

(Translation)

## Summary of Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2021 (J-GAAP)

July 30, 2020

Listed Company Name: Oki Electric Industry Co., Ltd.

Securities Code: 6703

Stock Exchange Listing: Tokyo Stock Exchange

Representative: Shinya Kamagami, President, Representative Director

Contact: Atsushi Yamauchi, General Manager, Investor Relations

Filing of Quarterly Securities Report (Scheduled): August 14, 2020

Commencement of Dividend Payment (Scheduled): –

Supplementary Document on Quarterly Financial Results: Yes

Quarterly Financial Results Briefing: Yes (for institutional investors)

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(Amounts less than one million yen have been truncated)

### 1. Consolidated Financial Results for the Three Months Ended June 30, 2020 (from April 1, 2020 to June 30, 2020)

#### (1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended June 30, 2020	81,375	(24.4)	(1,121)	–	(2,148)	–	(3,326)	–
June 30, 2019	107,617	21.0	1,075	–	149	–	(369)	–

(Note) Comprehensive income Three months ended June 30, 2020: ¥(3,394) million (–%)  
Three months ended June 30, 2019: ¥(4,693) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended June 30, 2020	(38.43)	–
June 30, 2019	(4.27)	–

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of June 30, 2020	351,300	98,719	28.0
As of March 31, 2020	372,471	106,440	28.5

(Reference) Shareholders' equity As of June 30, 2020: ¥98,509 million  
As of March 31, 2020: ¥106,205 million

### 2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2020	–	0.00	–	50.00	50.00
Fiscal year ending March 31, 2021	–				
Fiscal year ending March 31, 2021 (Projection)		–	–	–	–

(Note) Revisions to dividend projection most recently announced: None

3. Consolidated Results Projection for the Fiscal Year Ending March 31, 2021  
(from April 1, 2020 to March 31, 2021)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	405,000	(11.4)	8,500	(49.5)	—	—	—	—	—

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

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
  - 1) Changes in accounting policies in accordance with revision of accounting standards, etc.: None
  - 2) Any changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Restatements: None
- (4) Number of shares issued (common stock)
  - 1) Number of shares issued at the end of the period (including treasury shares)
    - As of June 30, 2020: 87,217,602 shares
    - As of March 31, 2020: 87,217,602 shares
  - 2) Number of treasury shares at the end of the period
    - As of June 30, 2020: 652,810 shares
    - As of March 31, 2020: 690,583 shares
  - 3) Average number of shares during the period
    - Three months ended June 30, 2020: 86,564,875 shares
    - Three months ended June 30, 2019: 86,530,762 shares

Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Explanation regarding appropriate use of results projection and other special notes

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. For the conditions assumed for the results projection and notes on the use of such projections, please refer to “(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other” of “1. Qualitative Information on Financial Results for the Period” on page 5 of the Attachment.

(How to obtain supplementary document on financial results)

The Company is scheduled to hold a financial results briefing for institutional investors on July 30, 2020 (Thursday). The document on financial results is disclosed on TDNet at the same time as this Summary of Consolidated Financial Results and is also made available on the Company’s website on the same day.

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## 1. Qualitative Information on Financial Results for the Period

### (1) Operating Results

#### 1) Overview of the first quarter of the fiscal year ending March 31, 2021 (April 1, 2020 to June 30, 2020)

OKI's business environment continues to undergo significant changes, including labor shortages and aging infrastructure in Japan, environmental issues, technological innovations such as 5G/AI, and paradigm shifts caused by COVID-19 the global market.

In order to respond to the social challenges brought about by these changes in the business environment, OKI is accelerating innovation through co-creation, restructuring its business portfolio and strengthening its management foundation. With the installed base of devices and a strong customer base that we have built over a long history as the source of value creation, we aim to resolve social issues through both mono-zukuri (manufacturing) in the real world and koto-zukuri (creation of solutions and services) that link such devices to the cloud in real time.

