

(Translation)

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 [J-GAAP]

May 11, 2022

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

Securities Code: 6703

Stock Exchange Listing: Tokyo Stock Exchange

URL: <http://www.oki.com/>

Representative: Takahiro Mori, Chief Operating Officer

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Date of Ordinary General Meeting of Shareholders (Scheduled): June 29, 2022

Commencement of Dividend Payment (Scheduled): June 30, 2022

Filing of Securities Report (Scheduled): June 29, 2022

Supplementary Document on Financial Results: Yes

Financial Results Briefing: Yes (for institutional investors)

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Consolidated Operating Results

(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	%
Fiscal year ended								
March 31, 2022	352,064	(10.4)	5,864	(34.1)	7,691	(12.3)	2,065	–
March 31, 2021	392,868	–	8,895	–	8,766	–	(819)	–

(Note) Comprehensive income: Fiscal year ended March 31, 2022: ¥(2,204) million (–%)
Fiscal year ended March 31, 2021: ¥10,423 million (–%)

	Basic earnings per share	Diluted earnings per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended					
March 31, 2022	23.85	23.81	1.9	2.1	1.7
March 31, 2021	(9.47)	–	(0.8)	2.4	2.3

(Reference) Share of profit (loss) of entities accounted for using equity method:

Fiscal year ended March 31, 2022: ¥212 million

Fiscal year ended March 31, 2021: ¥164 million

(Notes) 1. The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ended March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

2. From the fourth quarter of the fiscal year ended March 31, 2022, overseas subsidiaries of the Company that apply International Financial Reporting Standards (IFRS) changed their accounting policies based on the “Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38),” an agenda decision announced by the IFRS Interpretations Committee (IFRIC) in April 2021. Accordingly, figures for the fiscal year ended March 31, 2021 have been retroactively adjusted to reflect these changes in accounting policies. In addition, year-on-year changes are not stated.

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	369,170	107,635	29.1	1,240.62
As of March 31, 2021	371,546	111,598	30.0	1,286.41

(Reference) Shareholders' equity: As of March 31, 2022: ¥107,437 million
As of March 31, 2021: ¥111,356 million

(Notes) 1. The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ended March 31, 2022 and figures for the year ended March 31, 2022 reflect this change of accounting method.

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(3) Consolidated Cash Flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2022	5,921	(17,597)	1,680	33,379
March 31, 2021	17,398	(13,784)	(8,852)	41,830

2. Dividends

	Dividend per share					Total dividend amount (Annual)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2021	–	0.00	–	20.00	20.00	1,731	–	1.6
March 31, 2022	–	0.00	–	30.00	30.00	2,597	125.8	2.4
Fiscal year ending March 31, 2023 (Forecasts)	–	0.00	–	30.00	30.00		86.6	

3. Consolidated Results Forecasts for the Fiscal Year Ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(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	425,000	20.7	9,000	53.5	8,000	4.0	3,000	45.2	34.64

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

New: - (Company name: -), Excluded: 1 company (Company name: Oki Data Corporation)

(Note) For details, please refer to “(5) Notes to Consolidated Financial Statements (Changes of Significant Subsidiaries during the Fiscal Year Ended March 31, 2022)” of “3. Consolidated Financial Statements and Significant Notes Thereto” on page 13 of the Attachment.

- (2) Changes in accounting policies, changes in accounting estimates and restatements

- 1) Changes in accounting policies in accordance with revision of accounting standards, etc.: Yes
- 2) Any changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(Note) For details, please refer to “(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” of “3. Consolidated Financial Statements and Significant Notes Thereto” on page 13 of the Attachment.

- (3) Number of shares issued (common stock)

- 1) Number of shares issued at the end of the period (including treasury shares)

As of March 31, 2022: 87,217,602 shares

As of March 31, 2021: 87,217,602 shares

- 2) Number of treasury shares at the end of the period

As of March 31, 2022: 617,937 shares

As of March 31, 2021: 653,801 shares

- 3) Average number of shares during the period

Fiscal Year ended March 31, 2022: 86,600,373 shares

Fiscal Year ended March 31, 2021: 86,564,407 shares

(Note) For information on the number of shares for the basis for calculating basic earnings per share (consolidated), please refer to “Per Share Information” on page 17 of the Attachment.

