

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.

OKI REPORT 2022



20
22

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

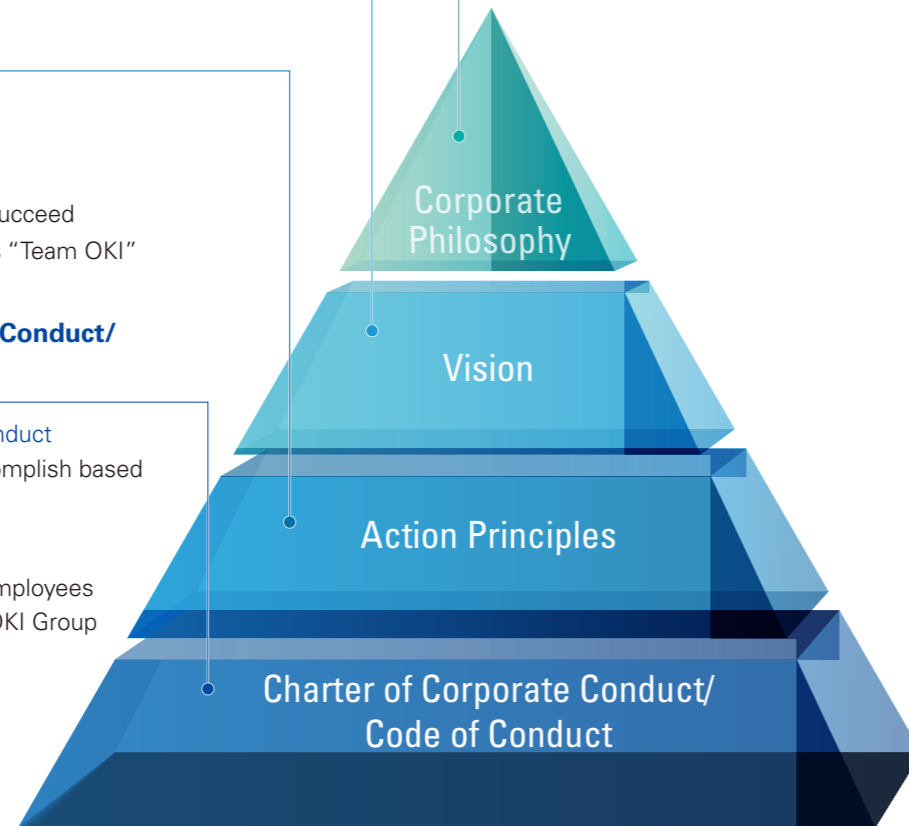
Action Principles

- 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 2022 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. 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

Ok 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

FY2021 (April 1, 2021 to March 31, 2022)
Some portions include information pertaining to April 2022 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/ir/data/ar/news.html	
●Website: Investor Relations https://www.oki.com/en/ir/	●Website: Sustainability https://www.oki.com/en/sustainability/
●Financial Results https://www.oki.com/en/ir/data/results/	●Corporate Governance Report https://www.oki.com/en/ir/corporate/governance/

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.

Delivering OK! to your life.

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/>

1881 (14th year, Meiji Era)
Kibatato Oki established
Meikosha, Ltd.



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.

- 1881** Meikosha, Ltd. established by Kibatato Oki. Japan's first domestically produced telephone developed and displayed at the National Industrial Exhibition
- 1896** Japan's first domestically produced in-line multiple telephone switchboard delivered to Naniwacho Branch Telephone Office in Tokyo and put into operation
- 1902** First Japan-made magnetic parallel multiple telephone switchboard delivered to Nagasaki Telephone Office
- 1918** 100% Japan-made common-battery telephone switchboard delivered to Takanawa Telephone Office in Tokyo
- 1930** First in-house AEI-type automatic exchange delivered to Nakano Telephone Office in Tokyo



Promotional poster for Meikosha, Ltd.



Magnetic parallel multiple telephone switchboard

1881-

- 1950** Mass production of the Type-4 telephone —a symbol of Japan's reconstruction—began
- 1953** Page printing telegram "Teletypewriter" released
- 1961** Computer equipped with first Japan-made core memory released
- 1962** Order received from Honduras to construct a telecommunications network
- 1963** Mass production of Type-600 telephone began. Shipped a total of 3.9 million such phones by 1971
- 1969** "OKITAC®-4300" minicomputer released
- 1971** D10 electronic telephone switchboard delivered to Nippon Telegraph and Telephone Public Corporation
- 1975** Agreement concluded with US-based Bell Laboratories to jointly develop a cellular car phone
- 1976** "OKIFAX 7100" digital thermal facsimile machine released



Teletypewriter



Type-600 telephone



OKITAC-4300

1950-

- 1980** "if800 series" of personal computers released
- 1981** World's first LED printer developed
- 1982** World's first cash-recycling ATMs, the "AT-100 series," released
- 1985** Integrated production of car/mobile phones began by Oki Telecom Group of Oki America Inc.
- 1986** Japanese-English automatic translation system "PENSEE" released
- 1996** Computer-Telephony Integration System "CTstage®" released
Japan's first VoIP system released
- 1998** ISO 14001 certification acquired for all OKI production bases



LED printer



VoIP system



Cash-recycling ATM

1980-

- 2000** World's first millimeter wave optical fiber wireless transmission system for ITS road-vehicle communication systems successfully developed
- 2002** EMS business began
- 2003** Next-generation Aeronautical Telecommunication Network (ATN) router delivered to the United States Federal Aviation Administration (FAA)
- 2005** Real-time earthquake disaster prevention system developed
- 2006** World's first dissimilar-material thin-film-bonding technology, "epifilm bonding," successfully mass-produced at the practical level
- 2008** "COREFIDO" series of printers and Multifunction Printers (MFPs) released for the Japanese market with the industry's first free five-year warranty
- 2009** "ATM-Recycler G7," a cash-recycling ATM capable of handling the paper money of multiple countries, developed for the worldwide market



COREFIDO



ATM-Recycler G7



An early EMS factory

2000-

- 2010** Participated in the United Nations Global Compact
- 2014** "River Monitoring System" that uses a 920 MHz band multi-hop wireless network developed
- 2019** Expressed support for the TCFD
AI Edge Computer "AE2100" released
"AI Edge Robot," a service robot that helps resolve labor shortages, developed
- 2020** "Hygienic Touch Panel™," which enables non-contact screen operation, developed
- 2021** "Innovation Strategy" until 2030 announced
- 2022** Honjo Plant H1 building completed as Japan's first "ZEB" certified large-scale production facility
New DX Strategy announced



AI Edge Computer AE2100



AI Edge Robot



Hygienic Touch Panel

2010-

Values provided by OKI

Contributing to the development of domestic telecommunications networks as a pioneer of the times

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

Celebrating the 100th anniversary, providing systems and products worldwide necessary for an advanced information society

Developing products and services that respond to needs based on our original technology in order to support social infrastructure in a broad sense

Creating products that respond to new social needs, including disaster prevention and reduction as well as non-contact/non-face-to-face products

Historical background and social issues

Dawn of industrial modernization
Reconstruction after the Great Kanto earthquake

Post-war reconstruction
Period of high economic growth

Development of globalization
Spread of the Internet and the advancement of information society

Changes in the social order and increasingly diverse values and needs
Increased awareness of the environment, human rights, etc.

One natural disaster after another and various social issues becoming apparent
Shift from MDGs* to SDGs

*MDGs (Millennium Development Goals): development goals for the year 2015 that were established to help resolve poverty problems and other issues in developing countries.

THE OKI GROUP'S VALUE CREATION PROCESS

The OKI Group is utilizing our three strengths, "technological capabilities," "customer base," and "installed base*" of terminals in edge domains, as we engage in efforts to solve social issues with both Mono-zukuri and Koto-zukuri. Moving towards achieving SDGs in 2030 and the 150th anniversary of OKI's founding the following year, we aim for sustainable growth and the realization of a sustainable society.

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

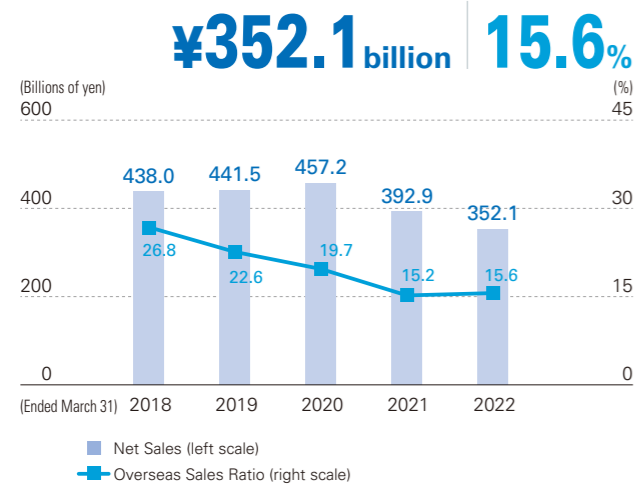


Amounts are either for FY2021 or as of March 31, 2022

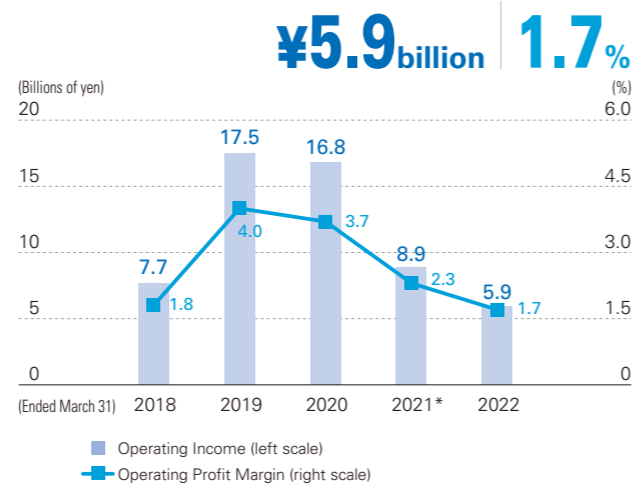
FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

Financial Highlights

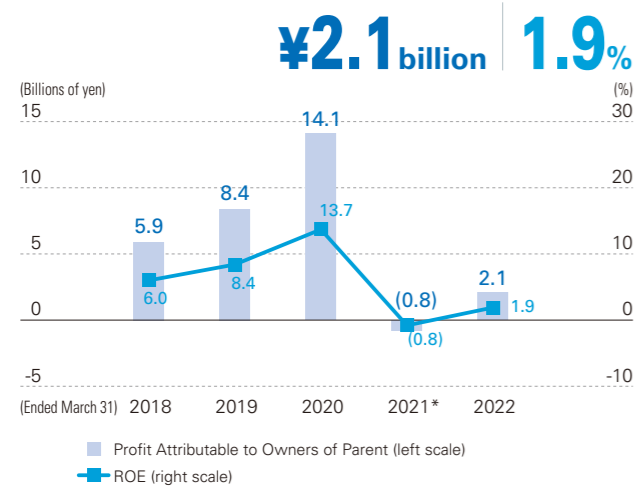
Net Sales and Overseas Sales Ratio



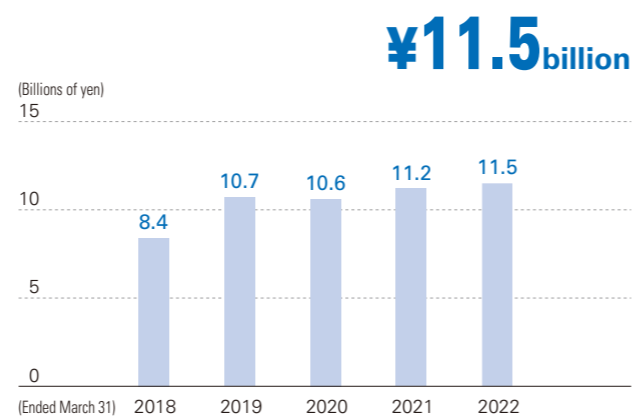
Operating Income and Operating Profit Margin



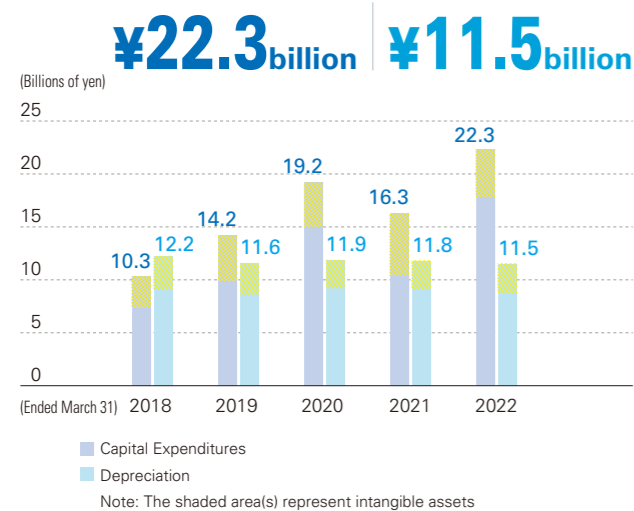
Profit Attributable to Owners of Parent and Return on Equity (ROE)



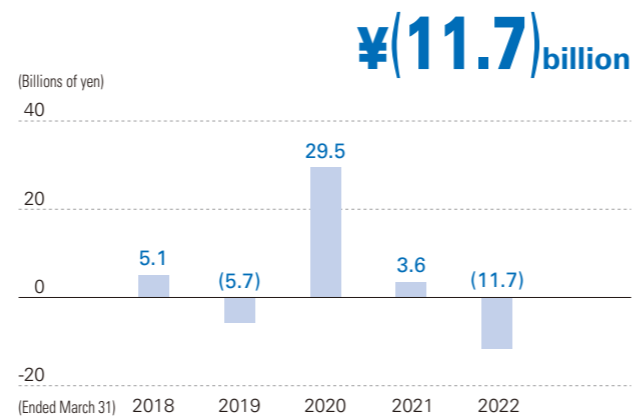
R&D Expenses



Capital Expenditures and Depreciation



Free Cash Flow



*From the year ended March 31, 2022, overseas subsidiaries that apply IFRS changed how their Software-as-a-Service (SaaS) arrangements are accounted for. As a result, the figure for the year ended March 31, 2021 has been retroactively adjusted to reflect this change.

Non-Financial Highlights

E Reduction of CO₂ from Sites (Compared to FY2020)



We revised our fiscal year 2030 targets in the OKI Environmental Vision 2030/2050 to comply with the science-based targets for reducing greenhouse gas emissions that are in line with the Paris Agreement (SBT).

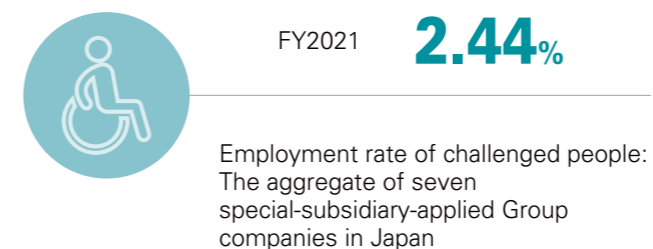
E Environmentally Contributing Product Net Sales Ratio



We reestablished a definition for environmental contribution as we aim to create and expand environmentally contributing products, including products that address climate change, in order to strengthen our environmental initiatives through our core business.

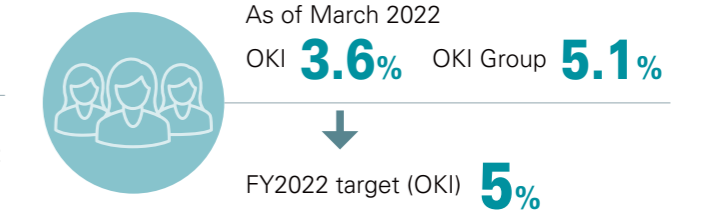
▶P41-44 CONSIDERATION FOR THE ENVIRONMENT

S Employment Rate of Challenged People



We are taking initiatives such as providing support during hiring and employment and establishing training systems so that challenged employees can be successful in various workplace environments.

S Female Management Ratio



OKI is taking efforts to develop female employees through workshops and workplace training so that such employees can seek out growth themselves, grow with a workstyle that allows them to maximize their capabilities, and form their own careers.

▶P37-40 HUMAN RESOURCE MANAGEMENT

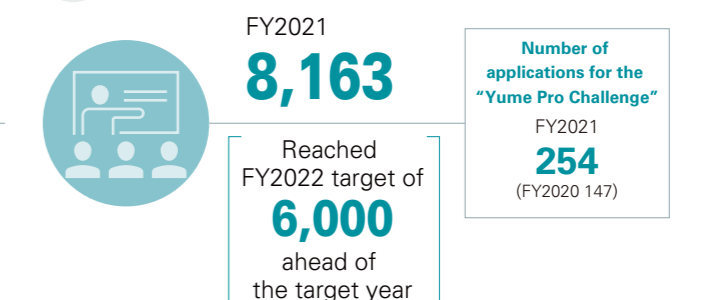
S AI Technician with Practical Skills



OKI is establishing a training system for AI technicians through education and practical training based on position and level in order to strengthen our capabilities in AI Edge, a technology of focus. As of March 2022, the number of "AI technicians with practical skills," which is the highest position, reached 300 ahead of the 2022 target fiscal year.

▶P25-26 TECHNOLOGY STRATEGY

S No. of People Who Participated Basic Innovation Training



In order to realize full participation innovation, OKI is developing human resources through innovation training for all positions as well as building an innovation management system. In fiscal year 2021, the number of people who participated the basic training reached 6,000 ahead of the 2022 target fiscal year. Its effects are evident in the number of applications for the "Yume Pro Challenge" business idea contest.

▶P19-20 INNOVATION MANAGEMENT SYSTEM

MESSAGE FROM THE CEO

Contributing to the achievement of a sustainable society as a company capable of “Delivering OK! to your life.” based on our “enterprising spirit.”

Shinya Kamagami
Representative Director and CEO




Our Reason for Existence

OKI's history started with the development of our country's first domestic telephone back in the early days of modern Japan. For the over 140 years since then, we have been involved in various businesses, from which we have inherited Mono-zukuri (product manufacturing) and Koto-zukuri (creation of solutions and services) know-how for supporting social infrastructure and a stance on which we use this

know-how alongside our detailed awareness of issues facing real sites to help resolve such issues. This stance is briefly expressed by “Delivering OK! to your life.”, the key message of Medium-Term Business Plan 2022. This is both the OKI Group's reason for existence and our promise for the future as we look ahead to 2030, the target year for the SDGs, and even further ahead to what society might look like in 2050.

