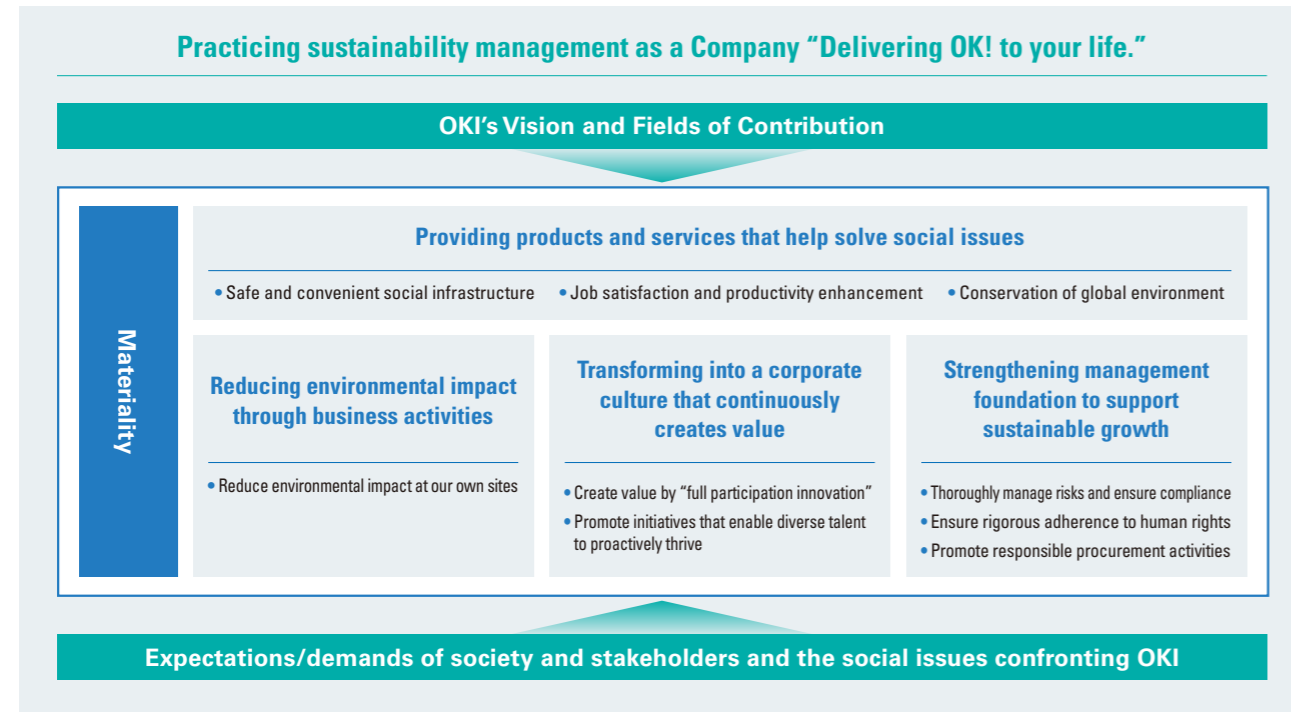
Along with the formulation of the Medium-Term Business Plan 2025, in April 2023, the Sustainability Promotion WG was transformed into the dedicated Sustainability Promotion & Corporate Communication Division and a new executive officer in charge was appointed. Under the new structure, we will promote initiatives based on the updated Material Issues, appropriately disclose progress, and engage in dialogue with stakeholders based on this to accurately grasp our own issues and the demands of society, which will lead to the strengthening of our activities.

Material Issues and ESG Initiatives in Fiscal Year 2022

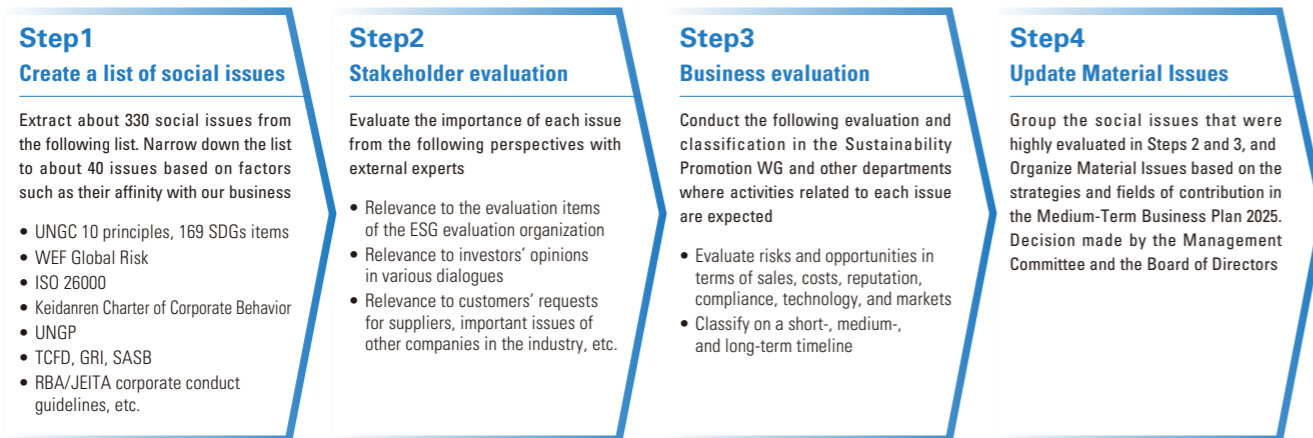
Materiality	ESG Themes	Initiatives for FY2020 to FY2022	FY2022 Results	Related pages
Creating Social Value Social issues: aging infrastructure, natural disasters, transportation issues, environmental issues, labor shortages, labor productivity, infectious diseases	E • Creating products that contribute to solving environmental issues • Supporting a circular economy	• Expansion of environmental contribution products • Reduction of life cycle CO ₂ • Creation of circular economy projects	• Achieved net sales of environmentally contributing products of ¥100.0 billion (accounting for 27% of the net sales of the entire Group) • Reduced CO ₂ emissions during procurement and product use target 5.0% → 12.8% reduction (compared to FY2020 levels) • Five circular economy projects (FY2022 target: 3 projects)	P41-44
	S • Creating products that contribute to resolving social issues • Promoting value creation in corporate activities	• Efforts toward social issues indicated in growth strategy • Internal cultural reforms aimed at innovation • Development and securement of human resources who will support Mono-zukuri and growth area businesses	• Promoted product creation aimed at resolving the seven social issues. Commercialization in March 2023 of LocoMoses, which uses AI to tackle the “2024 problem” in the logistics field • Basic training attended by a total of 9,735 Group employees, with the aim of realizing full participation innovation • Number of Yume Pro Challenge applications increased to 319 • Trained 420 AI engineers with practical skills, against a target of 300 engineers by the end of FY2022	P29-32 P29-32
	G • Positioning ESG at the core of management	• Promotion and evaluation of initiatives based on materiality	• Held an internal forum on “Sustainability and Corporate Growth” featuring the President and heads of related divisions as speakers • Conducted sustainability education for all Group employees in Japan, with a participation rate of 99.9% • Planned a CSR survey using self-assessment questionnaires for approximately 300 primary and secondary suppliers, and conducted surveys of about 150 companies targeted in FY2021 to FY2022. Provided feedback to six companies expected to improve	P33-35 P46
Strengthening Management Infrastructure Business activities built on integrity (governance, internal controls, disclosure), response to climate change, HR management Strengthen the Infrastructure that Support Mono-zukuri	E • Mitigation of and adaptation to climate change, pollution prevention, and resource recycling	• CO ₂ reduction at business sites, strengthening of introduction of renewable energy • Strengthening of chemical substance management through standardization of operations • Improvement of recycling rate	• Reduced CO ₂ emissions from business sites by 9.8%, against a target of 8.4% (compared to FY2020 levels) • Purchased renewable energy certificates. Target: 1,350 t-CO ₂ → Actual: 1,760 t-CO ₂ (FY2020-2022 cumulative total) • Strengthened chemical substance management and improved its efficiency through working group activities • Achieved a recycling rate of 85%, against a target of 83%	P41-44
	S • Strengthening of Mono-zukuri infrastructure • Strengthening of human rights and labor initiatives	• Promotion of Virtual One Factory • Strengthening of quality initiatives • Realization of smart work-life • Promotion of diversity and inclusion • Strengthening of occupational health and safety, health management initiatives	• Full-scale operation of the new plant in the Honjo district, the Group’s flagship plant, in July 2022 • Conducted e-learning for all Group employees in Japan on quality compliance, as well as simultaneous inspections and on-site surveys at production bases • Introduced Baby8 Leave to encourage male employees to take leave for childcare purposes and leave of absence for childcare • Positive response rates regarding work engagement: 62% (OKI), 53% (OKI Group) • Realized a female management ratio of 3.9% at OKI, and 5.7% across the OKI Group as a whole • Continued implementation of career training for female employees in their fourth year of employment and selective training for female leaders • Advanced health promotion measures for the “body,” “mind,” and “awareness” through a collaborative health system based on the OKI Group Health Management Declaration. 94.2% of employees received stress checks. • Established the OKI Group Human Rights Policy	P45 P36-40
	G • Strengthening of corporate governance • Internal controls/Risk management • Accurate information disclosure and strengthening of engagement (dialogue)	• Steady improvements based on board effectiveness evaluations • Accuracy improvement and entrenchment of risk management • Disclosures based on TCFD framework • Reliable disclosures regarding materiality initiatives • Strengthening of dialogue in IR/SR, etc.	• Carried out board effectiveness evaluations for FY2022 • Introduced management with a responsibility system for risk areas • Continued disclosures based on the TCFD framework; received an A- rating on CDP climate change • Selected as constituent of the FTSE Blossom Japan Sector Relative Index and the FTSE Blossom Japan Index (June 2023)	P47-50 P55-56 P41-44 P59-60

SUSTAINABILITY INITIATIVES OF THE OKI GROUP

OKI Group's Materiality



Material Issues Update Process in Conjunction with the Formulation of the Medium-Term Business Plan 2025



Main Initiatives/Organizations in Which OKI Participates

United Nations Global Compact	In May 2010, OKI signed the "United Nations Global Compact (UNGC)." The OKI Group supports the UNGC's 10 principles concerning the protection of human rights, the eradication of unfair labor practices, environmental measures, and anti-corruption, and will work to contribute to creating a sustainable society.
Task Force on Climate-related Financial Disclosures	In May 2019, OKI announced its support for the "Task Force on Climate-related Financial Disclosures (TCFD)" recommendations. We will disclose and disseminate information in accordance with TCFD recommendations, and will strengthen our efforts to contribute to the realization of a sustainable society brought about by a virtuous cycle of the environment and the economy.
Japan Climate Initiative	In April 2020, as a part of initiatives aimed at contributing to global warming prevention and the achievement of SDGs, OKI joined the "Japan Climate Initiative (JCI)," a network aiming for the realization of a decarbonized society. We will leverage co-creation with a broad range of partners aiming for decarbonization to strengthen our measures against climate change, and will contribute to the realization of a decarbonized society.
Challenge Zero	In June 2020, OKI joined "Challenge Zero (Challenge Net Zero Carbon Innovation)" organized by Keidanren (Japan Business Federation), which aims to encourage companies and organizations to take on the challenge of creating new innovations to realize a decarbonized society. We will take on this challenge of creating new innovations that will lead to products and services which contribute to resolving a wide range of environmental issues.
Responsible Minerals Initiative (RMI)	In August 2023, OKI joined the Responsible Minerals Initiative (RMI), which promotes responsible mineral procurement. As a member of RMI, we will maintain a grasp of the latest international developments and promote responsible mineral procurement initiatives.

RESPECT FOR HUMAN RIGHTS

Basic Approach

The OKI Group, as a signatory to the United Nations (UN) Global Compact, recognizes that respecting international human rights norms, including the International Bill of Human Rights and the International Labour Organization (ILO) Declaration on Fundamental Principles and Rights at Work, and considering the human rights of each and every person connected to OKI in our operations is the foundation of all corporate activities. It enshrines "Respect for Human Rights" in its Charter of Corporate Conduct and Code of Conduct, and ensures human rights are respected by providing various kinds of education. The Group has also worked on a fair employment and selection process and creating a working environment where diverse employees can play an active role.

The OKI Group manages harassment and other human rights and labor risks as "common risks" and educates all employees through the compliance training program. We have also established consultation and reporting contacts based on our whistle-blowing system as well as the Harassment Consultation Center as contact points in the event that a problem occurs or could occur. We have also developed and are implementing procedures for dealing with any risks, including protecting whistle-blowers and employees who have consulted the center. Furthermore, we also systematically conduct surveys on the human rights, labor, and other initiatives of our suppliers as provided in the "OKI Group Supply Chain CSR Deployment Guidebook" in compliance with the "Responsible Business Conduct Guidelines" published by JEITA (Japan Electronics and Information Technology Industries Association) (see page 46).

In order to further promote such initiatives, we identified "respect for human rights" as a key element for "strengthening management foundation to support sustainable growth," a material issue we announced along with Medium-Term Business Plan 2025. In line with the "OKI Group Human Rights Policy"—which we established in October of 2022 based on the UN Guiding Principles on Business and Human Rights—we will establish mechanisms and develop and implement measures for human rights due diligence and other requirements.

The OKI Group Human Rights Policy (Overview)

The OKI group aims to contribute to solving social issues based on the enterprising spirit set forth in our corporate philosophy and recognizes that the foundation of all of our activities must be to consider the human rights of each and every person connected to OKI in our operations. We hereby establish this "OKI Group Human Rights Policy" to fulfill our responsibility to respect human rights as a corporation.

1. Scope of Application
2. Commitment to Respect Human Right
3. Human Rights Due Diligence
4. Remediation and Redress
5. Education
6. Disclosure
7. Dialogue and Consultation with Stakeholders

Full text
<https://www.oki.com/en/sustainability/social/humanrights/index.html>

Comprehensively Implementing the "OKI Group Human Rights Policy"

After OKI established the "OKI Group Human Rights Policy," we explained the background behind doing so as well as the policy details, striving to make everyone aware of the policy through the sustainability education we provide to all Japanese Group employees (implemented from December of 2022 to January of 2023, attendance rate: 99.9%), our Group newsletter for domestic and overseas sites, etc.

In addition, in January of 2023, we conducted a survey targeting all of our domestic and overseas manufacturing subsidiaries to gain an understanding of human rights initiatives and issues. This written questionnaire-style survey was based on various international norms and items set forth in the "OKI Group Supply Chain CSR Deployment Guidebook." It covered initiatives related to human rights (the prohibition of forced labor/child labor/discrimination, freedom of association, work hours, wages, etc.), health and safety (occupational safety, industrial health, emergency preparedness, etc.), etc., and we also used it to confirm the employment situation of foreign workers at manufacturing subsidiaries in Japan.

We will continue to provide education related to respect for human rights as we identify any negative effects on human rights of the OKI Group's corporate activities and promote initiatives to prevent or mitigate such effects.

Initiatives Related to the Ethics of Artificial Intelligence (AI)

In accordance with the "OKI Group AI Principles"—which the OKI Group established in 2019 as a set of guidelines to follow when developing or providing technologies, products, or services that utilize AI—we promote the utilization of AI, also considering the related risk and quality management, the training of human resources, etc. The first of these principles is Respect for Human Rights, which explicitly states that we must strive to prevent AI-based discrimination, respect privacy, and follow laws and regulations related to the handling of personal information.

Due to the current advancement of AI utilization as well as the appearance of generative AI and other factors, there are increasingly strong social expectations surrounding AI. At the same time, global discussions are underway regarding concerns that include the potential effects of AI on society as well as human rights problems. OKI will also consider such situational changes as we continue to review our AI principles, in-house rules that flesh them out, and related operations in an effort to enhance our governance to contribute to the achievement of a better society in which human beings and AI can appropriately co-exist.



Diagram of the OKI Group AI Principles

HUMAN RESOURCE MANAGEMENT

Basic Approach

The OKI Group has promoted various human resources policies while positioning human resources as one of its most important management resources for adapting to changes in the social environment and for sustainable development. In our Medium-Term Business Plan 2025, “promote measures that enable diverse talent to proactively thrive” is included as a component of “transform into a corporate culture that continually creates value,” one of our Material Issues. We have begun activities to transform our corporate culture, centered on the newly established Organizational Culture Reform Department in fiscal year 2023.

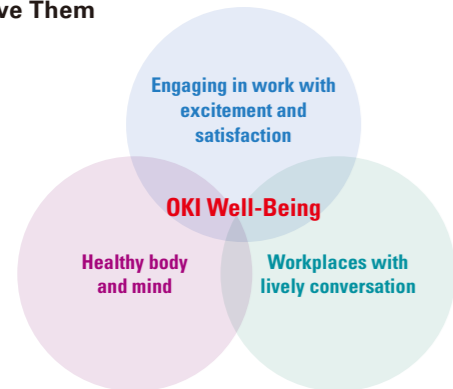
Making the participation and growth of diverse human resources into our company’s strength is the key to achieving innovation acceleration, creation of future businesses, and development of global operations, as well as steering our company toward growth. To enable diverse and sufficient human resources to proactively take on challenges and grow so that individuals and the organization align their goals, we will promote diversity and inclusion, foster a rewarding organizational culture, implement human resources policies to secure, develop, and assign the right people for the right positions, and create a positive work environment.

Creating an Environment for Diverse Human Resources to Proactively Take on Challenges

The OKI Group focuses on well-being to create an environment in which diverse human resources can proactively take on challenges, and is working to promote well-being in the workplace. In fiscal year 2022, we held an internal seminar for the domestic OKI Group on the theme of well-being, which was attended by the President, executives, and many other Group employees. The participation rate of managers, who play a central role in realizing well-being in the workplace, was approximately 92% (figure for only OKI).

In order to further enhance existing activities and proactively

Elements of OKI Well-Being and Major Efforts to Achieve Them



Elements of “OKI Well-Being”	Initiatives
Workplaces offering psychological safety (Workplaces with lively conversation)	Activities to promote interactive communication among employees
Mental and physical health (Healthy body and mind)	Health and safety as well as health management
Fostering of job satisfaction (Engaging in work with excitement and satisfaction)	Initiatives to assign the right people to the right positions as well as to align organizational goals with employees’ autonomous career visions

try new approaches, we established the Organizational Culture Reform Department as a dedicated organization in fiscal year 2023. We are implementing initiatives while defining “OKI Well-Being” as enabling “workplaces offering psychological safety,” “mental and physical health,” and “fostering of job satisfaction.”

With regard to “fostering of job satisfaction,” the goal is to increase the percentage of positive responses* to 70% by fiscal year 2025 for items related to job satisfaction (OKI work engagement) in the awareness survey conducted annually among all Group employees in Japan. The results through fiscal year 2022 are as follows, showing a declining trend. This can be attributed to multiple factors that have caused changes in job satisfaction, including the status of environmental conditions such as remote work in response to the COVID-19 pandemic and changes in work execution processes in the new environment. We aim to achieve our goal by promoting initiatives led by the Organizational Culture Reform Department.

*Positive response: Very much so / more or less so

Results of Awareness Survey of All OKI Group Employees (in Japan)

	Employees who gave a positive response				
	FY2019	FY2020	FY2021	FY2022	FY2025 (target)
The workplace is positive and work is rewarding	60% (68%)	63% (71%)	54% (64%)	53% (62%)	70%

Figures in parentheses represent only OKI

Aiming for a Workplace with Psychological Safety and Conversation

The OKI Group has been developing “Interactive Communication” activities among employees since fiscal year 2018 under the motto “Express yourself, encourage others to express themselves, and listen” to foster an organizational culture with psychological safety in which employees feel secure to express their opinions and ideas, recognize each other, and take on challenges. Targeting communication at all levels, each workplace holds lunch meetings, team conversations, and workshops on workplace issues and concerns.

To promote Interactive Communication in the workplace, we have been working on workshops for department and section heads across the domestic Group since fiscal year 2018, and have conducted these workshops at about 600 workplaces through now. In addition, we conduct annual Interactive Communication Designer Training to train facilitators who promote Interactive Communication. Moreover, we conduct assessments twice a year to confirm that we have workplaces with psychological safety. To further promote organizational culture reform going forward, we will work to improve communication across the organization and foster ownership and followership for the challenges taken on by each employee.

[Vision of the Interactive Communication Activities]

- Employees can freely express their opinions and ideas, understand each other’s perspectives, and align their goals
- Employees think from a broad outlook, cooperate to help each other, and enjoy taking on new challenges
- Employees are recognized, praised, feel job satisfaction, and are more proactive in their work.

Renewing the Personnel Systems to Steer toward Growth

In April 2023, the OKI Group revised its personnel systems for managers for the first time in about 20 years in order to improve organizational performance and create new value. In order to maximize the ability of managers, who play a core role in the Group’s growth, to drive the organization and business as leaders, we will realize the placement of the right personnel in the right positions according to individual aptitudes and career aspirations by establishing a multi-grade system (management/professional/expert) according to the roles that managers play. In conjunction with this, compensation levels have been reviewed for the first time in eight years with an average increase of about 8% (maximum 19%). This is positioned as an up-front investment for driving growth, and we believe it is a necessary investment for securing future human resources and for growth. Furthermore, we have reviewed the evaluation system for managers, encouraging them to change their mindset and challenge themselves to “fulfill their responsibilities” and “focus on results.”

In addition, in order to create a workplace environment in which anyone can demonstrate performance and play an active role regardless of age, we have promoted the appointment of younger employees to management positions and abolished the “retirement age system,” which uniformly dismisses employees from positions such as department head and section head when they reach a certain age. To promote the participation in the workplace of senior employees (employees who have continued to work after retirement age), we are supporting the development of their second careers through the implementation of new mindset training when reaching programs retirement age and enhancing dialogue at career design interviews.

Managerial Positions and Roles under the New Grading System



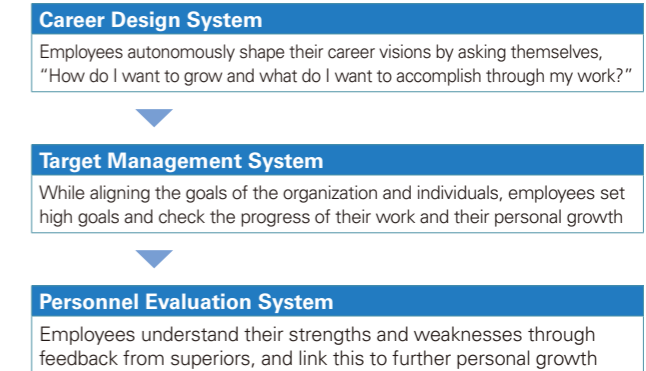
Initiatives for Human Resource Development Human Resource Development and Participation through Work Experience

In order to create a virtuous cycle in which maximizing of employee performance and fostering of employee growth and job satisfaction lead to corporate growth, it is important to have thorough dialogue with each and every employee. The OKI Group utilizes a career design system, a target management system, and a personnel evaluation system so that employees can autonomously form their career visions and take on challenges in their work where the goals of individuals and the organization align. We support employees’ personal

growth by having superiors provide feedback through interviews between superiors and subordinates.

In addition, once a year, we have an award system to recognize the challenges and results achieved by individuals and team/project units on a Group-wide basis, which motivates employees and encourages them to take on challenges to effect change.