(Reference) Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Non-consolidated Operating Results

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended								
March 31, 2022	222,848	3.0	(13,002)	–	(3,290)	–	(3,787)	–
March 31, 2021	216,445	(13.2)	(948)	–	3,539	(75.1)	1,258	(92.5)

	Basic earnings per share		Diluted earnings per share	
	Yen		Yen	
Fiscal year ended				
March 31, 2022	(43.74)		–	
March 31, 2021	14.54		14.51	

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

(2) Non-consolidated Financial Position

	Total assets	Net assets	Shareholders’ equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2022	299,957	81,886	27.3	943.98
As of March 31, 2021	288,671	89,898	31.1	1,036.59

(Reference) Shareholders’ equity: As of March 31, 2022: ¥81,748 million
As of March 31, 2021: ¥89,730 million

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

Financial results reports are exempt from audit 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 forecasts 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 forecasts and notes on the use of such forecasts, please refer to “Outlook for the fiscal year ending March 31, 2023” of “1. Overview of Operating Results and Others, (1) Analysis of Operating Results” on page 4 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 May 11, 2022 (Wednesday). 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. Overview of Operating Results and Others

(1) Analysis of Operating Results

1) Results of operations for the fiscal year under review (April 1, 2021 to March 31, 2022)

The COVID-19 situation has varied by region. Due to progress on vaccination, economic activity has normalized in Europe and the United States. However, resurgence of the virus has forced a repeated restriction of activity in some regions, and there is still no prospect that the situation will return to normal. In addition, supply chain disruptions are growing more serious, particularly with regard to shortages of raw materials (notably for semiconductors) and soaring raw material prices. Owing to these factors, plus mounting geopolitical risks, the outlook remains uncertain.

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

In the fiscal year ended March 31, 2022, net sales were ¥352.1 billion (a year-on-year decrease of ¥40.8 billion, or 10.4%). Sales to manufacturers of FA/semiconductor manufacturing equipment, which have been on a recovery trend since the end of the previous fiscal year, remained strong. Even so, we continue to experience production delays due to protracted instability in the supply of parts and materials, as well as a growing range of parts and materials that we are unable to procure. In addition, sales decreased substantially due to the impact of large-scale projects in the previous fiscal year.

Operating income was ¥5.9 billion, down ¥3.0 billion year on year. The supply chain had a major impact on profit, mainly due to shortages and soaring prices of materials. We successfully offset some of this impact through structural reforms, which lowered fixed costs. In addition, the reversal of an allowance for ATM receivables in China provided a ¥3.2 billion upside. We estimate that production delays due to material shortages lowered net sales by approximately ¥30.0 billion and operating income by ¥8.3 billion.

Ordinary income was ¥7.7 billion (down ¥1.1 billion year on year), mainly due to an improvement in foreign exchange gains and losses included in the non-operating segment.

In addition, the sale of assets generated ¥1.1 billion in extraordinary income, and the Company recorded extraordinary losses of ¥2.8 billion for business restructuring expenses associated with the closure of a printer plant in China and structural reforms at sales companies in Europe and the United States. Income taxes amounted to ¥2.1 billion. As a result of these factors, profit attributable to owners of the parent was ¥2.1 billion (a ¥2.9 billion year-on-year improvement).

The Company has adopted “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020) and related implementation guidance from the beginning of the fiscal year ended March 31, 2022. As a result, net sales decreased by ¥0.6 billion. Also, from the fourth quarter of the fiscal year ended March 31, 2022, overseas subsidiaries of the Company that apply International Financial Reporting Standards (IFRS) changed their accounting policies based on the “Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38),” an agenda decision announced by the IFRS Interpretations Committee (IFRIC) in April 2021. Accordingly, figures for the fiscal year ended March 31, 2021 have been retroactively adjusted to reflect these changes in accounting policies. For details, please refer to “(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” of “3. Consolidated Financial Statements and Significant Notes Thereto.”