Overview of Medium-Term Business Plan 2022 and FY2021

Based on our key message, under Medium-Term Business Plan 2022, we have been promoting the building of foundations to achieve continuous growth through the resolution of social issues while also striving to improve the revenue of our hardware business in particular with the aim of steering toward growth as stipulated by our next Medium-Term Business Plan. However, our performance during the second year of our plan, fiscal year 2021, was not as good as initially planned due to the prolonged COVID-19 pandemic, increasingly serious supply chain chaos, and increased geopolitical risks.

To ensure our future, we are investing in growth and steadily implementing structural business reforms, but—given that the external environment has changed more than we initially assumed when formulating our plan—our single-year plan for fiscal year 2022, the last fiscal year of our current Medium-Term Business Plan, is to continue building the foundations for growth as we focus on the priority issue of increasing our ability to respond to environmental changes, including measures to address supply chain effects.

Aiming to Get the Company on a Growth Trajectory by Using New Systems

In April 2022, to further speed up management decision-making and enhance our management capabilities, we established new

CEO and COO positions, and I was appointed as the CEO, while Takahiro Mori was appointed as the President and COO.

Mori, our new President, was involved in the Printers business for many years, and he successfully used a unique marketing strategy to launch a new business model and expand our business. Given his comprehensive marketing ability—which has enabled him to capture markets from the global perspective—his ability to understand and execute the overall business cycle, and his cheerfulness and interpersonal skills, which inspire others to follow him even when faced

with tough changes, I am confident that he is the right leader for OKI in light of our current need to transform into a proposal-based company. From here on out, I will handle the Group-wide management strategy as its CEO, while Mori will oversee our business execution as the COO, and I know our combined efforts will accelerate our transformation and once again put OKI squarely on a growth trajectory.

Contributing to the Achievement of a Sustainable Society

Society is currently at a major turning point, including increasingly serious environmental issues that include climate change as well as the need to adapt to a new lifestyle brought about by the COVID-19 pandemic. Companies must therefore adopt a long-term perspective and take active steps to resolve issues with the aim of achieving a sustainable society.

Based on this awareness, in fiscal year 2020, OKI once again identified issues of materiality that must be addressed to achieve our goal of “Delivering OK! to your life.” In connection with one of these issues—achieving products and services that resolve social issues—we have identified the following as social issues that we must respond to given their deep connection to our business as a company that supports social infrastructure in various ways: aging infrastructure, natural disasters, transportation issues, environmental issues, labor shortages, labor productivity, and infectious diseases. Regarding environmental issues in particular, as a company involved in manufacturing,

we have identified the following two approaches as medium to long-term targets and are enhancing the related initiatives: creating products that contribute to the resolution of a wide range of environmental issues and reducing the CO₂ emissions of our product creating sites to zero.

Resolving social and environmental issues is just the way for us to avoid burdening the generations of our children and grandchildren with a negative legacy and to ensure that society will offer them security during their daily lives. I hope that each member of the OKI Group will view the above as their own personal issues and help to achieve a sustainable society.

Based on the “enterprising spirit” expressed by our corporate philosophy, the OKI Group will continue to aim for sustainable growth to achieve our goal of “Delivering OK! to your life.” I look forward to your continued guidance and encouragement in this regard.

MESSAGE FROM THE COO

Implementing cultural reform and steering toward growth

Takahiro Mori
Representative Director and COO

T. Mori



Changing to a Culture Capable of Following through on New Things

In April 2022, I became the President and COO, and, in June, I was appointed as the Representative Director. In light of the current social unrest and management environment, I will do my best to shoulder the weight of the responsibility that has been entrusted to me.

I was involved in the Printers business for many years, and I built up my career by helping to develop new markets and working in the marketing field, thereby striving to expand our business. In fiscal year 2020, as the President of a subsidiary in charge of the above business, I worked on structural reforms aimed at achieving integration with OKI. At the end of last year, when the Company was looking for a new President, I thought about why I had been nominated, and—as I pondered the role that a President should play—I recognized that my nomination was a sign that the Company wants to change itself, including its culture, which has been passed down for many years, and I am supposed to help that.

This is something I also realized from the perspective of our subsidiaries, but—although OKI's culture is good in terms of our solid, steady approach to things—during times of especially dramatic change, that very steadiness is our enemy and

is therefore also a problem. One example of this is our lack of speed in terms of creating new businesses and innovations. OKI has built an IMS (Innovation Management System) to promote full participation innovation, and we actually come up with a lot of new ideas, but I feel like the subsequent execution phase takes entirely too long. When it comes to new business, when you reach the point where it has been explored around halfway, you should carry it out, or it does not amount to much. This might be because we have mainly conducted business in relatively stable markets, or maybe it is because we are afraid of failure, but we have a tendency to focus too much on discussion, and this does not necessarily lead to the implementation of innovations or to the achievement of actual business results.

The changes sweeping over our world could very well increase in speed, but they will never slow down. We need to stop being excessively cautious and implement cultural reforms to enable us to follow through on new things based on a renewed sense of speed and hunger, thereby raising our top line and steering our Company toward growth, and I consider this to be my personal mission.

Medium-Term Business Plan 2022 and Our FY2022 Plan

In fiscal year 2021 and 2022, the external environment changed more than initially assumed—including the effects of the prolonged COVID-19 pandemic, difficulties procuring materials, and other supply chain problems—and this has had a major effect on us. As a result, we decided that it will be difficult for us to achieve our Medium-Term Business Plan 2022 targets. Our single-year plan for fiscal year 2022 is to continue building the foundation to achieve growth as we prioritize the promotion of initiatives to increase our ability to respond to environmental changes, including measures to address supply chain effects. To reduce supply chain effects—an urgent issue for us—we are working together company-wide to enhance our procurement activities, promote alternative designs, provide fair prices to our customers, and take similar steps. In fiscal year 2022, the demand in fields related to the Company is expected to be strong. This year, we will work to achieve predicted performance values of 425 billion yen in net sales and 9 billion yen in operating income.

Looking back on our Medium-Term Business Plan 2022 progress until now, we can see that, in terms of structural

reforms, our Components & Platforms business development-system enhancements, subsidiary reorganization, overseas site reviews, and related tasks are going according to plan for the most part. In contrast, regarding our growth strategy, delays and other issues still remain in terms of new business area expansion and new product creation.

Regarding these growth strategy delays—although major changes in the external environment are certainly one contributing factor—I believe that the fundamental problem here is actually a cultural one. To execute our growth strategy, we require both a strong desire and the strong will to expand our business. In addition, for manufacturers like us, because it takes a while for investments to yield results, the continuity of our long-term story and measures is also important. To escape the diminishing equilibrium as well, we are trying to create a corporate culture that enables not only executives but also all of our employees to take on new challenges without being afraid of the corresponding risks. We will also tear down organizational walls to bring our management and sites closer together in order to boost our in-house vitality.

MESSAGE FROM THE COO

Toward Our Next Medium-Term Business Plan

Under our next Medium-Term Business Plan, which we are currently formulating, we will continue enhancing our ability to respond to environmental changes as we accelerate our existing-business selection and concentration while sowing seeds in new areas to pave the way for future growth. I also hope that we can take a hard look at growth fields, come up with a story in which we can beat our competition, and chart a course that involves boldly taking on challenges. We will also

clarify the correlations between our vision and measures as well as our KPIs so that we can effectively convey our business situation to all of our stakeholders. At the same time, we will foster an achievement awareness among all our in-house employees and organizations, strive to escape organizational silos and building-up management that are in place, and enhance our collective strength and explosiveness in order to reliably steer the Company toward growth.

Further Enhancement of Sustainability Initiatives

The various sustainability management measures stipulated in Medium-Term Business Plan 2022 are intended to help us contribute to the resolution of social issues through our products and services, thereby “Delivering OK! to your life.” which is OKI’s foundation. To achieve our goal of “Delivering OK! to your life.” in our own way, we are once again verifying our current issues of materiality during the formulation of our next Medium-Term Business Plan, and we will enhance the corresponding initiatives.

Revising our Environmental Vision to help resolve medium to long-term environmental issues

As we continuously verify issues of materiality, we are promoting deeper discussion of social issues that must be

addressed, but initiatives targeting climate change and other environmental issues are more important than ever before. In fiscal year 2022, OKI revised the fiscal year 2030 targets in OKI Environmental Vision 2030/2050—which defines our medium to long-term environmental targets—to details in compliance with the science-based targets for reducing greenhouse gas emissions that are in line with the Paris Agreement (SBT), and we also changed our targets related to the prevention of global warming to values aimed at the achievement of the 1.5°C scenario stipulated by the SBT.

Our target for the CO₂ emissions of our sites is to reduce them by 42% by fiscal year 2030 (compared to fiscal year 2020). As an example of a specific initiative, we have incorporated various environmental-impact reduction measures

into the Honjo Plant H1 building (in Honjo, Saitama)—which started up full-scale operations in July 2022—and it is Japan’s first large-scale production facility to obtain “ZEB*” certification. Regarding our various offices as well, we are considering how to increase the efficiency of production equipment and facilities, such as through the combined use of renewable energy similar to the solar power used for the H1 building.

In addition, to further promote the resolution of environmental issues through our products and solutions, we are working on expanding the creation of environmentally contributing products. Our Environmental Vision targets for 2050 include the achievement of net zero power consumption by new products through the combination of energy-saving and energy-producing technologies, and, in the medium term, one of our targets is to increase the net sales ratio of our environmentally contributing products (which was 31% in fiscal year 2021) to 50% by fiscal year 2030.

Active participation of diverse human resources as the key to our growth

To achieve OKI’s growth as stipulated in our next Medium-Term Business Plan, it is essential to ensure the active participation of diverse human resources and to enhance human resources that support our business in manufacturing and growth areas. Under OKI’s current Medium-Term Business Plan, to enhance our focus technology AI Edge, we set a target of training 300 AI technicians with practical skills by the end of fiscal 2022, and—by, for example, jointly establishing the AI and Data Science Social Implementation Lab with Chuo University to implement practical education in this regard—we achieved this goal at the end of fiscal year 2021, well ahead of schedule. As we build systems for evaluating and utilizing such highly specialized human resources, we are also working on reforming our way of thinking, reviewing our systems, and promoting diversity and inclusion in order to achieve a workplace that is comfortable for all employees to work in and enables them to fully demonstrate their abilities.

Achieving governance that responds to the trust of diverse stakeholders

As a result of revisions to the Corporate Governance Code in



June 2021, ensuring board independence, promoting diversity in core human resources, and attention to sustainability and ESG were identified as aspects of our basic approach. OKI continuously pursues initiatives to improve its governance, including the decision in June 2017 to always have a Board of Directors that consists of at least 40% outside directors as well as the appointment of an independent outside director as the Chair of the Board of Directors starting in 2021 and annual board effectiveness evaluations. In addition, as a system to promote sustainability, we set up a Sustainability Promotion Working Group chaired by the President, which handles the promotion of initiatives based on issues of materiality, disclosure in line with the TCFD, and other tasks.

To continue to respond to the trust of our diverse stakeholders and achieve both sustainable growth and improved corporate value in the medium to long term, we will suitably disclose information on the situation of various initiatives while also pursuing dialogues with all our stakeholders to achieve co-creation as we resolve issues.

Actions to Pave the Way to a Brighter Future and Pass the Baton to the Next Generation

In keeping with the “enterprising spirit” expressed by our corporate philosophy, we will strive to resolve social issues and provide products and solutions that support social infrastructure with the aim of achieving the sustainable growth of both society and the Company. To steadily implement our goal of “Delivering OK! to your life.”—the OKI Group’s general reason for existence—it is essential that we steer toward growth instead of simply maintaining the status quo. Reforming our

culture—which has been ingrained over the course of many years—will not be accomplished overnight, but I have an unwavering resolve to implement the measures necessary to follow through on this, pave the way to a brighter future, and pass the baton to the next generation.

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

Leading the way for environmental initiatives at OKI’s manufacturing sites

Our Honjo Plant H1 building has started operating as our flagship factory under our new digital transformation (DX) strategy (see page 33). This building boasts high environmental performance, including the utilization of the solar panels installed on the roof and other natural energy, high heat insulation, and the control of lighting, air conditioning, and ventilation in line with the operation status. We also used locally produced Chichibu-sugi (cedar) for the building to more effectively coexist with the local community.



*ZEB (net zero energy buildings): Net zero energy buildings are buildings that aim to consume zero net primary energy through energy-saving technology, such as sensors and highly heat-insulated structures, as well as energy-producing technology through renewable energy, all while realizing a pleasant indoor environment. Buildings are classified into the following four categories based on their energy reduction percentages (energy consumed by production equipment and OA equipment is excluded from ZEB calculation). “ZEB”: 100% or higher; Nearly ZEB: 75% or higher; ZEB Ready: 50% or higher; ZEB Oriented 40% or 30% or higher

MESSAGE FROM THE CFO



To grow sustainably
in parallel with society

Masayuki Hoshi

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

With “Delivering OK! to your life.” as our key message, the OKI Group aims to be a corporate group supporting safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri and Koto-zukuri.

Medium-Term Business Plan 2022 is positioned as a foundation for achieving sustainable growth by providing products and services that respond to changes in social structures and new needs accompanying those changes. Accordingly, we have worked on structural reforms to adapt to the changing busi-

ness environment, while aggressively investing to enhance our corporate value. Meanwhile, in fiscal year 2022, which is also the final year of the plan, the changes in the external environment have exceeded expectations, including COVID-19 and supply chain effects, making it difficult to achieve the targets of the Medium-Term Business Plan. For these reasons, we have formulated a single-year plan for fiscal year 2022. Under these circumstances, I will fulfill my responsibilities as CFO to grow sustainably while ensuring the stability of our financial base.

OKI's basic concept of capital policy is as follows:

Capital Policy

Basic Strategy

As a company deeply rooted in society, we strive to contribute to society by improving corporate value sustainably, and make returns to stakeholders.

Basic Policy

1. Make investments for growth
2. Secure the strong financial base
3. Sustain steady shareholder returns

Financial Soundness

- Maintain an adequate level of shareholders' equity within a risk allowance, while making growth investments
- Pursue the right balance between capital efficiency and securing stable growth investment funds, namely, optimal capital structure
- Disclose shareholders' equity and DE ratios as indicators of financial soundness

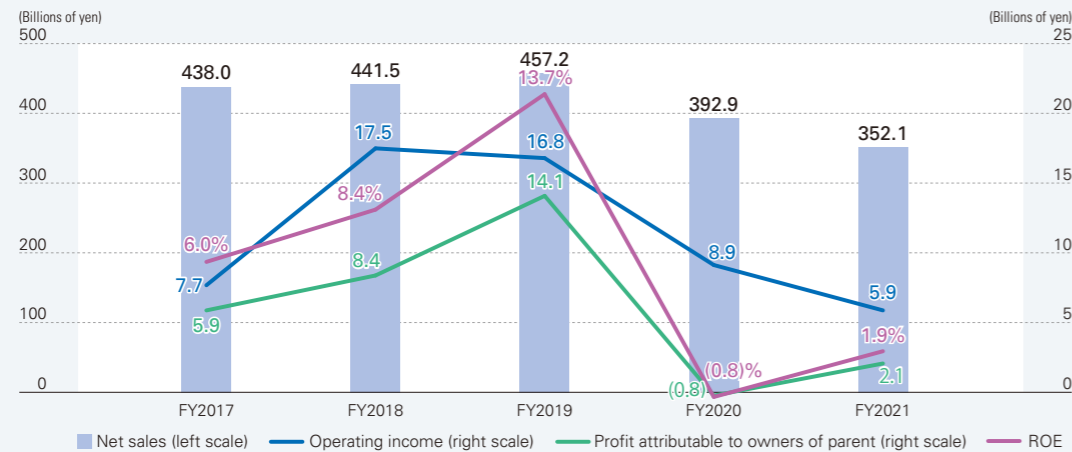
Shareholder Returns

- Strive to maintain stable dividends
- Pay dividends with a focus on balancing growth investment and shareholder returns in consideration of cash flows while maintaining earning capacities
- Emphasize on rewarding long-term shareholders

Asset Efficiency

- Maximize shareholder value by striving to improve asset efficiency
- Improve total asset turnover: Strive to optimize capital allocation and working capital

Consolidated Business Performance



Analysis of Financial Position and Business Achievement

Summary of FY2021 Business Results

Although strong sales continued for factory automation and semiconductor manufacturing equipment, which have been on a recovery trend since the end of the previous fiscal year, net sales decreased by ¥40.8 billion year on year to ¥352.1 billion due to supply chain effects, such as material shortages. With regard to profits, operating income was ¥5.9 billion, down ¥3.0 billion from the previous year, due to the negative impact of supply chain factors, which more than offset the positive effects of lower fixed costs from structural reforms and a reversal of allowance for doubtful accounts for receiv-

ables in the Chinese ATM business. Profit attributable to owners of parent improved by ¥2.9 billion year on year to ¥2.1 billion, as we posted an extraordinary income of ¥1.1 billion from the sale of assets, while extraordinary losses included ¥2.8 billion in business structure improvement expenses related to sales companies in Europe and North America and the convergence of printer plants in China.

In terms of the financial situation, free cash flow was negative due in part to upfront investments in capital expenditures and R&D. These investments were made as they are necessary for sustainable growth to build a foundation for growth.

Outlook for FY2022

For fiscal year 2022, the final year of the Medium-Term Business Plan, we expect net sales to increase by ¥72.9 billion year on year to ¥425.0 billion, operating income to increase by ¥3.1 billion to ¥9.0 billion, and profit attributable to owners of parent to increase by ¥0.9 billion to ¥3.0 billion. To build the foundation for sustainable growth through solving social issues, we are steadily proceeding with structural reforms, including selection and con-

centration of businesses and optimization of mainly overseas manufacturing and sales sites. However, challenges remain in responding to the changes in the external environment, which have exceeded the assumptions made at the time of establishing the Medium-Term Business Plan, such as COVID-19 and supply chain effects, and we have fallen short of our targets in the plan. Given these circumstances, we will work to strengthen our risk response capabilities as an urgent priority in this fiscal year.