Linkage of Major Personnel Systems with Human Resources Development



Development of Human Resources in Line with Our Strategy • Developing Executive Talent

To develop executive talent who will lead the OKI Group in the future, we dispatch them to selective internal training programs and external training programs such as graduate schools of technology management. In fiscal year 2022, we overhauled our internal training program to include lectures and coaching by external instructors and sessions for dialogue with the President and executives on management issues. Through this practical program which lasts about one year, we are developing executive talent.

• Development of Human Resources to Work Globally

To develop human resources who can adapt to differences in language, business practices, and culture, and who can play an active role on the global business, we conduct selective training as well as language training on a voluntary basis. We also dispatch human resources overseas through our overseas training program and overseas studying programs.

Support for Autonomous Learning and Diversification of Experience

The OKI Group has established a training system that includes “common training for business skills,” in which employees learn business skills autonomously regardless of job position or occupation, as well as “specialized and departmental training” to hone their professional expertise. The total training hours per OKI employee in fiscal year 2022 was 22.9 hours.

In addition, in fiscal year 2022, we introduced a secondary job system to increase the diversification of employees’ experience, knowledge, and skills.

Website “Initiatives for Human Resource Development”
<https://www.oki.com/en/sustainability/social/emply/promotion.html>

HUMAN RESOURCE MANAGEMENT

Promoting Participation and Advancement in the Workplace by Diverse Human Resources Promotion of Diversity and Inclusion (D&I)

Promotion of D&I is a management strategy for strengthening human resources. The OKI Group is a place where diverse human resources gather, and by respecting and valuing diversity, we aim to create innovation, increase motivation, and achieve sustainable organizational growth. In order to create a situation in which human resources with various experiences, knowledge, and skills can play an active role, we will acquire external human resources, diversify the experiences of internal human resources, and promote the diversification of attributes such as gender, age, disability, SOGI (Sexual Orientation and Gender Identity), and nationality.

Acquisition of External Human Resources

From the perspective of sustainable growth, the OKI Group is working to increase the number of new graduates (by about 40 employees from fiscal year 2023 compared to the previous year) and mid-career hires to secure human resources for existing businesses and simultaneously to advance hiring of human resources with diverse perspectives and knowledge to create new businesses.

In addition, from fiscal year 2022, we will introduce a system accepting secondary job employees in addition to the aforementioned secondary job system, and promote the acceptance of human resources in strategic fields on a project basis or short-term employment.

OKI Group (Domestic) Number of New Graduate Hires

	FY2021	FY2022	FY2023
Number of new graduate hires	259	240	287

Promoting Women's Participation and Advancement in the Workplace

In order to help incrementally motivate female employees from the early stages of their careers, the OKI Group conducts career training for female employees in their fourth year of employment as well as selective leadership strengthening training. We aim to increase the female management ratio to at least 5% (OKI) by April 2026.

In the future, we aim to achieve an equal female management ratio in proportion to the number of female employees, and will continue to strengthen our initiatives for policies to encourage female employees to play an active role.

Female Executives and Employees and Female Management Ratio

		End of FY2020	End of FY2021	End of FY2022
Number of female executives	OKI	2	1	1
	OKI Group	5	6	5
Female management ratio	OKI	3.3%	3.6%	3.9%
	OKI Group	5.3%	5.1%	5.7%
Percentage of female employees	OKI	13.1%	13.5%	14.0%
	OKI Group	22.9%	23.2%	23.0%

Hiring of Challenged People

The OKI Group hires challenged people with the aim of having challenged employees play an active role in a variety of workplaces without being limited in their job areas or occupations. Our special subsidiary OKI WorkWel employs 83 challenged employees as of June 2023. Among them, 70 with difficulty in commuting work from home in 24 prefectures, utilizing their IT skills for tasks such as building websites. The OKI Group's employment rate for challenged people* in FY2022 (June 2022) was 2.60%.

*Employment rate of challenged people is the aggregate of seven special subsidiary-applied Group companies in Japan.

Website "Initiatives for Diversity and Inclusion"
<https://www.oki.com/en/sustainability/social/emp/ diversity.html>

Initiatives for Personalized Work Styles of Diverse Human Resources Greater Flexibility in Work Location and Hours

Since fiscal year 2020, the OKI Group has been reviewing its systems, promoting the digital transformation of work styles, and reorganizing offices for the purpose of invigorating co-creation with customers and increasing employee collaboration, based on the concept of "derive maximum value out of time and dramatically improve work life quality."

Support for Balancing Work and Private Life

OKI has established various systems to support a balance between work and private life, while labor union and management members confirm working hours and leave utilization.

Main Systems to Support Balancing Work and Private Life

- Flextime (with/without core time) system
- Telework system
- System to provide special work conditions for people caring for children
- System to provide special work conditions for people nursing the elderly
- Special leave for particular purposes system (available for nursing family members, attending children's school events, etc.)
- Shinkansen (bullet train) commuting system

In order to encourage male employees to take leave for childcare purposes and leave of absence for childcare (hereinafter referred to as "childcare leave by men"), OKI introduced the "Baby8 Leave" system in October 2022, which allows employees to take up to 25 days (working days) of paid leave to care for a child within eight weeks after birth. The goal is to enable all employees who wish to take the leave to do so, and to increase the percentage of eligible employees taking the leave to 50% or more each year. Through the development of this system, we



Character to Promote Childcare Leave by Men Baby8-chan
 Designed by an employee of our special subsidiary OKI WorkWel

aim to foster an organizational culture that enables employees to balance work and childcare, regardless of their gender.

[Childcare Leave Utilization Rate]

- FY2022 OKI Group (domestic) childcare leave utilization rate for male employees: 84.9%
- Changes in OKI's childcare leave utilization rate

	FY2020	FY2021	FY2022
Male	50.6%	52.9%	81.7%
Female	100.0%	116.7%	87.5%

Calculated in accordance with the Act on Advancement of Measures to Support Raising Next Generation Children

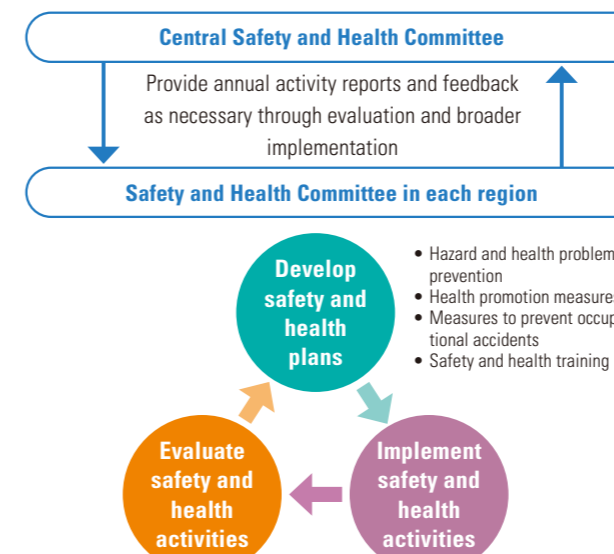
Initiatives for Sexual Minorities

We have established a consultation counter and an e-learning course for learning basic information throughout the year with the aim of creating a workplace where LGBTQ employees feel respected and able to securely demonstrate their abilities. In fiscal year 2021, 99.9% of OKI Group employees in Japan participated in diversity education (e-learning) on the subject of basic information about sexual minorities. In April 2023, OKI introduced a "partnership system" to treat a relationship between two partners, one or both of whom are sexual minorities, the same as a legal marriage in some in-house systems, including leave and leave of absence.

Initiatives for Occupational Health and Safety, Health Management

Occupational Health and Safety Initiatives

The OKI Group positions the creation of a comfortable work environment where employees can work in a safe and healthy manner as an important foundation for its corporate activities. In each region, OKI established "Safety and Health Committees" comprised of management and labor union members to develop safety and health systems. Management and labor union members work together to systematically advance measures for preventing hazards and health problems and promoting the health of employees. The Central Safety and Health Committee meets once a year to evaluate the activities of each region and encour-



Structure for occupational health and safety promotion

age their broader implementation.

In 2022, OKI's incidence rate of occupational accidents*1 was 0.00 (electric machinery/equipment manufacturing industry's average in Japan: 0.53) and severity rate of occupational accidents*2 was 0.00 (electric machinery/equipment manufacturing industry's average in Japan: 0.02). We will continue to promote activities aimed at achieving zero occupational accidents.

*1 Incidence rate of occupational accidents: Number of casualties due to occupational accidents per million man-hours worked, representing the frequency of occupational accidents.

*2 Severity rate of occupational accidents: Total number of lost work-days per thousand man-hours worked, representing the severity of occupational accidents.

Initiatives for Health Management

Recognizing that ensuring the physical and mental health of its employees is essential for company management, the OKI Group has been promoting health management based on the "OKI Group Health Management Declaration" with the aim of enabling each and every employee to fully demonstrate his or her abilities by staying healthy, in both body and mind.

To prevent diseases and promote the health of employees and their families more effectively, the OKI Group conducts health management under a "collaborative health" system in which Group companies, including occupational health staff, and the health insurance associations work together. In addition, based on analysis of data mutually held by the companies and the health insurance associations, the OKI Group has identified priority health issues to be addressed from the three perspectives of "body," "mind," and "awareness" and has set target indicators for promoting health.

In March 2023, OKI was certified as a "2023 Health and Productivity Management Outstanding Organization" in the large enterprise category as a company that takes proactive initiatives for health promotion. This is the seventh consecutive year since 2017 that we have been certified. In addition, in March 2023, OKI was recognized by Japan's Sports Agency as a "Sports Yell Company 2023" as a company that actively promotes sports activities to improve the health of its employees. We will continue to increase the number of employees with exercise habits, leading to the development of both physical and mental health.

OKI Group's Key Indicators for Health Management

OKI Group's priority health issue target indicators	FY2020 results	FY2021 results	FY2022 results	FY2026 target
[Body] Obesity prevention / reduction of obese employees Percentage of obese employees	33.5%	32.9%	32.9%	31.0%
[Mind] Preventing mental health problems Percentage of employees who took stress checks	95.4%	94.7%	94.2%	100.0%
[Awareness] Promoting health awareness that leads to action Exercise habit establishment rate*	20.4%	21.5%	22.7%	30.0%

*Percentage of employees who conduct light-sweating exercise for 30 minutes or more per session, at least two days per week for at least one year

Website "Initiatives for Occupational Health and Safety, Health Management"
https://www.oki.com/en/sustainability/social/emp/health_safety.html

CONSIDERATION FOR THE ENVIRONMENT

Basic Approach

Environmental Policy and Environmental Targets

OKI's Environmental Policy incorporates our desire to pass on a better global environment to the next generation. This Environmental Policy is the foundation of our environmental management, and we are promoting activities centered on decarbonization, resource recycling, and pollution prevention with our products and sites.

Among them, OKI has identified addressing climate change, which has become increasingly important in recent years, and reducing environmental impact through products, and has formulated the OKI Environmental Vision 2030/2050 as the medium- to long-term environmental target for the entire Group.

Considering our Environmental Policy and Environmental Vision, as well as the recent requests of our customers and other stakeholders, we have formulated a three-year plan, which is incorporated into our annual activity plan. We have positioned ISO 14001 as a tool to achieve our plans and targets, and have established a management system to implement environmental management while making it a matter of importance for each of us.

Environmental Policy

The OKI Group realizes a better global environment by providing products and services that contribute to the development of the information society for the next generation, and passes this down within the group.

- Work to prevent pollution and protect the environment by implementing the OKI Group environmental management.**
 - Take action to provide environment-friendly products and services in all business processes through product planning, manufacturing, and maintenance operations.
 - In business activities, strive to save energy and resources and take action to reduce and recycle waste.
 - Work on biodiversity conservation and sustainable use.
- Comply with applicable environmental legal requirements and regulations, and with customer requirements and other requirements to which the OKI Group subscribes.**
- Adequately implement PDMCA (Plan-Do-multiple Check-Act) in the environmental management system, and take action to advance environmental performance and to continue improvement of its operation system.**
- Disclose environmental information, and make wide contributions to the society by supporting environmental activities.**

OKI Environmental Vision 2030/2050 (Overview)

1 Prevention of Global Warming

FY2030: 42% CO₂ emissions*¹ reduction at OKI sites and 25% CO₂ emissions*² reduction at suppliers and from the use of products (compared to FY2020)
 FY2050: Net zero CO₂ emissions at OKI sites, Net zero power consumption by new products



2 Contribution to Achieving SDGs

Through (i) and (ii) below, contribute to achieving the targeted reductions in environmental impact set out by the 2030 SDGs

- (i) Generate innovative products and services and provide solutions conducive to resolving a wide range of environmental issues
- (ii) Realize innovative technologies for manufacturing and creating things in the supply chain, including workplaces



*1 SCOPE1 (fuel derived) + SCOPE2 (power derived)
 *2 Total of SCOPE3 Category 1 (purchased goods and services) and Category 11 (use of sold products)

OKI Environmental Vision 2030/2050
<https://www.oki.com/en/sustainability/eco/mng/vision.html>

Environmental Activity Plan for FY2023 to FY2025 (Summary)

Environmental Themes	Initiatives	Classification	Applicable	Action Plan and Targets by FY2025
Entire	Expansion and creation of environmentally contributing products	Opportunity	Product	Increase ratio of environmental contribution net sales to overall net sales (35%)
Mitigation of Climate Change	Decarbonization of OKI sites	Risk	Site	21.0% CO ₂ emissions reduction for Scopes 1+2 (OKI sites) (compared to FY2020)
	Decarbonization of the supply chain	Risk	Product	12.5% CO ₂ emissions reduction for Scope 3 (suppliers + from the use of products) (compared to FY2020)
Prevention of Contamination	Appropriate management of chemical substances at factories	Risk	Site	Strengthening of information transfer and response procedures for use history related to chemical substances
	Management of chemical substances contained in products	Risk	Product	Update of management system functions and improvement of response efficiency
Resource Recycling	Reduction of waste from factories	Risk	Site	Recycling rate of 84% or more
	Collection of used products	Opportunity	Product	Recycle rate of collected used products of 90% or more
Reduction of Water Risk	Water consumption reduction	Risk	Site	Reduction of water consumption by 0.2% (compared to the previous fiscal year)
Conserving Biodiversity	Overall initiatives listed above	Risk	Site/Product	Contribution to biodiversity conservation through climate change mitigation, pollution prevention, and resource recycling initiatives

Performance of plan from FY2020 to FY2022
<https://www.oki.com/en/sustainability/eco/mng/ecoplan.html>

Information Disclosed According to the Task Force on Climate-related Financial Disclosures (TCFD*1)

OKI announced its support for the TCFD from a perspective of a positive economic and environmental cycle. Along with systematically managing climate-related risks, opportunities, and countermeasures for them, OKI aims to enhance information disclosure about these efforts.

Governance	<p>Roles of managers and director monitoring system for climate-related risks</p> <ul style="list-style-type: none"> The OKI Group established a Sustainability Promotion Working Group (WG) in FY2020, with the President as its chief officer, to manage climate-related risks and other sustainability-related risks and promote initiatives based on the Material Issues identified. In April 2023, the WG was transformed into the dedicated Sustainability Promotion & Corporate Communication Division and a new executive officer responsible for sustainability was appointed. The Management Committee makes decisions on important matters related to sustainability. The above-mentioned promotion body reports to the Management Committee on the status of environmental, social, and governance initiatives and issues that embody the Material Issues. Matters that may significantly impact business are reported to the Board of Directors. In fiscal year 2022, deliberations included the revision of the OKI Environmental Vision 2030/2050 and the establishment of the OKI Group Human Rights Policy.
Strategy	<p>Scenario analysis for identifying and addressing risks and opportunities</p> <ul style="list-style-type: none"> OKI identifies physical and transition risks based on reports related to climate change issued by international institutions and performs scenario analysis that considers the intensification of climate change if temperatures rise 4°C and social changes needed to limit this increase to 1.5°C. As shown on the following page, perspectives of climate change, resource circulation, and prevention of pollution are included in scenario analysis. OKI identifies risks and opportunities based on these scenarios and establishes countermeasures to better respond flexibly to phenomena that could occur in the future. (Regarding the 1.5°C target, see "Indicators/Targets" below and page 43.)
Risk Management	<p>Risk selection/evaluation process</p> <ul style="list-style-type: none"> At least once a year, OKI identifies climate change or other recent phenomena to evaluate the impact, frequency, and period of the risks and opportunities that emerge from them in order to determine their importance.
	<p>Risk management process</p> <ul style="list-style-type: none"> OKI considers countermeasures for the above risks and opportunities, developed a Group-wide plan for environmental management, and is implementing this into environmental action plans at each organization and site. The execution status of these plans is checked through internal auditing and revised as needed.
	<p>Method of integrating comprehensive risk management</p> <ul style="list-style-type: none"> Environment-related risks, including climate change, are managed in an integrated manner in the environmental management system of the entire OKI Group. Each business unit and the environmental division work together to plan, execute, monitor, and correct the risks, while measures to prevent their manifestation are deployed throughout the Group.
Indicators/Targets	<p>Indicators used</p> <ul style="list-style-type: none"> CO₂ emissions in the supply chain including OKI sites (Scopes 1+2, Scope 3 categories 1 and 11) Environmental contribution net sales <p>SCOPE1,2,3</p> <ul style="list-style-type: none"> Entered on ESG data section (see pages 59-60) of this report and on the table published on the website. <p>Targets</p> <ul style="list-style-type: none"> CO₂ emissions reduction (in compliance with SBT*²): All of the following are compared to FY2020 <ul style="list-style-type: none"> CO₂ emissions*³ reduction at OKI sites: 42% reduction in FY2030, with 21% reduction by FY2025 as an interim target CO₂ emissions*⁴ reduction at suppliers and from the use of products: 25% reduction in FY2030, with 12.5% reduction by FY2025 as an interim target Environmental contribution sales : Ratio to total Group sales of 50% by FY2030, with 35% by FY2025 as an interim target <p>Results</p> <ul style="list-style-type: none"> CO₂ emissions reduction (in compliance with SBT*²) All of the following are compared to FY2020 <ul style="list-style-type: none"> CO₂ emissions*³ reduction at OKI sites: 9.8% reduction by FY2022 CO₂ emissions*⁴ reduction at suppliers and from the use of products: 12.8% reduction by FY2022 Environmental contribution sales : The FY2022 result was 27%. (We are enhancing the calculation criteria. This is introduced on p. 44.)

*1 TCFD (Task Force on Climate-related Financial Disclosures): Proposal that suggest the need for companies to disclose information to investors on their response toward climate change
 *2 SBT (Science Based Target): Target standard for reducing greenhouse gas emissions in line with the levels required by the Paris Agreement
 *3 SCOPE1 (fuel derived) + SCOPE2 (power derived)
 *4 Total of SCOPE3 Category 1 (purchased goods and services) and Category 11 (use of sold products), which make up over 67% of SCOPE3 emissions in FY2020

CONSIDERATION FOR THE ENVIRONMENT

Strategy Based on Scenario Analysis

As societal changes to limit warming to 1.5°C progress, there will be changes in laws for decarbonization, technological progress, and market needs. We expect that there will be rising demand for OKI's decarbonization solutions.

If temperatures rise 3 to 4°C, there will be increased physical

risks from intense disasters due to the impact of climate change. It is possible that severe impact will hit the supply chain, including OKI's own sites. On the other hand, needs are also expected to rise for OKI's disaster prevention information systems as a preventive measure against intense disasters.

Scenario Analysis					
Category	Expected Phenomena	Risk/ Opportunity	Impact on Future Finances	Time frame*3	Strategy/Initiatives
1.5°C climate change scenario*1 (transitional risks)	Need for decarbonization increases further and spreads	Risk	<ul style="list-style-type: none"> Loss of sales opportunities due to not meeting energy-saving standards on hardware products and customer demands Response to customer demands for renewable energy usage in the manufacturing process, impact of fossil fuel tax (carbon tax) 	Short term Medium term	<ul style="list-style-type: none"> CO₂ emission reduction targets in compliance with 1.5°C SBT and promotion of the following initiatives Product: Energy-saving for hardware <ul style="list-style-type: none"> Set development targets that anticipate stronger regulations Strengthen R&D and technology development and accelerate commercialization Site: Promotion of the following initiatives for zero CO₂ emissions (ZEB, etc.) <ul style="list-style-type: none"> Thorough energy saving: Improve efficiency of production equipment and facilities at sites and streamline all operations Introduction of renewable energy: Install renewable energy equipment at our sites, enter into contracts for electricity derived from renewable energy, etc.
			<ul style="list-style-type: none"> Higher costs stemming from strengthening decarbonization at business sites 	Short term	
		Opportunity	<ul style="list-style-type: none"> Expansion of demand for the following OKI Group products <ul style="list-style-type: none"> Decarbonization/energy-saving solutions Technologies that support the spread of renewable energy Hardware products that operate on renewable energy 	Short term	<ul style="list-style-type: none"> Product: Expansion and creation of environmentally contributing products <ul style="list-style-type: none"> Visualize and seek out environmental contribution net sales Creation of decarbonization/energy-saving solutions that utilize IoT and AI <ul style="list-style-type: none"> E.g., Transportation, construction/infrastructure, finance, logistics, maritime, business communications, building energy management fields Support to improve efficiency of customer operations through operations outsourcing <ul style="list-style-type: none"> E.g. ATM full outsourcing services Expansion of hardware products that operate on renewable energy <ul style="list-style-type: none"> E.g. Zero Energy Gateway Strengthening of R&D (AI weight reduction, etc.)
4°C climate change scenario*2 (physical risks)	Abnormal weather becomes more frequent and intensifies (increased typhoons/flooding, extreme heat and cold, increased lightning)	Risk	<ul style="list-style-type: none"> Sites/suppliers: Loss of business assets due to disasters at factories and suppliers/suspension of operations/severance of supply chain Site: Equipment breaks due to higher temperatures 	Short term Short term	<ul style="list-style-type: none"> Site: Strengthen climate change BCP/BCM <ul style="list-style-type: none"> Install water stop boards; lift height of equipment Devices to stop manufacturing equipment during lightning storms Redundant air conditioning units for inspection devices Suppliers: Strengthen procurement BCP <ul style="list-style-type: none"> Strengthen surveys of climate change risks for suppliers
			<ul style="list-style-type: none"> Product: Expansion of demand for the OKI Group's advanced disaster prevention/ mitigation solutions (disaster prevention field, maritime field) 	Medium term	
Prevention of pollution through chemicals	Expansion and complication of laws and regulations for substances	Risk	<ul style="list-style-type: none"> Product: Standards violations for chemicals contained in products Site: Pollution due to deterioration of facilities 	Short term	<ul style="list-style-type: none"> Product: Strengthen sharing of operations across the entire Group Site: Review facility inspection/exchange standards
			<ul style="list-style-type: none"> Product: Expansion of demand for efficiency improvement in chemical substance management (manufacturing field) 	Short term	
Resource circulation	Strengthening of laws and regulations for oceanic plastics and microplastics	Risk	<ul style="list-style-type: none"> Site: Inflation of waste product disposal costs; refusal to accept from waste disposal companies Product: Risks of resource deprivation; risks of materials supply shortage 	Medium term	<ul style="list-style-type: none"> Site: Waste reduction <ul style="list-style-type: none"> Reuse of plastic packaging Reduction of percentage of disposed items through improved efficiency in extracting metal materials Product: Recovery and reuse of parts from used products utilizing the wide area certification system for industrial waste
			<ul style="list-style-type: none"> Product: Expansion of demand for resource-saving products and recycling services 	Medium term	

*1 See IEA NZE 2050

*2 See IPCC RCP8.5

*3 Long term means more than 10 years, medium term means 3 to under 10 years, and short term means 1 to under 3 years

Expansion and Creation of Environmentally Contributing Products

In order to expand and create environmental contribution products, including those that address climate change, OKI has set a target that 50% of total Group sales should be net sales of environmental contribution products by fiscal year 2030, with an interim target of 35% in fiscal year 2025. The results for fiscal year 2022 were compiled based on the following criteria and

were 27% (100 billion yen).