(Billions of yen)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Year-on-year change rate
Net sales	352.1	392.9	(10.4)%
Operating income	5.9	8.9	(34.1)%
Ordinary income	7.7	8.8	(12.3)%
Profit(loss) attributable to owners of parent	2.1	(0.8)	—

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

From the beginning the fiscal year ended March 31, 2022, the reportable segment classification and the method of measuring have been changed. Therefore, in the comparison of the same period of the previous fiscal year below, figures for the same period of the previous fiscal year are compared with figures reclassified

according to the segment classification and measurement method after the change.

< Solution Systems >

Net sales came to ¥162.6 billion (a year-on-year decrease of 14.7% or ¥28.2 billion) and operating income was ¥9.5 billion (a year-on-year decrease of ¥6.8 billion). Supplies of parts and materials remained unstable, affecting production and sales across the business. In addition, sales decreased mainly in the Enterprise Solutions and Public Solutions business fields, due to such factors as the negative impact of large-scale projects in the previous fiscal year.

Shortages of parts and materials mainly affected network terminals, PBXs, and other products in the Enterprise Solutions and DX Platform business fields, as well as servers, network devices and other equipment.

(Billions of yen)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Year-on-year change rate
Net sales	162.6	190.8	(14.7)%
Operating income	9.5	16.3	(41.6)%

< Components & Platforms >

Net sales were ¥189.0 billion (a year-on-year decrease of ¥12.5 billion, or 6.2%). In the Mono-zukuri Platforms business field, sales for FA/semiconductor manufacturing equipment remained favorable. However, earnings declined, due to the substantial impact of material shortages on production and sales.

Despite the lower sales, operating income came to ¥3.5 billion (a ¥4.5 billion year-on-year improvement), due to lower fixed costs stemming from structural reforms of Peripheral Products and the ¥3.2 billion reversal of an allowance for ATM receivables in China.

(Billions of yen)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Year-on-year change rate
Net sales	189.0	201.5	(6.2)%
Of which, sales in Japan	134.1	141.7	(5.4)%
sales in overseas	54.9	59.8	(8.2)%
Operating income (loss)	3.5	(1.0)	—

<Others>

Net sales was ¥0.4 billion (a year-on-year decrease of ¥0.2 billion, or 33.5%) and operating income amounted to ¥0.3 billion (a year-on-year improvement of ¥0.4 billion).

(Billions of yen)	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2021	Year-on-year change rate
Net sales	0.4	0.6	(33.5)%
Operating income (loss)	0.3	(0.1)	—

2) Outlook for the fiscal year ending March 31, 2023

For the fiscal year ending March 31, 2023, the final year of Medium-Term Business Plan 2022, the Company forecasts net sales of ¥425.0 billion (up ¥72.9 billion year on year), operating income of ¥9.0 billion (up ¥3.1 billion), ordinary income of ¥8.0 billion (up ¥0.3 billion), and profit attributable to owners of the parent of ¥3.0 billion (up ¥0.9 billion).

The Company aims to lay the foundation for sustainable growth by solving social issues. To do so, we have made steady progress on structural reforms through business selection and concentration (streamlining), and by optimizing production and sales bases. However, the impact of COVID-19 has persisted in affecting the operating environment for longer than we had anticipated when formulating the medium-term business plan. In addition, the supply chain has been seriously disrupted by material shortages and soaring raw material and transportation costs. Unable to fully respond to these changes in the external environment, our performance is undershooting the targets in the medium-term business plan. We will give top priority to reviewing our measures to counter the impact of supply chain issues and to assessing our risk response capabilities. We will review our countermeasures as appropriate.

The exchange rates used in the consolidated results forecasts are ¥115.00 to the U.S. dollar and ¥130.00 to the euro.

(Billions of yen)	Fiscal year ending March 31, 2023	Fiscal year ended March 31, 2022	Change
Net sales	425.0	352.1	20.7%
Operating income	9.0	5.9	53.5%
Ordinary income	8.0	7.7	4.0%
Profit attributable to owners of parent	3.0	2.1	45.2%

(Billions of yen)		Fiscal year ending March 31, 2023	Fiscal year ended March 31, 2022	Change
Solution Systems	Net sales	210.0	162.6	29.1%
	Operating income	14.0	9.5	46.9%
Components & Platforms	Net sales	215.0	189.0	13.8%
	Operating income	2.0	3.5	(42.8)%
Others	Net sales	0.0	0.4	—
	Operating income	0.0	0.3	—
Elimination/corporate	Operating income	(7.0)	(7.5)	—
Total	Net sales	425.0	352.1	20.7%
	Operating income	9.0	5.9	53.5%