Growth Investment

We expect to invest ¥63.6 billion in capital expenditures and ¥34.7 billion in R&D over the three years of Medium-Term Business Plan 2022, which we have identified as the phase for building the foundation for growth to increase our future corporate value. Specifically, we built our own smart factory, which started operation in July 2022, expanded production facilities for our focal growth markets, and developed new products such

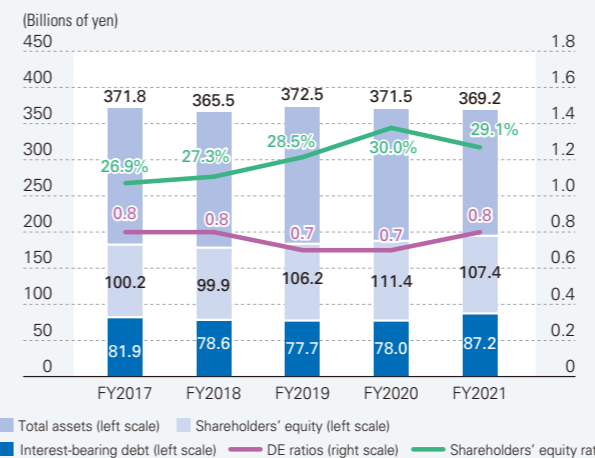
as new DX solutions. In April 2022, we acquired the aviation equipment business of the Yokogawa Group. While supply chain effects and other factors have delayed benefits realization from the investments made in the plan, we intend to steadily reap the benefits from the next fiscal year. Going forward, we will continue to aim to enhance our corporate value over the medium-to long-term, while appropriately allocating funds to maintain a balance between growth investment and shareholder returns.

Improving Asset Efficiency

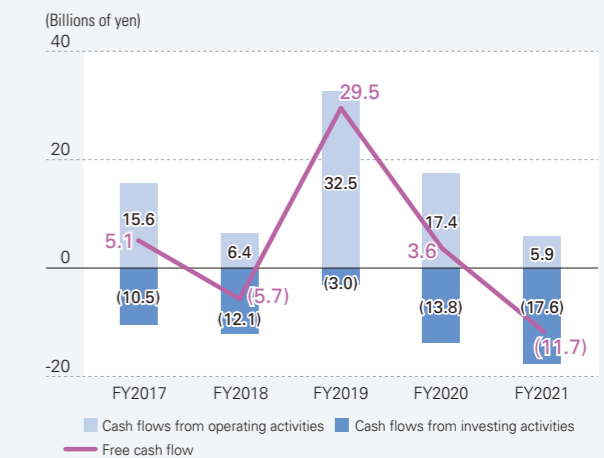
Inventories temporarily increased due to two factors. First, as there continues to be a shortage in the supply of semiconductors and other materials, efforts were made to reduce the impact on production by strategically securing materials. Secondly, product shipments were delayed due the shortage of materials.

Looking ahead, we will work to improve working capital based on financial discipline, such as optimizing inventory levels by strengthening our risk response capabilities. For non-business assets, we are continuously reviewing the significance of our holdings through a periodic verification process, and again executed asset sales in non-focal areas in fiscal year 2021.

Consolidated Financial Position



Consolidated Free Cash Flow

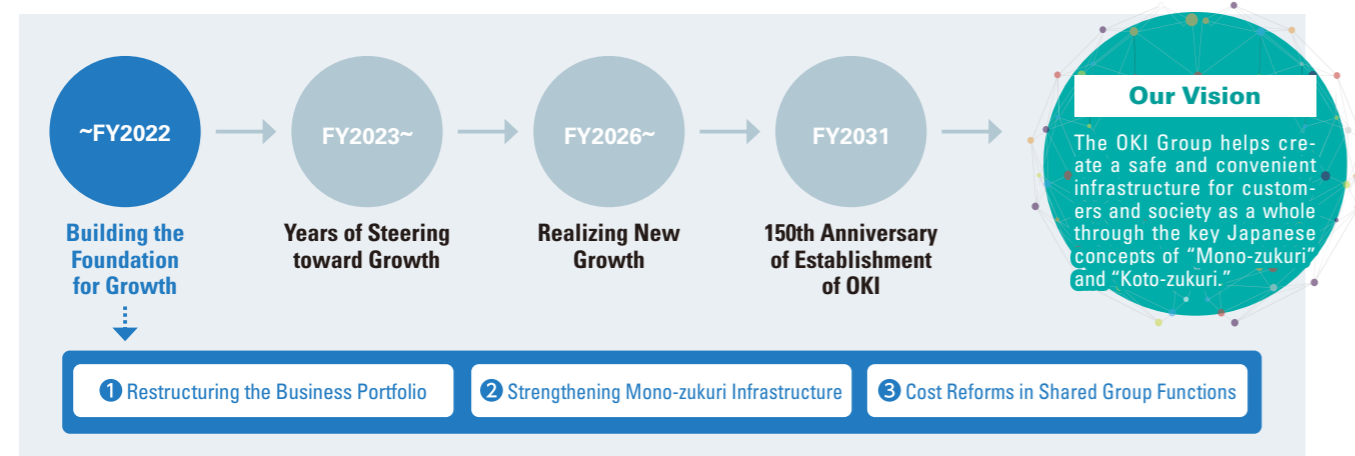


PROGRESS OF MEDIUM-TERM BUSINESS PLAN 2022 AND THE WAY FORWARD

The OKI Group has taken initiatives based on its Medium-Term Business Plan 2022 (fiscal years 2020 to 2022) with its key message of “Delivering OK! to your life.” OKI is promoting structural reforms centered on the hardware business as the foundation to achieve sustainable growth through social issue resolution. OKI also aims to solve social issues and grow through cooperation and co-creation with customers and partners while utilizing our strengths in AI Edge technology and Mono-zukuri.

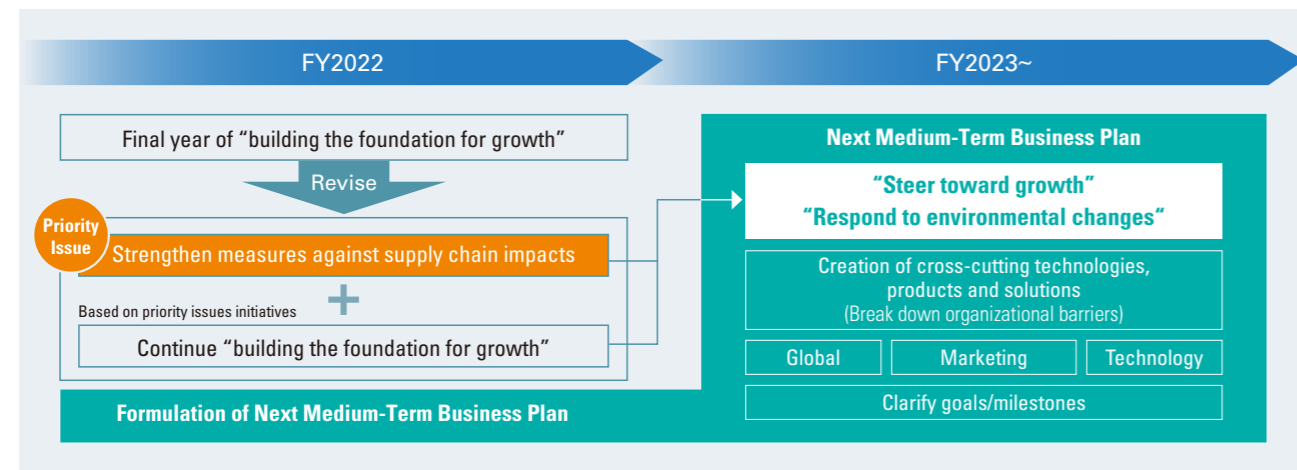
Positioning of Medium-Term Business Plan 2022

In the Medium-Term Business Plan 2022, OKI positions the three years until fiscal year 2022 as a phase for “building the foundation for future growth.” With the aim of steering toward growth from fiscal year 2023, realizing new growth from fiscal year 2026, and then achieving growth in the lead up to the 150th anniversary of the Company in 2031, we have implemented structural reforms while steadily building the foundation for realizing sustainable growth through resolving issues in society.



Policy for FY2022 and Approach for the Next Medium-Term Business Plan

Notwithstanding the foregoing, the outlook remains uncertain amid the prolonged impact of COVID-19, which has caused serious disruptions in the supply chain, including shortages of semiconductors and other materials and soaring prices of raw materials, as well as heightened geopolitical risks. These changes in the business environment rendered a significant impact on fiscal year 2022, the final year of OKI’s Medium-Term Business Plan 2022, which, as a single-year plan, aimed to continue “building the foundation for growth,” while giving priority to “strengthening measures against supply chain impacts.” In addition, ahead of the next Medium-Term Business Plan, OKI is working to formulate specific strategies and initiatives by the end of fiscal year 2022 for the creation of cross-cutting technologies, products and solutions as initiatives for “steer toward growth” and “respond to environmental changes.”



Status of Medium-Term Business Plan 2022

Structural Reforms Aimed at Growth

To build a foundation for growth as stated in this Medium-Term Business Plan, OKI is reviewing and strengthening the earnings structure through three pillars: (1) Restructuring the Business Portfolio, (2) Strengthening Mono-zukuri Infrastructure, and (3) Cost Reforms in Shared Group Functions. We are executing each initiative to optimize personnel and sites in line with our strategy and improve the efficiency of shared functions, and are proceeding with structural reforms according to plans except for procurement costs.

1 Restructuring the Business Portfolio Further acceleration of shifting resources to strategic fields	[Major Past Initiatives] <ul style="list-style-type: none"> Built development structure with 700 people through integration of hardware businesses (Mechatronics Systems, Printers, EMS) Narrowed down printer models Reduced overseas sales sites: Terminated printer hardware sales in North America and reduced overseas sales company personnel by 50% (target 60% reduction by FY2022) HQ integration of printer business subsidiary, design/development structure integration, marketing & sales section integration
2 Strengthening Mono-zukuri Infrastructure Timely and consistently providing products customers want Realizing customer value improvement and cost reduction	[Major Past Initiatives] <ul style="list-style-type: none"> Concentrated resources on product development in focal areas Terminated sales and production of ATMs in China and transferred these functions to factories in Japan (devices for Japanese market) and Vietnam (devices for global market) Terminated production of printers and multifunction printers in China and transferred resources to Thailand factory Integrated two subsidiaries in order to strengthen existing domains in the Design & Manufacturing Services (DMS) business and promote entry into new fields Integrated two printed circuit board (PCB) business subsidiaries to aim for the top share in the Japanese high-value-added PCB market, which is maintaining growth Completed construction and started full-scale operation of a smart factory to realize the first Net Zero Energy Building (ZEB) production facility in Japan
3 Cost Reforms in Shared Group Functions Procurement costs ¥10.0 billion reduction Labor costs and business expenses ¥4.0 billion reduction (Both 3-year accumulated total)	[Major Past Initiatives] <ul style="list-style-type: none"> Procurement costs were reduced ¥3.1 billion in FY2020 and ¥3.7 billion in FY2021 due to efforts to integrate procurement divisions in the Group and through concentrated purchasing and development purchasing; however, net reduction was ¥0.3 billion due to the effects of rises in material prices equivalent to ¥3.4 billion Labor costs and business expenses were reduced ¥2.2 billion in terms of the FY2020 and FY2021 accumulated total, mainly through transferring/outsourcing the logistics business, concentrating and reorganizing offices in Shibaura and Toranomon districts, and expanding operations ranges of shared Group companies

Growth Strategy

In the Solution Systems business, OKI is strengthening efforts to provide digital transformation (DX) solutions that solve issues that society and customers face. Sales in the DX domain are growing. In the Components & Platforms business, OKI is making progress in development in products for partners. While opportunities for business talks for DMS projects are increasing and there are positive signs including acquiring such orders, this has not yet led to higher sales in core fields.

	Policy/Initiatives and Status	Past Progress and Future Policy	
Solution Systems	Use AI Edge to help customers achieve DX	<ul style="list-style-type: none"> Expansion of sales in DX domain Acquiring stable revenue through horizontal deployment of DX solutions and achieving growth Creating new solutions through co-creation with partners and expanding business 	P29
Components & Platforms	Promote partner strategy and strengthen comprehensive Mono-zukuri services	<ul style="list-style-type: none"> Business model shift in progress Currently steadily providing modules to global partners Plans to launch new products for partners in FY2022 	P31

Growth Investment

In fiscal years 2020 to 2021, growth investment experienced some setbacks due to the impacts of COVID-19 and supply chain effects. Nevertheless, the transition of OKI’s factories to smart factories, among other initiatives, generally proceeded as planned. OKI will continue to strengthen its management infrastructure to build the foundation for future growth, while promoting investments in the DX domain and core fields which will lead to future earnings.

	3-year Targets	FY2020-FY2021 Results	FY2022 Plan	Details
Capital expenditures	¥70.0 billion to ¥80.0 billion	¥38.6 billion	¥25.0 billion	Strengthening of Mono-zukuri infrastructure, transition to smart factories, IT consolidation
R&D	¥40.0 billion	¥22.7 billion	¥12.0 billion	Development of new DX solutions/components, investments related to AI Edge, research of cutting-edge technology

INNOVATION MANAGEMENT SYSTEM

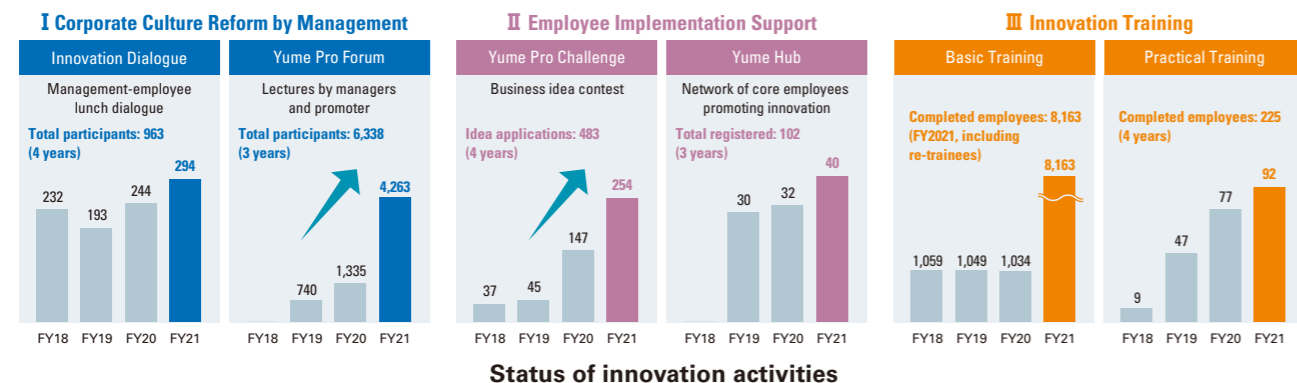
OKI introduced the Innovation Management System (IMS) “Yume Pro” in 2017, prior to the publication of international standard ISO 56002, and declared its commitment to “full participation innovation” in 2020. The status of specific activities and success cases are outlined.

Accelerating Full Participation Innovation

In December 2020, OKI declared that it would become an “IMS Ready” company by incorporating IMS “Yume Pro” as the company-wide management system. OKI established a company-wide project to standardize the processes and procedures in April 2021, and is conducting trials of processes and promoting feedback for standardization. In addition, OKI formulated the “Innovation Strategy” as a medium- to long-term vision and has been refining it every year to map a clear way forward.

In order to continuously create new businesses based on the IMS process, OKI has held the “Yume Pro Challenge”

business idea contest every year since fiscal year 2018. There were 254 entries across the entire Group in fiscal year 2021. Furthermore, approximately 1,000 people have attended the “Innovation Dialogue” for direct dialogue between management and the sites, and a total of 6,338 people have attended the “Yume Pro Forum” for information sharing. The number of participants of basic innovation training in fiscal year 2021 reached 8,163 as of the end of the fiscal year, achieving our target of 6,000 participants by the end of fiscal year 2022 a year ahead of schedule. Corporate culture reforms for innovation are making steady progress.



Status of innovation activities

Innovation Success Cases (as of March 31, 2022)

Successful innovations have already been created with customers and partners as part of OKI’s full participation innovation, including Yume Pro Challenge. Some examples are illustrated below.

Examples of Innovation Creation

Social Issues	SDGs	Solutions
Labor Shortages Infectious Diseases	5 Gender Equality, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities, 16 Peace, Justice and Strong Institutions	Advanced remote operations (AI Edge Robot)
Aging Infrastructure Labor Productivity	8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 12 Responsible Consumption and Production	Multi-point laser vibrometers
Infectious Diseases Labor Productivity	3 Good Health and Well-being, 8 Decent Work and Economic Growth, 9 Industry, Innovation and Infrastructure, 11 Sustainable Cities and Communities	Area sound enhancement solutions
Labor Productivity	3 Good Health and Well-being, 8 Decent Work and Economic Growth	Behavioral change and sleep-improving solutions

1 Advanced Remote Operations (AI Edge Robot)

To solve social issues, such as labor shortages and the spread of infectious diseases, OKI is developing advanced remote operations involving cooperation between multiple robots equipped with artificial intelligence (AI) and people monitoring remotely. Aiming for commercialization, we are conducting on-site demonstration tests jointly with security companies, facility management companies, and others.



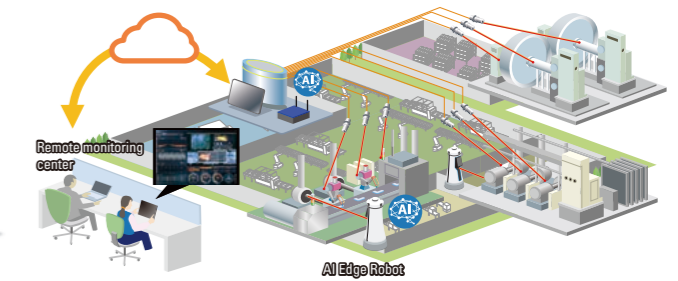
Conceptual image of advanced remote operations (AI Edge Robot)

3 Area Sound Enhancement Solutions

The promotion of telework due to various needs, such as preventing the spread of infectious diseases, has made household and surrounding noises a concern for employees. To solve this issue to improve productivity, we are conducting demonstration tests of solutions that pick up only sounds in a specific area and are working toward commercialization.