For the business conditions in the first quarter of the fiscal year ending March 31, 2021, net sales were ¥81.4 billion, a ¥26.2 billion or 24.4% decrease year-on-year. This was mainly due to large-scale projects to build networks for carriers and large-scale replacement demand for government offices in the previous fiscal year. In addition, sales declined due to the business transfer of a Brazilian subsidiary and sluggish sales in overseas markets due to the spread of COVID-19. As a result of this significant decrease in net sales, operating loss was ¥1.1 billion, worsened by ¥2.2 billion, and ordinary loss was ¥2.1 billion, worsened by ¥2.2 billion yen.

Loss attributable to owners of parent was ¥3.3 billion, worsened by ¥2.9 billion year-on-year. In addition to the above factors, extraordinary gains from the sales of non-business assets in the previous fiscal year resulted in a large year-on-year decrease.

For the period under review, the impact of COVID-19 was negative with net sales of approximately ¥11.0 billion and operating income of approximately ¥2.0 billion. In the future, however, the Company believes that society is shifting toward a so-called New Normal, in which a certain degree of risk is accepted while balancing economic activities. It expects that COVID-19 impact on its business performance will be reduced from the second quarter onward and a recovery trend will begin from the third quarter onward.

(Billions of yen)	Three months ended June 30, 2020	Three months ended June 30, 2019	Year-on-year change rate
Net sales	81.4	107.6	(24.4)%
Operating income (loss)	(1.1)	1.1	–
Ordinary income (loss)	(2.1)	0.1	–
Profit (loss) attributable to owners of parent	(3.3)	(0.4)	–

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

From the first quarter of the fiscal year ending March 31, 2021, OKI has changed the classification of reportable segments, and compared the figures for the same period of the previous fiscal year by reclassifying the figures for the same period of the previous fiscal year into the segment classification after the change.

#### 2) Results by business segment

##### <Solution Systems>

Net sales came to ¥40.0 billion (a year-on-year decrease of 24.2% or ¥12.8 billion). The main reasons for the decline were the construction of networks for telecom carriers and large-scale projects for certain government agencies in the previous fiscal year.

Operating income came to ¥1.7 billion (a year-on-year decrease of ¥0.8 billion) due to lower sales.

(Billions of yen)	Three months ended June 30, 2020	Three months ended June 30, 2019	Year-on-year change rate
Net sales	40.0	52.8	(24.2)%
Operating income	1.7	2.5	(31.5)%

<Components & Platforms>

Net sales came to ¥40.0 billion (a year-on-year decrease of 22.6% or ¥11.6 billion). Although the domestic market remained relatively stable, the overseas market was strongly affected by COVID-19. Sales decreased mainly due to the suspension of bidding in the Asian market and sluggish sales of printer consumables in the European market.

Operating loss was ¥1.7 billion, a deterioration of ¥2.0 billion year-on-year. A decline in sales of high-margin printer consumables in the European market resulted in a deterioration in the sales mix, which was a major factor in the deterioration in segment earnings.

(Billions of yen)	Three months ended June 30, 2020	Three months ended June 30, 2019	Year-on-year change rate
Net sales	40.0	51.6	(22.6)%
Operating income (loss)	(1.7)	0.3	–

<Others>

Net sales came to ¥1.4 billion (a year-on-year decrease of 57.3% or ¥1.8 billion). This was mainly due to the transfer of a Brazilian subsidiary.

Operating income came to ¥0.0 billion (a year-on-year increase of ¥0.1 billion).

(Billions of yen)	Three months ended June 30, 2020	Three months ended June 30, 2019	Year-on-year change rate
Net sales	1.4	3.2	(57.3)%
Operating income (loss)	0.0	(0.1)	–

(2) Financial Position

1) Assets, liabilities, net assets, etc., at the end of the first three months of the fiscal year ending March 31, 2021

At the end of the period under review, total assets decreased by ¥21.2 billion from the end of the previous fiscal year to ¥351.3 billion. Shareholders' equity decreased ¥7.7 billion from the end of the previous fiscal year to ¥98.5 billion mainly due to the recording of ¥3.3 billion in loss attributable to owners of parent besides a distribution of ordinary dividends of ¥4.3 billion in the first three months of the fiscal year ending March 31, 2021. As a result, shareholders' equity ratio stood at 28.0%.