(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) Analysis of Financial Position

1) Assets, liabilities, and net assets at the end of the fiscal year under review

As of March 31, 2022, total assets were ¥369.2 billion, down ¥2.3 billion from their level one year earlier. Shareholders' equity was ¥107.4 billion, down ¥4.0 billion, despite ¥2.1 billion in profit attributable to owners of the parent, due to a ¥4.3 billion decrease in accumulated other comprehensive income and ¥1.7 billion in ordinary dividends paid. As a result, the shareholders' equity ratio stood at 29.1%.

Major changes in assets included increases of ¥10.8 billion in inventories and ¥6.4 billion in property, plant and equipment. Meanwhile, cash and deposits fell ¥8.1 billion, and notes and accounts receivable–trade, and contract assets decreased by ¥10.9 billion.

Total liabilities were flat year on year, at ¥261.5 billion. Borrowings rose by ¥9.2 billion, while lease obligations fell ¥3.2 billion, and deferred tax liabilities decreased ¥2.9 billion. On March 31, 2022, borrowings stood at ¥87.2 billion.

2) Cash flows for the fiscal year under review

Net cash provided by operating activities was ¥5.9 billion (¥17.4 billion in the previous fiscal year), owing mainly to profit before income taxes.

Net cash used in investing activities came to ¥17.6 billion (vs. ¥13.8 billion), mainly because of purchases of property, plant, and equipment.

As a result, free cash flow (operating cash flow plus investing cash flow) was a negative ¥11.7 billion (compared with a positive ¥3.6 billion in the preceding fiscal year).

Net cash provided by financing activities was ¥1.7 billion (compared with ¥8.9 billion used in these activities in the previous year). Proceeds from borrowings were the main source of cash.

Owing to these factors, plus the ¥1.5 billion positive impact of exchange rate changes on cash and cash equivalents, cash and cash equivalents at the end of the fiscal year amounted to ¥33.4 billion, down from ¥41.8 billion.

(3) Basic Policy Concerning the Distribution of Profits and the Dividend Distributions for the Fiscal Year Ended March 31, 2022 and the Fiscal Year Ending March 31, 2023

The Company recognizes that strengthening its financial structure and securing internal reserves for enhancing the OKI Group's corporate value, as well as striving to increase returns to shareholders who will hold shares over the medium to long term, are management's highest priorities.

Regarding the use of internal reserves, the Company will make investments in research and development and equipment required for future growth with a view to strengthening management bases. Furthermore, in determining the dividend amounts, the Company will place the most focus on the continuation of a stable return of profits to shareholders and also take financial results and future management measures into account.

Based on this policy, the Company will distribute dividends of surplus (annual dividends) at ¥30.00 per share for the fiscal year under review, which is scheduled to be paid as year-end dividends for the year under review.

As for dividends of surplus for the next fiscal year, the Company plans to pay an annual dividend of ¥30.00 per share as a year-end dividend.

2. Basic Approach to the Selection of Accounting Standards

The OKI Group is conducting studies on the differences between the International Financial Reporting Standards (IFRS) and J-GAAP and their potential impact. The OKI Group is moving ahead with deliberations on the future application of IFRS.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Assets		
Current assets		
Cash and deposits	44,845	36,691
Notes and accounts receivable - trade	105,371	—
Notes and accounts receivable - trade, and contract assets	—	94,469
Lease receivables and investments in leases	12,732	10,355
Finished goods	14,889	17,425
Work in process	14,558	14,713
Raw materials and supplies	17,937	26,023
Other	11,999	12,216
Allowance for doubtful accounts	(165)	(57)
Total current assets	222,170	211,837
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	20,239	19,793
Machinery, equipment and vehicles, net	8,550	8,801
Tools, furniture and fixtures, net	7,862	6,914
Land	14,272	15,996
Construction in progress	390	6,147
Total property, plant and equipment	51,314	57,653
Intangible assets	11,969	14,027
Investments and other assets		
Investment securities	38,632	34,495
Retirement benefit asset	30,635	30,447
Long-term operating receivables	22,245	25,047
Other	14,181	13,909
Allowance for doubtful accounts	(19,604)	(18,246)
Total investments and other assets	86,091	85,652
Total non-current assets	149,376	157,333
Total assets	371,546	369,170
Liabilities		
Current liabilities		
Notes and accounts payable - trade	56,706	56,691
Short-term borrowings	38,123	43,337
Lease liabilities	4,202	3,912
Accrued expenses	21,028	19,138
Other	34,091	34,878
Total current liabilities	154,151	157,958
Non-current liabilities		
Long-term borrowings	39,848	43,838
Lease liabilities	12,670	9,740
Deferred tax liabilities	15,880	12,961
Provision for retirement benefits for directors (and other officers)	286	195
Retirement benefit liability	31,419	31,320
Other	5,691	5,520
Total non-current liabilities	105,795	103,576
Total liabilities	259,947	261,535