2 Multi-point Laser Vibrometers

This vibration measurement solution uses laser beams to detect vibrations of motors and other mechanical equipment without making contact, contributing to predictive maintenance of aging equipment and improvement of labor productivity. Demonstration tests are being conducted at plants and facilities to confirm the effectiveness.



Conceptual image of multi-point laser vibrometer

4 Behavioral Change and Sleep-improving Solutions

Our service provides solutions for sleep, one of the three pillars of a healthy life (exercise, sleep, and meals). It encourages behavioral changes by sending appropriately timed messages to individuals based on their behavioral characteristics and promotes healthy living. Demonstration tests with Kyoto University have produced medically significant findings, and we aim to commercialize this service through co-creation with partners.

Message

Shifting to Implementation Mode

It has been five years since the OKI Group launched the “Yume Pro” IMS. In fiscal year 2021, we took steps to further permeate “full participation innovation” throughout the entire Group, which have been successful to some extent. In particular, we undertook corporate culture reforms, putting in place mechanisms that encourage day-to-day innovations by individuals, such as standardization of the IMS process, basic innovation training, and Innovation Dialogue. In fiscal year 2022, we will shift to “implementation mode” in order to leverage these mechanisms for business. Specifically, we will give priority to implementation support that fosters high-level innovators, which will move us closer to implementation mode, and further advance “full participation innovation” that encompasses improvements in daily operations.

The number of applications for the Yume Pro Challenge business creation program is rising each year, and the quality of ideas is improving. As part of our support for turning these ideas into businesses, OKI will enhance the training program, review

support systems for linking internal innovators with external partners, and establish a community of accelerators. In addition to creating horizontal connections across divisions through these efforts, we will strengthen the network of core innovation members in OKI, known as the Yume Hub, and invigorate intra-Group communication.



Yuhiko Fujiwara
Executive Officer, Chief Innovation Officer, and Chief Technology Officer

Ahead of the anticipated publication of the ISO 56001 IMS certification standard in 2024, OKI is preparing to complete the Group IMS by the end of fiscal year 2022. Aiming to become a company based on the IMS certification standard, OKI will continue its activities to ensure that more employees not only understand IMS but also take actions for the sustained creation of new businesses in line with the IMS process.

OKI’s Innovation Management System “Yume Pro”
https://www.oki.com/en/yume_pro/

INITIATIVES FOR RESOLVING SOCIAL ISSUES

To achieve products, solutions and services that help to resolve the social issues included in the SDGs, OKI uses its customer base, install base, and technological capabilities as strengths to promote co-creation in collaboration with many partners and strive to achieve social implementation. Here, we introduce the Company's vision as well as the results of its fiscal year 2021 initiatives in relation to the seven social issues of materiality.

OKI Group Initiatives in Response to Seven Social Issues Set Forth Under Materiality

Social Issues	Initiatives	SDGs
Aging Infrastructure ▶(See page 22.)	Vision ▶ Utilizing sensor technologies and AI to help maintain aging infrastructure <ul style="list-style-type: none"> Registered our WX1033A/B optical fiber sensors—which contribute to the preventive maintenance of social infrastructure at a wide variety of sites—to the Ministry of Land, Infrastructure, Transport and Tourism's New Technology Information System (NETIS) (July 2021). Started selling monifi™, our infrastructure monitoring service that enables predictions of and preventive maintenance related to the deterioration of bridges and other infrastructure (March 2022). 	8, 9, 11, 13
Natural Disasters ▶(See page 22.)	Vision ▶ Achieving comprehensive disaster prevention solutions to provide self-help, mutual assistance, and public assistance aimed at disaster prevention and mitigation <ul style="list-style-type: none"> Achieved advanced disaster prevention management, including not only visualizing the local situation by using our DPS Core® disaster-prevention-information system but also providing an advance disaster prevention action plan, records of disaster response details, and evacuation-announcement judgment support functions (October 2018). Started selling a zero energy high-sensitivity camera that utilizes solar power, does not require an external power source, and makes it possible to take clear shots even in low-light environments, such as at night, without requiring additional lighting (March 2022). 	9, 11, 13
Transportation Issues	Vision ▶ Achieving ITS system evolution and a V2X network to help reduce traffic accidents and traffic congestion through infrastructure-cooperative ITS services <ul style="list-style-type: none"> Started selling AISION® Vehicle Sensing Ver.2, which uses AI-powered video monitoring to instantly detect congestion, stranded vehicles, and similar problems in order to reduce the burden of road management work (November 2021). OKI Engineering opened the eMobility Test Center, which greatly enhanced the reliability testing services of in-vehicle electronic equipment and devices for EV, ADAS (advanced driver assistance systems), and automated driving (May 2022). 	3, 8, 9, 11
Environmental Issues ▶(See page 24.)	Vision ▶ Promoting a reduced environment impact and helping to save on labor and increase work efficiency <ul style="list-style-type: none"> OKI Engineering announced the achievement of a Carbon Neutral Test Lab by reducing the CO₂ emissions resulting from the power used by five sites to zero by fiscal year 2025 (November 2021). Started up the trial operation of a delivery plan optimization system that uses AI to optimize distribution route delivery (November 2021). Completed the construction of the OKI Honjo Plant H1 building, Japan's first large-scale production facility to be certified as a "ZEB" factory (April 2022). 	7, 8, 9, 11, 12, 13
Labor Shortages ▶(See page 23.)	Vision ▶ Achieving safe and secure site environments and improved work efficiency to help sites struggling with labor shortages <ul style="list-style-type: none"> Started selling the CR-30, a new type of change machine that helps to reduce the workload of register work and management while also improving self-checkout user friendliness (February 2022). Started selling DISCOVERY neo2™, an IP PBX system for large-scale offices that reduces the burden of telephone work related to remote work and helps to achieve diverse work styles (February 2022). Started delivering SmartCashStation, a self-service deposit and withdrawal machine that offers improved user-friendliness to customers and lightens the load of help-desk-related work, with the aim of introducing the next generation of Yamanashi Chuo Bank's high counters (April 2022). Started building and operating an automatic transportation system that uses autonomously moving robots in connection with the start of OKI Honjo Plant H1 building operations (July 2022). 	5, 8, 9, 11, 10
Labor Productivity	Vision ▶ Utilizing know-how from our factories, we will support the digital transformation of the manufacturing industry and the creation of smart factories <ul style="list-style-type: none"> Started selling an appearance abnormality judgment system that utilizes AI-powered video to prevent work mistakes from being overlooked during the assembly process (November 2021). Jointly developed T-Communication, a centralized information management system that greatly improves the productivity of work done at construction sites, with Taisei Corporation (February 2022). Developed temperature measurement technology with a spatial resolution of 10 cm, the aim of which is to monitor temperature distributions at high temperatures of 750°C or more by using optical fiber sensors, such as the plumbing of next-generation thermal power plants and chemical plant reactors (May 2022). 	8, 9, 12, 14
Infectious Diseases	Vision ▶ Utilizing non-contact terminals, automatic ETC payment, and remotely operated robots to achieve non-contact/non-face-to-face site solutions <ul style="list-style-type: none"> Started up the trial operation of multipurpose ETC utilization services for a trash incineration facility for the first time in Japan (which is expected to improve user friendliness by eliminating the need to use cash and help prevent the spread of infectious diseases by reducing chances for contact) (November 2021). Started selling our Hygienic Touch Panel for ATMs, which can be operated without contact (November 2021). 	3, 8, 9, 11

Initiative Case Examples for Resolving Social Issues

Here, of our initiatives in response to the seven social issues shown in the table, we introduce in detail four issues we are taking on.

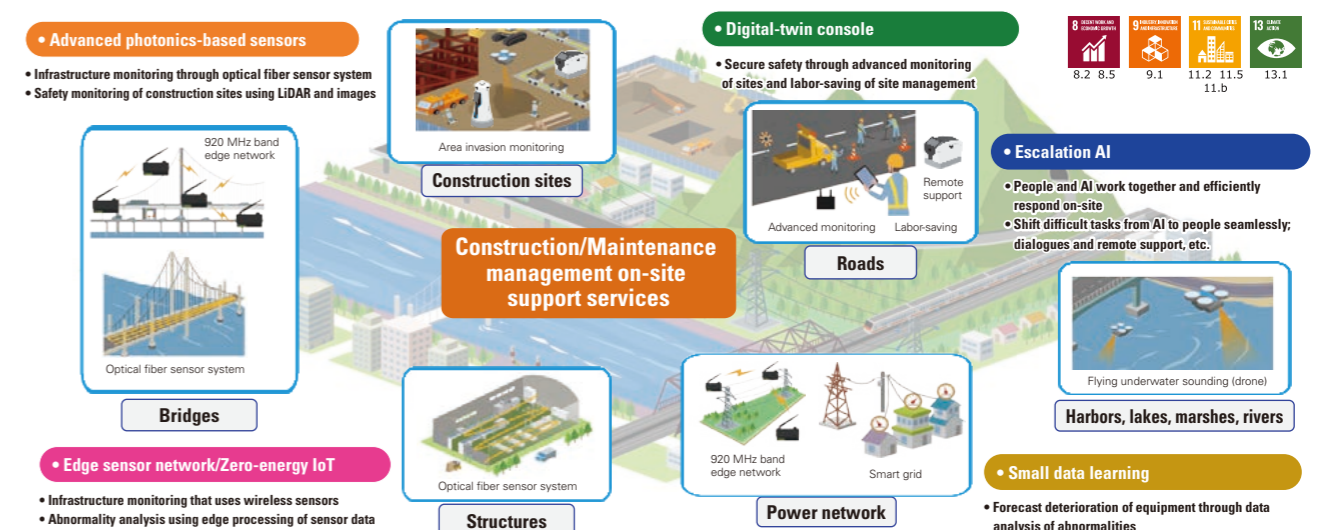
Addressing Aging Infrastructure

Much of Japan's social infrastructure created during the country's period of high economic growth (tunnels, bridges, roads, water supply and sewage systems, etc.) is deteriorating due to aging. For example, of the 720,000 bridges in Japan, over half are said to have been constructed at least 50 years ago. Given that repairing and reforming such infrastructure has become an urgent issue nationwide, there is a pressing need for solutions that can reduce the related maintenance and management costs.

To reduce the maintenance and management costs of aging social infrastructure, OKI is using optical fiber sensor technology that can perform high-speed, wide-range distortion and temperature measurements as well as power-reducing IoT technology that does not require the installation of communications/power lines, through a combination of a natural-energy-based

power supply and close-distance wireless technology. OKI provides optimal solutions by processing data that meets objectives, such as status diagnosis and deterioration forecasting. In addition, to ensure that both state and local governments will use these solutions, we are promoting registration to the Ministry of Land, Infrastructure, Transport and Tourism's New Technology Information System (NETIS).

In July 2021, the OKI optical fiber sensor WX1033A/B was registered to NETIS. WX1033A/B enables distributed, real-time measurement of temperatures and distortion at long distances and over a wide range. Through NETIS registration, we are contributing to the preventive maintenance and soundness monitoring of infrastructure at diverse sites, including national public works construction sites.



Examples of OKI's initiatives for responding to aging infrastructure

Handling Natural Disasters

In response to typhoons considered to be serious disasters, landslides caused by torrential rain, and similar disasters—all of which are occurring more frequently in recent years—municipalities throughout the country have been obtaining information from national and prefectural disaster-prevention-information systems to make decisions and provide instructions on how to respond. In particular, to provide evacuation instructions to local residents, it is most important for the instructions to be prompt and accurate, and, to achieve this, it is essential to promptly

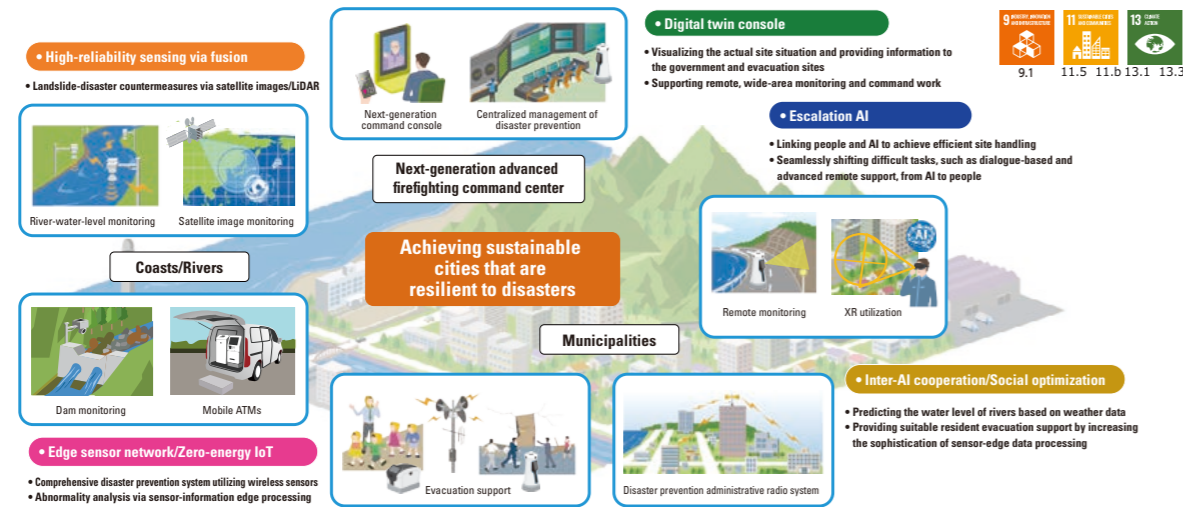
share precise information from the affected site in real time. OKI supports firefighting and disaster prevention activities that support the safety and security of the community through solutions that utilize AI Edge sensors, wireless solutions, and the development of management functions that support work. In the future, we will provide systems that collect information from sensors equipped with both river-water-level sensing and video monitoring functions, and these systems will utilize AI Edge computers set up on-site (at the edge) to promptly notify

INITIATIVES FOR RESOLVING SOCIAL ISSUES

sites and municipalities of the results of primary processing and analysis. In addition, by linking this data with weather and other data, we will ensure the security and safety of local residents and visitors, thereby contributing to achieving disaster-resilient cities.

In March 2022, we started selling a zero-energy high-sensitivity camera that utilizes solar power, does not require an external power source, and makes it possible to take clear shots even in low-light environments, such as at night, without

requiring additional lighting. This product enables around-the-clock monitoring of the situation of river flooding, landslides, and other disasters. In addition, by linking these cameras with monitoring systems such as our monifi infrastructure monitoring service—which we announced at the same time—we can achieve comprehensive disaster prevention DX services, including the ability to automate infrastructure patrol inspections over a wide range as well as the ability to visually confirm the situation of disaster sites from remote locations.



Examples of OKI's initiatives for responding to natural disasters

Handling Labor Shortages

Due to Japan's declining birthrate and aging population, the generation in charge of job sites is clearly shrinking, and serious labor shortages have become chronic in multiple industrial fields.

In addition, due to societal needs during and after the COVID-19 pandemic, there is an increasing demand for unmanned, non-contact, non-face-to-face solutions, so there are growing

expectations for service robots that can take over on-site operations. Most service robots perform tasks on site automatically by using AI, but it is difficult to continuously provide services without any people. In particular, if the AI fails to respond due to the occurrence of unforeseen events, the operational efficiency is reduced, and achieving on-site recovery takes a lot of work.

To respond to on-site operational issues, OKI is utilizing the AI Edge, networking, and robotics technologies the Company has cultivated so far as well as its results in the field of 24-hour online/remote maintenance and know-how related to the building and operation of various center systems in an effort to realize advanced remote operation systems. In line with the increasingly diverse situations in which service robots are utilized, we are also connecting with a wide range of robots across vendors in order to enable the 1:N operational management of

many robots by one person. In addition, by taking advantage of diverse sensors installed at on-site facilities, linking with wearable systems that support on-site persons in charge, and enabling optimal cooperation between remote locations and job sites, we are simultaneously helping to resolve labor shortages and achieve unmanned or labor-saving on-site operations.

In the security, facility management, distribution, and logistics fields—in which it is necessary for a large number of people to respond intermittently across multiple areas—OKI is focusing on on-site issues facing each field, looking closely at the safety and security of work environments as well as the provided value, and continuing to conduct experimental trials with co-creation partners, all in the interest of helping to solve problems in each field.

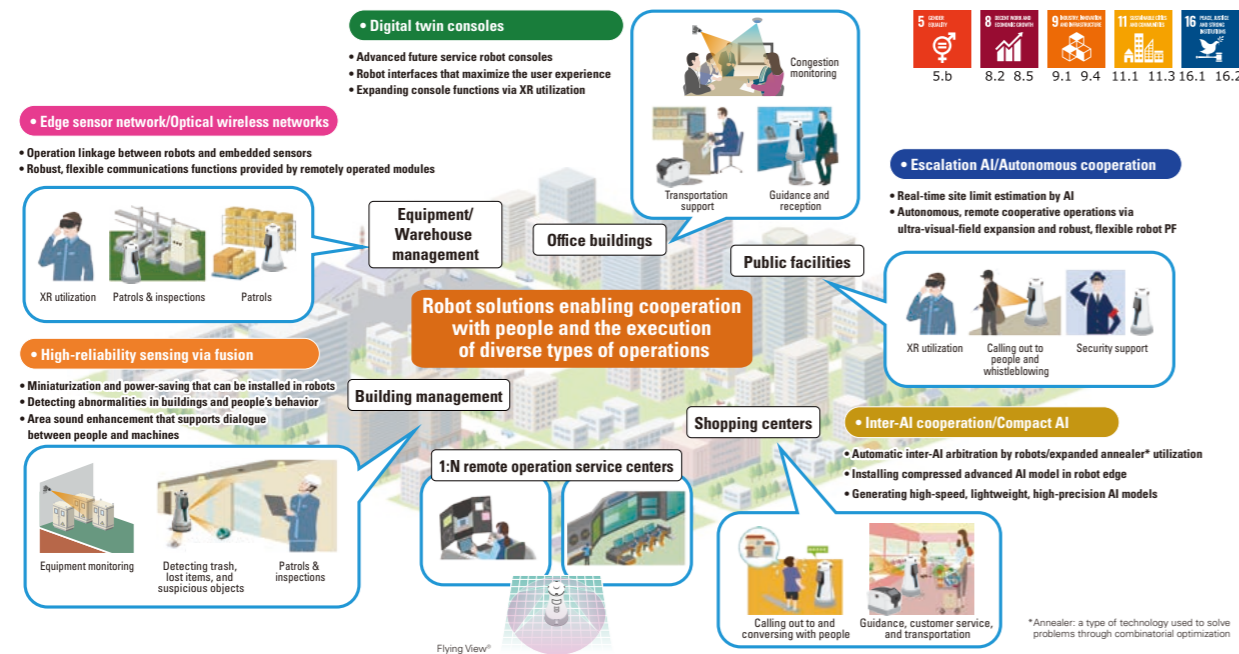
Handling Environmental Issues

There is currently a demand for specific measures to address environmental issues, and, in recent years, the need for carbon neutrality in particular has been increasing. To achieve carbon neutrality—although various measures are already being taken, including the utilization of renewable energy and carbon credits—it is also essential to pursue initiatives aimed at optimizing and increasing the efficiency of energy throughout society, including IT equipment energy saving and the utilization of ICT technology.