With respect to major changes in assets, notes and accounts receivable decreased by ¥32.2 billion while inventories increased by ¥6.5 billion.

With respect to major decreases in liabilities, notes and accounts payable decreased by ¥8.0 billion. Borrowings decreased by ¥2.0 billion from ¥77.7 billion at the end of the previous fiscal year to ¥75.7 billion.

2) Cash flows for the first three months of the fiscal year ending March 31, 2021

For the period under review, net cash provided by operating activities amounted to ¥16.0 billion (¥11.2 billion of cash inflow for the same period of the previous fiscal year), due mainly to the decrease in working capital.

Net cash used in investing activities amounted to ¥3.5 billion (¥0.7 billion of cash inflow for the same period of the previous fiscal year), due the purchase of non-current assets and payments for sales of shares of subsidiaries resulting in change in scope of consolidation.

As a result, free cash flow, which is the sum of cash flows from operating activities and cash flows from investing activities, resulted in a net inflow of ¥12.5 billion (net inflow of ¥11.9 billion for the same period of the previous fiscal year).

Net cash used in financing activities amounted to ¥6.8 billion (¥4.9 billion of cash outflow for the same period of the previous fiscal year), due mainly to the distribution of ordinary dividends and repayment of borrowings.

Cash and cash equivalents at the end of the period under review came to ¥52.1 billion from ¥46.5 billion at the end of the previous fiscal year. In addition to the above factors, the effect of exchange rate changes on cash and cash equivalents decreased by ¥0.1 billion.

(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other

The consolidated earnings forecast for the fiscal year ending March 31, 2021 has been undecided since it was difficult to reasonably estimate the impact of COVID-19 on its earnings. However, as there are signs of economic activity resuming in Japan and overseas, and the impact on each business of the OKI Group is expected to some extent, the Company has calculated its earnings forecasts based on currently available information and forecasts.

For the fiscal year ending March 31, 2021, OKI forecasts net sales of ¥405.0 billion (down ¥52.2 billion from the previous fiscal year) and operating income of ¥8.5 billion (down ¥8.3 billion from the previous fiscal year).

In the Solution Systems business, sales and profits are expected to decrease due to the impact of the expansion of the scope of application of construction progress standards in the previous fiscal year, as well as a reactionary decline in large-scale projects. On the other hand, in the area of social infrastructure, demand continues to be strong in the aerospace sector, and in the area of network infrastructure, we expect demand to remain strong.

In the Components & Platforms business, sales and profits are expected to decrease mainly due to the fact that sluggish printer sales in Europe are not expected to improve throughout the year. In the domestic market, although there may be some delays, we do not expect a major impact this fiscal year. In the Asian market, we expect the sluggish bidding for automated equipment to recover in the third quarter and beyond.

The impact of COVID-19 in the full-year forecast are expected to decrease by approximately ¥20.0 billion in net sales and ¥6.0 billion in operating income, most of which are in overseas markets. In the hardware business overseas, although we expect short-term results to be inevitably affected by COVID-19, we recognize the need for further drastic structural reforms and swift implementation as society moves toward New Normal. As structural improvement measures are currently being worked out in a hurry, the full-year forecast for ordinary income and net income attributable to owners of the parent will remain undetermined. When it becomes possible, we will disclose the information as soon as possible.

The exchange rates used in the consolidated results projection are ¥110.0 to the U.S. dollar and ¥120.0 to euro.

(Billions of yen)	Fiscal year ending March 31, 2021	Fiscal year ended March 31, 2020	Change
Net sales	405.0	457.2	(11.4)%
Operating income	8.5	16.8	(49.5)%
Ordinary income	–	13.8	–
Profit attributable to owners of parent	–	14.1	–

	(Billions of yen)	Fiscal year ending March 31, 2021	Fiscal year ended March 31, 2020	Change
Solution Systems	Net sales	195.0	229.1	(14.9)%
	Operating income	15.0	20.8	(28.0)%
Components & Platforms	Net sales	205.0	216.3	(5.2)%
	Operating income	1.0	5.5	(81.8)%
Others	Net sales	5.0	11.9	(57.9)%
	Operating income	0.0	(0.6)	–
Elimination/corporate	Operating income	(7.5)	(9.0)	–
Total	Net sales	405.0	457.2	(11.4)%
	Operating income	8.5	16.8	(49.5)%