(Millions of yen)

	As of March 31, 2021	As of March 31, 2022
Net assets		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	19,029	19,006
Retained earnings	54,767	55,103
Treasury shares	(919)	(869)
Total shareholders' equity	116,877	117,241
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,570	1,030
Deferred gains or losses on hedges	82	22
Foreign currency translation adjustment	(8,774)	(9,069)
Remeasurements of defined benefit plans	(399)	(1,788)
Total accumulated other comprehensive income	(5,520)	(9,804)
Share acquisition rights	168	138
Non-controlling interests	74	60
Total net assets	111,598	107,635
Total liabilities and net assets	371,546	369,170

(2) Consolidated Statements of Income and Comprehensive Income
(Consolidated Statements of Income)

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Net sales	392,868	352,064
Cost of sales	293,444	261,948
Gross profit	99,423	90,116
Selling, general and administrative expenses	90,528	84,252
Operating income	8,895	5,864
Non-operating income		
Interest income	40	118
Dividend income	1,141	1,177
Foreign exchange gains	447	1,897
Miscellaneous income	1,656	1,472
Total non-operating income	3,285	4,665
Non-operating expenses		
Interest expenses	1,411	1,340
Loss on liquidation of subsidiaries	424	—
Miscellaneous expenses	1,579	1,496
Total non-operating expenses	3,415	2,837
Ordinary profit	8,766	7,691
Extraordinary income		
Gain on sale of non-current assets	—	550
Gain on sale of investment securities	—	502
Gain on sale of businesses	512	—
Total extraordinary income	512	1,053
Extraordinary losses		
Loss on disposal of non-current assets	920	629
Impairment losses	465	1,144
Business restructuring expenses	4,566	2,798
Total extraordinary losses	5,952	4,571
Profit before income taxes	3,326	4,173
Income taxes - current	519	2,398
Income taxes - deferred	3,593	(303)
Total income taxes	4,113	2,094
Profit (loss)	(786)	2,078
Profit attributable to non-controlling interests	33	12
Profit (loss) attributable to owners of parent	(819)	2,065

(Consolidated Statements of Comprehensive Income)

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Profit (loss)	(786)	2,078
Other comprehensive income		
Valuation difference on available-for-sale securities	3,788	(2,540)
Deferred gains or losses on hedges	(29)	(59)
Foreign currency translation adjustment	267	(293)
Remeasurements of defined benefit plans, net of tax	7,183	(1,388)
Share of other comprehensive income of entities accounted for using equity method	0	—
Total other comprehensive income	11,210	(4,282)
Comprehensive income	10,423	(2,204)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	10,387	(2,217)
Comprehensive income attributable to non-controlling interests	36	13

(3) Consolidated Statements of Changes in Equity
Fiscal year ended March 31, 2021 (From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	44,000	19,047	60,847	(971)	122,923
Cumulative effects of changes in accounting policies			(933)		△933
Restated balance	44,000	19,047	59,914	(971)	121,989
Changes during period					
Dividends of surplus			(4,326)		(4,326)
Profit (loss) attributable to owners of parent			(819)		(819)
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(17)		53	35
Net changes in items other than shareholders' equity					
Total changes during period	—	(17)	(5,146)	51	(5,112)
Balance at end of period	44,000	19,029	54,767	(919)	116,877