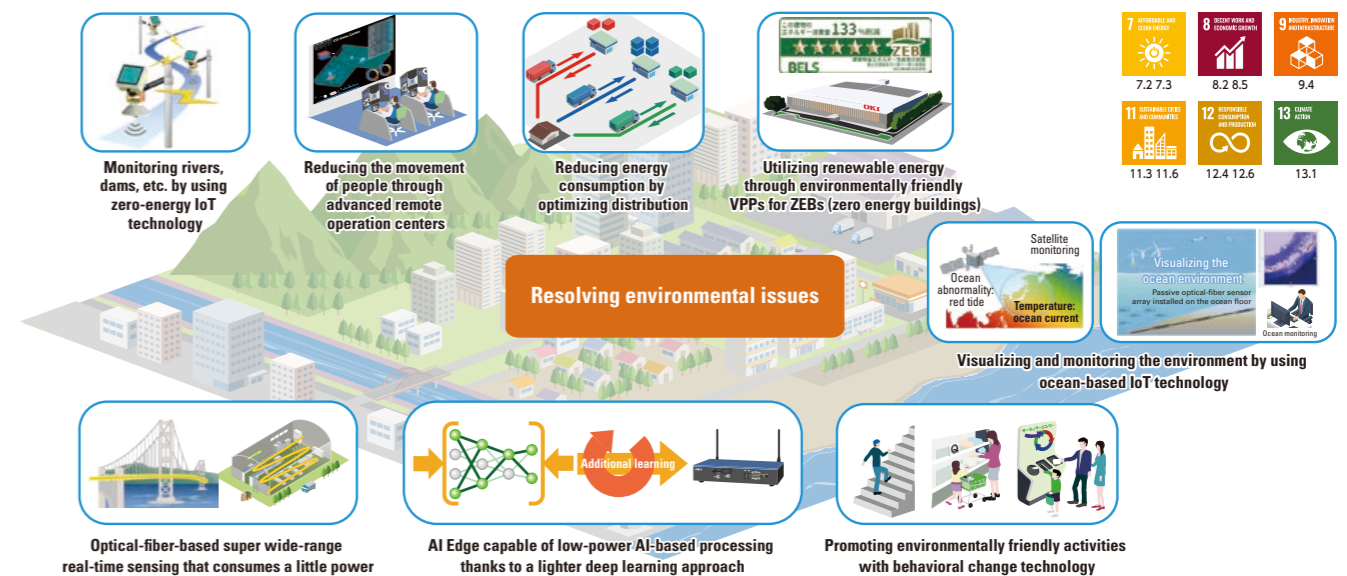
To help address such issues, OKI is promoting the development of technologies to reduce the energy consumption of its equipment based on AI Edge sensing technologies. Examples of this include the development and commercialization of technology that reduces the power consumed by advanced AI processing via lighter deep learning approaches as well as the development of visualization technology for optimizing and increasing the efficiency of the energy use of society as

a whole. As was also mentioned in the above explanation of our response to natural disasters and aging, our zero-energy IoT technology that utilizes solar power and our optical fiber sensing technology—which enables long-distance sensing with low power consumption—are also examples of technologies based on a strong awareness of environmental issues.

In addition, in the transportation field, we have confirmed that—by using AI to optimize route delivery plans for truck-based shipping—we successfully reduced the total driving distance. This is expected to contribute to reduced CO₂ emissions. We are also aiming to utilize quantum computers for optimization problems such as the above in order to further reduce the environmental impact. In addition, we provide behavioral change services that encourage people to use the stairs, thereby promoting initiatives in a new field that aims to simultaneously improve worker health and save on power in office buildings.



Examples of OKI's initiatives for responding to labor shortages



Examples of OKI's initiatives for responding to environmental issues

TECHNOLOGY STRATEGY

OKI is promoting foundational improvements from the human resource and governance perspective to further enhance and achieve the suitable and advanced use of its focus technology AI Edge. To flexibly respond to changes while promptly proposing value to customers who face diverse social issues, we are also working on practicing a research and development management process based on our Innovation Management System (IMS) “Yume Pro.”

Our Focus Technology AI Edge and the Yume Pro Process

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. Going forward, we intend to incorporate recent advances in AI technologies into OKI technologies installed in edge i.e. on-site domains, and we have established AI Edge as our focus technology.

Under Medium-Term Business Plan 2022, we have defined five cutting-edge technical fields that will enhance the above. These fields include sensing—which involves seeing critical sites clearly—networking—which involves safely communicating information to every location, including both urban and mountainous areas—intelligence—which involves using AI to strengthen intelligent infrastructure—robotics—which involves approaching people and things at the edge to provide detailed site support—and user experience—which involves empathizing with people.

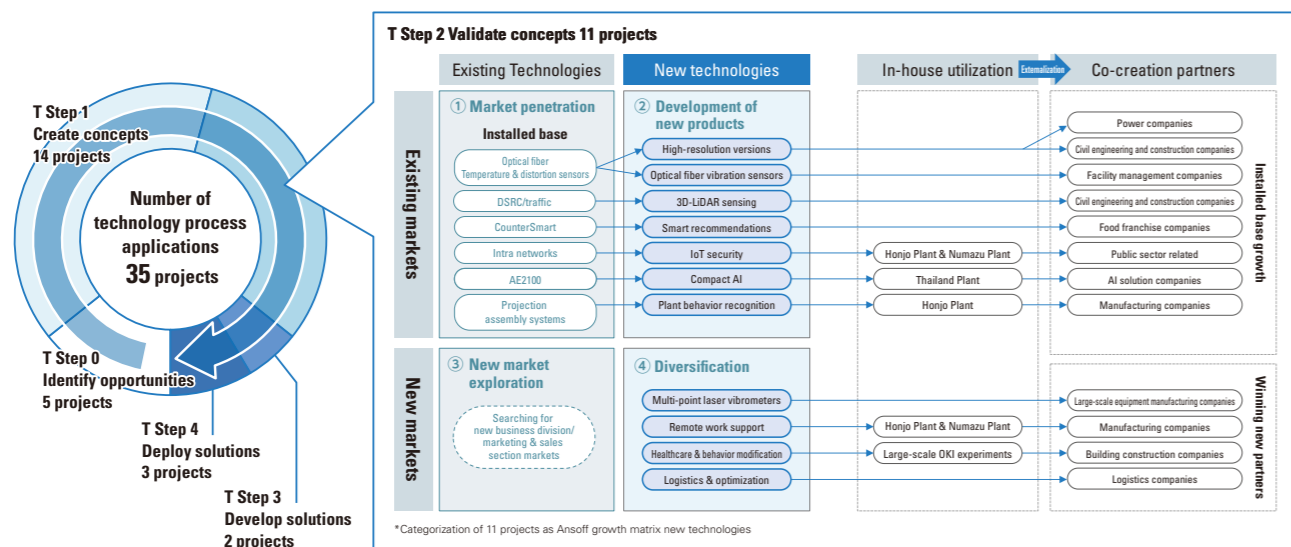
These five fields are managed within our research and development division by using our Yume Pro technology process, which was formulated in fiscal year 2020. We have defined the five stages described by the IMS international standard ISO 56002—identify opportunities, create concepts, validate concepts, develop solutions, and deploy solutions—as technology steps (T Steps) 0 to 4, and we are promoting a total of 35 projects (as of June 2022).

During the validate concepts stage (T Step 2), concepts that have reached a certain level of maturity are refined on



Our focus technology AI Edge

site, such as by verifying their value. This step covers the 11 projects shown in the figure, and the work includes both verification via on-site trials centered on the Group’s manufacturing division (in-house utilization) and further verification in collaboration with our co-creation partners. Regarding projects closely related to existing markets in which OKI has business, we aim to achieve co-creation with partners that have installed bases through cooperation with relevant business divisions, and, regarding projects for which the goal is new markets, we aim to win new partners and achieve co-creation through cooperation with our marketing & sales section. The figure shows specific examples of co-creation partners by industry in the case of each topic, and we are aiming to efficiently externalize our results by implementing co-creation starting at the research and development stage.



The Yume Pro technology process and the validate concepts step

TOPICS

Optical Technologies

OKI conducts research and development related to optical technologies in the networking field, including large-capacity optical access technologies based on silicon photonics as well as PON virtualization technologies. In recent years, we have expanded our strengths in terms of such optical technologies to the sensing field, and we are commercializing optical fiber sensing capable of simultaneous long-distance, wide-range temperature and distortion measurement.



PON virtualization technology verification system

Optical biosensor

In terms of our research and development, we are taking on the challenge of creating new value, including higher resolution optical technologies and the application of such technologies to vibration measurement, multi-point laser vibrometers that use laser light irradiation, and optical biosensor technologies for which silicon photonics are applied to the high-speed detection of viruses and other biomolecules.

Initiatives for Improving AI Foundations

In addition to developing technologies to achieve AI Edge enhancement, we are also striving to respond to various issues related to AI provision by improving AI foundations. Based on our OKI Group AI Principles, which were established in September of 2019, we are focusing our promotion on two tasks in particular: developing AI governance to respond to risks related to ethics and quality and developing human resources capable of fully utilizing AI.

In order to ensure that our customers can securely use OKI’s AI, we have added regulations related to the provision of AI products to the quality management system included in our Solution Systems business and started to enforce them. We have also incorporated perspectives unique to AI into contract and quality checks while also adding checks for legal and ethical risks at the beginning of each project.

In terms of human resource development, we have continuously provided AI literacy education—which gives our employees the opportunity to acquire basic AI knowledge—since fiscal year 2020, and, as of the end of fiscal year 2021, a total of over 7,600 employees had attended these class-

es. In addition, we implement hands-on workshops to help employees learn how to identify risks associated with AI utilization, and these have been attended by a total of over 500 employees.

Regarding technical issues, to train AI technicians with practical skills, we collaborated with Chuo University to establish the AI/Data Science Social Implementation Laboratory in an effort to implement practical education by resolving actual issues, and the laboratory conducts activities based on 11 projects (as of July 2022) presented by our research and development division as well as our business divisions and marketing & sales section. In addition, we have added a curriculum including participation in an external competition to compete for the highest rank to our technical training, and we are also striving to enable small groups of people to master and apply AI technologies in order to resolve workplace issues.

Through the above initiatives, OKI’s number of AI technicians with practical skills exceeded 310 by the end of fiscal year 2021. This was way ahead of our goal of having at least 300 such technicians by the end of fiscal year 2022.



Overview of the improvement of AI foundations

Category	Measure	Main initiatives in FY 2021
Governance	Establishing regulations on the quality process for providing AI products (November 2021)	Incorporating perspectives unique to AI into contract and quality checks
		Checking legal and ethical risks specific to each project
Development of human resources	Deepening the understanding of AI	Ongoing AI literacy education for all employees
		Hands-on workshop training related to the identification of AI risks
Development of human resources	Increasing the number of AI technicians with practical skills	Utilizing an external competition as a training curriculum
		Using AI to resolve workplace issues based on small groups of people

OVERVIEW OF OPERATIONS

At a Glance

The OKI Group aims to resolve social issues with the dual pillars of Mono-zukuri in the real world, and Koto-zukuri involving the creation of solutions and services that link devices to the cloud in real-time. Toward the realization of this vision, we aim to combine the technologies of the “Solution Systems business,” which excels at system integration, and the “Components & Platforms business,” which is strong in Mono-zukuri, and are promoting a growth strategy for Team OKI in which we engage in cooperation and co-creation efforts with our customers and partners.

Solution Systems

Business Description

We provide a variety of solutions, products, and services to support both customer DX and social infrastructure utilizing our technologies and know-how, including OKI's original device lineup, sensing technologies featuring acoustic and optical sensors, network technologies such as 5G, and AI data processing and operations. In particular, we are engaging in focus areas such as transportation, construction/infrastructure, disaster prevention, finance and retail, manufacturing, and maritime.

Business Fields

Public Solutions

- Roads (ETC/MICS), air traffic control, disaster prevention, firefighting
- Central government work systems, government statistics systems
- Defense systems (underwater acoustics/information)
- Infrastructure monitoring

Enterprise Solutions

- Carrier networks, video distribution, 5G/local 5G
- Bank branch systems for financial institutions, centered-administration systems
- Railway ticketing systems, airport check-in systems
- Manufacturing systems (ERP/IoT)

DX Platforms

- AI Edge computers, sensors, IoT networks
- PBX, business phones, contact centers
- Cloud services

Construction and Maintenance Services



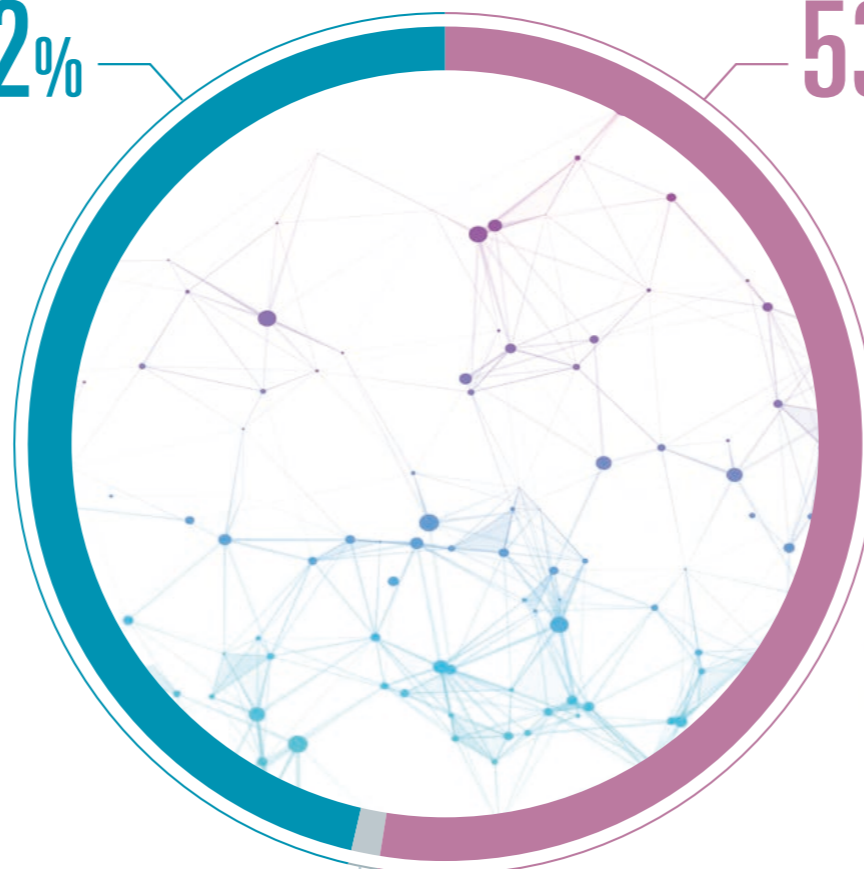
Our stationary measurement barge, Japan's only underwater acoustics measurement facility



Zero-energy high-sensitivity camera

Sales Composition

46.2%



Others

0.1%

Components & Platforms

Sales Composition

53.7%

Business Description

We contribute to resolving social issues by developing and providing a variety of components using technologies we have cultivated over the course of our long history and using our Mono-zukuri strength as a platform to provide services. Among such issues, we focus on unmanned operations, automation, and increased efficiency which will lead to the resolution of labor shortage problems and realize work-style reforms, as well as non-contact and non-face-to-face solutions required for our society's new normal that considers the spread of infectious diseases.



Comprehensive Mono-zukuri services



New CR-30 change machine Bill unit (right), coin unit (left)



A3 monochrome LED printer COREFIDO B842dn

Business Fields

Components

- ATMs, cash handling equipment, bank branch terminals, ticket reservations and issuing terminals, check-in terminals, foreign currency exchange machines, ATM monitoring/operation services
- Color/monochrome LED printers, color/monochrome LED multifunction printers, wide format inkjet printers, dot-impact printers

Mono-zukuri Platforms

- Consigned designing and manufacturing services
- Printed circuit boards
- Contract testing services

TOPICS

Initiatives to Achieve the Growth of our TOKKI System Business

In April 2022—as initiatives to achieve the further growth of our TOKKI system business—OKI acquired the aircraft instrument business of the Yokogawa Group, and we also merged our two marine-acoustics subsidiaries.

By obtaining this aircraft instrument business, we plan to combine our technology, know-how, customer base, track record in overseas markets, etc. in the aircraft equipment market with our customer base and technical assets in order to expand our business into both the defense market and civilian market. In addition, by merging our two marine-acoustics subsidiaries, we will achieve a one-stop response to the diverse needs of our customers related to marine acoustics and marine vessels. Furthermore—as a company that takes measures against global warming and contributes to the development of marine resources by relying on core ruggedization* and acoustics technologies—we will pursue new business, including preserving marine resources, collecting marine data, and providing infrastructure utilization services for maritime companies.

*Ruggedization technologies: technologies used to make products and systems that lack environmental resistance heat resistant, cold resistant, waterproof, dust-proof, shock resistant, etc.