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. Major factors that may affect actual results include market trends, a sharp rise in raw material prices, abrupt currency fluctuations and disasters. It should be noted, however, that factors that may affect actual results are not limited to these items.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of June 30, 2020
<b>Assets</b>		
Current assets		
Cash and deposits	49,227	54,805
Notes and accounts receivable - trade	111,314	79,103
Finished goods	15,901	19,583
Work in process	14,332	17,533
Raw materials and supplies	21,978	21,593
Other	24,352	25,270
Allowance for doubtful accounts	(382)	(383)
Total current assets	236,726	217,506
Non-current assets		
Property, plant and equipment	51,428	49,758
Intangible assets	11,288	11,420
Investments and other assets, gross	73,027	72,615
Total non-current assets	135,744	133,794
Total assets	372,471	351,300
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	61,714	53,742
Short-term borrowings	35,415	35,914
Provisions	7,382	6,396
Other	55,429	53,614
Total current liabilities	159,940	149,667
Non-current liabilities		
Long-term borrowings	42,310	39,763
Provision for retirement benefits for directors (and other officers)	372	342
Other provisions	1,468	1,572
Retirement benefit liability	32,129	32,280
Other	29,808	28,956
Total non-current liabilities	106,090	102,914
Total liabilities	266,030	252,581
<b>Net assets</b>		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	19,047	19,029
Retained earnings	60,847	53,195
Treasury shares	(971)	(918)
Total shareholders' equity	122,923	115,305
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(218)	(1,112)
Deferred gains or losses on hedges	112	11
Foreign currency translation adjustment	(9,029)	(8,510)
Remeasurements of defined benefit plans	(7,583)	(7,184)
Total accumulated other comprehensive income	(16,718)	(16,795)
Share acquisition rights	171	136
Non-controlling interests	64	73
Total net assets	106,440	98,719
Total liabilities and net assets	372,471	351,300

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)  
(For the Three Months Ended June 30, 2019 and 2020)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Net sales	107,617	81,375
Cost of sales	82,450	60,565
Gross profit	25,167	20,810
Selling, general and administrative expenses	24,091	21,931
Operating income (loss)	1,075	(1,121)
Non-operating income		
Interest income	24	7
Dividend income	651	370
Miscellaneous income	138	213
Total non-operating income	813	591
Non-operating expenses		
Interest expenses	446	393
Foreign exchange losses	936	575
Miscellaneous expenses	358	649
Total non-operating expenses	1,740	1,618
Ordinary profit (loss)	149	(2,148)
Extraordinary income		
Gain on sales of non-current assets	918	—
Gain on sales of investment securities	1,921	—
Gain on sales of shares of subsidiaries and associates	165	—
Total extraordinary income	3,005	—
Extraordinary losses		
Loss on valuation of investment securities	103	—
Business restructuring expenses	1,524	639
Total extraordinary losses	1,628	639
Profit (loss) before income taxes	1,526	(2,788)
Income taxes - current	340	(82)
Income taxes - deferred	1,544	614
Total income taxes	1,885	531
Loss	(358)	(3,320)
Profit attributable to non-controlling interests	11	6
Loss attributable to owners of parent	(369)	(3,326)

(Consolidated Statements of Comprehensive Income)  
(For the Three Months Ended June 30, 2019 and 2020)

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
Loss	(358)	(3,320)
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,860)	(894)
Deferred gains or losses on hedges	(119)	(100)
Foreign currency translation adjustment	140	521
Remeasurements of defined benefit plans, net of tax	504	398
Total other comprehensive income	(4,335)	(74)
Comprehensive income	(4,693)	(3,394)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(4,705)	(3,403)
Comprehensive income attributable to non-controlling interests	12	9