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	(218)	112	(9,029)	(7,583)	(16,718)	171	64	106,440
Cumulative effects of changes in accounting policies			(9)		(9)			(943)
Restated balance	(218)	112	(9,038)	(7,583)	(16,727)	171	64	105,497
Changes during period								
Dividends of surplus								(4,326)
Profit (loss) attributable to owners of parent								(819)
Purchase of treasury shares								(1)
Disposal of treasury shares								35
Net changes in items other than shareholders' equity	3,789	(29)	263	7,183	11,206	(3)	10	11,213
Total changes during period	3,789	(29)	263	7,183	11,206	(3)	10	6,101
Balance at end of period	3,570	82	(8,774)	(399)	(5,520)	168	74	111,598

Fiscal year ended March 31, 2022 (From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	44,000	19,029	54,767	(919)	116,877
Cumulative effects of changes in accounting policies			1		1
Restated balance	44,000	19,029	54,769	(919)	116,878
Changes during period					
Dividends of surplus			(1,731)		(1,731)
Profit (loss) attributable to owners of parent			2,065		2,065
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		(22)		52	29
Net changes in items other than shareholders' equity					
Total changes during period	—	(22)	334	50	362
Balance at end of period	44,000	19,006	55,103	(869)	117,241

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of period	3,570	82	(8,774)	(399)	(5,520)	168	74	111,598
Cumulative effects of changes in accounting policies					—			1
Restated balance	3,570	82	(8,774)	(399)	(5,520)	168	74	111,600
Changes during period								
Dividends of surplus								(1,731)
Profit (loss) attributable to owners of parent								2,065
Purchase of treasury shares								(1)
Disposal of treasury shares								29
Net changes in items other than shareholders' equity	(2,540)	(59)	(294)	(1,388)	(4,283)	(29)	(13)	(4,327)
Total changes during period	(2,540)	(59)	(294)	(1,388)	(4,283)	(29)	(13)	(3,964)
Balance at end of period	1,030	22	(9,069)	(1,788)	(9,804)	138	60	107,635

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	3,326	4,173
Depreciation	12,798	12,602
Impairment losses	465	1,144
Increase (decrease) in provisions	(3,787)	(3,627)
Interest and dividend income	(1,182)	(1,295)
Interest expenses	1,411	1,340
Loss (gain) on sale of investment securities	(99)	(502)
Loss (gain) on sale of businesses	△512	—
Decrease (increase) in trade receivables	6,567	15,807
Decrease (increase) in inventories	3,886	(12,679)
Increase (decrease) in trade payables	(7,635)	(5,821)
Other, net	4,992	(3,264)
Subtotal	20,230	7,877
Interest and dividends received	1,182	1,295
Interest paid	(1,435)	(1,394)
Income taxes paid	(2,579)	(1,857)
Net cash provided by (used in) operating activities	17,398	5,921
Cash flows from investing activities		
Purchase of property, plant and equipment	(21,419)	(16,811)
Proceeds from sale of property, plant and equipment	12,002	3,778
Purchase of intangible assets	(4,387)	(4,889)
Proceeds from sale of investment securities	1,430	1,000
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(1,045)	—
Purchase of long-term prepaid expenses	(1,496)	(1,050)
Other payments	(210)	(331)
Other proceeds	1,340	707
Net cash provided by (used in) investing activities	(13,784)	(17,597)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	324	(1,244)
Proceeds from long-term borrowings	13,580	25,078
Repayments of long-term borrowings	(14,009)	(16,080)
Dividends paid	(4,308)	(1,726)
Repayments of lease liabilities	(4,464)	(4,369)
Other, net	25	23
Net cash provided by (used in) financing activities	(8,852)	1,680
Effect of exchange rate change on cash and cash equivalents	551	1,544
Net increase (decrease) in cash and cash equivalents	(4,686)	(8,451)
Cash and cash equivalents at beginning of period	46,517	41,830
Cash and cash equivalents at end of period	41,830	33,379

(5) Notes to Consolidated Financial Statements

(Notes Relating to Going Concern Assumption)

Not applicable

(Changes of Significant Subsidiaries during the Fiscal Year ended March 31, 2022)

For the fiscal year ended March 31, 2022, Oki Data Corporation, the Company's specified company and wholly owned subsidiary, is excluded from the scope of consolidation since it disappeared due to an absorption-type merger in which the Company was the surviving company.