TOPICS

Joint Development of an A3 Monochrome Printer Engine by OKI and Ricoh

OKI and Ricoh Co., Ltd. jointly developed an A3 monochrome printer engine. Our two companies collaborated starting at the planning stage in order to develop a printer engine that would bring together our unique strengths, and we successfully reduced the development period by around 30% compared to conventional development, achieving improved development efficiency. This printer engine combines the technical strengths of each of our companies. For example, the engine uses an OKI LED print head, which achieves high definition and reliability and helps to make the equipment smaller, while Ricoh was in charge of making the paper feeding system highly reliable and capable of handling many kinds of paper, which are characteristics important for business use.

Going forward, our two companies are accelerating initiatives aimed at the further improvement of development efficiency, and we are also promoting collaboration with various partners in order to improve customer value and achieve more efficient Mono-zukuri.

OVERVIEW OF OPERATIONS

Solution Systems Business

We will accelerate the social implementation of DX solutions to realize stable earnings and sustainable growth.

Yuichiro Katagiri

Senior Vice President,
Head of Solution Systems
Business Group



Business Policy Achieve sustainable growth by supporting customers' DX initiatives and rolling out solutions horizontally

Strengths

- Terminal technologies in edge domains
- 5G and other network technologies
- Rich installed base and use cases

Opportunities and Risks

- Further acceleration of DX
- Expansion of solutions via innovative technologies such as 5G and AI
- Increased importance of distributed processing (edge computing) due to greater volumes of information

FY2021 Results

Our net sales were ¥162.6 billion, a 14.7% year on year decrease of ¥28.2 billion, and our operating income decreased by ¥6.8 billion year on year to ¥9.5 billion. Due to ongoing instability of the supply of materials—which affected our overall production and sales—a year on year fall in the number of major deals, which had increased in the previous year, lag, and other issues, our sales decreased.

Progress of Medium-Term Business Plan 2022 and Future Initiatives

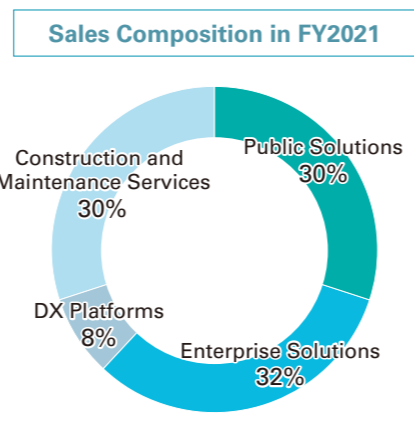
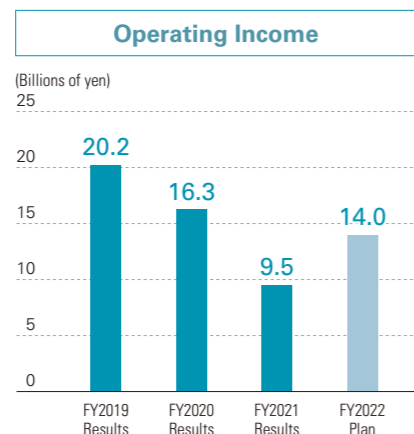
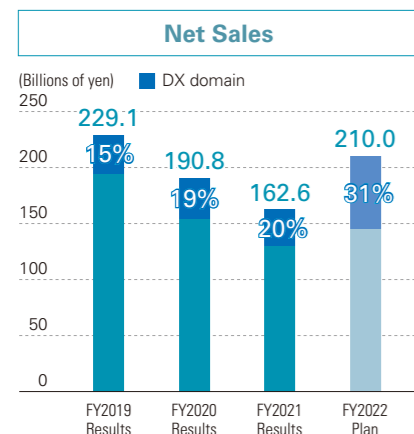
The Solution Systems business aims to realize sustainable growth by using AI Edge to support customer DX. Based on Medium-Term Business Plan 2022, our twin goals are to proactively carry out growth investments and expand sales in the DX.

Today, companies are engaging in DX initiatives year by year and investing in the digitization of work processes more aggressively. The reasons are wide-ranging, but include diversifying business models, shifts in consumption from products to solutions or services, and the need to respond to aging facilities and shortages of labor. Indeed, companies are taking COVID-19 as an opportunity to accelerate moves toward digital transformation.

In response, we are leveraging our terminal technologies

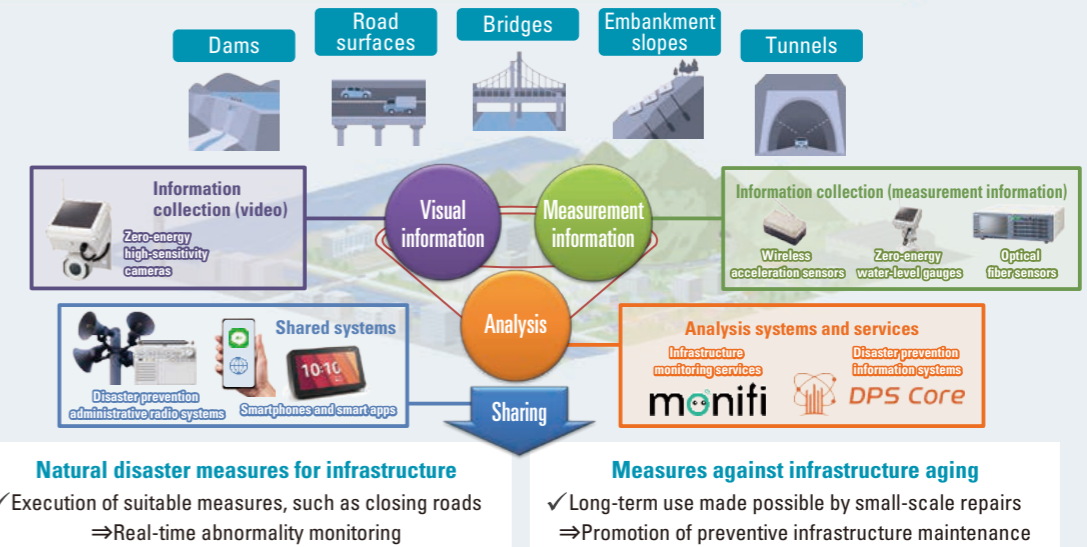
in edge domains, our network technologies, and our rich use cases to promote DX; at the same time, we are working with our partners to build DX ecosystems and create new solutions. Mainly in our focal areas of transportation, construction/infrastructure, disaster prevention, finance and retail, manufacturing, and maritime, we are promoting DX via co-creation with more companies than ever before. As of July 2022, we are working to create new solutions with 95 co-creation partners, have formed technological alliances with 119 AI Edge partners, in addition to which we are collaborating with open innovation partners. In these partnerships, we are in the process of exiting developmental phases and beginning to see results.

As one of our investments during the three-year period of our current Medium-Term Business Plan, we acquired the aircraft instrument business of the Yokogawa Group on April 1, 2022. As a result, we successfully expanded our TOKKI system business into the aircraft equipment market. In addition, we merged our two marine-acoustics subsidiaries to establish OKI Com-Echoes Co., Ltd. Through this merger, we will strive to achieve co-creation with diverse players as we strengthen both our selling ability and product appeal in the maritime development support/engineering field as well as the marine vessels/private special-purpose machinery field, thereby expanding our marine acoustics business.



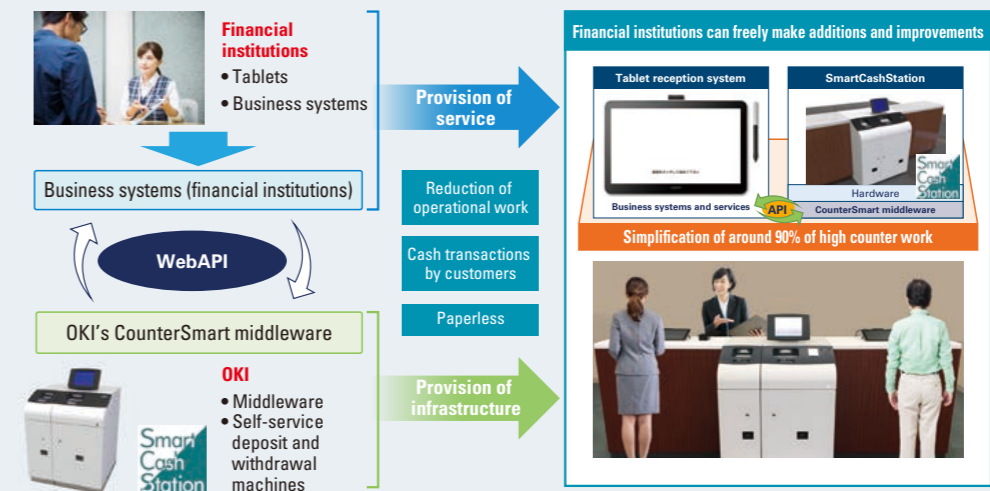
Solution Systems Business: Latest Examples

Measures to Address Infrastructure Disasters and Aging



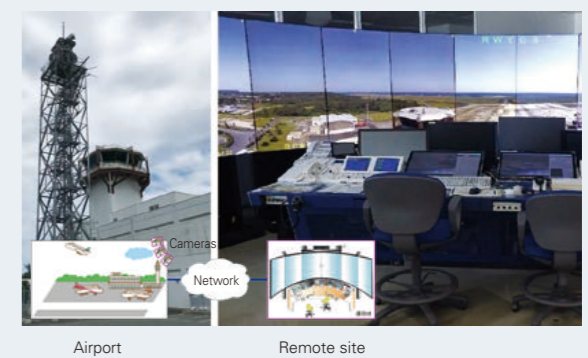
Next-Generation High Counters

Building semi-self-service high counters with business tablet systems developed by financial institutions as well as OKI's CounterSmart middleware and self-service deposit and withdrawal machines



Supporting Safe Air Traffic (Remote Control Tower Equipment)

- OKI—which has a track record of delivering air traffic control consoles to airports throughout Japan—has delivered remote control tower equipment that enables an understanding of and provides information on flights at and near radio airports—which do not have air traffic controllers—with a lot of air traffic to the Aviation Bureau of the Ministry of Land, Infrastructure, Transport and Tourism (Naha Airport and Amami Airport).
- OKI uses multiple large displays at a remote site to display a 360-degree panoramic version of video filmed by using multiple cameras set up at the airport. When these cameras detect a moving object, the view of the object with a detection frame is shown on the large displays to call attention to it, and specified moving objects can also be tracked and visually confirmed by using movable cameras.
- We will consider the operations at Naha Airport and Amami Airport as we promote further technological development to contribute to the digital transformation (DX) of air traffic control work.



OVERVIEW OF OPERATIONS

Components & Platforms Business

We will contribute to society and achieve growth through Mono-zukuri as a backstage role "Delivering OK! to your life."

Masatoshi Saito

Senior Vice President and Member of the Board, Head of Components & Platforms Business Group



Business Policy

Grow sustainably by solving social issues through Mono-zukuri

Strengths

- Hardware, mechanical and electrical optimizing technologies
- Product sales footprint
- Production for high levels of difficulty/various kinds, various volume, various flows

Opportunities and Risks

- Paperless, cashless development
- Increasing needs for automation, manpower reduction
- Customers' issues (fixed cost reductions, concentrating management resources on core processes, achieving high precision and high quality)

FY2021 Results

Our net sales were ¥189 billion, a 6.2% year on year decrease of ¥12.5 billion. In the Mono-zukuri Platforms business area, although we maintained good performance in terms of FA and semiconductor manufacturing equipment, the shortage of materials had a major effect on our production and sales, which resulted in a decrease in sales. In terms of profit, although the decrease in sales had an effect, we also benefitted from reduced fixed costs due to Peripheral Product business structural reforms as well as a ¥3.2billion reversal of our allowance for doubtful receivables as to ATM receivables for China, which resulted in our operating income increasing by ¥4.5 billion year on year to ¥3.5 billion.

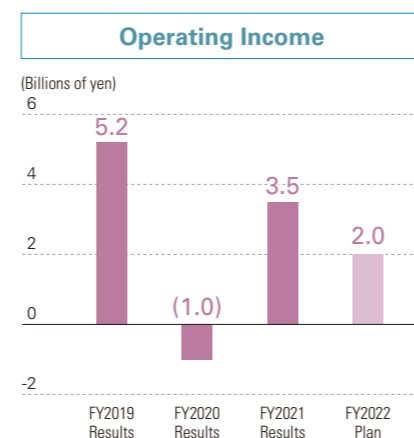
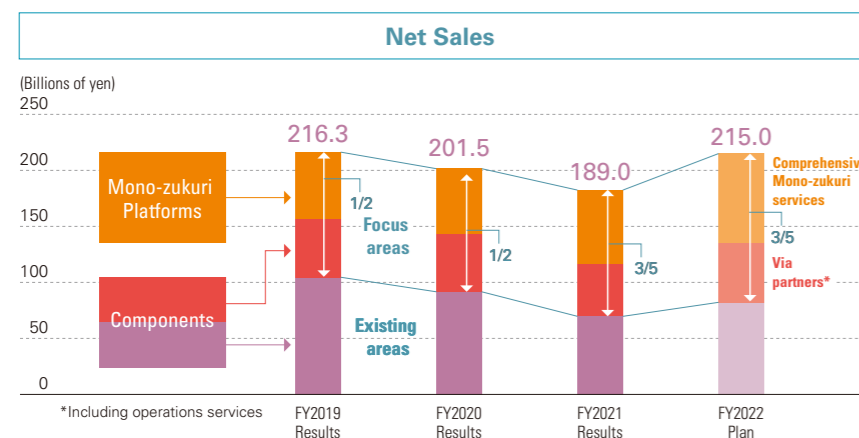
Progress of Medium-Term Business Plan 2022 and Future Initiatives

The Components & Platforms business is advancing its shift to a business model that will serve as a foundation for growth based on Medium-Term Business Plan 2022, aiming to achieve sustainable growth by resolving social issues through Mono-zukuri. In terms of focus areas, we aim to expand the ratio of sales for product, module, and service provision for partner companies in the Components business and comprehensive Mono-zukuri services overall in the Platforms business from

one-half in fiscal year 2019. Our keyword for growth is playing a backstage role in our mission of "Delivering OK! to your life." OKI will support society and our customers providing social infrastructure in resolving the issues they face through Mono-zukuri and achieve growth.

In order to achieve this growth, we are steadily progressing as planned with structural reforms, such as reducing personnel, consolidating sites, and reorganizing production sites in line with our revised overseas sales strategy. The 700-employee development team and global production sites established through the integration of our three former businesses are concentrating on fields of focus, with the majority devoted to the development of new fields such as retail and DMS (Design & Manufacturing Services). In addition, in order for customers to recognize us as a trustworthy partner, we are also working to refine and increase resources for the Business Collaboration Division newly established in fiscal year 2020. We will continue to optimize our personnel and resource allocations for new product development.

In fiscal year 2021, although our sales decreased due to a shortage of materials, in the second half, we announced products developed for our partners as well as jointly developed products, and we are making steady progress in terms of shifting our business model.



Initiatives to Strengthen Our Mono-zukuri Infrastructure

Three pillars

Portability

Alternative production

Mutually complementary

Smart factories

Advanced technologies

Design and manufacturing craftsmen and robots

System integration

Visualization

Production lines
Warehouses

Alternative production between factories

Collaboration between craftsmen and robots

Global online cooperation

Components Initiatives

Labor shortages, work-style reforms, and non-contact/non-face-to-face solutions are common issues across various fields, and OKI's mission-critical, light-weight mechatronics, our area of expertise, are finding increasing opportunities to play an active role. While OKI has been providing automation and manpower reduction technologies primarily to financial markets, against this backdrop we have begun initiatives to resolve issues faced by industries we had not focused on until now, such as distribution and retail as well as medical care. We currently have several development projects underway and are planning a sequential launch of new products from the second half of fiscal year 2021.

Furthermore, in addition to providing ATMs to financial markets, we also provide a wide range of operational services related to ATM maintenance and security, and we are taking advantage of our business results related to providing environments that enable our customers to concentrate on their core business as we strive to expand our operational services in the logistics and retail fields.

Mono-zukuri Platforms Initiatives

We aim to expand the range of services offered and increase sales through enhanced DMS. By promoting co-creation from the design stage, we can achieve efficient Mono-zukuri for

our customers. Due to our proactive approach towards various industries and a high level of customer need, we receive a tremendous amount of inquiries and our business negotiations are growing steadily in number. By further increasing opportunities for business negotiations and enhancing our promotional activities that lead these negotiations to orders, we are working to ensure that customers can select OKI's Mono-zukuri with trust.

In addition, to strengthen our Mono-zukuri infrastructure, we are working on invigorating our Mono-zukuri sites based on three pillars: portability, smart factories, and system integration. Here, "portability" means building a system that enables production at an alternative factory if an event that makes production difficult occurs at a given factory. In terms of "smart factories," advanced production engineers, or craftsmen, lead and collaborate with the IoT and robots with the aim of achieving the evolution of factories. Finally, for "system integration," we are introducing production management systems and progress management systems in order to establish a network that connects our factories and makes it possible to visualize their progress, performance, and other details.