Environmental contribution products are defined as products that contribute directly or indirectly to matters such as the reduction of environmental impact and damage. In calculating net sales, we have reviewed definitions in light of external circumstances to improve consistency and comprehensiveness.

Criteria for Environmental Contribution Products : They must meet one of the following:

- Contributes to reducing causes of environmental impact or damages from environmental deterioration
- Contributes to mitigating damage from climate change, and allowing society to adapt to climate change
- Streamlines management of environmental impacts

Contribution Area

Decarbonization, resource saving/waste reduction, chemicals management/pollution prevention, etc.

Contribution Method

Direct contribution from using the product. Indirect contribution from streamlined operations through the use of the product is also acceptable

Direct	Direct contribution from using the product Ex) Product's power saving technology, building energy management system: contributes to energy saving "DPS Core" disaster prevention information system: contributes to preventing and mitigating the effects of extreme weather and other disasters
Indirect	Indirect contribution through means such as results of improved business efficiency in the use of the product Ex) "LocoMobi 2.0" ITS service: collects and analyzes road information alleviates road congestion reduces fuel consumption decarbonization

OKI environmentally contributing products

OKI Eco Products Hardware
OKI Eco Products*

OKI Eco Solutions solutions & services

Relationship between OKI environmentally contributing products OKI Eco Products

*Hardware products that meet OKI's own stricter environmental criteria

R&D for an Environment that "Looks toward the Future"

The OKI Group is conducting R&D that is strongly aware of contributions to the environment, as indicated in the three fields of contribution in the Medium-Term Business Plan 2025. While remaining engaged in the traditional themes, the R&D Department is particularly focused on the following themes.

There are 14 technological themes that directly contribute to the environment, such as power saving and resource saving in AI edge devices, as well as 24 technological themes that indirectly contribute to reducing environmental impact through the use of digital technology.

Themes	Direct/ Indirect	Outline
Next-generation control circuit boards	Direct	We develop next-generation common control circuit boards that reduce electricity consumption by adopting power-saving ASIC with AI functions and highly efficient power supply, and apply this to various hardware. This contributes to reduction of CO ₂ emissions by significantly reducing operating and standby electricity consumption.
High-efficiency and miniaturization technology for power supplies	Direct	This reduces operating electricity consumption by adopting GaN (gallium nitride) and increasing the efficiency of switching power supplies. It enables miniaturization, increasing design flexibility in terms of equipment shape and size. It contributes to both power and resource savings in hardware.
Traffic probe data utilization (analysis and prediction)	Indirect	Technology that analyzes traffic probe data (driving history) and predicts the occurrence of traffic jams and required transportation time. It provides information to reduce traffic congestion based on traffic flow control plans, and contributes to the reduction of CO ₂ emissions.
Roadside infrastructure wireless technology for automated driving	Indirect	Communication technology and sensing technology such as millimeter wave radar that provides information such as the position, speed, and length of main line vehicles from the roadside to merging vehicles at merging points on expressways and other roads. This enables vehicles to merge safely and smoothly into the main line, and contributes to the reduction of CO ₂ emissions by reducing energy consumption associated with deceleration and traffic congestion.
Zero-energy IoT technology	Direct	Power-saving IoT technology that does not require communications/power lines through solar power generation and wireless communications. By enabling connection of various sensors, it utilizes its features of being compact, lightweight, and easy to install, and contributes to disaster prevention/mitigation, such as monitoring of structures in mountains and monitoring of embankment slopes and check dams.
Delivery route optimization technology	Indirect	This optimizes delivery routes and delivery volumes to reduce the number of truck trips and driving distances, and thus contributes to CO ₂ emissions reduction.

For more information on environmental contribution products and environmentally friendly R&D, please see "OKI Environmental Contribution Products" and "Issue 241 of the OKI Technical Review" on our website.

<https://www.oki.com/en/sustainability/eco/product/ecosolu.html>

<https://www.oki.com/en/otr/>

Please see "Environmental Conservation" on our website for details about initiatives and data.

<https://www.oki.com/en/sustainability/eco/index.html>

QUALITY- AND PRODUCTION-RELATED INITIATIVES

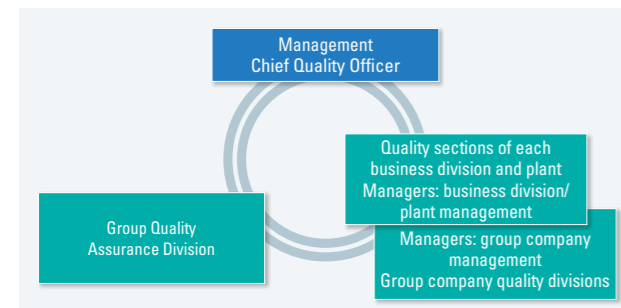
Basic Approach

Under its quality philosophy, which states that “we will constantly provide products able to satisfy customers,” the OKI Group considers its customers to be the center of “Mono-zukuri and Koto-zukuri” and strives to develop and produce products while also providing services with due consideration for safety and user-friendliness. Under Medium-Term Business Plan 2025, as part of our efforts to increase the Group’s business capabilities by “strengthen sales, technology, and production functions,” we will enhance our Company-wide management functions related to quality and production as well.

Quality-Related Initiatives

Product quality assurance in the OKI Group is achieved through the activities of all divisions and employees involved in the product life cycle. We promote Group-wide quality assurance activities under the Chief Quality Officer through collaboration between the Group quality assurance division, which is in charge of planning and promoting quality assurance activities tackled by the entire Group, and the quality sections of each business division and plant, which are in charge of quality assurance activities for each business.

Quality Assurance System



Quality Improvement Activities Based on Quality Policies

Based on our quality philosophy, the OKI Group has established Group Quality Policies and engaged in quality improvement activities across our organization. We continuously promote quality compliance activities, including the prevention of quality fraud as part of our “full compliance” quality policy, and, in fiscal year 2022, we implemented e-learning targeting all employees of the Group as well as simultaneous inspections and on-site surveys primarily at production bases to check whether there were any signs or potential sources of fraud.

The OKI Group Quality Philosophy (Overview)

We will constantly provide products able to satisfy customers

The OKI Group Quality Policies (Overview)

1. Ensuring compliance	Establish mechanisms to prevent fraud with relevant laws and regulations, standards, promises to customers, and company rules to prevent fraud through practicing “express, encourage others to express and listen to” opinions and questions.
2. Continuation of improvement activities	Aim to improve customer satisfaction and product quality through continued steady improvements and actions focused on customer perspective.
3. Succession of skills and know-how	Learn not only from one’s own experience, but also from others’ experiences to pass know-how and technology on to the next generation of OKI.

Enhancing Safety and Ease of Use

Under its Product Safety Basic Policy, which stipulates details related to complying with laws, regulations, and standards as well as appropriate information disclosure, etc., the OKI Group is committed to enhancing product safety from various perspectives including by incorporating safety requirements not only into its own activities but also into contracts with suppliers. We have also established rules for responding quickly to quality-related problems and we manage the progress of each problem until their cause is corrected and prevented from recurring.

As initiatives for Ease of Use, the OKI Group is committed to universal design which is defined as the achievement of a higher level of usability (ease of use in general) and accessibility (consideration of elderly, disabled, and so forth) in products and services so that all customers can use them efficiently, effectively, and with satisfaction. We also reflect the opinions of users, obtained through verification testing and the like in our products and services.

Promoting Virtual One Factory Through Our Company Cross-Organizational

The OKI Group constantly asks itself, “What is Mono-zukuri that contributes to customers?” Based on this perspective, we have pursued initiatives to strengthen our Mono-zukuri infrastructure, and we have implemented standardization that includes development environments optimized in line with each of our conventional businesses across plants. To promote both these initiatives and the achievement of Virtual One Factory throughout the OKI Group, in April of 2023, we established a Production & Procurement Management Division that integrates our Company-wide production plants and procurement divisions.

The purpose of our Virtual One Factory concept is to organically connect our production bases, thereby improving our cost competitiveness and maximizing our added value to achieve stronger Mono-zukuri manufacturing throughout the Group. Our Production & Procurement Management Division oversees the supervisory and execution functions of each of our sites in order to enhance cooperation between plants and make them smarter based on the following key concepts: plants that do not stop, appealing plants, and high-value-added products.



Website Quality- and Production-Related Initiatives
<https://www.oki.com/en/sustainability/social/quality/index.html>

SUPPLY CHAIN INITIATIVES

Basic Approach

To promote fair corporate activities in response to the voice of stakeholders, cooperation from suppliers is essential. The OKI Group has established the OKI Group Procurement Policies and is committed to building relationships of trust with our suppliers, while also promoting CSR procurement initiatives. Toward the realization of the Medium-Term Business Plan 2025 and addressing the Material Issues, we will promote responsible procurement activities with an emphasis on environmental conservation and respect for human rights.

[OKI Group Procurement Policies (Outline)]

- Fair and honest selection of suppliers
- Procuring activities that incorporate the concepts of CSR
- Pursuit of appropriate levels of quality and cost and stable procurement of materials

Fair Purchasing Practices

In accordance with the OKI Group Code of Conduct, the OKI Group strives to select business partners that are fair and non-discriminatory, and to conduct honest and fair transactions.

In-House Training and Enlightenment

In order to conduct proper procurement activities, we hold a “Purchasing Law Workshop” twice a year. We provide education and share information on laws and regulations, including the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors, and the OKI Group’s measures, mainly to and with personnel in charge of materials and procurement-related divisions, including those at subsidiaries. In fiscal year 2022, we held online seminars on purchasing legal affairs from September to December, with a total of 756 participants.

Self-Inspection and Monitoring

In order to comply with laws and regulations, we also conduct monthly monitoring activities on the procurement status of OKI Group companies. In addition, the OKI Group companies are required to conduct self-inspection activities once a year using the OKI standard self-inspection sheet that reflects the know-how essential to comply with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. We are working together to resolve issues.

CSR Procurement Initiatives

As a CSR guideline for suppliers and business partners, the OKI Group established the OKI Group Supply Chain CSR Deployment Guidebook in compliance with the Responsible Business Conduct Guidelines published by JEITA (Japan Electronics and Information Technology Industries Association). Based on this guidebook, OKI is implementing its CSR procurement promotion program to realize sustainable procurement activities.

For the CSR surveys, around 300 companies are selected according to OKI’s criteria, based on publicly available information on approximately 2,000 primary and secondary suppliers and business partners. Primary suppliers and busi-

ness partners which are trading companies were asked to submit questionnaires to secondary suppliers and business partners. If the overall score or a particular item is significantly low, we will request suppliers to improve and provide support for improvement through activities to enhance supplier trust, such as identifying the actual situation and taking corrective measures. We conducted CSR surveys of a cumulative total of about 150 companies from fiscal years 2021 to 2022, and no suppliers had any concerns about CSR initiatives. Furthermore, we provided feedback based on the survey results to six suppliers that we expect to make improvements. OKI will continue to expand and revise the details of CSR surveys in light of the growing interest of stakeholders in ESG.

Website “CSR Procurement Initiatives”

<https://www.oki.com/en/sustainability/social/procure/sc.html>

Procurement BCP (Stable Procurement of Materials)

As a company which provides many products in businesses that support social infrastructure, the OKI Group considers it essential to establish a procurement BCP system for ensuring stable procurement of materials in these businesses. We have produced a Groupwide procedural manual in light of the frequently occurring earthquakes, typhoons, torrential rains, and other natural disasters, and are preparing for disasters by regularly examining the locations of our suppliers’ manufacturing bases and improving communication protocols for times of emergency.

In recent years, material supply has been affected by unprecedented crises phenomena such as the global shortage of materials including semiconductors, and the suspension of plant operations and logistical disruptions due to the COVID-19 pandemic. The OKI Group is taking measures, such as promptly sharing the status of materials supply from suppliers with related divisions, as well as providing access to inventory across the Group, searching for products in stock in the market, placing orders early to meet extended lead times, and using alternative products.

Building Relationships of Trust with Suppliers

Maintaining cooperative relationships with suppliers is becoming increasingly critical for the OKI Group’s business growth, including coping with material supply shortages and rising costs of raw materials and energy, and introducing new technologies. We work closely with suppliers not only through daily exchanges of purchasing plans and other information, but also through sharing the OKI Group’s long-term business plans and receiving suppliers’ proposals on value engineering (VE)* and new products. We are also building win-win relationships for the future by sharing market trends and long-term roadmaps for product supply from suppliers.

*Value engineering (VE): A way of reducing production costs without lowering the functional value of products, such as quality and reliability

CORPORATE GOVERNANCE

Basic Approach

The OKI Group recognizes sustainable growth and increasing corporate value over mid- and long-term as its most important management priorities in earning the trust of its various stakeholders. To this end, we are working to enhance corporate governance based on our fundamental policies, including “enhancement of management fairness and transparency,” “timely decision-making processes,” and “full compliance and fortification of risk management.”

Corporate Governance Structure

OKI maintains a corporate auditor system, with the Board of Directors and the Audit & Supervisory Board. With an executive officer system in place, it strives to promote timely decision-making processes by separating business execution and oversight. OKI also endeavors to improve the fairness and transparency of management by nominating outside directors to the Board as well as setting up a voluntary committee on nomination, remuneration, etc. so as to ensure effective supervision from an independent and objective standpoint. In addition to audits by Audit & Supervisory Board members and the Audit & Supervisory Board, OKI is making efforts toward full compliance and the fortification of risk management, such as by establishing the Risk Management Committee.

Board of Directors

The Board of Directors in principle meets once a month, but can call extraordinary meetings when necessary, and is responsible for deciding fundamental management policies and other important matters and overseeing business execution in accordance with laws and regulations and the Articles of Incorporation. To secure the functions of the Board of Directors, OKI selects candidates for directors by considering their diversity, such as expertise, work experience, and gender, based on a skills matrix, and—because OKI believes that it is appropriate to achieve a balance of approximately 50% inside executive directors and 50% outside directors with a high level of independence—four independent outside directors are appointed in order to enhance management fairness and transparency; furthermore, one of the independent outside directors is Chair of the Board of Directors. To clarify management responsibility for each fiscal year, the Articles of Incorporation stipulates that directors are appointed for single-year terms.

Audit & Supervisory Board

The Audit & Supervisory Board comprises five Audit & Supervisory Board members, three of which are outside Audit & Supervisory Board members with a high level of independence. Based on audit policies, methods, etc. decided at Audit & Supervisory Board meetings, Audit & Supervisory Board members attend Board of Directors’ meetings and other important meetings, verify the content of reports received from directors,

etc., and conduct investigations into matters concerning the Company’s operations, financial status, etc. Collaborating closely with outside directors, the Internal Auditing Division, and the accounting auditor, Audit & Supervisory Board members audit the performance of duties by directors.

Executive Officer System

OKI appoints executive officers to implement operations in accordance with management policies determined by the Board of Directors so as to separate the functions of business execution and oversight of management and promote timely decision-making processes. Moreover, to assist the President in making decisions, the Company has established the Management Conference.

Utilization of Voluntary Committees

OKI has established the Personnel Affairs and Compensation Advisory Committee as a voluntary body to ensure transparency in the decision-making processes and objectivity in judgment regarding appointments and dismissals of directors, as well as the compensation of board members and executive officers. The committee is made up of five non-executive directors, meetings are held as appropriate, and before resolutions are passed by the board of Directors but after the committee receives advice and deliberates from an objective perspective on appointments and dismissals of board members and executive officers, as well as the structure and level of their compensation etc., it reports its findings to the Board of Directors. The current Chair also serves as an independent outside director due to a resolution passed by the Board of Directors.

Appointment and Dismissal of Directors and Executive Officers

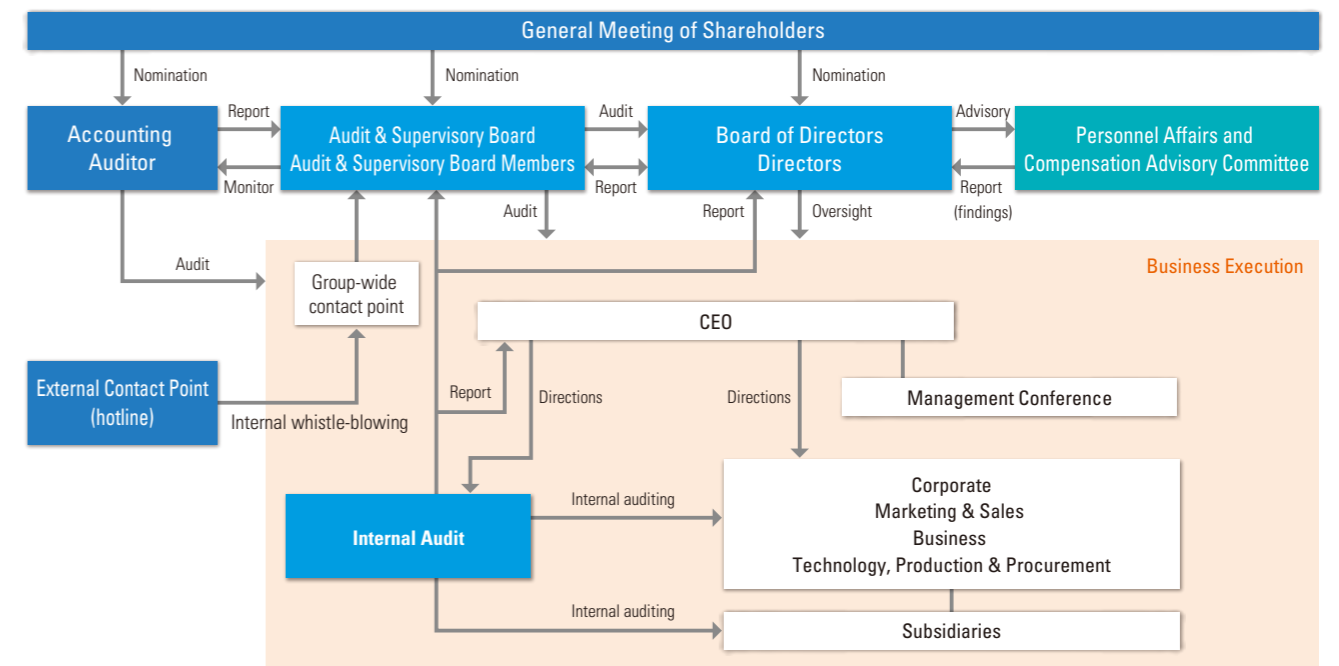
When nominating and appointing candidates for directors, Audit & Supervisory Board members, and executive officers, OKI will take the followings into consideration as well as legal eligibility:

- A person who has a noble character with wisdom, high level of ethics, fairness, honesty, and a law-abiding spirit
- A person who realizes OKI Group’s corporate philosophy and conducts one’s duties to enhance corporate value continuously
- One’s length of tenure
- Audit & Supervisory Board members must have the necessary financial, accounting, and legal knowledge
- Outside directors must fulfil the OKI Group’s criteria for independence

The criteria for submitting a proposal to dismiss a director, Audit & Supervisory Board member, or executive officer takes into consideration the followings: the person’s act violates or infringes on the law and the Articles of Incorporation; or reason arises that the person is unable to properly perform one’s duties. Should such an incidence occur it is immediately consulted.

Further details are available on our website under “Governance Structure.”
<https://www.oki.com/en/ir/corporate/governance/structure.html>

Corporate Governance Structure



Structure of Board of Directors, Personnel Affairs and Compensation Advisory Committee, and Audit & Supervisory Board

	Name	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board	Position
Directors	Shinya Kamagami	○	○		Senior Director
	Takahiro Mori	○			Representative Director and CEO
	Masayuki Hoshi	○			Senior Executive Vice President, Director
	Teiji Teramoto	○			Executive Vice President, Director
	Shigeru Asaba	○	●Chair		Independent Outside Director
	Tamotsu Saito	○	○		Independent Outside Director
	Izumi Kawashima	●Chair	○		Independent Outside Director
	Makoto Kigawa	○	○		Independent Outside Director
Audit & Supervisory Board Members	Masashi Fuse	△		●Chair	Standing Audit & Supervisory Board Member
	Toshiyuki Yokota	△		○	Standing Audit & Supervisory Board Member
	Hideo Shiwa	△		○	Independent Outside Audit & Supervisory Board Member
	Ryuichi Makino	△		○	Independent Outside Audit & Supervisory Board Member
	Yoshihiro Tsuda	△		○	Independent Outside Audit & Supervisory Board Member

○Member ●Chair △Non-member who holds right and obligation to attend

Skills Matrix of Board of Directors

	Name	Corporate management	Marketing	Technology & innovation	Human resources management	Global	Finance & accounting	Legal affairs & risk management	Manufacture & SCM
Inside	Shinya Kamagami	●	●	●				●	●
	Takahiro Mori	●	●	●	●			●	
	Masayuki Hoshi				●	●	●	●	
	Teiji Teramoto		●			●	●	●	
Outside	Shigeru Asaba		○	○	○				
	Tamotsu Saito	○	○	○	○	○		○	○
	Izumi Kawashima				○			○	
	Makoto Kigawa	○	○		○		○	○	○

The above list does not represent all knowledge and experience respective individuals have.

- Required skills for Directors that have been acquired as a result of business execution experience at the OKI Group (up to five skills)
- Outside experience and specialist knowledge the Company expects in particular

CORPORATE GOVERNANCE

Internal Auditing

OKI has established the Corporate Administration Division, which is tasked with internal auditing and is directly connected to the President. The division's internal auditing personnel are comprised of 19 members, including one Certified Internal Auditor and one Certified Fraud Examiner, and, in accordance with internal audit regulations, conducts internal audits for the purpose of accurately perceiving the actual state of compliance risk management across businesses and functions in OKI's various divisions and subsidiaries, along with identifying and preventing mistakes and errors as well as corruption in the operation of internal control systems, thereby supporting operational improvements.

Compensation for the Board Members and Executive Directors

OKI's basic policy on compensation for directors and executive officers is to serve as incentives for the performance improvement with the aim of the continuous enhancement of the corporate value and the corporate competitiveness while being the compensation structure that can attract excellent human resources.

The compensation system consists of basic compensation, annual incentive compensation linked to the performance of each fiscal year, and performance-linked stock compensation (performance share units) used as medium- to long-term incentive compensation. This has been implemented as a part of efforts to develop an environment for a shift to management which focuses on more aggressive target setting and medium- to long-term growth for achieving sustainable growth. Compensation for outside directors consists only of basic compensation.