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Three months ended June 30, 2019	Three months ended June 30, 2020
<b>Cash flows from operating activities</b>		
Profit (loss) before income taxes	1,526	(2,788)
Depreciation	2,989	2,951
Increase (decrease) in provisions	(79)	(916)
Interest and dividend income	(675)	(378)
Interest expenses	446	393
Decrease (increase) in trade receivables	13,071	31,298
Decrease (increase) in inventories	831	(7,314)
Increase (decrease) in trade payables	(1,909)	(7,647)
Other, net	(3,737)	511
<b>Subtotal</b>	<b>12,462</b>	<b>16,109</b>
Interest and dividends received	671	378
Interest paid	(457)	(336)
Income taxes paid	(1,431)	(113)
<b>Net cash provided by (used in) operating activities</b>	<b>11,245</b>	<b>16,037</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,587)	(1,747)
Purchase of intangible assets	(1,331)	(769)
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	—	(1,045)
Other payments	(604)	(281)
Other proceeds	5,264	298
<b>Net cash provided by (used in) investing activities</b>	<b>741</b>	<b>(3,545)</b>
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	3,024	1,105
Repayments of long-term borrowings	(3,116)	(3,027)
Dividends paid	(3,838)	(3,845)
Repayments of lease obligations	(1,003)	(1,127)
Other, net	31	52
<b>Net cash provided by (used in) financing activities</b>	<b>(4,902)</b>	<b>(6,841)</b>
Effect of exchange rate change on cash and cash equivalents	(319)	(50)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>6,765</b>	<b>5,599</b>
Cash and cash equivalents at beginning of period	26,823	46,517
<b>Cash and cash equivalents at end of period</b>	<b>33,589</b>	<b>52,116</b>

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

(COVID-19 impact)

Based on the assumption that the spread of COVID-19 will continue for a certain period of time in the current consolidated fiscal year, the OKI Group (the Company and its Consolidated Subsidiaries) reflects the accounting estimate (determining the recoverability of deferred tax assets and indicators of impairment of fixed assets) in its accounting treatment.

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

## (Segment Information)

## I First three months of the fiscal year ended March 31, 2020 (from April 1, 2019 to June 30, 2019)

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

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	52,801	51,640	104,442	3,175	107,617	–	107,617
Intersegment net sales or transfers	898	1,588	2,486	3,598	6,085	(6,085)	–
Total	53,700	53,228	106,928	6,774	113,703	(6,085)	107,617
Segment income (loss)	2,544	339	2,883	(117)	2,765	(1,690)	1,075

- (Notes)
1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.
  2. The adjustment to segment income or loss of ¥(1,690) million includes the elimination of intersegment transactions of ¥52 million, corporate expenses not allocated to each reportable segment of ¥(1,744) million, and an adjustment to non-current assets of ¥2 million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.
  3. Segment income or loss is adjusted with operating income in the consolidated statements of income.

## II First three months of the fiscal year ending March 31, 2021 (from April 1, 2020 to June 30, 2020)

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

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	40,042	39,977	80,019	1,356	81,375	–	81,375
Intersegment net sales or transfers	770	1,282	2,052	3,208	5,260	(5,260)	–
Total	40,812	41,259	82,072	4,564	86,636	(5,260)	81,375
Segment income (loss)	1,743	(1,703)	40	46	87	(1,209)	(1,121)

- (Notes)
1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.
  2. The adjustment to segment income or loss of ¥(1,209) million includes the elimination of intersegment transactions of ¥101 million, corporate expenses not allocated to each reportable segment of ¥(1,339) million, and an adjustment to non-current assets of ¥29 million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.
  3. Segment income or loss is adjusted with operating loss in the consolidated statements of income.

## 2. Matters related to changes in reportable segments

From the first quarter of the fiscal year ending March 31, 2021, aiming at strengthening manufacturing required in the IoT /5G era, OKI reorganized the Mechatronics Systems business, Printers business, and EMS business to "Components & Platforms Business". The ICT business was renamed "Solution Systems Business". In addition, OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A. and its subsidiaries, which were previously disclosed as the Mechatronics Systems business of the reportable segment, are now preparing for liquidation procedures. Therefore, they have been removed from the

reportable segment and replaced with the "Other" segment.

Segment information for the first quarter of the previous fiscal year is prepared based on the classification of reportable segments after the change.