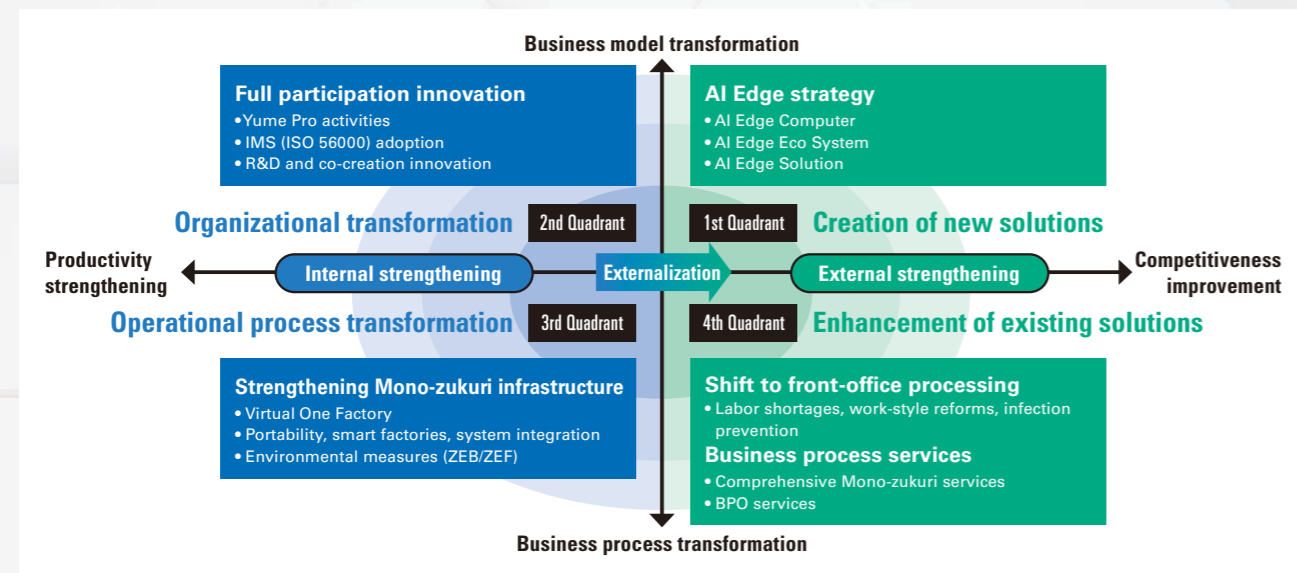
DX STRATEGY “Delivering OK! to your life.” in four quadrants

To help customers achieve digital transformation (DX), OKI unveiled a four-quadrant new DX strategy in June 2022, consisting of “organizational transformation,” “operational process transformation,” “creation of new solutions,” and “enhancement of existing solutions.” OKI is strengthening its DX technologies and processes to improve productivity, and offer these upgraded technologies and processes as new solutions and services to customers (“externalization”). As a partner that co-creates with customers, we are promoting DX for “Delivering OK! to your life.” and improving OKI’s competitiveness.

Corporate digital transformation (DX) is not simply digitizing analog operations; it also involves reforming internal organizations and operational processes. OKI’s new strategy calls for reforming our organization and operational processes by implementing and strengthening DX across the OKI Group (quadrants 2 and 3), and providing our upgraded technologies and processes to customers in order to accelerate their DX (quadrants 1 and 4).

An example of this strategy is our new plant (Honjo Plant H1 building) in the OKI Honjo district (Honjo City, Saitama

Prefecture) that began full operation in July 2022. It is materializing OKI’s “Manufacturing DX” solution concept aimed at becoming a smart factory. At the new plant, which is positioned as the flagship factory of the new DX strategy, OKI leverages the technologies and solutions that R&D and co-creation innovation have generated, and uses the technologies, processes, and know-how strengthened and accumulated at the factory to provide new solutions and enhance existing solutions, thereby helping customers realize DX in manufacturing and other divisions.



The four quadrants of OKI’s DX strategy

Message

OKI has a rich customer base and an installed base, as well as technological capabilities, including Mono-zukuri capabilities cultivated over many years. Our basic approach remains unchanged: we will leverage these strengths to promote DX while focusing on edge (on-site) domains. In four quadrants, the new DX strategy presents the framework for its steady implementation and the OKI Group’s specific initiatives, and lays out the action plan for advancing DX internally and externalizing its achievements.

Such externalization requires identifying customer needs through co-creation, while upgrading the Company’s technologies and processes, and complementing any deficiencies through alliances with partners to ensure their commercialization. The four quadrants are designed to help communicate the new strategy internally and externally and trigger dialogue and co-creation among the parties concerned.



Masashi Tsuboi
Executive Vice President,
Chief Digital Officer

SUSTAINABILITY INITIATIVES OF THE OKI GROUP

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

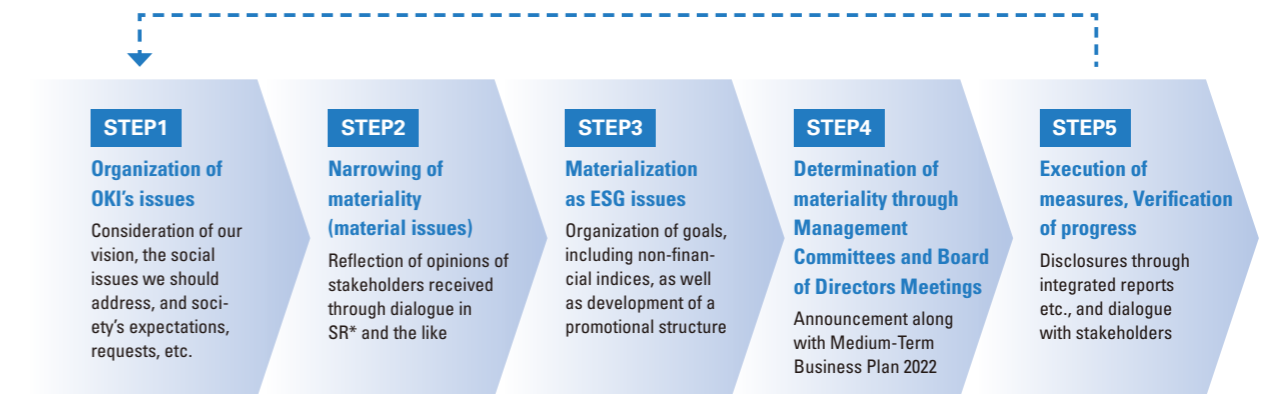
Based on its corporate philosophy, the OKI Group is working to advance sustainability initiatives as a company “Delivering OK! to your life.” Through the key Japanese concepts of Mono-zukuri and Koto-zukuri, we will contribute to resolving social issues and help create a safe and convenient infrastructure for customers and society as a whole, and we will also practice corporate activities that are worthy of the trust of stakeholders.

Promoting Initiatives Based on Materiality

The OKI Group, based on its “enterprising spirit” articulated in the corporate philosophy, has supported social infrastructure in a broad sense, consistently providing products and services that are finely attuned to the needs of real sites in society and contribute to their resolution. In addition, we created the “OKI Group Charter of Corporate Conduct” and the “OKI Group Code of Conduct,” which outline required actions to carry out sincere corporate activities that meet the expectations of stakeholders. The Charter and Code have been adopted across all Group companies and incorporated into OKI’s educational programs in order to be made well known and compulsory. They are regarded as the basis for OKI Group Values that all Group executives and employees hold in esteem in their pur-

suit of increasing corporate value (see page 1).

In order to maintain this stance over the long term and “Delivering OK! to your life.” as “a corporate group that 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,” which is our vision, we identified OKI’s issues and specified the materiality in fiscal year 2020 from the twin perspectives of creating social value and strengthening management infrastructure. Our environmental, social, and governance (ESG) initiatives embody this materiality, and an overview of our initiatives for fiscal year 2021 can be seen in the table on the following pages.



*SR: Shareholder Relations

The current materiality identification process

To Strengthen Sustainability Initiatives

OKI has set up the “Sustainability Promotion Working Group (WG)” as a mechanism to promote the strengthening of sustainability initiatives based on materiality. The WG, chaired by the President and comprised of the representatives of related corporate divisions, the Business Groups, and the Marketing & Sales Group, shares the progress and issues facing the activities. The WG promotes internal education, recognizing that all Group employees must take personal responsibility for sustainability. In fiscal year 2021, it hosted an online internal forum

on “OKI’s Targeted Sustainability Management” featuring the President and heads of related divisions as speakers. It also disseminated information on global sustainability trends via internal newsletters and the intranet.

OKI will continue to accurately disclose the progress of initiatives, and, based on this, advance dialogue with stakeholders to gauge OKI’s challenges and societal demands in a timely manner, provide feedback for activities, verify materiality, and so forth.

SUSTAINABILITY INITIATIVES OF THE OKI GROUP

Basic Approach to Human Rights

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 education through new hire trainings, trainings based on job position, and e-learning programs. The Group is also working 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” (see page 53). In addition to educating all employees through the compliance training program, we have established the Harassment Consultation Center as a contact point 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 employees who have consulted the center.

Furthermore, we made “Respect for Human Rights” the first principle of the “OKI Group AI Principles” (see page 26), which provides guidelines for OKI as a company that offers products and solutions using AI. The principle sets forth that the OKI Group strives to prevent discrimination by AI, respects privacy, and complies with laws and regulations concerning the handling of personal information. In addition, we conduct surveys on the human rights, labor, and other initiatives of our suppliers as provided in the “OKI Group Supply Chain CSR Deployment Guidebook” (see page 46).

In order to further promote such initiatives, in fiscal year 2022, we enacted human rights policy based on the UN Guiding Principles on Business and Human Rights. We will establish mechanisms in accordance with this policy and develop and implement measures for human rights due diligence and other requirements.

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 (TCFD)

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. (see page 41)

Japan Climate Initiative (JCI)

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.

OKI Group’s Materiality & ESG Initiatives

Materiality	ESG Themes	Initiatives for FY2020 to FY2022	FY2021 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 ¥110.3 billion, accounting for 31% of the net sales of the entire Group • Reduced CO ₂ emissions during procurement and product use by 18.1%, with the target set at 25% reduction by FY2030 (compared to FY2020 levels) • Completed criteria development for environmentally contributing products and considering their application for six circular economy projects (FY2022 target: 3 projects)	P41-44 P57-58
	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; launched “Zero Energy High-Sensitivity Camera,” which can monitor natural disasters such as river flooding and landslides day and night through solar power generation and advanced power-saving control • Basic training attended by a total of 8,163 Group employees, with the aim of realizing Group-wide participatory innovation • Number of Yume Pro Challenge applications increased to 254 • Trained 310 AI engineers with practical skills, against a target of 300 engineers by the end of FY2022 • Standardized skill items for hardware engineers in 49 fields and 492 items	P21-24 P19-20 P25-26 P45
	G • Positioning ESG at the core of management	• Promotion and evaluation of initiatives based on materiality	• Held an internal forum on “OKI’s Targeted Sustainability Management” featuring the President and heads of related divisions as speakers • Developed a CSR survey plan using self-assessment questionnaires for approximately 300 primary and secondary suppliers, and completed surveys of 51 companies targeted in FY2021	P34-36 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 4.2%, against a target of 3.1% (compared to FY2020 levels) • Purchased 450t-CO ₂ of renewable energy J-Credits, against a target of 450t-CO ₂ • Strengthened chemical substance management through working group activities • Achieved a recycling rate of 85.7%, against a target of 83%	P41-44 P57-58
	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	• Completed construction of a new plant in the Honjo district, the Group’s flagship plant, in April 2022 • Carried out questionnaires of all OKI Group employees on quality fraud prevention, as well as simultaneous inspections and on-site surveys at production bases • Introduced the “System of Working Outside the Commuting Area” to permit employees living outside the commuting area to telework • Training programs to support management in telework environments attended by a total of 2,000 employees • Realized a female management ratio of 3.6% at OKI, and 5.1% across the OKI Group as a whole • Continued to implement the selective Female Leader Development Program • Announced the “OKI Group Health Management Declaration” and promoted initiatives through collaborative health systems; 94.7% of employees received stress checks	P13 P45 P37-40 P57-58
	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 FY2021 • Expanded the scope of business risk identification at OKI business groups to include major subsidiaries • 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 in March 2022 and the FTSE Blossom Japan Index in June 2022	P47-52 P53-54 P41-44 P57-58

HUMAN RESOURCE MANAGEMENT

In order for the OKI Group to achieve sustainable growth by solving social issues and creating new value, it needs human resources who can respond flexibly to changes without being bound by conventional methods. The OKI Group has established five Action Principles as values shared by all executives and employees. We are working to cultivate human resources who can create new value by translating these Action Principles into practice in various situations and to foster an organizational culture that supports this.

Basic Approach to Human Resources

The OKI Group positions human resources as one of its most important management resources for adapting to changes in the social environment and for sustainable development. It aims to foster “autonomous employees” who implement actions based on the five Action Principles (see page 1), and thereby, respond flexibly according to their roles and create results by involving the people around them.

In Medium-Term Business Plan 2022, the “development and securement of human resources who will support Mono-zukuri and growth-area businesses” has been set forth as a personnel measure aimed at sustainable growth. We are developing personnel systems that lead to the further invigoration of sites of Mono-zukuri, such as on-the-job human resource development through target management and personnel evaluation and using skill assessment (see page 45) for the optimal assignment of human resources. From the perspective of supporting businesses in growth areas, we are working on the development of AI human resources with practical skills, including AI trainings according to occupation and level. In addition, we are promoting diversity and inclusion initiatives to realize “a workplace where all employees thrive at work and demonstrate their full potential.”

Initiatives for Human Resource Development

The OKI Group promotes the personal growth of each employee via both human resource development through work experience and human resource development through training and learning, and is taking the following initiatives to ensure that everyone has opportunities to grow and is evaluated appropriately.

Human Resource Development through Work Experience

•Thorough Management of Targets

The OKI Group thoroughly manages employee targets, based on the idea that setting high targets and implementing actions promotes personal growth. Furthermore, the target items are set taking into account the Action Principles in order to ensure that employees always carry out their work while being mindful of the Principles. OKI follows the steps outlined in the figure to appropriately break down organizational targets into individual targets and establish clear individual goals.

• Evaluation System

In order to promote the implementation of the Action Principles, OKI assesses the extent to which the Principles have been implemented with respect to the aforementioned set targets, as one of the evaluation indicators since fiscal year 2019. OKI also takes the following initiatives to perform fair and impartial evaluations of the achievement of set targets and of the processes leading up to these results.

Evaluation Feedback Meeting

Superiors hold meetings with their team members to provide feedback on their evaluation results. The objective is to make the evaluations more convincing, such that they lead to employees’ understanding of their evaluation-based treatment, further growth of employees through knowing their strengths and weaknesses, and improvement of organizational management through mutual understanding between superiors and team members. We check the effectiveness of the feedback meetings through the annual awareness survey.

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

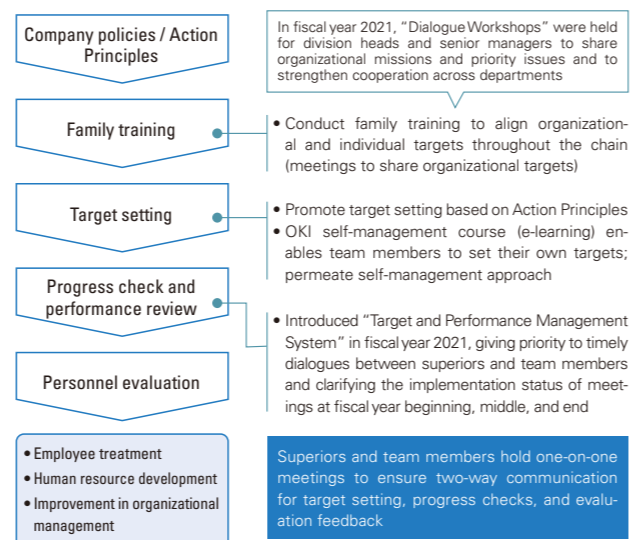
	Employees who gave a positive response*		
	FY2019	FY2020	FY2021
My current work was evaluated properly	61% (64%)	61% (68%)	61% (70%)

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

*Figures in parentheses represent only OKI

Support for Evaluators

To enhance the evaluation skills and quality of feedback provided by superiors who perform the evaluations, we hold “evaluator training” to educate superiors about the evaluation approach and feedback methods and conduct the “360-degree evaluation” to objectively assess the actions of evaluators and clarify their strengths and weaknesses.



System of human resource development through work experience

Human Resource Development through Training and Learning

• Support for Personal Growth

The OKI Group provides all employees with career design opportunities for their continuous personal growth, and has established a training system to support career development and provide opportunities to acquire specialized knowledge.

Career Design Meeting

At OKI, employees hold a career design meeting once a year with their superiors. The meetings are intended to support autonomous career development, with the aim of helping each employee transform their actions as autonomous employees.

Training System

The OKI Group has established a comprehensive training system that allows employees to receive training regardless of their job position and occupation. The system consists of “common training for business skills” to learn about marketing, innovation, accounting, and foreign languages, “training based on job position” to learn about the roles of each job position, and “specialized and departmental training” to hone professional expertise such as sales, technical, and production skills. In fiscal year 2021, the total number of training hours per OKI employee was 170 hours.

	Common training for business skills	Training based on job position	Specialized and departmental training
Executives	Innovation, AI, Foreign language and accounting	Training for new assignees by position	
Managers		Management, Career design	Quality Control, Sales, Production skills, Techniques
General employees			

Training system of the OKI group (In Japan)

Developing Executive Talent

Through their work, we develop executive talent and business leaders who will be responsible for the OKI Group in the future. In this gradual process that starts from a young age, we give tough assignments that require on-site practice, assign careers suitable for the next generation of management executives, offer selective internal training programs, and dispatch employees to external business schools.

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

Creating an Environment Where Diverse Human Resources Can Demonstrate Their Full Potential

Promotion of Diversity and Inclusion (D&I)
 The OKI Group’s D&I is a management strategy for strengthening human resources. It supports respecting and valuing the diversity of employees with the aim of creating innovation, increasing motivation, and achieving sustainable growth

for the organization. In order to foster a corporate culture in which diverse human resources respect each other’s differences in gender, age, disability, SOGI (sexual orientation and gender identity), nationality, and personal life, and in which they can engage in their work with a sense of fulfillment and demonstrate their full potential, the Group conducts internal awareness-raising activities, establishes diversity-conscious programs, realizes flexible work styles that increase efficiency, and develops a scheme for appointing individuals based on their evaluation. In addition, meetings chaired by the head of the OKI Human Resources and General Affairs Division have been conducted to promote D&I through coordination among OKI Group companies.

Learning about D&I Together

For continuous learning on respecting each other and making the most of diversity, we hold an annual joint learning event on D&I promotion for executives, managers, and general employees of the OKI Group. In fiscal year 2021, we held a seminar on “unconscious bias” with the aim of encouraging behavioral changes among employees to ensure fair and objective assessment of each other’s abilities and motivation. Approximately 350 employees attended, and 95% of them answered in a survey immediately afterwards that the seminar was beneficial. In a survey conducted one month later to check changes in behavior, 96% of the 228 respondents said they had become more conscious of their behavioral biases.