(Changes in Accounting Policies)

(Adoption of the Accounting Standard for Revenue Recognition)

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

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

In addition, in the case of a transaction in which the Company purchases raw materials from a customer and sells them to the customer after processing, the Company previously recognized revenue at the gross amount of consideration including the purchase price of the raw materials, but changed the method to recognize revenue only at the net amount equivalent to the processing cost, excluding the purchase price of the raw materials.

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

As a result, net sales, cost of sales, and selling, general and administrative expenses decreased by ¥598 million, ¥269 million, and ¥735 million, respectively. Thus, operating income improved by ¥406 million. As a result of a ¥18 million decrease in non-operating expenses, ordinary income and profit before income taxes each improved by ¥424 million. The impact on retained earnings at the beginning of the fiscal year under review is minimal.

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

(Adoption of the Accounting Standard for Fair Value Measurement)

The Group has adopted "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019) and related implementation guidance from the beginning of the fiscal year ended March 31, 2022. Based

on the transitional treatment prescribed in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No.10, July 4, 2019), the Group have decided to apply the new accounting policies set forth by the Accounting Standard for Fair Value Measurement into the future. These changes had no impact on the full-year consolidated financial statements.

(Implementation costs associated with cloud computing agreements)

Certain overseas consolidated subsidiaries apply International Financial Reporting Standards (IFRS). In the past, they applied IAS 38 (“Intangible Assets”), recognizing configuration and customization costs associated with cloud computing agreements as intangible assets. However, based on an agenda decision by the IFRS Interpretations Committee announced in April 2021, those overseas subsidiaries changed their accounting policy to recognize the costs of configuration and customization services as expenses when received. This change in accounting policy has been applied retroactively, and the consolidated financial statements for the previous fiscal year have been retroactively adjusted for purposes of comparison.

As a result of this retroactive application, SG&A expenses for the fiscal year ended March 31, 2021 rose by ¥614 million, while operating income, ordinary income, and profit before income taxes each declined by ¥614 million. In the consolidated balance sheets for the fiscal year ended March 31, 2021, intangible assets were ¥1,667 million lower, and the foreign currency translation adjustment decreased by ¥119 million. In addition, the cumulative effect was reflected in net assets at the beginning of the fiscal year ended March 31, 2021, causing a ¥933 million decrease in the beginning balance of retained earnings. Also, the foreign currency translation adjustment at the beginning of the previous fiscal year was down by ¥9 million.

As a result, net assets per share for the fiscal year ended March 31, 2021 fell by ¥19.26, and the net loss per share worsened by ¥7.09.

(Additional Information)

Fiscal Year Ended March 31, 2022
(from April 1, 2021 to March 31, 2022)

(Application for Arbitration by Consolidated Subsidiaries)

On October 10, 2015, the consolidated subsidiary in China, Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter, “OBSZ”), filed an arbitration procedure (hereinafter, “Case A”) against Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter, “Yihua Industrial”) with the South China International Economic and Trade Arbitration Commission (hereinafter, “SCIA”), seeking payment of RMB 1,115,463 thousand (¥21,483 million at the end of the fiscal year under review) of uncollected trade receivables, and compensation for damages. In addition, OBSZ filed a lawsuit (hereinafter, “Case B”) against the parent company of Yihua Industrial, Shenzhen Yihua Computer Co., Ltd. (hereinafter, “Yihua Computer”) etc. with the Guangdong Provincial High People’s Court, seeking joint and several liability for the obligations mentioned above, and filed an application for asset protection.

On December 16, 2020, SCIA ruled that Yihua Industrial pay RMB 1,096,866 thousand (¥21,125 million at the end of the fiscal year under review) in unpaid product payments to OBSZ, as well as overdue interest and legal fees, and the arbitration was finalized. On December 23, 2021, the Guangdong Provincial High People's Court ruled that Yihua Computer etc. are jointly liable for Yihua Industrial's obligation to pay OBSZ. In response to this, Yihua Computer etc. filed an appeal against Case B to the Supreme People's Court on January 5, 2022, and deliberations are currently underway.