At the 82nd Ordinary General Meeting of Shareholders held on June 29, 2006, a resolution was passed on the remuneration for directors not to exceed ¥600 million a year (which does not include salary for employee posts). Separately, a resolution on performance-linked stock compensation (performance share units) for directors (excluding inside directors who do not concurrently serve as executive officers as well as outside directors) was passed at the 99th Ordinary General Meeting of Shareholders held on June 27, 2023, limiting the number of shares to within 120,700 a fiscal year.

Further details regarding the type and content of compensation for the Board members and executive directors, as well as the total value of compensation paid, are available on our website.
<https://www.oki.com/en/ir/corporate/governance/officers.html>

Board Effectiveness Evaluation

Each year, OKI evaluates and analyzes the effectiveness of the Board of Directors by recognizing, sharing and improving the direction that the Board of Directors must aim for and issues related to that undertaking for the purpose of enhancing the Board's effectiveness.

Board Effectiveness Evaluation Method

The Board of Directors discussed methods for evaluating the effectiveness of the Board for fiscal year 2022.

1. We judged that self-evaluation is appropriate for conducting research and evaluation in line with our company's circumstances. On the other hand, in order to verify the objectivity and validity of the evaluation process, we have determined that it is appropriate to conduct a third-party evaluation approximately once every few years. We have decided to forgo the third-party evaluation as it was conducted in the fiscal year before last.
2. As in the previous fiscal year, the assessment was conducted in three stages: a questionnaire survey, individual hearings, and deliberations at the Board of Directors. This applied to all Directors and Audit & Supervisory Board members. The Secretariat of the Board of Directors served as the secretariat.
3. Like the previous fiscal year, the questionnaire was based on the "Corporate Governance Code" and related materials, and we restructured the questions to enable the application of a more honest evaluation by each officer.

Results of Effectiveness Evaluation of the Board of Directors

As a result of our fiscal year 2022 evaluation, we confirmed that OKI's Board of Directors is functioning effectively. To further improve the functions of the Board of Directors, we will promote the initiatives below.

- Upon formulating Medium-Term Business Plan 2025, the people in charge of each item covered by the management plan were able to participate in active discussions with the Board of Directors, during which they honestly exchanged opinions. To effectively manage the progress of this plan, the managers of each new business division will regularly report on the progress of relevant measures to the Board of Directors, and the Board of Directors will offer suitable advice to the execution side.
- We will strive to achieve more sophisticated management of our revenue, including ROIC, so as to appropriately allocate management resources to our business portfolio in line with our management strategy.
- To diversify OKI's core human resources, which are essential for achieving its growth strategy, the Company will assign an order of priority based on its situation.
- In addition, regarding our subsidiaries—which have decreased to around half compared to our peak—we will reconsider their functions and roles in line with our Medium-Term Business Plan strategy and simultaneously strive to enhance our Group governance.

Deliberation by the Board of Directors and Personnel Affairs and Compensation Advisory Committee

OKI always tries to take enough time to ensure comprehensive deliberations by the Board of Directors, and—in cases where there is still not enough time—we take steps that include off-site meetings. In addition, to contribute to the understanding of outside directors, we set up places to explain planned agenda details in advance. Similarly, regarding the Personnel Affairs and Compensation Advisory Committee, which consists mainly of outside directors, we are careful to ensure beneficial reporting, such as by setting up observers as deemed necessary by the Chair.

Note that, in fiscal year 2022, the main agenda item faced by the Board of Directors was to formulate our new Medium-Term Business Plan, so they deliberated on the Company's medium- to long-term direction. Meanwhile, the Personnel Affairs and Compensation Advisory Committee deliberated mainly on medium- to long-term incentive compensation and other details in line with the Medium-Term Business Plan.

Main Items Deliberated on by the Board of Directors

- Formulating Medium-Term Business Plan 2025
- Revising the OKI Environmental Vision
- Formulating the OKI Group Human Rights Policy
- Revising the Basic Policy Concerning the Development of Internal Control Systems
- Reducing cross shareholdings

Main Items Deliberated on by the Personnel Affairs and Compensation Advisory Committee

- Successor Development Plan (management personnel)
- Revising the executive compensation system
*Including introducing performance-linked stock compensation

Training Successors

The selection and training plans for successor candidates for the position of president are prepared in collaboration with the incumbent president and the Personnel Affairs and Compensation Advisory Committee, taking into account our corporate philosophy and business environment and based on thorough discussions of the selection criteria and the job requirements. Specific candidates are selected objectively through a multifaceted evaluation according to a selection criteria and selection process. The Board of Directors consults the Personnel Affairs and Compensation Advisory Committee, which then deliberates and reports to the Board of Directors for a resolution before making a decision.

In terms of training, we select potential management candidates from within the company. After management has

gauged the talent pool, we provide training for management personnel and evaluate them by assigning and appointing them to key positions, such as a head of a division or as president of a subsidiary, to gain experience.

In addition, we actively utilize occasions of business report and review report of business strategy at Board of Directors meetings as opportunities for outside directors to evaluate management candidates' credentials and abilities.

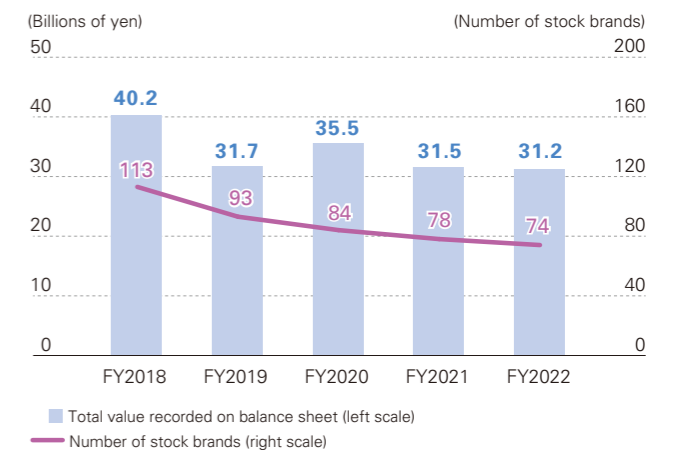
Cross Shareholdings

OKI will reduce the number of cross shareholdings in stages, verifying medium- to long-term corporate value enhancement of the Company and share-issuing company and other circumstances comprehensively. Note that—by fiscal year 2025, which is the final fiscal year covered by the new Medium-Term Business Plan—we are aiming to achieve a net asset ratio of approximately 20%. The number of cross shareholdings is verified annually by the Board of Directors, who determines whether or not it is appropriate to hold for each individual issue, by taking into account quantitative and qualitative factors comprehensively.

In exercising our voting rights for our cross shareholdings, we categorize bills as follows, make judgements and exercise our voting rights based on exercising criteria.

- In the case of appointing executives, we consider total number, ratio of independent directors, etc.
- In the case of executive compensation, we look at business performance, status of assets, etc.
- In the case of the appropriation of surplus, we consider business performance, retained earnings, etc.
- Special consideration will be given to anti-takeover measures, M&A and third-party share allocation.

Number of Stock Brands in Cross Shareholdings and Total Value Recorded on Balance Sheet



Details regarding corporate governance are also available on our website.
<https://www.oki.com/en/ir/corporate/governance/>



ROUNDTABLE
DISCUSSION
AMONG OUTSIDE
DIRECTORS

Making the Medium-Term Business Plan 2025 a turning point for growth

OKI has launched its Medium-Term Business Plan 2025 with the basic policy of “steer toward growth and break free from the downward trend.” In this roundtable discussion, OKI’s four outside directors summarize the issues from the previous Medium-Term Business Plan that were recognized in the formulation of this plan, discuss the circumstances around the discussions in the process of formulating the new plan, and identify the key points they will be paying attention to going forward as well as their expectations for future progress.

Review of Medium-Term Business Plan 2022

Kawashima To build the foundations for growth, the Medium-Term Business Plan 2022 set out to restructure OKI’s business portfolio and build a stable management foundation with the goal of exceeding the operating income from fiscal year 2019. However, OKI’s business performance fell significantly short of the plan’s numerical targets, and the single-year plan targets for fiscal year 2022 were also unmet. While this was partly unavoidable due to changes in the external environment, including the COVID-19 pandemic and

difficulties in procuring parts, we need to reflect on not only these factors, but also OKI’s own contributing factors as well as its non-numerical achievements. For example, during this period, discussions were held regarding OKI’s organizational structure, including the need to break out of our vertically segmented silos.

As the Chair of the Board of Directors, my impression is that reports were not always received at the right time to take the necessary steps in the midst of the ever-changing external environment, and this was a problem.

Kigawa We need to take seriously the fact that we failed to achieve our numerical targets under the Medium-Term Business Plan 2022 and that we were unable to achieve what we initially aimed for, such as our growth strategy. While it is true that the supply chain problems and other aspects of the recent crisis extended throughout the industry, it is undeniable that OKI was ill-prepared for such a crisis and was late in taking action. We need to learn from this experience and establish ways to deal with crises.

On the other hand, with regard to organizational structure, which Ms. Kawashima mentioned, I am pleased that during this period, we were able to set a clear direction for decisive action on restructuring our business portfolio for growth. This has also led to the new business structure in the Medium-Term Business Plan 2025, which I believe can be regarded as a major turning point for future growth.

Saito I agree that the failure to achieve the plan was in some respects beyond our control. However, it is also true that we lacked a sense of urgency in responding to changes in the external environment. In terms of strengthening mono-zukuri infrastructure, which is a theme in the Medium-Term Business Plan 2022, I can’t shake the impression that we’re not there quite yet. On the other hand, in the period of the previous Medium-Term Business Plan certain results were achieved, including construction of an environmentally friendly plant in the Honjo district designed as an ideal production base, progress on full participation innovation, and new entry into the aviation field.

Asaba The Medium-Term Business Plan 2022 was a challenging attempt to simultaneously earn profits and sow the seeds of growth in a difficult environment. Because I was trying to make sure that we were at least making a profit, I’m disappointed we didn’t achieve that goal. I have pointed out OKI’s weakness in terms of resilience on several occasions, but I was also pleased that we were able to catch a glimpse of OKI’s underlying strength in how the Company came up with various ideas to deal with the semiconductor shortage, such as alternative designs and price optimization, and then worked on them tenaciously.

Discussions on Formulation of Medium-Term Business Plan 2025

Kawashima Regarding the newly launched Medium-Term Business Plan 2025, all four of us here, as outside directors, reviewed the process in parallel with the formulation of the plan. It took a long time for the draft plan to emerge in a coherent form, and in some cases discussions at the Board of Directors meetings did not go smoothly. What was your impression of this process?

Kigawa I agree that it took a long time to formulate the

Medium-Term Business Plan. I think one of the main reasons for this is that Mr. Mori was newly appointed President of the Company then, had been transferred from the position of president of a Group company, and was not even a director of OKI itself. Given that Mr. Mori was ultimately responsible for leading the process, it is understandable that it took time to incorporate what he wanted to do.

In this sense, the lack of progress was not necessarily negative, but rather positive in the sense that we took our time and succeeded in incorporating President Mori’s ideas and thoughts. Another thing I thought was good about this review process was that it conveyed the feeling that the plan was formulated by all employees, rather than just the management team.

Kawashima Indeed, even in the explanation of individual items in the draft plan, the key persons actually participating in these discussions, who were younger than those who typically reported to the Board, told us in their own words the kinds of things they wanted to do. This kind of review process had never been part of the Medium-Term Business Plan until now.

Saito Frankly, I feel that the resulting Medium-Term Business Plan is somewhat unpolished, and I wish we had started discussing it a little earlier. Still, the plan actively incorporates the opinions of young people, mainly mid-level employees, which is highly commendable.

Kigawa Another thing I felt was good was that President Mori put forward his own ideas without being bound by the constraints of his predecessor, and I think this had a big impact. When someone who had not previously been a board member is suddenly elected president, it is natural that he or she would have difficulty speaking up at first, especially if the company has a long history and well-established vertical silos like OKI. Despite this, Mr. Mori spoke his mind freely, oblivious to the mood in the room, which in this case was a good thing. In doing so, he was breaking with the past culture, and this new thinking is being reflected in the plan, which I think is also commendable.

Asaba I am sure that the previous management team had been aware of the need to change things, but now I have the impression that President Mori is making use of his unique character and cheerful disposition to dismantle the conventional wisdom. For example, “Delivering OK! to your life” is a key message that is very good and OKI-like, but I have pointed out that the way we have traditionally thought about which fields we should contribute to has been too overarching and has not led to concrete growth strategies. Mr. Mori gathered young people together to narrow down where and how we should compete, our fields of contribution, and areas of growth. I think this is also commendable in terms of culture reform.

Saito Changing the subject slightly, in formulating the current Medium-Term Business Plan, we have advanced discussions regarding the introduction of ROIC. There has been some resistance to the introduction of a uniform yardstick for a company like OKI that has multiple businesses with varying degrees of profitability and growth potential, and up to now it has been considered difficult to introduce it. Now that discussions have progressed towards the introduction of a yardstick such as ROIC, I believe this will help us visualize the state of the Company, which was heretofore invisible, and will be useful for portfolio management in the future.

Kigawa When discussing future business directions and what to do with the business portfolio, in addition to ROIC, which is an objective numerical value, it is necessary to make a comprehensive judgment based on the company's history, customers, and the size of its business. That said, it would be good to introduce ROIC first, to give managers more data for evaluating businesses.

Achieving the Medium-Term Business Plan

Kawashima Now that the Medium-Term Business Plan 2025 has started, as outside directors, it is important for us to regularly follow up and monitor progress to ensure that the original goals of the plan are achieved.

As the Chair of the Board, I hope that the executive side, when reporting on the progress of the plan, will not simply report the facts, but will provide information in a manner that allows for specific advice and exchange of opinions from outside directors, such as what went wrong in the plan and how they are thinking about changing it.

Kigawa That's exactly right. As an outside director with management experience, I believe that my role is to constantly keep an eye on whether this is the right direction for the Company over the medium to long term, given that the pace of change is so rapid. While it is important to report on the status of progress towards the final outcome, it is more



important to have a perspective on how changes that are occurring now will impact the plan, and I hope to be able to speak up about issues and the need for investment from that perspective, even if it may sometimes seem overly harsh.

Saito In terms of numeric targets, this Medium-Term Business Plan aims to steadily improve both the top line and profits, which is why it also includes a review of our business portfolio. Since the plan period is three years, which is very short, we must work with a sense of urgency to ensure our portfolio management works effectively. That is one of my major concerns, and I believe my role as a director is to oversee that.

Also, in terms of sustainability, I would like to carefully review OKI's efforts, as a company engaged in manufacturing, to reduce its environmental impact, such as decarbonization. In addition, with regard to corporate culture, we are making progress towards institutional changes to enable diverse human resources to play an active role, and I look forward to seeing the results.

Kawashima Regarding sustainability, we have made progress in establishing rules for disclosure, especially in Europe, but we need to think about it in relation to what is necessary in terms of business activities, as we did recently when we updated our materiality. For example, with regard to diversity, as OKI seeks to strengthen its global expansion for future growth, it will be necessary to discuss the hiring and evaluation of foreign talent necessary for this purpose. I feel that the targets for women's participation are a bit low, but the direction of improvement has been set, and I would like to see us make steady progress on the initiatives.

Asaba I think an important aspect of sustainability initiatives is that they should not be "disclosure for disclosure's sake." OKI's business theme is solving social issues, and if we look at the three fields of contribution outlined in the current Medium-Term Business Plan, we could say that sustainability is the business itself.



ROUNDTABLE DISCUSSION AMONG OUTSIDE DIRECTORS

Towards "Steering to Growth"

Saito The Medium-Term Business Plan 2025 calls for the creation of future businesses as a measure to "steer toward growth." I have participated in several in-house exhibitions and presentations at our research divisions and production plants, and many of them are quite interesting. These are still seeds of technology in the research and development stage, but if they can be linked to customer needs, for example through collaboration with the marketing & sales section, some of them may turn out to be satisfactory sources of growth. "Full participation innovation" is a mechanism for linking these seeds of technology and employee ideas to businesses, and I expect that this will lead to interesting developments if used well.

Kigawa I have high hopes for the "Virtual One Factory" initiative, which is another mechanism for creating value. This is an effort to manage all of the OKI Group's production plants in a horizontal manner and optimize total production efficiency, QCD, and supply chain. The new Medium-Term Business Plan also incorporates a strategy to apply our technology and know-how developed through on-site practice to business models and solutions for customers. OKI's strength lies in technology that solves problems close to the operational frontlines. If OKI can create services and platforms that solve customers' manufacturing issues by strengthening its own mono-zukuri infrastructure, this would be a very OKI-like example of "Delivering OK! to your life."

Asaba In the section of "Conversation between COO and an Outside Director" in last year's OKI Report, I am quoted telling President Mori, "There is a lack of excitement about the strategy." However, in the new Medium-Term Business Plan, there are clearly more exciting themes emerging than before, such as the maritime business, to cite one example. To develop this as a business and make it a truly exciting strategy, we need to stay alert at all times like a hunter, and if we find the seed of a business, we must have the passion to



grow it into a business. It would be great if we could become a company where everyone works with a mindset of "I create my own business," and I have high hopes for President Mori's ability to communicate and spread enthusiasm in fostering such a corporate culture.

Kigawa Similarly, from a corporate culture perspective, if I may borrow your word "excitement," I hope this momentum will continue so that every employee feels the excitement of taking on new challenges and feels glad to be at this Company. As a result, from a customer perspective, I want OKI to be a company which is thoroughly friendly to customers who have problems on the operational frontlines and creates products one after another that make them say, "OKI is so thorough and attentive to every detail!"

Saito Another very important point for us to "steer toward growth" is the restarting of our overseas business. We will assign multiple roles to our existing overseas sites, including sales companies, and use them as a starting point for innovation and to provide products and solutions for a wide range of businesses. As a result, I hope OKI will become a truly global company in 2031, when we celebrate its 150th anniversary. Furthermore, at the product level, I hope that by that time OKI will have a number of products with top market share. I believe OKI has plenty of potential to make that happen.

Kawashima As Mr. Saito said, the call to "steer toward growth" set forth in the Medium-Term Business Plan 2025 does not end in fiscal year 2025; the plan is to further expand future businesses from fiscal year 2026 onwards, aiming towards 2031. Of course, it is a given fact that we will carry out the measures in the Medium-Term Business Plan 2025 to meet its targets and achieve growth, but after that, I hope that when we reach the 150th anniversary of our founding, we will look back on these three years as a turning point and say, "I am so glad that the plan we implemented back then turned the Company around." We, as outside directors, must also fulfill our roles in achieving this goal.

RISK MANAGEMENT/COMPLIANCE

Basic Approach

The OKI Group has set forth “embedding risk management and reinforcing compliance awareness” as a key component of our materiality issues “strengthening management foundation to support sustainable growth”. We have positioned fiscal year 2023 as the period for promoting awareness-raising and embedding required operations, and we will continue developing and implementing risk management structures and systems while also promoting training that is effective for further awareness-raising for risk management and compliance.

Risk Management and Compliance Promotion Initiatives

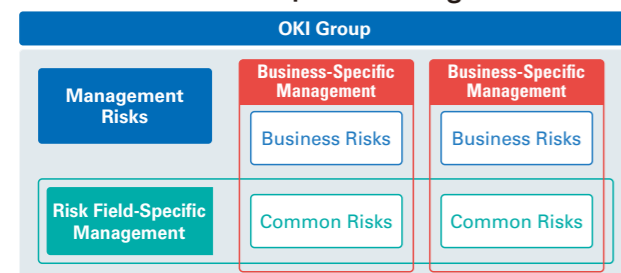
Risk Management Initiatives

The OKI Group has established the Risk Management Committee, which is chaired by the President and includes inside and outside Audit & Supervisory Board members as advisors, to ensure that risks related to corporate activities are grasped and managed properly. The Committee deliberates and decides on basic policies for risk management and identifies risks to be managed based on such policies and responsible divisions. It also deliberates and decides on policies for preventing the materialization of risks and policies to address crisis scenarios.

Risks inherent in each division and subsidiary is categorized to stipulate risk fields, and then the division in charge of each risk field provides relevant risk-management support, guidance, and advice to each division and subsidiary throughout the Group. In addition, we strive to implement business-specific risk management based on an awareness and understanding of risks related to each business.

Through the above management, risks inherent in the OKI Group are defined as falling into three categories: risks that should be managed at the management level (management risks), risks that should be managed and identified in relation to business activity (business risks), and risk fields that are common to divisions and subsidiaries and should be managed across the Group in particular (common risks). We develop materialization prevention measures to be implemented within the Group, and, to swiftly identify and resolve problems, we also established the OKI Group Risk Incidents Reporting System, which ensures that potential risk events, crises, and situations that may lead to such events are promptly reported to the Risk Management Committee.

Overview of the OKI Group’s Risk Management



*Management risks include business risks and common risks that have a large effect on our management.

Related information: Website “Business and Other Risks”
<https://www.oki.com/en/ir/corporate/risk.html>

Initiatives to Promote Compliance

The OKI Group has established the Compliance Committee, which is chaired by the Chief Compliance Officer, in accordance with the top management’s “Compliance Commitment,” thereby striving to ensure rigorous compliance. The Committee confirms the single-year plan covering the risks identified as those to be managed by the Risk Management Committee and also regularly monitors the associated progress. In addition, the Committee also deliberates and decides on compliance training plans and oversees their implementation. Moreover, to implement fixed-point observations on the conduct and awareness of executives and employees, we implement annual compliance awareness surveys, and apply the results of these surveys to various measures.

In order to discover and rectify improper activities at an early stage, we have established a whistle-blowing system (in-house contact point, Group-wide contact point, and external contact point) to enable anonymous reports as well as reports to outside directors and Audit & Supervisory Board members at every Group company, and we have stipulated whistle-blowing regulations such as those related to the protection of whistle-blowers. We also provide ongoing training related to the purpose of the system as well as whistle-blower confidentiality, and we have established contact points at overseas subsidiaries in line with local laws. In fiscal year 2022, 42 reports and consultations were received at the OKI Group in Japan.

Ongoing Compliance Training

The OKI Group prepares and implements compliance training plans while also taking advantage of various opportunities to communicate information aimed at fostering and raising awareness.

In Japan, the OKI Group holds regular training sessions for compliance managers and promoters (around 330 in total) at our each division and subsidiary is provides training specific to various job positions, and provides common risk-related e-learning to all Group employees. We also have tools in place to foster and raise awareness, including regular reporting of compliance case studies via our intranet and internal newsletters as well as communicating information on the OKI Group Code of Conduct.

We also provide a unified e-learning compliance training program for employees of overseas Group companies, and training was provided to approximately 1,000 employees in fiscal year 2022.

Main Compliance Training Programs (for the OKI Group in Japan) in FY2022

Training Overview	Subject Employees	Attendance Rate
Compliance manager training October to November 2022 (video) Theme: Risk management, the whistle-blowing system, and the prevention of quality fraud	Domestic Group managers/promoters	100% (approx. 330 persons)
Anti-Monopoly Act training December 2022 to March 2023 (video)	Domestic Group employees of related divisions	95.8% (approx. 1,800 persons)
Personal information protection and information security e-learning (regular and start anytime sessions) Regular session (simultaneous training) August to September 2022	All domestic Group employees	Simultaneous training: 99.7%
Workplace compliance e-learning (regular and start anytime sessions) Regular session (simultaneous training) December 2022 to January 2023	All domestic Group employees	Simultaneous training: 99.9%

Ensuring Fair Business Transactions

Approaches to Anti-Corruption

The OKI Group is promoting initiatives to prevent corruption based on the “OKI Group Anti-Corruption and Anti-Bribery Policy,” which stipulates basic items necessary to comply with the anti-corruption laws and regulations of each country and region in order to conduct business properly. We have established administration rules for recording the exchange of gifts and receiving/offering entertainment, etc., and we annually confirm the compliance situation of each OKI Group company.

Ensuring Thorough Compliance with the Anti-Monopoly Act

In February 2017, OKI received a cease and desist order and surcharge order from the Japan Fair Trade Commission in line with Japan’s Anti-Monopoly Act as a result of business related to digital wireless communication systems for firefighting and emergency use. To ensure that nothing like this ever happens again, we are implementing comprehensive recurrence prevention measures, including introducing and implementing systems for recording our contact with competing companies as well as Anti-Monopoly Act training centered on our marketing & sales section. In fiscal year 2022—the fifth year since we received the above orders—we implemented training covering an expanded range of trainees based on the theme of gaining an understanding of the details of our violation and our subsequent response while also taking another look at and reviewing our behavior.

In fiscal year 2022, the OKI Group did not have any problems related to competition laws, including bribery and corruption. We will continue increasing the effectiveness of our related systems as we strive to raise awareness of compliance, such as by communicating messages of our top management.

Emergency and Disaster Response

The OKI Group has established Safety Countermeasure Committees at its sites and subsidiaries in order to “protect people’s lives,” “prevent secondary accidents,” “contribute to local communities and foster good relationships with them,” and to ensure the “continuity of business operations” in the event of disasters. Among them, OKI established and conducts regular reviews of the Business Continuity Management (BCM) / Business Continuity Plan (BCP) based on the BCM Development Guidelines in each division to ensure the “continuity of business operations” in the case of not only disasters but other situations as well. In addition, we are supporting independent social contribution activities by employees, including the development of a paid leave system that can be applied to participation in volunteer activities, such as disaster recovery support.

In March of 2023, OKI obtained “Resilience Certification for contribution to national resilience” certification as a company that complies with the requirements of certification for organizations that contribute to national resilience.

INFORMATION SECURITY

Basic Approach

Based on the OKI Group Information Security Basic Policy, the OKI Group has established a system to ensure information security to properly manage and protect company and customer information.

Policy on Information Security Initiatives

As the OKI Group is building a robust IT infrastructure to support its business growth, we are working to strengthen information security from the perspective of minimizing management risks. In addition, we have defined “electronic information leakage” and “cyber attacks” as Group-wide common risks, and, in accordance with the Information Security Basic Policy, we are promoting a wide range of “visibility, support, and protection” measures. In addition, we established OKI-CSIRT* as a specialized security incident response organization tasked with strengthening our ability to prevent and respond to incidents.

*CSIRT: Computer Security Incident Response Team

Strengthening Information Security Measures

The OKI Group constantly monitors global trends, establishes information security guidelines in each country and region, appoints security managers at each site, and introduces various risk management tools. In addition, we are working to expand the scope of our information security management system (ISMS). In fiscal year 2022, we made the enhancements below in response to unauthorized file server access during the previous fiscal year.

- Introducing EDR (Endpoint Detection and Response) for all Group PCs and servers, and expanding 24/7 monitoring by external organizations to include the United States and Asia
- Introducing WAFs (Web Application Firewalls) for OKI’s websites as a countermeasure against DDoS attacks (distributed denial-of-service attacks)
- Conducting penetration tests* for the Group’s remote access environments

*A way to test a system for vulnerabilities by attempting an actual cyber attack

Enhancing Protection of Personal Information

We in the OKI Group have enhanced protection of personal information based on the Privacy Policy. We have committed to the protection of personal information under the leadership of our Chief Privacy Officer. Privacy managers have been appointed in all divisions and subsidiaries. OKI is taking measures based on regulations related to personal information protection in Europe, Asia, and other overseas business regions. The website of each Group company has a cookie banner that complies with applicable regional and national privacy protection legislation and cookie regulations. As of June 2023, seven companies of the OKI Group have received PrivacyMark certification in Japan.

MANAGEMENT

(As of June 27, 2023)

Directors



Senior Director
Shinya Kamagami

Apr. 1981 Joined the Company
Apr. 2005 General Manager of Systems Hardware Development Division, Systems Hardware Company, Systems Networks Business Group
Apr. 2010 Senior Manager of Automated Business Department, Systems Hardware Business Division
Apr. 2011 Executive Officer, Head of Systems Hardware Business Division
Apr. 2012 Senior Vice President
Jun. 2014 Senior Vice President and Member of the Board
Apr. 2016 President, Representative Director
Apr. 2022 Representative Director and CEO
Apr. 2023 Senior Director (current)



Representative Director and CEO
Takahiro Mori

Apr. 1988 Joined the Company
Nov. 2006 General Manager of Partner Business Dept, Domestic Sales Division, Oki Data Corporation
Oct. 2017 Director, Oki Data Corporation
Apr. 2019 Managing Executive Officer, Head of Product Development and Business Division, Oki Data Corporation
Oct. 2019 Head of Domestic Sales Division, Oki Data Corporation
Apr. 2020 Representative Director and President, Oki Data Corporation and Executive Officer of the Company
Apr. 2021 Head of Business Collaboration Division, Components & Platforms Business Group COO
Apr. 2022 Representative Director and COO
Jun. 2022 Representative Director and CEO (current)
Apr. 2023 Representative Director and CEO (current)



Senior Executive Vice President, Member of the Board
Masayuki Hoshi

Apr. 1982 Joined The Fuji Bank, Ltd.
Apr. 2009 Executive Officer, Mizuho Corporate Bank, Ltd.
Apr. 2011 Managing Executive Officer, Mizuho Corporate Bank, Ltd.
Jun. 2014 Managing Executive Officer, Mizuho Financial Group, Inc.
May 2015 Senior Vice President of the Company
Apr. 2016 Chief Risk Management Officer, Head of Corporate Planning Group
Jun. 2016 Senior Vice President and Member of the Board
Apr. 2017 Executive Vice President and Member of the Board, Chief Financial Officer (current)
Jun. 2018 Internal Control Administrator, Chief Compliance Officer (current)
Apr. 2019 Senior Executive Vice President, Representative Director, Chief Information Officer
Apr. 2020 Assistant to the President (current)
Apr. 2021 Chief Human Resources Officer (current)
Jun. 2022 Senior Executive Vice President, Member of the Board (current)
Apr. 2023 Internal Control Administrator (current)



Executive Vice President, Member of the Board
Teiji Teramoto

Apr. 1985 Joined Fuji Bank, Ltd.
Apr. 2013 Executive Officer, General Manager, Investment Banking Coordination Division, Mizuho Financial Group, Inc. & Mizuho Bank, Ltd.
Apr. 2014 Executive Officer, Europe, Middle East and Africa, Mizuho Bank, Ltd.
Apr. 2015 Managing Executive Officer, Head of Europe, Middle East and Africa, Mizuho Financial Group, Inc. & Mizuho Bank, Ltd.
Apr. 2017 Managing Executive Officer, Mizuho Financial Group, Inc., Managing Executive Officer, Head of Global Corporate Division, Mizuho Bank, Ltd.
Apr. 2018 Senior Managing Executive Officer, Head of the Americas, Mizuho Financial Group, Inc. & Mizuho Bank, Ltd.
Jul. 2021 Senior Vice President, Deputy Head of Marketing & Sales Group, Deputy Head of Components & Platforms Business Group
Apr. 2022 Head of Marketing & Sales Group, Head of Business Collaboration Division, Components & Platforms Business Group
Apr. 2023 Executive Vice President
Jun. 2023 Executive Vice President, Member of the Board (current)



Director
Shigeru Asaba

Apr. 1992 Associate Professor, Faculty of Economics, Gakushuin University
Mar. 1994 Received Ph.D., Economics from University of Tokyo
Apr. 1997 Professor, Faculty of Economics, Gakushuin University
Apr. 2013 Professor, Graduate School of Commerce, Waseda University
Apr. 2016 Professor, Graduate School of Business and Finance, Waseda University (current)
Jun. 2016 Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (current)
Sep. 2016 Dean, Graduate School of Business and Finance, Waseda University
Jun. 2017 Outside Director of the Company (current)



Director
Tamotsu Saito

Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation)
Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations, Ishikawajima-Harima Heavy Industries Co., Ltd.
Apr. 2008 Director, Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation
Apr. 2011 Executive Vice President, IHI Corporation
Apr. 2012 President, Chief Executive Officer, IHI Corporation
Apr. 2016 Chairman of the Board, IHI Corporation
Jun. 2017 Outside Director, JAPAN POST INSURANCE Co., Ltd.
Jun. 2018 Outside Director of the Company (current)
Jun. 2020 Senior Counselor, IHI Corporation (current)
Jun. 2021 Outside Director of Furukawa Electric Co., Ltd. (current)
Jun. 2022 Outside Director, KAJIMA CORPORATION (current)
Apr. 2023 Chairman, New Energy and Industrial Technology Development Organization (current)



Director
Izumi Kawashima

Mar. 1985 Completed Ph. D program without dissertation, Graduate School of Law, Waseda University
Apr. 1989 Assistant Professor, Faculty of Economics, Gifu Keizai University
Apr. 1996 Professor, Faculty of Law, Senshu University
Sep. 2004 Professor, Faculty of Social Sciences, Waseda University (current)
Jun. 2016 Outside Director, Oki Electric Cable Co., Ltd.
Jun. 2018 Outside Director of the Company (current)



Director
Makoto Kigawa

Apr. 1973 Joined the Fuji Bank, Ltd.
Apr. 2004 Managing Director of Mizuho Corporate Bank, Ltd.
Jun. 2005 Managing Director of Yamato Transport Co., Ltd.
Apr. 2011 Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.
Jun. 2016 Outside Director of Komatsu Ltd. (current)
Apr. 2018 Chairperson of the Board of Directors of Yamato Holdings Co., Ltd.
Jun. 2018 Outside Director of Seven Bank, Ltd. (current)
Apr. 2019 Director of Yamato Holdings Co., Ltd.
Jun. 2019 Outside Director of the Company (current), Special Advisor of Yamato Holdings Co., Ltd. (current)
Apr. 2020 Outside Audit & Supervisory Board Member, The Higo Bank Ltd.
Jun. 2021 Outside Director, The Higo Bank Ltd. (current)
Jun. 2022 External Board Member, ICMG Co., Ltd. (current)

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member
Masashi Fuse

Apr. 1984 Joined the Company
Jun. 1994 Oki America Inc.
Apr. 2015 Head of Accounting & Control Division of the Company
Jun. 2015 Outside Director of SAXA Holdings, Inc.
Apr. 2016 Executive Officer of the Company
Apr. 2018 Senior Executive Officer, Head of Corporate Management Group
Apr. 2019 Head of Legal Affairs & Intellectual Property Division
Jun. 2019 Senior Executive Officer and Member of the Board
Apr. 2020 Senior Vice President and Member of the Board, Head of Corporate Group, Internal Control Administrator
Apr. 2022 Chief Information Officer
Apr. 2023 Associate Director and Member of the Board
Jun. 2023 Audit & Supervisory Board Member (current)



Standing Audit & Supervisory Board Member
Toshiyuki Yokota

Jul. 2008 Director for The Small and Medium Enterprise Agency of Ministry of Economy, Trade and Industry
Jul. 2009 Senior Manager for general affairs of Japan Oil, Gas and Metals National Corporation
Jul. 2010 Commissioner for Global ICT Strategy Bureau of Ministry of Internal Affairs and Communications
Aug. 2012 Director-General for Policy Coordination, the Ministry of Economy, Trade and Industry
Jul. 2013 Director-General for The Small and Medium Enterprise Agency of Ministry of Economy, Trade and Industry
Jul. 2014 President of the Company
Nov. 2016 Advisor of the Company
Apr. 2017 Associate Director
Apr. 2018 Executive Officer
Apr. 2018 Outside Director of JECC corporation
Apr. 2021 Advisor of the Company
Jun. 2021 Audit & Supervisory Board Member (current)
Apr. 2023 Specially Appointed Professor, Asia University Faculty of International Relations (current)



Audit & Supervisory Board Member
Hideo Shiwa

Apr. 1978 Joined Fujikura Electric Wire Corporation (currently Fujikura Ltd.)
Apr. 2004 General Manager of Finance & Accounting Division, Fujikura Ltd.
Apr. 2007 Executive Officer, General Manager of Electronics & Automotive Product Planning Division
Apr. 2011 Managing Executive Officer, Deputy Chief of Electronics Business Segment
Jun. 2014 Director, Managing Executive Officer, Chief of Real Estate Business Company, Deputy Chief of Corporate Staff Unit
Apr. 2016 Director, Senior Managing Executive Officer President, Fujikura (China) Co., Ltd.
Apr. 2018 Full-time Advisor, Fujikura Ltd.
Mar. 2020 Outside Director (Audit & Supervisory Committee Member), OUTSOURCING Inc.
Jun. 2020 Audit & Supervisory Board Member, PEO Co., Ltd.
Mar. 2023 External Director (Audit Committee Member) OUTSOURCING Inc. (current)



Audit & Supervisory Board Member
Ryuichi Makino

Apr. 1980 Joined Asahi & Co. (currently KPMG AZSA LLC)
Feb. 1983 Registered as Certified Public Accountant
Jun. 2006 Representative Partner, KPMG AZSA LLC
Jul. 2018 Assumed the Office of Member of Compliance Committee & Automotive Product Planning Division
Jun. 2019 Retired from KPMG AZSA LLC
Jul. 2019 Head of Ryuichi Makino CPA Office (current)
Jun. 2020 Audit & Supervisory Board Member, Synchro Food Co., Ltd. (current), Outside Audit & Supervisory Board Member of the Company (current)



Audit & Supervisory Board Member
Yoshihiro Tsuda

Mar. 1985 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)
Mar. 1988 Registered as Certified Public Accountant
Jul. 1993 Detroit Office, Deloitte & Touche (US)
Jun. 1998 Appointed as Employee (currently Partner) of Deloitte Touche Tohmatsu
Sep. 2002 London Office, Deloitte & Touche (UK)
Jun. 2007 Representative Partner of Deloitte Touche Tohmatsu
Jul. 2019 Resigned from Deloitte Touche Tohmatsu LLC
Aug. 2019 Representative of Yoshihiro Tsuda CPA Office (current)
Sep. 2019 Audit & Supervisory Board Member of Oki Data Corporation
Feb. 2020 Standing Audit & Supervisory Board Member of Tribeca Strategies Inc. (currently Tribeca Inc.) (current)
Jun. 2021 Outside Audit & Supervisory Board Member of PRONEXUS Inc. (current), Outside Audit & Supervisory Board Member of the Company (current)

Executive Officers



Senior Vice President
Yuichiro Katagiri



Senior Vice President
Hiroshi Tomizawa



Senior Executive Officer
Tetsuya Takimoto



Senior Executive Officer
Hiroshi Nishimura



Senior Executive Officer
Yoichi Kato



Executive Officer
Shutaro Otahara



Executive Officer
Yuhiko Fujiwara



Executive Officer
Takashi Inoue



Executive Officer
Toru Hattanda



Executive Officer
Hajime Inoue



Executive Officer
Takashi Itou



Executive Officer
Shotaro Nakatsu



Executive Officer
Akira Ogasawara



Executive Officer
Nobuya Suzuki



Executive Officer
Masaya Motosugi



Executive Officer
Kurato Maeno

ESG DATA

Environment

	FY2020	FY2021	FY2022
Greenhouse gas (GHG) emissions*1			
SCOPE1 (t-CO ₂)	9,880	9,930	8,510
SCOPE2 (t-CO ₂)	68,600	65,900	62,300
SCOPE1+2 (t-CO ₂)	78,500	75,800	70,800
Greenhouse gas emission basic unit (SCOPE1+2) (t-CO ₂ /million yen)	0.200	0.215	0.192
SCOPE3 (t-CO ₂)	1,180,000	1,140,000	1,130,000
Energy consumption			
Total (MWh)	436,000	431,800	406,000
Amount of introduced renewable energy (MWh)*2	65	86	6,650
Waste			
Total amount of waste*3 (t)	12,800	16,400	13,700
Recycling rate*4 (%)	81.3	85.9	85.1
Water used			
Total amount used (m ³)	1,729,000	1,724,000	1,692,000
Total amount of wastewater (m ³)	1,353,000	1,328,000	1,300,000
Amount of chemical substances used*5			
Amount used (t)	552	517	477
Quantity of emissions (atmosphere/water system) (t)	9	9	6
Amount transferred (waste/product/sewage) (t)	42	46	36

*1 Calculated according to the Greenhouse Gas Protocol Initiative classifications.
 *2 The total amount of electricity generated by equipment of OKI facilities plus the total amount of renewable energy certificates purchased, such as Non-Fossil Certificates and J-Credits.
 *3 Only routine waste from sites included; excludes waste resulting from large-scale construction, relocation, etc.
 *4 Recycling rate = Recycling amount/total amount of waste (including the valuable sale amount)(To properly evaluate company initiatives as indicated by target values, waste resulting from construction and relocation are excluded regardless of size.)
 *5 Handling volume of major chemical substances related to the PRTR Law (Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof)

For details of the data, refer to "Environment Data" on the website.
<https://www.oki.com/en/sustainability/eco/data/index.html>

Social

	FY2020	FY2021	FY2022
Number of employees (numbers in parentheses are for OKI alone)	15,639(4,395)	14,850(4,760)	14,452(4,740)
Male	12,054(3,819)	11,400(4,117)	11,123(4,077)
Female	3,585(576)	3,450(643)	3,329(663)
Number of temporary workers (numbers in parentheses are for OKI alone)	2,444(461)	2,598(416)	2,740(563)
Male	1,456(284)	1,604(289)	1,711(411)
Female	988(177)	994(127)	1,029(152)
Number of employees by region	15,639	14,850	14,452
Japan	12,271	11,992	12,086
Asia and others	2,926	2,600	2,150
Americas	120	46	176
Europe	322	212	40
Management gender ratio (numbers in parentheses are for OKI alone)			
Male (%)	94.7(96.7)	94.9(96.4)	94.3(96.1)
Female (%)	5.3(3.3)	5.1(3.6)	5.7(3.9)
Average length of service (years)*1	19.5	19.9	19.9
Male	19.9	20.6	20.7
Female	16.2	15.4	15.1
Average monthly hours of overtime (hours/month)*1	24.93	27.40	26.15
Paid leave usage rate (%)*1	54.1	59.8	62.2
Percentage of workers taking child care leave*1, *4	56.7	63.8	82.9
Male (%)	50.6	52.9	81.7
Female (%)	100.0	116.7	87.5
Employment rates of challenged people (%)*2	2.45	2.44	2.60
Number of hires (new graduates)*3	266	259	240
Male	206	196	175
Female	60	63	65
Number of hires (mid-career)*3	36	46	66
Male	29	41	50
Female	7	5	16
Rate of employee turnover (%)*3 (numbers in parentheses are for OKI alone)	1.4(1.3)	1.8(1.6)	2.4(2.3)
Rate of voluntary employee turnover (%)*3 (numbers in parentheses are for OKI alone)	1.2(1.1)	1.6(1.5)	2.2(2.2)
Average annual hours of education and training per employee (hours)*1	15.6	17.0	22.9
Average annual education and training expenses per employee (yen)*1	64,314	60,644	68,551
Incidence rates of occupational accidents*1	0.00	0.09	0.00
Severity rate of occupational accidents*1	0.00	0.00	0.00

*1 OKI alone
 *2 Aggregate of seven special subsidiary-applied Group companies
 *3 Domestic OKI Group
 *4 Percentage of workers taking child care leave is calculated in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children

Governance

	June 2021	June 2022	June 2023
Number of Directors, Audit & Supervisory Board Members			
Number of directors	9	9	8
Number of outside directors	4	4	4
Number of female directors	1	1	1
Number of outside directors with business management experience	2	2	2
Number of Audit & Supervisory Board members	5	5	5
Number of outside Audit & Supervisory Board members	3	3	3
Number of female Audit & Supervisory Board members	0	0	0

	FY2020	FY2021	FY2022
Board of Directors Attendance Rate			
Overall attendance rate by directors	100	100	98.2
Overall attendance rate by Audit & Supervisory Board members	97.5	100	100

	FY2020 (no. of applicable executives)	FY2021 (no. of applicable executives)	FY2022 (no. of applicable executives)
Total Compensation, etc. of Directors and Audit & Supervisory Board Members			
Directors excluding outside directors (millions of yen)	265(5)	234(6)	238(6)
Audit & Supervisory Board members excluding outside Audit & Supervisory Board members (millions of yen)	46(2)	46(3)	46(2)
Outside directors (millions of yen)	46(4)	53(4)	55(4)
Outside Audit & Supervisory Board members (millions of yen)	17(4)	24(3)	27(3)

*Total compensation, etc. includes compensation, etc. of directors and Audit & Supervisory Board members who retired at the close of each fiscal year's ordinary general meeting of shareholders.