In consideration of the status of the above litigation, OBSZ recorded a provision for doubtful accounts for RMB 488,507 thousand (¥9,408 million at the end of the fiscal year under review) as uncollectible, based on cash flows that were determined to be collectible in consideration of the probability that the judgment of December 23, 2021 in Case B would be maintained and the litigation would become final and binding. For the fiscal year under review, a reversal of provision for doubtful accounts of ¥3,198 million was recorded as a reversal of selling, general and administrative expenses.

(Segment Information)

1. Overview of reportable 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:

Business segment	Major products and services
Solution Systems	Traffic infrastructure-related systems, disaster-related systems, self-defense-related systems, 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.

(Change in reportable segment classification)

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

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

(Change in the measurement method)

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

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

2. Calculation methods for the amount of net sales, profit and loss by reportable segment

Segment income is calculated on an operating income basis. Intersegment transactions are calculated based on prevailing market rates.

(Implementation costs associated with cloud computing agreements)

As is indicated in the section entitled "Changes in Accounting Policies," from the fiscal year ended March 31, 2022 the Company has changed its accounting policy on the costs of configuration and customization associated with cloud computing agreements services, to recognize the costs of configuration and customization services as expenses when received. Segment information for the fiscal year ended March 31, 2021 has been retroactively adjusted to reflect this change in accounting policy.

As a result, for the fiscal year ended March 31, 2021, the segment loss in the Components & Platforms business worsened by ¥614 million.

3. Information about amounts of net sales, profit and loss by reportable segment

Previous fiscal year (from April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	190,763	201,468	392,231	636	392,868	—	392,868
Intersegment net sales or transfers	3,382	6,471	9,853	11,786	21,640	(21,640)	—
Total	194,146	207,939	402,085	12,423	414,508	(21,640)	392,868
Segment income (loss)	16,329	(996)	15,333	(60)	15,273	(6,377)	8,895

Current fiscal year (from April 1, 2021 to March 31, 2022)

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	162,645	188,995	351,641	423	352,064	—	352,064
Intersegment net sales or transfers	1,538	3,732	5,270	11,678	16,949	(16,949)	—
Total	164,183	192,728	356,911	12,102	369,014	(16,949)	352,064
Segment income (loss)	9,532	3,497	13,030	345	13,375	(7,511)	5,864

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. Details of adjustment are as follows:

(Millions of yen)

Segment income or loss	Previous fiscal year	Current fiscal year
Elimination of intersegment transactions	127	145
Corporate expenses*	(6,333)	(7,460)
Adjustment to non-current assets	(171)	(195)
Total	(6,377)	(7,511)

* Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.

(Per Share Information)

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Net assets per share	¥1,286.41	¥1,240.62
Basic earnings (losses) per share	¥(9.47)	¥23.85
Diluted earnings per share	–	¥23.81

Notes: 1. Diluted earnings per share for the previous fiscal year is not stated because net loss per share was recorded despite the existence of dilutive shares.

2. The basis for calculation of basic earnings (losses) per share and diluted earnings per share is as follows:

	Previous fiscal year (From April 1, 2020 to March 31, 2021)	Current fiscal year (From April 1, 2021 to March 31, 2022)
Basic earnings (losses) per share		
Profit(loss) attributable to owners of parent (Millions of yen)	(819)	2,065
Profit (loss) not attributable to common shareholders (Millions of yen)	–	–
Profit (loss) attributable to owners of parent related to common stock (Millions of yen)	(819)	2,065
Weighted average number of shares of common stock during the period (Thousand shares)	86,564	86,600
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (Millions of yen)	–	–
Increase of common stock (Thousand shares)	–	169
Outline of dilutive shares not counted in the calculation of diluted earnings per share due to no dilutive effect	–	–

3. The basis for calculation of net assets per share is as follows:

	Previous fiscal year (As of March 31, 2021)	Current fiscal year (As of March 31, 2022)
Total net assets (Millions of yen)	111,598	107,635
Amount deducted from the total net assets (Millions of yen)	242	198
[Subscription rights to shares included in the above]	[168]	[138]
[Non-controlling interests included in the above]	[74]	[60]
Amount of net assets related to common stock at end of period (Millions of yen)	111,356	107,437
Number of common stock used to calculate net assets per share at end of period (Thousand shares)	86,563	86,599

(Significant Subsequent Event)

Not applicable