	FY2020	FY2021	FY2022
Cross Shareholdings			
Number of stock brands	84	78	74
Total value recorded on balance sheet (billions of yen)	35.5	31.5	31.2

	FY2020	FY2021	FY2022
Compliance, Fair Corporate Activities			
Number of bribery and corruption issues	0	0	0
Number of cases consulted to consultation and reporting contacts*1	41	23	42
Participation rate of compliance manager training (%)*2	100	100	100
Participation rate of workplace compliance training (%)*3	100	99.9	99.9

*1 Domestic OKI Group
 *2 Domestic OKI Group managers and promoters
 *3 All domestic OKI Group employees

External Evaluations

ESG Indexes in Which OKI Is Included





Morningstar Japan ex-REIT Gender Diversity Tilt Index

Evaluations by External Organizations



CDP Climate Change A- (OKI)



Eruboshi Certification (OKI)



Sports Yell Company (OKI)



Health & Productivity Management Outstanding Organization (OKI)



Platinum Kurumin Certification (OKI, OKI Circuit Technology)
Kurumin Certification (OKI Software)



Resilience Certification for contribution to national resilience (OKI)

*FTSE Russell confirms that OKI has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index and the FTSE Blossom Japan Sector Relative Index are used by a wide variety of market participants to create and assess responsible investment funds and other products.
<https://www.lseg.com/en/ftse-russell/indices/blossom-japan>

CONSOLIDATED BALANCE SHEETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2023

ASSETS	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current assets:			
Cash and deposits	¥ 37,746	¥ 36,691	\$ 283,804
Notes and accounts receivable, and contract assets (Note 5)	94,598	94,469	711,263
Lease receivables and investments in leases	7,619	10,355	57,285
Finished goods	20,224	17,425	152,060
Work in process	21,135	14,713	158,909
Raw materials and supplies	35,076	26,023	263,729
Other current assets	13,847	12,216	104,112
Allowance for doubtful receivables	(57)	(57)	(428)
Total current assets	230,191	211,837	1,730,759
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	25,179	19,793	189,315
Machinery, equipment and vehicles	8,546	8,801	64,255
Tools, furniture and fixtures	7,099	6,914	53,375
Land	15,929	15,996	119,766
Construction in progress	4,204	6,147	31,609
Total property, plant and equipment (Note 5)	60,959	57,653	458,338
Intangible assets	16,349	14,027	122,924
Investments and other assets:			
Investments in securities (Note 5)	34,115	34,495	256,503
Asset for retirement benefits	27,192	30,447	204,451
Long-term trade receivables	24,941	25,047	187,526
Other investments and other assets	14,453	13,909	108,669
Allowance for doubtful receivables	(17,777)	(18,246)	(133,661)
Total investments and other assets	82,925	85,652	623,496
Total non-current assets	160,234	157,333	1,204,766
Total assets	¥ 390,425	¥ 369,170	\$ 2,935,526

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Current liabilities:			
Notes and accounts payable	¥ 60,653	¥ 56,691	\$ 456,037
Short-term borrowings (Note 5)	86,714	43,337	651,984
Other current liabilities (Note 5)	57,883	57,929	435,210
Total current liabilities	205,252	157,958	1,543,248
Long-term liabilities:			
Long-term borrowings	31,268	43,838	235,097
Lease obligations	6,905	9,740	51,917
Deferred tax liabilities	11,111	12,961	83,541
Provision for directors' retirement benefits	121	195	909
Liability for retirement benefits	30,906	31,320	232,375
Other long-term liabilities	5,582	5,520	41,969
Total long-term liabilities	85,894	103,576	645,819
Total liabilities	291,146	261,535	2,189,067
NET ASSETS			
Shareholders' equity:			
Capital stock	44,000	44,000	330,827
Additional paid-in capital	18,994	19,006	142,812
Retained earnings	49,705	55,103	373,721
Treasury stock, at cost	(841)	(869)	(6,323)
Total shareholders' equity	111,858	117,241	841,037
Accumulated other comprehensive income:			
Net unrealized holding gain (loss) on other securities	1,077	1,030	8,097
Gain (loss) on deferred hedges	(32)	22	(240)
Translation adjustments	(8,341)	(9,069)	(62,714)
Retirement benefits liability adjustments	(5,473)	(1,788)	(41,150)
Total accumulated other comprehensive income	(12,770)	(9,804)	(96,015)
Subscription rights to shares	121	138	909
Non-controlling interests	69	60	518
Total net assets	99,279	107,635	746,458
Total liabilities and net assets	¥ 390,425	¥ 369,170	\$ 2,935,526

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, 2023

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Net sales	¥ 369,096	¥ 352,064	\$ 2,775,157
Cost of sales	282,903	261,948	2,127,090
Gross profit	86,192	90,116	648,060
Selling, general and administrative expenses (Note 6)	83,789	84,252	629,992
Operating income	2,403	5,864	18,067
Non-operating income			
Interest income	147	118	1,105
Dividend income	1,243	1,177	9,345
Foreign exchange gain	—	1,897	—
Gain on sale of investment securities	343	—	2,578
Dividend income of insurance	476	449	3,578
Other	1,024	1,023	7,699
Total non-operating income	3,236	4,665	24,330
Non-operating expenses			
Interest expense	1,853	1,340	13,932
Foreign exchange losses	1,318	—	9,909
Other	2,796	1,496	21,022
Total non-operating expenses	5,968	2,837	44,872
Ordinary income (loss)	(328)	7,691	(2,466)
Extraordinary income			
Gain on sale of fixed assets	—	550	—
Gain on sale of investments in securities	—	502	—
Total extraordinary income	—	1,053	—
Extraordinary loss			
Loss on sale and disposition of fixed assets	—	629	—
Loss on impairment of fixed assets (Note 6)	—	1,144	—
Business structure improvement expenses (Note 6)	—	2,798	—
Total extraordinary loss	—	4,571	—
Profit (loss) before income taxes	(328)	4,173	(2,466)
Income taxes			
Current	2,239	2,398	16,834
Deferred	216	(303)	1,624
Total income taxes	2,456	2,094	18,466
Profit (loss)	(2,784)	2,078	(20,932)
Profit attributable to non-controlling interests	16	12	120
Profit (loss) attributable to owners of parent	¥ (2,800)	¥ 2,065	\$ (21,052)

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, 2023

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Profit (loss)	¥ (2,784)	¥ 2,078	\$ (20,932)
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	46	(2,540)	345
Gain (loss) on deferred hedges	(54)	(59)	(406)
Translation adjustments	731	(293)	5,496
Retirement benefits liability adjustments	(3,685)	(1,388)	(27,706)
Total other comprehensive income (Note 7)	(2,962)	(4,282)	(22,270)
Comprehensive income	¥ (5,746)	¥ (2,204)	\$ (43,203)
Comprehensive income attributable to:			
Owners of the parent	¥ (5,766)	¥ (2,217)	\$ (43,353)
Non-controlling interests	¥ 20	¥ 13	\$ 150

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, 2023

	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, 2021	¥ 44,000	¥ 19,029	¥ 54,767	¥ (919)	¥ 116,877	¥ 3,570	¥ 82	¥ (8,774)	¥ (399)	¥ (5,520)	¥ 168	¥ 74	¥ 111,598	
Cumulative effects of changes in accounting policies			1		1					—			1	
Restated balance	44,000	19,029	54,769	(919)	116,878	3,570	82	(8,774)	(399)	(5,520)	168	74	111,600	
Dividends from surplus			(1,731)		(1,731)								(1,731)	
Loss attributable to owners of parent			2,065		2,065								2,065	
Purchases of treasury stock				(1)	(1)								(1)	
Disposition of treasury stock		(22)		52	29								29	
Net changes in items other than shareholders' equity during the term						(2,540)	(59)	(294)	(1,388)	(4,283)	(29)	(13)	(4,327)	
Net changes during the term	—	(22)	334	50	362	(2,540)	(59)	(294)	(1,388)	(4,283)	(29)	(13)	(3,964)	
Balance at March 31, 2022	44,000	19,006	55,103	(869)	117,241	1,030	22	(9,069)	(1,788)	(9,804)	138	60	107,635	
Dividends from surplus			(2,597)		(2,597)								(2,597)	
Loss attributable to owners of parent			(2,800)		(2,800)								(2,800)	
Purchases of treasury stock				(0)	(0)								(0)	
Disposition of treasury stock		(11)		28	16								16	
Net changes in items other than shareholders' equity during the term						46	(54)	727	(3,685)	(2,966)	(16)	9	(2,973)	
Net changes during the term	—	(11)	(5,398)	27	(5,382)	46	(54)	727	(3,685)	(2,966)	(16)	9	(8,356)	
Balance at March 31, 2023	¥ 44,000	¥ 18,994	¥ 49,705	¥ (841)	¥ 111,858	¥ 1,077	¥ (32)	¥ (8,341)	¥ (5,473)	¥ (12,770)	¥ 121	¥ 69	¥ 99,279	

	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, 2022	\$ 330,827	\$ 142,902	\$ 414,308	\$ (6,533)	\$ 881,511	\$ 7,744	\$ 165	\$ (68,187)	\$ (13,443)	\$ (73,714)	\$ 1,037	\$ 451	\$ 809,285	
Dividends from surplus			(19,526)		(19,526)								(19,526)	
Loss attributable to owners of parent			(21,052)		(21,052)								(21,052)	
Purchases of treasury stock				(0)	(0)								(0)	
Disposition of treasury stock		(82)		210	120								120	
Net changes in items other than shareholders' equity during the term						345	(406)	5,466	(27,706)	(22,300)	(120)	67	(22,353)	
Net changes during the term	—	(82)	(40,586)	203	(40,466)	345	(406)	5,466	(27,706)	(22,300)	(120)	67	(62,827)	
Balance at March 31, 2023	\$ 330,827	\$ 142,812	\$ 373,721	\$ (6,323)	\$ 841,037	\$ 8,097	\$ (240)	\$ (62,714)	\$ (41,150)	\$ (96,015)	\$ 909	\$ 518	\$ 746,458	

CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2023

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Cash flows from operating activities:			
Profit (loss) before income taxes	¥ (328)	¥ 4,173	\$ (2,466)
Depreciation	12,322	12,602	92,646
Increase (decrease) in provisions	(342)	(3,627)	(2,571)
Interest and dividend income	(1,391)	(1,295)	(10,458)
Interest expenses	1,853	1,340	13,932
Loss (gain) on sale of investment securities	(341)	(502)	(2,563)
Decrease (increase) in trade receivables	4,519	15,807	33,977
Decrease (increase) in inventories	(16,215)	(12,679)	(121,917)
Increase (decrease) in trade payables	610	(5,821)	4,586
Other, net	1,210	(2,119)	9,097
Subtotal	1,898	7,877	14,270
Interest and dividends received	1,391	1,295	10,458
Interest paid	(1,848)	(1,394)	(13,894)
Income taxes paid	(4,589)	(1,857)	(34,503)
Net cash provided by (used in) operating activities	(3,148)	5,921	(23,669)
Cash flows from investing activities:			
Purchase of property, plant and equipment	(10,497)	(16,811)	(78,924)
Purchase of intangible assets	(6,036)	(4,889)	(45,383)
Proceeds from sale of investment securities	887	1,000	6,669
Payments for acquisition of businesses	(1,500)	—	(11,278)
Purchase of long-term prepaid expenses	(1,378)	(1,050)	(10,360)
Other payments	(302)	(331)	(2,270)
Other proceeds	1,203	4,486	9,045
Net cash provided by (used in) investing activities	(17,623)	(17,597)	(132,503)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	44,108	(1,244)	331,639
Proceeds from long-term borrowings	6,850	25,078	51,503
Repayments of long-term borrowings	(21,050)	(16,080)	(158,270)
Dividends paid	(2,587)	(1,726)	(19,451)
Repayments of lease liabilities	(4,062)	(4,369)	(30,541)
Other, net	16	23	120
Net cash provided by (used in) financing activities	23,275	1,680	175,000
Effect of exchange rate change on cash and cash equivalents	1,617	1,544	12,157
Net increase (decrease) in cash and cash equivalents	4,119	(8,451)	30,969
Cash and cash equivalents at beginning of period	33,379	41,830	250,969
Cash and cash equivalents at end of period (Note 9)	¥ 37,498	¥ 33,379	\$ 281,939

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, 2023

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 ¥133 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2023. 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 57 subsidiaries are included in the scope of consolidation.

Oki Seatec Co., Ltd. is not included in the consolidated account since it has been absorbed by Shizuoka Oki Electric Co., Ltd. Likewise, OKI SISTEM VE YAZICICOZUMLERICARET LIMITED SIRKETI, OKI ELECTRIC CABLE AMERICA CORPORATION, Oki Electric Cable Changshu Co., Ltd., OKI Power Trading (Shenzhen) Co., Ltd. are not included due to their liquidation. Note that Shizuoka Oki Electric Co., Ltd. changed its name to OKI Com-Echoes 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.

4) Accounting standards

(1) Valuation standards and methods for significant assets

(i) Negotiable securities

The Company and its domestic consolidated subsidiaries value securities in accordance with how they are held as indicated below.

Other negotiable securities:

Those other than shares without market value:

Stated at fair value (Any difference between book value and fair value is included in net assets; sales costs are calculated by mainly the moving average method.)

Shares without market value:

Mainly stated at cost based on the moving average method

(ii) Inventories

The Company and its domestic consolidated subsidiaries value inventories as below.

Products:

Primarily 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:

Primarily 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:

Primarily 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 of important assets

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

The Company and its domestic consolidated subsidiaries primarily 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 durable years (mainly 5 years), is used.

Overseas consolidated subsidiaries primarily 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 for provision of reserves

(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 loss by individually assessing the possibility of collection for specific loans/receivables.

(ii) Provision for Directors' retirement benefits

Some consolidated subsidiaries register the necessary amount at the end of the year in accordance with 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

When calculating retirement benefit obligations, the Company applies the benefit formula basis to attribute expected retirement benefits to the period until the end of the fiscal year under review.

(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 (9 to 13 years) within 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 (9 to 13 years) within the average remaining years of service of employees.

(5) Basis for provision of income and expense

(i) Sales of products

Revenue from product sales in the Solution Systems business and the Components & Platforms business is recognized when the customer's acceptance inspection is complete if the acceptance inspection is carried out, or when the delivery is made in the case where the acceptance inspection is not carried out, depending on the agreement, etc. with the given customer.

(ii) Provision of services

Revenue from provision of services in the Solution Systems business and the Components & Platforms business is recognized in accordance to the provision of services. In the case that the provision of services is made over the agreed duration, such as regular maintenance contracts, revenue is recognized based on the elapsed time period.

For contract productions and engineering work of social infrastructure mainly in the Solution Systems business, revenue is recognized based on the progress of the performance obligation, on the assumption that the obligation is satisfied over a certain period. In such a case, the progress is measured by the ratio of the costs incurred by the end of the term to the estimated total costs.

(6) Important hedge accounting methods

(i) Hedge accounting methods

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 the requirements for special treatment.

(ii) Means of hedging and hedged item

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 and long-term debt.

(iii) Hedging policy

Derivative instruments are used to hedge fluctuations of market rates on credits and debts.

(iv) Assessment method of the effectiveness of hedges

To determine the effectiveness, the Company compares the accumulated total of the market fluctuations or the cash flow fluctuations for the hedged item 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 evenly amortized 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

The group tax sharing system is applied.

2. NOTES ON CHANGES IN ACCOUNTING POLICIES

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, June 17, 2021) from the beginning of the fiscal year ended March 31, 2023, and it has applied the new accounting policy provided for by the Implementation Guidance

on Accounting Standard for Fair Value Measurement prospectively in accordance with the transitional measures provided for in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement. These changes had no impact on the consolidated financial statements for the fiscal year ending March 31, 2023.

3. ACCOUNTING ESTIMATES

1) Estimate of recoverability of claims for which litigation is currently pending

(1) Amount recognized on the consolidated financial statements for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Allowance for doubtful receivables	¥ 8,832	¥ 9,408	\$ 66,406

(2) Information regarding important accounting estimates for the item identified

(i) Overview

Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter "OBSZ"), a consolidated subsidiary of the Company in China, includes accounts receivable of RMB1,111,957 million or ¥21,594 million (\$162,360 thousand) from Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter "Yihua Industrial") in long-term trade receivables. OBSZ filed a request for arbitration with the South China International Economic and Trade Arbitration Commission, on October 10, 2015, demanding payment of such accounts receivable and compensation of damages (Case A). Further, OBSZ filed litigation to commingle property beyond legal personality with the High People's Court of Guangdong Province against Shenzhen Yihua Computer Co., Ltd. ("Yihua Computer"), the parent of Yihua Industrial, and others as defendants, claiming that they are jointly and severally responsible for payment of the above claims against Yihua Industrial which had been unpaid, to request protection of property (Case B).

Subsequently, Case A was adjudicated by the South China International Economic and Trade Arbitration Commission on December 16, 2020, and it ruled that Yihua Industrial pay OBSZ the unpaid amount for merchandise of RMB1,096,866 million or ¥21,301 million (\$160,157 thousand) as well as interest for arrears, legal costs, and others, and this is being settled by arbitration. Regarding Case B, on December 23, 2021, the High People's Court of Guangdong Province sentenced Yihua Computer and affiliates to take the collective liability for the payment to be made by Yihua Industrial to OBSZ. In response to this, Yihua Computer and affiliates lodged an appeal to the Supreme People's Court on January 5, 2022. The case is pending as of March 31, 2023.

Given that it is expected to take a considerable amount of time before Yihua Industrial fulfills the arbitration result of Case A, OBSZ has allowance for doubtful receivables recorded from the past year.

(ii) Calculation method for the amount recognized on the consolidated financial statements for the fiscal year and major assumptions to the calculation

For OBSZ, as a result of discounting cash flows that are considered recoverable when the probability of the ruling on December 23, 2021 being upheld and the law suit being settled in CaseB is taken into account for a period that is considered to be required for recovery, RMB454,835 million or ¥8,832 million (\$66,406 thousand) is estimated to be irrecoverable and added to allowance for doubtful receivables.

(iii) Impact on the consolidated financial statements for the next fiscal year

There is a possibility that the amount estimated to be irrecoverable will vary significantly depending on the outcome of the lawsuit of Case B.

2) Estimate of total costs used to measure the progress of the performance obligation in the recognition of revenue

(1) Amount recognized on the consolidated financial statements for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Among the revenue associated with the performance obligation satisfied over a certain period, revenue recorded based on the progress calculated by the ratio of the incurred costs to the estimated total costs	¥ 57,618	¥ 49,520	\$ 433,218
Of which, for the years ended March 31, 2023, an amount recognized related to construction projects in progress at the end of the period.	¥ 29,546	¥ 22,108	\$ 222,150

(2) Information regarding important accounting estimates for the item identified

(i) Calculation method for the amount recognized on the consolidated financial statements for the years ended March 31, 2023 and major assumptions to the calculation

As for the method of estimating progress towards satisfaction of performance obligations, the degree of progress is calculated at the proportion of actual cost to estimated total costs (input method).

In addition, when estimating total cost, a reliably estimate of the amount is made based on judgment of construction supervisors and the management. For example, we review the execution budget in a timely and appropriate way and it has been developed by collecting sufficient and detailed information relating to changes in the work scope based on customers' requests.

(ii) Impact on the consolidated financial statements for the next fiscal year

Contract manufacturing and construction for social infrastructure performed by the OKI Group are highly individualized in nature given they are designed based on instructions of customers. Accordingly, changes in work scope at the request of a customer, unexpected defects during the manufacturing process of software, and other factors may result in a considerable increase in work-hours required for manufacturing. On the other hand, cost to be incurred in the future may be reduced as a result of our own efforts.

If the estimated total cost changes due to those impacts and other factors, net sales may change in conjunction with a change in the degree of progress.

3) Estimate of recoverability of deferred tax assets

(1) Amount recognized on the consolidated financial statements for the years ended March 31, 2023 and 2022

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets	¥ 9,627	¥ 8,265	\$ 72,383

(2) Information regarding important accounting estimates for the item identified

(i) Calculation method for the amount recognized on the consolidated financial statements for the fiscal year and major assumptions to the calculation

The Group evaluates the recoverability of deferred tax assets by taking into account the possibility of being able to use deductible temporary difference and part of loss carry forwards in the estimation of future taxable income. We believe deferred tax assets recognized for the fiscal year are highly recoverable based on the projection of future taxable income over a period during which deferred tax assets are deductible.

An estimate of future taxable income used in evaluating the recoverability of deferred tax assets is based on the future business plans.

(ii) Impact on the consolidated financial statements for the next fiscal year

The management judges the abovementioned major assumptions reasonable. However, if actual future taxable income differs from the estimate as a result of significant changes in the management environment and other factors, the recoverability of deferred tax assets may be evaluated differently.

4. UNAPPLIED ACCOUNTING STANDARDS

"Accounting Standard for Corporate Taxes, Local Taxes, and Business Taxes" (ASBJ Statement No. 27, October 28, 2022 ASBJ)

"Accounting Standard for Comprehensive Income" (ASBJ Guidance No. 25, October 28, 2022 ASBJ)

"Application Guidance for Effect Accounting Standards on Tax Effect Accounting" (ASBJ Guidance No. 28, October 28, 2022 ASBJ)

1) Summary

In February 2018, ASBJ issued ASBJ Statement No. 28, "Partial Amendments to Accounting Standard for Tax Effect Accounting", etc. ("ASBJ Statement No. 28, etc."), which completed the transfer of practical guidelines on tax effect accounting at the JICPA to the ASBJ Accounting Standards Board, and in the course of the deliberations. The following two issues, which were to be discussed again after the release of ASBJ Statement No. 28, etc., were discussed and released.

"Tax expense classification. (taxation on other comprehensive income)"

"Tax effect on the sale of shares of subsidiaries (shares of subsidiaries or affiliates) when group corporate taxation is applied."

2) Expected date to apply

It will be applied from the beginning of the fiscal year ending March 31, 2025.

3) Impact of application of accounting standard

The impact on the "Accounting Standard for Corporate Taxes, Local Taxes, and Business Taxes" and other related standards on the consolidated financial statements is currently under evaluation.

5. CONSOLIDATED BALANCE SHEET

1) Balances of receivables from contracts with customers and contract assets

Balances of receivables from contracts with customers and contract assets among Notes receivable, Accounts receivable and Contract assets at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Notes receivable	¥ 4,691	¥ 8,400	\$ 35,270
Accounts receivable	66,246	69,293	498,090
Contract assets	23,199	16,298	174,428

2) Accumulated depreciation for Property, plant and equipment

Accumulated depreciation for Property, plant and equipment at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Accumulated depreciation	¥ 163,953	¥ 160,268	\$ 1,232,729

3) Assets pledged as collateral and Liabilities collateralized by the above assets

Assets pledged as collateral at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Investments in securities	¥ 4,671	¥ 5,449	\$ 35,120

Liabilities collateralized by the above assets at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Short-term borrowings	¥ 3,500	¥ 100	\$ 26,315

4) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Investments in securities	¥ 1,836	¥ 1,772	\$ 13,804

5) Contract liabilities

The balance of contract liabilities in Other current liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Contract liabilities	¥ 7,217	¥ 8,548	\$ 54,263

6) Liabilities for guarantee

Guarantee for borrowings by employees at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Guarantee for borrowings by employees	¥ 37	¥ 60	\$ 278

7) Contingent liabilities

OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação LTDA. (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 or ¥2,359 million (\$17,736 thousand) 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.

8) The unexecuted balance of overdraft and Commitment Line

The OKI Group has concluded overdraft agreement and Commitment Line agreement with transaction banks etc. for efficient procurement of working capital. The unexecuted balance of overdraft and Commitment Line at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total overdraft and Commitment Line amount	¥ 105,945	¥ 66,367	\$ 796,578
Amount of borrowing execution balance	53,115	12,292	399,360
Net	¥ 52,830	¥ 54,074	\$ 397,218

6. CONSOLIDATED STATEMENT OF INCOMES

1) Research and development expenses

Research and development expenses for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Selling, general and administrative expenses	¥ 9,608	¥ 11,549	\$ 72,240

2) Loss on impairment of fixed assets

The OKI Group posted impairment losses of ¥1,144 million for the year ended March 31, 2022 and major impairment losses are described as follows:

Business	Purpose of use	Type of assets	Millions of yen
Components & Platforms business (Automation Systems Business)	Business assets	Buildings and structures	¥ 60
		Tools, furniture and fixtures	749
		Intangible assets	109
		Others	51

Regarding business assets, the 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.

As the business assets of the Automation Systems Business have ceased to be likely to generate income originally expected, their book values have been reduced to the recoverable values. The recoverable values have been measured at net sales values based on real estate appraisal and others.

The Group has not posted any material impairment losses that should be mentioned for the year ended March 31, 2023.

3) Business structure improvement expenses

For the years ended March 31, 2023 and 2022, 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
	2023	2022	2023
Special retirement expenses	—	¥ 2,171	—
Loss on abandonment of inventories	—	334	—
Other	—	291	—
Total	—	¥ 2,798	—

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
	2023	2022	2023
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ 339	¥ (3,321)	\$ 2,548
Reclassification adjustments	(250)	(329)	(1,879)
Before tax effect	88	(3,650)	661
Tax effect	(41)	1,110	(308)
Net unrealized holding gain (loss) on other securities	46	(2,540)	345
Gain (loss) on deferred hedges:			
Amount arising during the year	(64)	(86)	(481)
Asset acquisition cost adjustments	—	—	—
Before tax effect	(64)	(86)	(481)
Tax effect	10	26	75
Gain (loss) on deferred hedges	(54)	(59)	(406)
Translation adjustments:			
Amount arising during the year	738	(293)	5,548
Reclassification adjustments	(6)	—	—
Translation adjustments	731	(293)	5,496
Retirement benefits liability adjustments:			
Amount arising during the year	(4,610)	(3,174)	(34,661)
Reclassification adjustments	(936)	(23)	(7,037)
Before tax effect	(5,546)	(3,197)	(41,699)
Tax effect	1,861	1,808	13,992
Retirement benefits liability adjustments	(3,685)	(1,388)	(27,706)
Total other comprehensive income	¥ (2,962)	¥ (4,282)	\$ (22,270)

8. SHAREHOLDERS' EQUITY

Matters concerning class and total number of shares outstanding during the years ended March 31, 2023 and 2022 were as follows:

	Thousands of shares			
	2023			
	March 31, 2022	Increase in the year	Decrease in the year	March 31, 2023
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	617	1	20	598
Total	617	1	20	598

*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			
	2022			
	March 31, 2021	Increase in the year	Decrease in the year	March 31, 2022
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	653	1	37	617
Total	653	1	37	617

*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.

9. CONSOLIDATED STATEMENTS OF CASH FLOWS

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
	2023	2022	2023
Cash and deposits	¥ 37,746	¥ 36,691	\$ 283,804
Deposits with restrictions on withdrawals	(247)	(3,312)	(1,857)
Cash and cash equivalents	¥ 37,498	¥ 33,379	\$ 281,939

10. LEASES

(Lessee)

Operating lease transactions

The minimum rental commitments under noncancellable operating leases at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Due within one year	¥ 714	¥ 709	\$ 5,368
Due after one year	4,218	4,903	31,714
Total	¥ 4,932	¥ 5,612	\$ 37,082

* Lease transactions for which assets and liabilities were recorded on the consolidated balance sheet due to the application of IFRS 16 are not included.

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. Also, it raises its funds primarily through borrowings from financial institutions and issuance of corporate bonds. The 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 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 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 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 assessment of hedge effectiveness for interest rate swap transactions that satisfy the requirements for special treatment is omitted.

The Group executes and manages derivative transactions in accordance with the 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 "13. Derivatives" do not indicate market risks related to these transactions.

2) Disclosure concerning fair value of financial instruments

As of March 31, 2023 (consolidated balance sheet date), the amount recorded in the consolidated balance sheet, fair value, and the amount of differences were as shown in the table below.

	Millions of yen						Thousands of U.S. dollars		
	2023			2022			2023		
	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) Investments in securities ^(*)2)	¥ 25,744	¥ 25,758	¥ 14	¥ 26,166	¥ 26,184	¥ 17	\$ 193,563	\$ 193,669	\$ 105
(2) Long-term trade receivables	24,941			25,047			187,526		
Allowance for doubtful receivables ^(*)3)	(12,159)			(12,957)			(91,421)		
	12,782	12,782	—	12,089	12,089	—	96,105	96,105	—
Total assets	38,527	38,541	14	38,256	38,273	17	289,676	289,781	105
(1) Long-term borrowings ^(*)4)	50,688	51,040	352	64,888	65,334	446	381,112	383,759	2,646
Total liabilities	50,688	51,040	352	64,888	65,334	446	381,112	383,759	2,646
Derivative transactions ^(*)5)	¥ (173)	¥ (173)	¥ —	¥ 98	¥ 98	¥ —	\$ (1,300)	\$ (1,300)	\$ —

*1 Notes are omitted on cash and deposits; notes and accounts receivable, and contract assets; notes and accounts payable; short-term borrowings, because they are settled within a short period and thus the fair values are close to the book values.

*2 Shares without market value (unlisted shares, amounts in the consolidated balance sheet is below) are not included in "(1) Investments in securities."

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
	unlisted shares	¥ 8,370	¥ 8,328

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

*4 As of March 31, 2023 and 2022, Long-term borrowing (¥19,420 million (\$146,015 thousand) and ¥21,050 million) that are due within one year are classified as "short-term" borrowings in the consolidated balance sheet.

*5 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. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2023 and 2022:

	Millions of yen			
	2023			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 37,746	¥ —	¥ —	¥ —
Notes and accounts receivable	88,438	6,160	—	—
Total	¥ 126,184	¥ 6,160	¥ —	¥ —

	Millions of yen			
	2022			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 36,691	¥ —	¥ —	¥ —
Notes and accounts receivable	92,901	1,568	—	—
Total	¥ 129,592	¥ 1,568	¥ —	¥ —

	Thousands of U.S. dollars			
	2023			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	\$ 283,804	\$ —	\$ —	\$ —
Notes and accounts receivable	664,947	46,315	—	—
Total	\$ 948,751	\$ 46,315	\$ —	\$ —

2. Repayment schedule for long-term borrowings and other interest-bearing debt at of March 31, 2023 and 2022:

	Millions of yen					
	2023					
	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	¥ 67,294	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	19,420	14,426	9,094	6,378	1,370	—
Total	¥ 86,714	¥ 14,426	¥ 9,094	¥ 6,378	¥ 1,370	¥ —

	Millions of yen					
	2022					
	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	¥ 22,287	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	21,050	18,050	13,056	7,724	5,008	—
Total	¥ 43,337	¥ 18,050	¥ 13,056	¥ 7,724	¥ 5,008	¥ —

	Thousands of U.S. dollars					
	2023					
	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	\$ 505,969	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term borrowings	146,015	108,466	68,375	47,954	10,300	—
Total	\$ 651,984	\$ 108,466	\$ 68,375	\$ 47,954	\$ 10,300	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

3) Matters concerning components of fair value of financial instruments by appropriate category, etc.

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used to calculate the fair value.

Level 1: The fair value that is calculated from the market price associated with the asset or liability subject to the calculation of given fair value in the active market, among inputs used to calculate an observable fair value

Level 2: The fair value that is calculated using inputs other than the inputs applicable to Level 1, among inputs used to calculate an observable fair value

Level 3: The fair value that is calculated using inputs that are used for calculation of unobservable fair value

In the case where more than one input is used, among inputs that have a significant impact on the calculation of the fair value, the fair value is categorized into the level with the lowest priority for calculation of the fair value, among the levels to which those inputs belong.

(1) Financial instruments listed in the consolidated balance sheet with their fair value

Millions of yen				
2023				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Equity Securities	¥ 25,734	¥ —	¥ —	¥ 25,734
Derivative transactions*	¥ —	¥ (173)	¥ —	¥ (173)

Millions of yen				
2022				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Equity Securities	¥ 26,156	¥ —	¥ —	¥ 26,156
Derivative transactions*	¥ —	¥ 98	¥ —	¥ 98

* Net claims receivable and payable incurred from derivative transactions are shown in net amount, and items whose totals are net liabilities are shown in brackets.

Thousands of U.S. dollars				
2023				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Equity Securities	\$ 193,488	\$ —	\$ —	\$ 193,488
Derivative transactions*	\$ —	\$ (1,300)	\$ —	\$ (1,300)

(2) Financial instruments other than those listed in the consolidated balance sheet with their fair value

Millions of yen				
2023				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Golf club memberships	¥ —	¥ 24	¥ —	¥ 24
Long-term trade receivables	—	—	12,782	12,782
Long-term debt	¥ —	¥ 51,040	¥ —	¥ 51,040

Millions of yen				
2022				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Golf club memberships	¥ —	¥ 27	¥ —	¥ 27
Long-term trade receivables	—	—	12,089	12,089
Long-term debt	¥ —	¥ 65,334	¥ —	¥ 65,334

Thousands of U.S. dollars				
2023				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Golf club memberships	\$ —	\$ 180	\$ —	\$ 180
Long-term trade receivables	—	—	96,105	96,105
Long-term debt	\$ —	\$ 383,759	\$ —	\$ 383,759

Note: Fair value evaluation technique and inputs for fair value calculation

Investments in securities

Listed shares and golf club memberships are evaluated using the market price. Since listed shares are traded in the active market, the fair value is categorized in Level 1. On the other hand, golf club memberships are traded in the inactive market at the market value of the same asset; therefore, the fair value is categorized in Level 2.

Long-term trade receivables

The fair value of the long-term trade receivables is the amount calculated by deducting the present estimated doubtful receivables from the book value. The estimated doubtful receivables are calculated based on the present value of loans/receivables by discounting estimated cash flows, which are considered recoverable when taking into account the probability related to lawsuits, for a period that is considered to be required for recovery. Based on this, the fair value is categorized in Level 3.

Long-term debt

The fair value of these items is based primarily on the method of calculation whereby the sum of principal and interest is discounted by an assumed interest rate on the assumption that the said sum is freshly borrowed in a similar manner. Some long-term debt with floating interest rates is prescribed to be subject to special accounting treatment applicable to interest rate swaps. Hence, the fair value of a long-term debt 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 a reasonably estimable interest rate on the assumption that the said amount is freshly borrowed in a similar manner. The fair value of the long-term debt is categorized in Level 2.

Derivative transactions

The fair value is calculated based on the price presented by the partner financial institutions, and is categorized in Level 2. Derivative transactions subject to special accounting treatment applicable to interest rate swaps are treated in combination with long-term debt as hedged items. Hence, their fair value is included in that of long-term debt.

12. SECURITIES

1) Trading Securities

Not applicable

2) Bonds Held to Maturity

Not applicable

3) Other Securities

Securities at March 31, 2023 and 2022 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		
	2023			2022			2023		
	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	¥ 6,828	¥ 4,551	¥ 2,277	¥ 4,916	¥ 2,768	¥ 2,147	\$ 51,338	\$ 34,218	\$ 17,120
Subtotal	6,828	4,551	2,277	4,916	2,768	2,147	51,338	34,218	17,120
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	18,916	19,661	(744)	21,250	21,958	(707)	142,225	147,827	(5,593)
Subtotal	18,916	19,661	(744)	21,250	21,958	(707)	142,225	147,827	(5,593)
Total	¥ 25,744	¥ 24,212	¥ 1,532	¥ 26,166	¥ 24,727	¥ 1,439	\$ 193,563	\$ 182,045	\$ 11,518

4) Sales of other securities for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2023			2022			2023		
	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	¥ 774	¥ 252	¥ 2	¥ 791	¥ 340	¥ —	\$ 5,819	\$ 1,894	\$ 15
Total	¥ 774	¥ 252	¥ 2	¥ 791	¥ 340	¥ —	\$ 5,819	\$ 1,894	\$ 15

5) Impairment losses on securities

Year ended March 31, 2022

Not applicable

Year ended March 31, 2023

Not applicable

13. DERIVATIVES

Derivative transactions at March 31, 2023 and 2022 were as follows:

1) Derivative transactions which do not qualify for hedge accounting

(i) Currency related

	Millions of yen				Thousands of U.S. dollars			
	2023				2023			
	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:								
Euro	¥ 2,757	¥ —	¥ (10)	¥ (10)	\$ 20,729	\$ —	\$ (75)	\$ (75)
Buy:								
U.S. dollars	2,221	—	(130)	(130)	16,699	—	(977)	(977)
Total	¥ 4,979	¥ —	¥ (141)	¥ (141)	\$ 37,436	\$ —	\$ (1,060)	\$ (1,060)

	Millions of yen			
	2022			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:				
Sell:				
Euro	¥ 2,768	¥ —	¥ (131)	¥ (131)
Buy:				
U.S. dollars	2,129	—	196	196
Total	¥ 4,897	¥ —	¥ 65	¥ 65

(ii) Interest rate related

Not applicable

2) Derivative transactions which qualify for hedge accounting

(i) Currency related

Hedged item		Millions of yen			Thousands of U.S. dollars		
		2023			2023		
		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	¥ 6,497	¥ —	¥ (166)	\$ 48,849	\$ —	\$ (1,248)
Buy:							
U.S. dollars	Accounts payable	5,745	—	134	43,195	—	1,007
Total		¥ 12,242	¥ —	¥ (32)	\$ 92,045	\$ —	\$ (240)

Hedged item		Millions of yen		
		2022		
		Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):				
Sell:				
Euro	Accounts receivable	¥ 3,886	¥ —	¥ (205)
Buy:				
U.S. dollars	Accounts payable	4,118	—	237
Total		¥ 8,005	¥ —	¥ 32

(ii) Interest rate related

Hedged item		Millions of yen			Thousands of U.S. dollars		
		2023			2023		
		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	¥ 40,278	¥ 24,120	*	\$ 302,842	\$ 181,353	*

Hedged item		Millions of yen		
		2022		
		Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):				
Pay fixed/receive floating	Long-term borrowings	¥ 57,546	¥ 38,978	*

* 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.

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, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Retirement benefit obligation at April 1, 2022 and 2021	¥ 101,013	¥ 105,590	\$ 759,496
Service cost	2,807	3,164	21,105
Interest cost	1,206	1,167	9,067
Actuarial gain / loss	(69)	(237)	(518)
Retirement benefit paid	(8,134)	(8,023)	(61,157)
Other	54	(647)	406
Retirement benefit obligation at March 31, 2023 and 2022	¥ 96,879	¥ 101,013	\$ 728,413

(2) The changes in plan assets during the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Plan assets at April 1, 2022 and 2021	¥ 100,140	¥ 104,807	\$ 752,932
Expected return on plan assets	2,422	2,313	18,210
Actuarial gain / loss	(4,667)	(3,426)	(35,090)
Contributions by the Company and subsidiaries	1,288	1,395	9,684
Retirement benefits paid	(6,018)	(4,949)	(45,248)
Plan assets at March 31, 2023 and 2022	¥ 93,165	¥ 100,140	\$ 700,488

(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, 2023 and 2022 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Funded retirement benefit obligation	¥ 81,132	¥ 85,482	\$ 610,015
Plan assets at fair value	(93,165)	(100,140)	(700,488)
	(12,032)	(14,657)	(90,466)
Unfunded retirement benefit obligation	15,746	15,531	118,390
Net liability for retirement benefits in the balance sheet	¥ 3,713	¥ 873	\$ 27,917
Liability for retirement benefits	30,906	31,320	232,375
Asset for retirement benefits	(27,192)	(30,447)	(204,451)
Net asset for retirement benefits in the balance sheet	¥ 3,713	¥ 873	\$ 27,917

(4) The components of retirement benefit expense for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Service cost	¥ 2,807	¥ 3,164	\$ 21,105
Interest cost	1,206	1,167	9,067
Expected return on plan assets	(2,422)	(2,313)	(18,210)
Amortization of actuarial gain / loss	(388)	95	(2,917)
Amortization of prior service cost	(547)	(118)	(4,112)
Other	188	473	1,413
Retirement benefit expense	¥ 843	¥ 2,468	\$ 6,338

Note: In addition to the retirement benefit costs related to the above defined benefit plan, as a special retirement allowance, ¥32 million was recorded as miscellaneous expenses for non-operating expenses, and ¥2,171 million was recorded as an extraordinary loss in Business restructuring expenses for extraordinary for the year ended March 31, 2022.

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Prior service cost	¥ (547)	¥ (118)	\$ (4,112)
Actuarial gain / loss	(4,999)	(3,079)	(37,586)
Total	¥ (5,546)	¥ (3,197)	\$ (41,699)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Unrecognized prior service cost	¥ 444	¥ (102)	\$ 3,338
Unrecognized actuarial gain / loss	4,394	(605)	33,037
Total	¥ 4,838	¥ (707)	\$ 36,375

(7) Plan assets

(i) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2023 and 2022 were as follows:

	2023	2022
Bonds	37%	37%
Stocks	30	28
Alternative	21	17
Other	12	18
Total*	100%	100%

* The retirement benefit trust consists of 18% of the total plan assets for the year ended March 31, 2023 and 16% of the total plan assets for the year ended March 31, 2022, 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:

	2023	2022
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	2.50%	2.26%

3) Defined contribution plan

The Company and domestic consolidated subsidiaries made required contributions to the defined contribution plans of ¥2,122 million (\$15,954 thousand) and ¥2,178 million for the years ended March 31, 2023 and 2022, respectively.

15. STOCK OPTION PLAN

The stock options outstanding as of March 31, 2023 were as follows:

1) The amount in relation to the stock options.

Not applicable.

2) The size of stock option and its circumstances.

Date of approval by shareholders	July 29, 2016	July 28, 2017	July 27, 2018
Grantees	4 directors and 13 executive officers	3 directors and 15 executive officers	2 directors and 16 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
After the resolution			
End of the preceding term	20,600 shares	28,800 shares	32,500 shares
Vested	—	—	—
Exercised	2,700 shares	2,700 shares	2,700 shares
Cancelled	—	—	—
Outstanding	17,900 shares	26,100 shares	29,800 shares
Date of issuance	August 16, 2016	August 15, 2017	August 14, 2018
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.
Vesting period	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018	April 1, 2018 – March 31, 2019
Exercise price	¥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
Official price at the date of offered	¥860 (\$6.46)	¥1,000 (\$7.51)	¥878 (\$6.60)

Date of approval by shareholders	July 26, 2019	July 30, 2020
Grantees	4 directors and 14 executive officers	4 directors and 13 executive officers
Type of shares for which new subscription rights offered (Note below)	61,600 shares of Common stock	60,500 shares of Common stock
After the resolution		
End of the preceding term	39,800 shares	47,500 shares
Vested	—	—
Exercised	6,100 shares	6,100 shares
Cancelled	—	—
Outstanding	33,700 shares	41,400 shares
Date of issuance	August 14, 2019	August 18, 2020
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.
Vesting period	April 1, 2019 – March 31, 2020	April 1, 2020 – March 31, 2021
Exercise price	¥1 (\$0.00)	¥1 (\$0.00)
Exercisable period	August 15, 2019 – August 14, 2044	August 19, 2020 – August 18, 2045
Official price at the date of offered	¥961 (\$7.22)	¥526 (\$3.95)

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

3) The evaluation of fair value of stock option

There were no stock options granted during the years ended March 31, 2023.

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.

16. INCOME TAXES

1) Deferred tax assets and liabilities at March 31, 2023 and 2022 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Deferred tax assets:			
Loss carryforwards (Note)	¥ 23,513	¥ 20,883	\$ 176,789
Liability for retirement benefits	12,436	12,463	93,503
Accrued bonuses	3,636	3,730	27,338
Write-downs of inventories	2,492	2,162	18,736
Excess of allowance for doubtful receivables and bad debts expenses	2,397	2,663	18,022
Write-downs of investments in securities	1,840	1,840	13,834
Provision for loss on construction contracts	989	642	7,436
Excess depreciation	900	849	6,766
Other	5,142	5,942	38,661
Gross deferred tax assets	53,345	51,174	401,090
Valuation allowance for tax loss carryforwards (Note)	(22,613)	(20,705)	(170,022)
Valuation allowance for deductible temporary differences	(21,104)	(22,204)	(158,676)
Less: Valuation allowance	(43,718)	(42,909)	(328,706)
Total deferred tax assets	9,627	8,265	72,383
Deferred tax liabilities:			
Asset for retirement benefits	(8,483)	(9,290)	(63,781)
Write-ups of investments in securities	(5,723)	(5,723)	(43,030)
Taxable unrealized gain on contribution of securities to a pension trust	(1,916)	(1,944)	(14,406)
Fair-value accounting for associated with the acquisition of a subsidiary	(937)	(944)	(7,045)
Other	(1,605)	(1,431)	(12,067)
Total deferred tax liabilities	(18,664)	(19,332)	(140,330)
Net deferred tax liabilities	¥ (9,036)	¥ (11,067)	\$ (67,939)

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

	Millions of yen						
	2023						
	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	¥ 303	¥ 221	¥ 894	¥ 2,854	¥ 163	¥ 19,075	¥ 23,513
Less: Valuation allowance	(302)	(214)	(889)	(2,002)	(163)	(19,040)	(22,613)
Deferred tax assets	¥ 1	¥ 7	¥ 5	¥ 851	¥ —	¥ 34	¥ 900

	Millions of yen						
	2022						
	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	¥ 87	¥ 312	¥ 224	¥ 865	¥ 2,851	¥ 16,542	¥ 20,883
Less: Valuation allowance	(78)	(310)	(224)	(865)	(2,713)	(16,513)	(20,705)
Deferred tax assets	¥ 9	¥ 2	¥ —	¥ —	¥ 137	¥ 28	¥ 178

	Thousands of U.S. dollars						
	2023						
	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	\$ 2,278	\$ 1,661	\$ 6,721	\$ 21,458	\$ 1,225	\$ 143,421	\$ 176,789
Less: Valuation allowance	(2,270)	(1,609)	(6,684)	(15,052)	(1,225)	(143,157)	(170,022)
Deferred tax assets	\$ 8	\$ 52	\$ 37	\$ 6,406	\$ —	\$ 264	\$ 6,767

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, 2023 and 2022, 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, 2023 and 2022 are summarized as follows:

	2023	2022
Statutory tax rates	—%	30.6%
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	—	(3.2)
Permanent nondeductible differences such as entertainment expenses	—	54.6
Increase (decrease) in valuation allowance for deferred tax assets	—	(56.7)
Per capita portion of inhabitants' taxes	—	7.3
Extinction of loss carryforwards	—	35.4
Difference in applicable tax rates of overseas subsidiaries	—	(13.9)
Other, net	—	(3.8)
Effective tax rates	—%	50.2%

Note: Not stated because loss before income taxes was recorded for the current fiscal year.

3) Accounting process of corporate tax and local corporate tax or accounting process of tax effect accounting relating thereto
 The Company and its domestic consolidated subsidiaries have applied the group tax sharing system from the fiscal year. In accordance with "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), the Company has performed the accounting process of the corporate tax and local corporate tax or the accounting process of the tax effect accounting relating thereto and has disclosed such information.

17. REVENUE RECOGNITION

1) Information on disaggregation of revenue from contracts with customers

From the years ended March 31, 2023, we have changed "Geographical market" divisions.

"Geographical market" divisions for the years ended March 31, 2022 were based on the divisions after the change.

	Millions of yen				
	2023				
	Reportable segment			Other*	Total
	Solution Systems	Components & Platforms	Subtotal		
For the year ended March 31					
<Breakdown of net sales>					
Revenue from contracts with customers	¥ 179,344	¥ 186,289	¥ 365,633	¥ 527	¥ 366,161
Other revenue	18	2,916	2,934	—	2,934
Total net sales	179,362	189,205	368,568	527	369,096
<Geographical market>					
Revenue from contracts with customers					
Japan	176,936	127,726	304,662	527	305,190
Europe	35	25,400	25,435	—	25,435
Asia	2,372	20,916	23,288	—	23,288
North America	—	7,965	7,965	—	7,965
Others	0	4,280	4,281	—	4,281
Other revenue					
Japan	18	2,916	2,934	—	2,934
<Timing of revenue recognition>					
Revenue from contracts with customers					
Revenue recognized at one point	54,181	153,209	207,390	67	207,458
Revenue recognized over time	¥ 125,163	¥ 33,079	¥ 158,242	¥ 460	¥ 158,703

* "Other" includes businesses that are not under the reporting segment, such as service provision, manufacture and sales of other devices or products.

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	Millions of yen				
	2022				
	Reportable segment			Other*	Total
Solution Systems	Components & Platforms	Subtotal			
For the year ended March 31					
<Breakdown of net sales>					
Revenue from contracts with customers	¥ 162,624	¥ 186,041	¥ 348,666	¥ 423	¥ 349,090
Other revenue	20	2,954	2,974	—	2,974
Total net sales	162,645	188,995	351,641	423	352,064
<Geographical market>					
Revenue from contracts with customers					
Japan	162,610	131,175	293,785	423	294,209
Europe	8	24,377	24,386	—	24,386
Asia	6	17,518	17,524	—	17,524
North America	—	8,144	8,144	—	8,144
Others	—	4,825	4,825	—	4,825
Other revenue					
Japan	20	2,954	2,974	—	2,974
<Timing of revenue recognition>					
Revenue from contracts with customers					
Revenue recognized at one point	45,747	145,443	191,190	396	191,587
Revenue recognized over time	¥ 116,877	¥ 40,598	¥ 157,475	¥ 27	¥ 157,502

* "Other" includes businesses that are not under the reporting segment, such as service provision, manufacture and sales of other devices or products.

	Thousands of U.S. dollars				
	2023				
	Reportable segment			Other*	Total
Solution Systems	Components & Platforms	Subtotal			
For the year ended March 31					
<Breakdown of net sales>					
Revenue from contracts with customers	\$ 1,348,451	\$ 1,400,669	\$ 2,749,120	\$ 3,962	\$ 2,753,090
Other revenue	135	21,924	22,060	—	22,060
Total net sales	1,348,586	1,422,593	2,771,187	3,962	2,775,157
<Geographical market>					
Revenue from contracts with customers					
Japan	1,330,345	960,345	2,290,691	3,962	2,294,661
Europe	263	190,977	191,240	—	191,240
Asia	17,834	157,263	175,097	—	175,097
North America	—	59,887	59,887	—	59,887
Others	0	32,180	32,187	—	32,187
Other revenue					
Japan	135	21,924	22,060	—	22,060
<Timing of revenue recognition>					
Revenue from contracts with customers					
Revenue recognized at one point	407,375	1,151,947	1,559,323	503	1,559,834
Revenue recognized over time	\$ 941,075	\$ 248,714	\$ 1,189,789	\$ 3,458	\$ 1,193,255

* "Other" includes businesses that are not under the reporting segment, such as service provision, manufacture and sales of other devices or products.

	Millions of yen				
	2023				
	By business areas (Solution Systems)*				
	Public Solutions	Enterprise Solutions	DX Platform	Engineering work and maintenance services	Total
For the year ended March 31					
Revenue from contracts with customers	¥ 54,204	¥ 61,502	¥ 14,441	¥ 49,195	¥ 179,344
Other revenue	—	—	18	—	18
Total net sales	¥ 54,204	¥ 61,502	¥ 14,460	¥ 49,195	¥ 179,362

* The following describes the main products and services in each business area.

Business area	Main products and services
Public Solutions	Road (ETC/VICS), aviation control, disaster preparedness, fire fighting, central government agencies systems, government statics systems, defense systems (underwater acoustics/information), aircraft equipment, infrastructure monitoring, etc.
Enterprise Solutions	Carrier network, video distribution, 5G and local 5G, financial store systems, concentrated operation systems, railway ticket systems, airport check-in systems, manufacturing systems (ERP/IoT), etc.
DX Platform	AI edge computers, sensors, IoT network, PBX, business phones, contact centers, cloud services, etc.
Engineering work and maintenance services	Engineering work, maintenance services, etc.

	Millions of yen				
	2022				
	By business areas (Solution Systems)*				
	Public Solutions	Enterprise Solutions	DX Platform	Engineering work and maintenance services	Total
For the year ended March 31					
Revenue from contracts with customers	¥ 49,270	¥ 51,671	¥ 13,662	¥ 48,019	¥ 162,624
Other revenue	—	—	20	—	20
Total net sales	¥ 49,270	¥ 51,671	¥ 13,683	¥ 48,019	¥ 162,645

* The following describes the main products and services in each business area.

Business area	Main products and services
Public Solutions	Road (ETC/VICS), aviation control, disaster preparedness, fire fighting, central government agencies systems, government statics systems, defense systems (underwater acoustics/information), infrastructure monitoring, etc.
Enterprise Solutions	Carrier network, video distribution, 5G and local 5G, financial store systems, concentrated operation systems, railway ticket systems, airport check-in systems, manufacturing systems (ERP/IoT), etc.
DX Platform	AI edge computers, sensors, IoT network, PBX, business phones, contact centers, cloud services, etc.
Engineering work and maintenance services	Engineering work, maintenance services, etc.

	Thousands of U.S. dollars				
	2023				
	By business areas (Solution Systems)				
	Public Solutions	Enterprise Solutions	DX Platform	Engineering work and maintenance services	Total
For the year ended March 31					
Revenue from contracts with customers	\$ 407,548	\$ 462,421	\$ 108,578	\$ 369,887	\$ 1,348,451
Other revenue	—	—	135	—	135
Total net sales	\$ 407,548	\$ 462,421	\$ 108,721	\$ 369,887	\$ 1,348,586

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

	Millions of yen		
	2023		
	By business areas (Components & Platforms)*		
	Components	Mono-zukuri Platform	Total
For the year ended March 31			
Revenue from contracts with customers	¥ 110,955	¥ 75,334	¥ 186,289
Other revenue	2,916	—	2,916
Total net sales	¥ 113,871	¥ 75,334	¥ 189,205

* The following describes the main products and services in each business area.

Business area	Main products and services
Components	ATM, cash processors, store terminals, reservation ticket terminals, check-in terminals, currency exchange machines, ATM monitoring and operation services, color and monochrome LED printers, color and monochrome LED multifunction machines, large format inkjet printers, dot impact printers, etc.
Mono-zukuri Platform	Contract design and production services, printed circuit boards, etc.

	Millions of yen		
	2022		
	By business areas (Components & Platforms)*		
	Components	Mono-zukuri Platform	Total
For the year ended March 31			
Revenue from contracts with customers	¥ 119,579	¥ 66,462	¥ 186,041
Other revenue	2,954	—	2,954
Total net sales	¥ 122,533	¥ 66,462	¥ 188,995

* The following describes the main products and services in each business area.

Business area	Main products and services
Components	ATM, cash processors, store terminals, reservation ticket terminals, check-in terminals, currency exchange machines, ATM monitoring and operation services, color and monochrome LED printers, color and monochrome LED multifunction machines, large format inkjet printers, dot impact printers, etc.
Mono-zukuri Platform	Contract design and production services, printed circuit boards, etc.

	Thousands of U.S. dollars		
	2023		
	By business areas (Components & Platforms)		
	Components	Mono-zukuri Platform	Total
For the year ended March 31			
Revenue from contracts with customers	\$ 834,248	\$ 566,421	\$ 1,400,669
Other revenue	21,924	—	21,924
Total net sales	\$ 856,172	\$ 566,421	\$ 1,422,593

2) Information to understand the revenue in this fiscal year and onwards

(1) Balances of receivables from contracts with customers, contract assets and contract liabilities at March 31, 2023 and 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2023	As of April 1, 2022	
Receivables from contracts with customers	¥ 70,938	¥ 77,693	\$ 533,368
Of which, notes receivable	4,691	8,400	35,270
Of which, accounts receivable	66,246	69,293	498,090
Contract assets	23,199	16,298	174,428
Contract liabilities	¥ 7,217	¥ 8,548	\$ 54,263

Notes: 1. Contract assets are recognized as right to consideration recorded by recognition of revenue in accordance with the degree of progress mainly on contracted manufacturing and various types of construction work. When the right to consideration becomes unconditional, they are transferred into receivables. Contract liabilities are related mainly to deposits received from customers based on service provision contracts that recognize revenue over a certain period, and are revised upon recognition of revenue.

2. Among the revenue recognized in this fiscal year, the amount included in the contract liabilities at the beginning of the year was ¥4,630 million. The amount of revenue recognized from the performance obligation that was satisfied (or partly satisfied) in the past period has no significance.
3. The increase in contract assets is mainly due to progress on contracted manufacturing and various types of construction work.
4. Contract liabilities are included in "Others" under the current liabilities in the consolidated financial statements.

	Millions of yen	
	As of March 31, 2022	As of April 1, 2021
Receivables from contracts with customers	¥ 77,693	¥ 95,796
Of which, notes receivable	8,400	7,144
Of which, accounts receivable	69,293	88,651
Contract assets	16,298	10,392
Contract liabilities	¥ 8,548	¥ 5,857

- Notes: 1. Contract assets are recognized as right to consideration recorded by recognition of revenue in accordance with the degree of progress mainly on contracted manufacturing and various types of construction work. When the right to consideration becomes unconditional, they are transferred into receivables. Contract liabilities are related mainly to deposits received from customers based on service provision contracts that recognize revenue over a certain period, and are revised upon recognition of revenue.
2. Among the revenue recognized in this fiscal year, the amount included in the contract liabilities at the beginning of the year was ¥3,222 million. The amount of revenue recognized from the performance obligation that was satisfied (or partly satisfied) in the past period has no significance.
 3. The increase in contract assets is mainly due to progress on contracted manufacturing and various types of construction work. The increase in contract liabilities is mainly due to receipt of deposits.
 4. Contract liabilities are included in "Others" under the current liabilities in the consolidated financial statements.

(2) Trading amount of unsatisfied performance obligation

The Group applies practical expedient to the notes on the trading amount allocated to the unsatisfied performance obligation. Notes are omitted for unsatisfied performance obligation based on the agreements initially expected to last for a year or shorter.

The total trading amount allocated to the unsatisfied performance obligation at the end of this fiscal year and the duration within which the revenue may be recognized are as follows.

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Within one year	¥ 29,682	¥ 19,153	\$ 223,172
One year to three years	22,975	8,704	172,744
Over three years	706	434	5,308
Unsatisfied performance obligation total	¥ 53,364	¥ 28,292	\$ 401,233

18. SEGMENT INFORMATION

1) Segment Information

(1) Overview of reporting segments

The reportable segments of the Company are the business units for which the Company is able to obtain respective financial information separately in order for the Board of Directors to conduct periodic review to determine distribution of management resources and evaluate their business results.

The Company has two reportable segments, "Solution Systems business" and "Components & Platforms business." Each of them plans comprehensive strategies about their main product lines in domestic and overseas markets and deploys business activities.

Solution Systems business provides solutions that leverage IoT and solutions that enable business processes to be optimized and streamlined.

Components & Platforms business provides products and services such as automation equipment and peripheral products utilizing core technologies including mechatronics and electronics, and also provides manufacturing service as a platform.

Listed below are the major products and services of each reportable segment:

Reporting segments	Major products and services
Solution Systems	Traffic infrastructure-related systems, disaster-related systems, self-defense-related systems, aircraft equipment, communications equipment for telecom carriers, bank branch systems, centered-administration systems, ticket reservations and issuing systems, IP-PBX, business telephones, contact centers, 920MHz band wireless multi-hop communication systems, etc.
Components & Platforms	ATMs, cash handling equipment, bank branch terminals, ticket reservations and issuing terminals, check-in terminals, currency exchange machines, and ATM monitoring and operations services, color and monochrome LED printers, color and monochrome LED multifunction printers, wide format ink jet printers, dot-impact printers, consigned designing and manufacturing services, printed circuit boards, etc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

(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 is 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, 2023 and 2022 and for the years then ended were as follows:

	Millions of yen						
	2023						
	Segments			Other	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
For the year ended March 31							
Sales to third parties	¥ 179,362	¥ 189,205	¥ 368,568	¥ 527	¥ 369,096	—	¥ 369,096
Inter-segment sales and transfers	898	4,045	4,943	11,983	16,927	(16,927)	—
Net sales	180,261	193,251	373,512	12,511	386,023	(16,927)	369,096
Operating income (loss)	8,469	(114)	8,355	429	8,784	(6,381)	2,403
Total assets	137,336	186,649	323,985	8,919	332,904	57,520	390,425
Depreciation and amortization	3,037	6,658	9,695	244	9,940	1,371	11,312
Investments in equity-method affiliates	1,024	811	1,836	—	1,836	—	1,836
Increase in property, plant, equipment and intangible assets	¥ 5,877	¥ 10,125	¥ 16,003	¥ 455	¥ 16,458	¥ 2,316	¥ 18,774

	Millions of yen						
	2022						
	Segments			Other	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
For the year ended March 31							
Sales to third parties	¥ 162,645	¥ 188,995	¥ 351,641	¥ 423	¥ 352,064	—	¥ 352,064
Inter-segment sales and transfers	1,538	3,732	5,270	11,678	16,949	(16,949)	—
Net sales	164,183	192,728	356,911	12,102	369,014	(16,949)	352,064
Operating income (loss)	9,532	3,497	13,030	345	13,375	(7,511)	5,864
Total assets	116,407	182,031	298,439	9,075	307,515	61,655	369,170
Depreciation and amortization	2,794	7,117	9,912	313	10,225	1,278	11,503
Investments in equity-method affiliates	955	816	1,772	—	1,772	—	1,772
Increase in property, plant, equipment and intangible assets	¥ 7,124	¥ 8,184	¥ 15,308	¥ 109	¥ 15,418	¥ 7,274	¥ 22,692

	Thousands of U.S. dollars						
	2023						
	Segments			Other	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
For the year ended March 31							
Sales to third parties	\$ 1,348,586	\$ 1,422,593	\$ 2,771,187	\$ 3,962	\$ 2,775,157	—	\$ 2,775,157
Inter-segment sales and transfers	6,751	30,413	37,165	90,097	127,270	(127,270)	—
Net sales	1,355,345	1,453,015	2,808,360	94,067	2,902,428	(127,270)	2,775,157
Operating income (loss)	63,676	(857)	62,819	3,225	66,045	(47,977)	18,067
Total assets	1,032,601	1,403,375	2,435,977	67,060	2,503,037	432,481	2,935,526
Depreciation and amortization	22,834	50,060	72,894	1,834	74,736	10,308	85,052
Investments in equity-method affiliates	7,699	—	13,804	—	13,804	—	13,804
Increase in property, plant, equipment and intangible assets	\$ 44,187	\$ 76,127	\$ 120,323	\$ 3,421	\$ 123,744	\$ 17,413	\$ 141,157

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.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Operating income (loss)			
Elimination of intersegment transactions	¥ 350	¥ 145	\$ 2,631
Corporate expense*	(6,625)	(7,460)	(49,812)
Fixed asset adjustment	(106)	(195)	(796)
Total	¥ (6,381)	¥ (7,511)	\$ (47,977)

* 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
	2023	2022	2023
Total assets			
Elimination of intersegment transactions	¥ (90,540)	¥ (84,926)	\$ (680,751)
Corporate assets*	149,658	148,073	1,125,248
Fixed asset adjustment	(1,597)	(1,491)	(12,007)
Total	¥ 57,520	¥ 61,655	\$ 432,481

* 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
	2023	2022	2023
Depreciation and amortization			
Depreciation expense for corporate assets	¥ 1,631	¥ 1,516	\$ 12,263
Fixed asset adjustment	(259)	(237)	(1,947)
Total	¥ 1,371	¥ 1,278	\$ 10,308

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Increase in property, plant, equipment and intangible assets			
Corporate assets	¥ 2,679	¥ 7,741	\$ 20,142
Fixed asset adjustment	(363)	(467)	(2,729)
Total	¥ 2,316	¥ 7,274	\$ 17,413

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, 2023 and 2022 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
	2023	2022	2023
Japan	¥ 308,125	¥ 297,184	\$ 2,316,729
Europe	25,435	24,386	191,240
Asia	23,288	17,524	175,097
North America	7,965	8,144	59,887
Other	4,281	4,825	32,187
Total	¥ 369,096	¥ 352,064	\$ 2,775,157

Notes: 1. Sales are classified as country or region based on the customer's location.

2. The classification of presentation was changed in the current consolidated fiscal year, and the classification of the previous consolidated fiscal year has been reclassified after the change.

(ii) Tangible fixed assets

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
	2023	2022	2023
Solution Systems	—	—	—
Components & Platforms	—	971	—
Company-wide	—	173	—
Total	*—	¥ 1,144	—

* Year ended March 31, 2023, the disclosure is omitted due to immateriality.

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

Year ended March 31, 2022

The disclosure is omitted due to immateriality.

Year ended March 31, 2023

The disclosure is omitted due to immateriality.

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

Year ended March 31, 2022

Not applicable

Year ended March 31, 2023

The disclosure is omitted due to immateriality.

19. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2023	2022	2023
Net assets per share	¥ 1,143.96	¥ 1,240.62	\$ 8.60
Basic earnings (losses) per share	¥ (32.33)	¥ 23.85	\$ (0.24)
Diluted earnings per share	—	¥ 23.81	—

*1 The residual securities exist, but Diluted earnings per share is not described because of Basic losses per share.

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Basic earnings (losses) per share			
Profit (loss) attributable to owners of parent	¥ (2,800)	¥ 2,065	\$ (21,052)
Amounts not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent related to common stock	¥ (2,800)	¥ 2,065	\$ (21,052)
Weighted-average number of shares of common stock during the period (thousand shares)	86,619	86,600	
Diluted earnings per share			
Profit attributable adjustment to owners of parent	—	—	—
Increase in number of common stocks (thousand shares)	—	169	
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects	—	—	

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

	Millions of yen		Thousands of U.S. dollars
	2023	2022	2023
Total net assets	¥ 99,279	¥ 107,635	\$ 746,458
Amounts deducted from total net assets			
(Subscription rights to shares)	¥ 191	¥ 198	\$ 1,436
(Non-controlling interests)	¥ (121)	¥ (138)	\$ (909)
(Non-controlling interests)	¥ (69)	¥ (60)	\$ (518)
Net assets at the year end to common stock	¥ 99,088	¥ 107,437	\$ 745,022
Common stock at the year end used to calculated of the net assets per share (thousand shares)	86,618	86,599	

20. CONSOLIDATED SUPPLEMENTARY SCHEDULES

1) Schedule of company bonds

Not applicable

2) Schedule of borrowings, etc

	Millions of yen				Thousands of U.S. dollars	
	2023				2023	
	Balance at March 31, 2022	Balance at March 31, 2023	Average interest rate	Term of payment	Balance at March 31, 2022	Balance at March 31, 2023
Short-term borrowings	¥ 22,287	¥ 67,294	1.7%	—	\$ 167,571	\$ 505,969
Long-term borrowings (Within 1 year)	21,050	19,420	1.2	—	158,270	146,015
Lease obligations (Within 1 year)	3,912	3,758	—	—	29,413	28,255
Long-term borrowings (Over 1 year)	43,838	31,268	1.2	2024~2028	329,609	235,097
Lease obligations (Over 1 year)	9,740	6,905	—	2024~2033	73,233	51,917
Total	¥ 100,827	¥ 128,646	—	—	\$ 758,097	\$ 967,263

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			
	2023				2023			
	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	¥ 14,426	¥ 9,094	¥ 6,378	¥ 1,370	\$ 108,466	\$ 68,375	\$ 47,954	\$ 10,300
Lease obligations	3,046	2,049	978	388	22,902	15,406	7,353	2,917

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.

INVESTOR INFORMATION

Number of Shares (As of March 31, 2023)

Authorized: 240,000,000
 Issued: 87,217,602
 (Including 598,803 treasury stock)

Number of Shareholders (As of March 31, 2023)

68,991

Stock Exchange Listing

Prime Market of the Tokyo Stock Exchange
 Securities Code: 6703

Administrative Agent for the Company's Shareholder Register

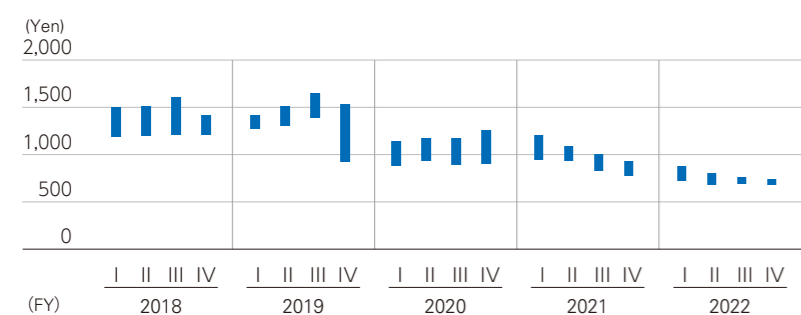
Mizuho Trust & Banking Co., Ltd.

Major Shareholders (As of March 31, 2023)

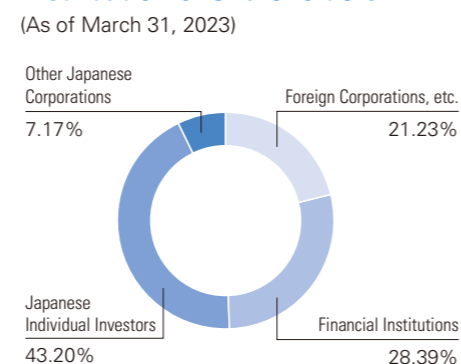
Name of Shareholders	Number of Shares Held (shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	12,883,900	14.87
Custody Bank of Japan, Ltd. (trust account)	4,135,900	4.77
Oki Denki Group Employees' Shareholdings Committee	2,199,461	2.54
Custody Bank of Japan, Ltd. (trust account 4)	1,766,300	2.04
Mizuho Bank, Ltd.	1,419,648	1.64
Meiji Yasuda Life Insurance Company	1,400,097	1.62
DFA INTL SMALL CAP VALUE PORTFOLIO	1,275,760	1.47
STATE STREET BANK WEST CLIENT-TREATY 505234	1,185,593	1.37
JP Morgan Chase Bank 385781	1,079,483	1.25
STATE STREET BANK AND TRUST COMPANY 505227	983,900	1.14

Note: The shareholding ratio is calculated after excluding 598,803 shares of treasury stock.

Common Stock Price Range on the Tokyo Stock Exchange



Distribution of Shareholders (As of March 31, 2023)



COMPANY PROFILE

Profile (As of April 1, 2023)

Company Name: Oki Electric Industry Co., Ltd.
 Founded: 1881
 Company Established: November 1, 1949
 Common Stock: 44,000 million yen
 Employees: 14,452 (Consolidated)
 4,740 (Non-consolidated)
 *As of March 31, 2023

Representative Director and CEO: Takahiro Mori
 Head Office: 1-7-12 Toranomom, Minato-Ku, Tokyo 105-8460, Japan
 Tel +81-3-3501-3111
 URL <https://www.oki.com>

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 IR website: <https://www.oki.com/en/ir/>

OKI

Oki Electric Industry Co., Ltd.