To Enable Everyone to Balance Work and Private Life

At OKI, the labor union and management members confirm employee work hours and paid leave and maintain a host of systems to support balancing work with childcare/caregiving, among other duties, including the flextime system without core time (super flextime), the flextime system, the teleworking system, systems to provide special work conditions for people caring for children and nursing the elderly, as well as a Special Leave for Particular Purposes system which can be used to nurse family members, to attend children’s school events, and so forth. In addition to providing OKI Group employees with “Training on Balancing Work and Childcare,” OKI has established a system that enables everyone to balance work and childcare, including holding “Returning Employee Meetings” among the three parties of employees who have returned from childcare leave, their superiors, and the Human Resources and General Affairs Division for anyone who is interested. The OKI return-from-childcare-leave rate was 100% in fiscal year 2021. In the same year, we held a new seminar on balancing work and caregiving, which was attended by 240 employees from Group companies. We have also established paid leave systems that employees can utilize for infertility treatment and external volunteer activities.

Promoting Older Employees’ Participation in the Workplace

In order to leverage and smoothly pass on the techniques and skills cultivated by employees, OKI supports the workplace participation and diverse work styles of older employees who continue to be hired after retirement. Based on the principle of continued employment in workplaces where the employee

HUMAN RESOURCE MANAGEMENT

can be expected to play the most active role while meeting his/her needs and expertise, we support pre-retirement employees in designing their careers after retirement by holding meetings with them and confirming their career paths. In addition, as with regular employees, we have introduced systems that lead to increasing the participation and motivation of older employees, such as target management and evaluation system. The continuous employment system is for all employees who wish to continue working until they reach the age of 65. Since April 2021, we also have a continuous employment system for those who meet certain criteria for employment until they reach the age of 70.

Promotion of Hiring of Challenged People

The OKI Group promotes the hiring of challenged people. OKI provides support at the time of hiring and at work, raise awareness at the workplace where challenged people are assigned, and develop a training system so that challenged employees can play an active role in a variety of workplaces without being limited in their job areas or occupations. In addition, OKI WorkWel, a special subsidiary established in 2004 with the aim of providing opportunities for people with serious physical impairments to work from home using the network, employs 77 challenged employees as of June 2022. Among them, 59 with serious physical impairments work from home in 22 prefectures, utilizing their IT skills for tasks such as building websites. The OKI Group's employment rate for challenged people* in FY2021(June 2021) was 2.44%.

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

Promoting Women's Participation and Advancement in the Workplace

Aiming to support women so they can pursue their own growth and develop their careers in ways that allow them to demonstrate their full potential, OKI has drawn up an action plan to promote women's participation and advancement in the workplace. We have set the following action plan targets to be achieved by April 2023: (1) reduce the number of overtime hours for full-time employees so that it is equal to or lower than the fiscal year 2019 monthly average (24 hours); and (2) increase the female management ratio to 5%.

The female management ratio in fiscal year 2021 was 3.6% for OKI and 5.1% for the OKI Group. We continue to provide training to cultivate female leaders on a selective

Female Executives and Employees

		End of FY2019	End of FY2020	End of FY2021
Number of female executives	OKI	2	2	1
	OKI Group	5	5	6
Female management ratio	OKI	3.4%	3.3%	3.6%
	OKI Group	5.9%	5.3%	5.1%
Percentage of female employees	OKI	12.8%	13.1%	13.5%
	OKI Group	22.4%	22.9%	23.2%

basis to raise female employees' awareness about becoming managers. We are also engaged in workplace training for appointing female employees as managers.

Initiatives for Sexual Minorities

Aiming to become a workplace in which everyone is respected and able to securely demonstrate their abilities, since fiscal year 2019, the OKI Group has provided e-learning materials that allow users to gain basic information at any time about LGBTQ, which refers to sexual minorities. In fiscal year 2021, 99.9% of employees of the OKI Group in Japan took e-learning to help entrench this knowledge.

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

Initiatives for the Smart Work-Life Project

The OKI Group launched the Smart Work-Life Project in August 2020 to enable diverse human resources to demonstrate their full potential in anticipation of lifestyle changes during and after the COVID-19 pandemic. The Group is reviewing its systems and promoting the digital transformation of work styles based on the concept of "derive maximum value out of time and dramatically improve work life quality."

Greater Flexibility in Work Location and Hours

In April 2021, OKI introduced the "System of Working Outside the Commuting Area," which permits employees who live outside the commuting area to telework, with the aim of reducing the number of employees who must transfer (move) because they are assigned to an area outside their commuting area or must move without their families (live separately from their families), as well as reducing the number of employees who leave OKI due to their spouse's relocation, childcare, or caregiving. Furthermore, as part of the activities to link employees' smart work-life efforts and endeavors to company-wide productivity improvements, OKI launched the "Smart Work-Life Award System" in fiscal year 2021. Through this system, employees vote for and praise work style efforts which have been registered on the intranet. OKI also offers online seminars on target management and communication as part of its management support. Approximately 2,000 OKI Group managers have attended these seminars as of fiscal year 2021.

Office Reorganization and Rearrangement

In fiscal year 2021, OKI newly defined its Toranomon office as a "space for co-creation with customers" and a "space for employee collaboration," introducing open seating at workspaces and establishing café-style meeting spaces. We have increased co-creation opportunities by turning our rooms into showrooms, including conducting demonstration testing of our remote communication system, and guiding customers through these showrooms along with our existing product and solution showrooms.

Website "Initiatives for Smart Work-Life"
<https://www.oki.com/en/sustainability/csract/emp/ swl.html>

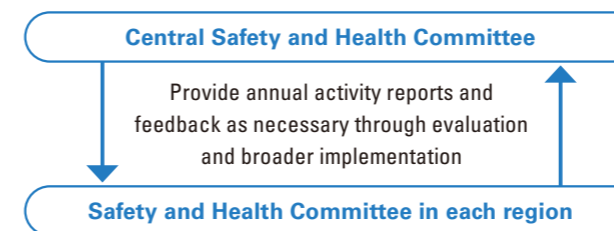
Initiatives for Occupational Health and Safety, Health Management

Occupational Health and Safety Initiatives

In each region, OKI established a "Safety and Health Committee" comprised of management and labor union members. These develop safety and health systems and 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 encourage their broader implementation. In 2021, OKI's incidence rate of occupational accidents*1 was 0.09 (electric machinery/equipment manufacturing industry's average in Japan: 0.54) and severity rate of occupational accidents*2 was 0.00 (electric machinery/equipment manufacturing industry's average in Japan: 0.01).

*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 workdays per thousand man-hours worked, representing the severity of occupational accidents.



Structure for occupational health and safety promotion

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 2022, following the previous fiscal year, OKI was certified as a "2022 Health and Productivity Management Outstanding Organization" in the large enterprise category as a company that takes proactive initiatives for health promotion.

OKI Group's Key Indicators for Health Management

OKI Group's priority health issue target indicators	FY2019 results	FY2020 results	FY2021 results	FY2026 target
Body				
Obesity prevention / reduction of obese employees	31.6%	33.5%	32.9%	31.0%
Percentage of obese employees				
Mind				
Preventing mental health problems	93.1%	95.4%	94.7%	100.0%
Percentage of employees who took stress checks				
Awareness				
Promoting health awareness that leads to action	17.9%	20.4%	21.5%	30.0%
Exercise habit establishment rate*				

*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/csract/emp/ health_safety.html

Monitoring for Increasing Work Engagement

The OKI Group continues to conduct an annual awareness survey of all employees to see whether the measures described above are contributing to a positive workplace and to rewarding work for each employee. Our goal is to achieve a 70% positive-response rate* for "rewarding workplace (the workplace is positive and work is rewarding)" in fiscal year 2022, the final year of Medium-Term Business Plan 2022.

Increasing work engagement requires understanding managerial issues and providing appropriate support. To this end, we have been conducting an employee pulse survey since fiscal year 2020. In fiscal year 2021, we expanded the survey to approximately 8,200 OKI Group employees, and conducted triannual routine monitoring and analyzed its results. We found that improvements in work environment led to greater work efficiency. The importance of communication with others and linkages with organizational targets was also confirmed.

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

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

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

*Figures in parentheses represent only OKI

CONSIDERATION FOR THE ENVIRONMENT

The OKI Group considers its mission to be responding to increasingly severe climate change and resolving social issues in order to pass on a better global environment to the next generation. Therefore, we consider environment-related business risks and opportunities from the medium- to long-term perspective to promote environmental management. The OKI Group is taking efforts to mitigate environmental impact, such as reducing CO₂ emissions during the production process, as well as provide products and services that contribute to the resolution of environmental issues.

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 systemically 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 President is the chief officer for promoting environmental management, including climate-related risk management. Important matters related to environment are decided at the Management Committee, etc. The Sustainability Promotion Working Group considers issues related to sustainable growth, including climate change, and reports to the Management Committee. Matters that may significantly impact business are reported to the Board of Directors.
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"> Comprehensive risk is managed centrally by the environmental management system of the entire OKI Group under the responsibility of the President. Each business group and the corporate group work together to plan, execute, monitor, and revise this system. OKI has deployed countermeasures in the Group to prevent "common risks" as established by the Risk Management Committee, which manages risks across the entire Group.
Indicators/Targets	<p>Indicators used</p> <ul style="list-style-type: none"> CO₂ emissions from business activities in the supply chain including OKI sites (SCOPE1+2, SCOPE3) Environmental contribution net sales <p>SCOPE1,2,3</p> <ul style="list-style-type: none"> Entered on ESG data section (see pages 57-58) of this report and on the table published on the website. <p>Targets/results</p> <p><CO₂ emissions (in compliance with SBT*2)></p> <ul style="list-style-type: none"> FY2030 target: 42% CO₂ emissions*3 reduction at OKI sites and 25% CO₂ emissions*4 reduction at suppliers and from the use of products (compared to FY2020) FY2021 result: 3.1% reduction at OKI sites, 18.1% reduction at suppliers and from the use of products <p><Environmental contribution sales></p> <ul style="list-style-type: none"> Target of 50% of net sales of the entire Group by FY2030. In FY2021, this figure was 31%. (We are enhancing categories and definitions. Please see page 43.)

*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

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. Needs are also expected to rise for disaster information systems that serve to prevent severe damage.

Scenario Analysis				Strategy/Initiatives
Category	Expected Phenomena	Risk/Opportunity	Impact on Future Finances	
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 Higher costs stemming from strengthening decarbonization at business sites 	<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 - 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.) - 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.
		Opportunity	<ul style="list-style-type: none"> Expansion of demand for the following OKI Group products - Decarbonization/energy-saving solutions - Technologies that support the spread of renewable energy - Hardware products that operate on renewable energy 	<ul style="list-style-type: none"> Product: Expansion and creation of environmentally friendly products - Visualize and seek out environmental contribution net sales that utilize IoT and AI - Creation of decarbonization/energy-saving solutions - Support to improve efficiency of customer operations through operations outsourcing - Expansion of hardware products that operate on renewable energy E.g. Zero Energy Gateway - Strengthening of R&D (AI weight reduction, etc.) - Launch of internal decarbonization task force
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 	<ul style="list-style-type: none"> Site: Strengthen climate change BCP/BCM - 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 - Strengthen surveys of climate change risks for suppliers
		Opportunity	<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) 	<ul style="list-style-type: none"> Product: Strengthen business deployment through disaster information systems, etc.
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 	<ul style="list-style-type: none"> Product: Strengthen sharing of operations across the entire Group Site: Review facility inspection/exchange standards
		Opportunity	<ul style="list-style-type: none"> Product: Expansion of demand for efficiency improvement in chemical substance management (manufacturing field) 	<ul style="list-style-type: none"> Product: Deployment of survey systems and analysis services for chemicals in products
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 	<ul style="list-style-type: none"> Site: Waste reduction - 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
		Opportunity	<ul style="list-style-type: none"> Product: Expansion of demand for resource-saving products and recycling services 	<ul style="list-style-type: none"> Product: Reduce burden on customers by recovering used products utilizing the wide area certification system for industrial waste

*1 See IEA's Sustainable Development Scenario (SDS) and IPCC's SSP1-1.9 and 1-2.6
 *2 See IPCC's SSP5-8.5

CONSIDERATION FOR THE ENVIRONMENT

Revision of Environmental Vision 2030/2050

Climate change is now at the point of a “climate crisis.” The Sixth Assessment Report released in 2021 by the IPCC (United Nations Intergovernmental Panel on Climate Change) suggests that the CO₂ budget remaining for limiting warming to 1.5°C is likely to be marginal.

In light of this situation, OKI revised the fiscal year 2030 targets in the OKI Environmental Vision 2030/2050, which

sets forth medium- to long-term targets, so as to comply with the science-based targets for reducing greenhouse gas emissions that are in line with the Paris Agreement (SBT). OKI applied for target certification with the secretariat of the SBT initiative, and is considering and promoting a range of initiatives for energy saving and renewable energy use for the achievement of the targets.

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: Virtually zero CO₂ emissions at OKI sites, virtually 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/eco/management/vision.html>

For the Creation and Penetration of Environmentally Contributing Products

In fiscal year 2019, OKI began tallying net sales of environmentally contributing products for their penetration and creation, including products to address climate change. The net sales of environmentally contributing products in fiscal year 2021 was ¥110.3 billion, which represents 31% of the net sales of the entire Group.

In calculating net sales, we reestablished the OKI Group’s

criteria for environmentally contributing products (definitions and classifications) and developed Group procedures for their registration. OKI prescribed these criteria as an internal regulation that is also a checklist, so that developers in the company foster a common understanding of the relationship between products and the environment, leading to the creation and penetration of environmentally contributing products.

Criteria for Environmentally Contributing Products	<ul style="list-style-type: none"> Reduces causes of environmental impact or damages from environmental deterioration (qualitative and quantitative) Mitigates damage from climate change (qualitative) Streamlines management of environmental impacts (qualitative and quantitative) 				
Contribution Area	Decarbonization, resource saving/waste reduction, chemicals management/pollution prevention, etc.				
Contribution Method	<p>Direct contribution from using the product. Indirect contribution from streamlined operations through the use of the product is also acceptable.</p> <table border="1"> <tr> <td>Direct</td> <td>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</td> </tr> <tr> <td>Indirect</td> <td>Indirect contribution from streamlined operations through the use of the product Ex) “LocoMobi” ITS service: collects and analyzes road information → alleviates road congestion → reduces fuel consumption → decarbonization</td> </tr> </table>	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 from streamlined operations through the use of the product Ex) “LocoMobi” ITS service: collects and analyzes road information → alleviates road congestion → reduces fuel consumption → decarbonization
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Please see “OKI Eco Products” and “OKI Eco Solutions” on our website for details about environmentally friendly products.

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

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

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. Of the themes addressed in the R&D department, we place particular focus on themes such as those in the chart below while remaining engaged in the traditional themes. There are nine technological themes that directly contribute to the environment, such

as power-saving and resource-saving in ICT equipment like servers, as well as 18 technological themes that indirectly contribute to reducing environmental impact through the use of digital technology. OKI is also conducting activities to search for new business opportunities that solve environmental issues.

Themes	Direct/Indirect	Outline
Laser vibration sensing technology	Direct	Technology that uses laser light to sense machinery and equipment vibrations without contact. By branching and connecting to numerous optical sensor heads with optical fiber, a single device can measure the vibration of multiple pieces of machinery and equipment spread out across a large facility and contribute to efficient predictive maintenance.
Zero-energy IoT technology	Direct	Power-saving IoT technology that does not require communications/power lines through the combination of solar power generation and wireless communications. It is an easy-to-install compact and lightweight structure designed for Japan’s sunny environment and is capable of year-round operation. By connecting various sensors, it 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	Technology that contributes to CO ₂ emission reductions by splitting deliveries to destinations through the optimization of delivery routes, reducing the number of vehicles and shortening the travel distance/time.
Remote work support technology	Indirect	Technology that contributes to limiting travel by connecting workers at factories and other sites via communications and enabling remote work guidance. Based on the work being performed, it is installed with video and audio technologies, such as head-mounted display and wearable camera, as well as a system for providing intuitive work instructions using gestures.
Behavioral change technology	Indirect	Technology that recommends environmentally friendly behaviors through a smartphone or other devices at timings suited to the individual, such as purchasing actions that lead to food loss reduction and the habitual use of stairs. It predicts an individual’s behavioral tendencies and makes recommendations at their most optimal timing.

Water Consumption Reduction Targets and Water Shortage Risk Responses

The OKI Group consumed 1.72 million m³ of water in fiscal year 2021. Production sites accounted for approximately 95% of this amount, with approximately 90% used at production sites in Japan and approximately 5% at overseas production sites. In fiscal year 2021, water intake/consumption in water-stressed areas was 45,000 m³, or about 3% of the Group’s total water consumption, and the risk of water shortage is considered to be low at present. (Water stress is defined as baseline water stress of “high level” or higher in Aqueduct’s Water Risk Atlas and is evaluated periodically.)

Believing that the impact of climate change will be felt through water in general, OKI set the Group’s overall water consumption reduction target for fiscal year 2022 at “absolute reduction of 0.2% or more compared to fiscal year 2021” in preparation for future water shortage risks. We plan to reduce consumption by continuously setting targets based on the results of fiscal year 2022 and other factors.

At production sites in Japan, for example, water used in production processes is neutralized and detoxified using chemicals before being discharged. Today, in many cases, these sources of water are groundwater, which is abundant

in Japan due to its geographical environment. Nevertheless, mindful of the aforementioned future water shortage risks associated with climate change, we began setting targets for reducing water consumption in fiscal year 2022, mainly at sites with large water withdrawals.

At the factories in Thailand, where the risk of water shortage is high, almost no water is used in the production process because the factories are assembly plants. However, considering the scarcity of water resources in the region, we have been setting water consumption reduction targets and will continue to do so. In preparation for water shortages, one of our factories in Thailand has agreed to cooperate with an industrial park in dealing with water shortages. Groundwater will be provided by the industrial park in the first stage of water shortage, and after the prescribed number of days, recycled water will be provided in the second stage. The plant will not use this water for production from the viewpoint of conductivity of water quality and, as a rule of the factory, use it only for the daily life needs of employees, such as toilets and cafeterias, in consideration of production quality.

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

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

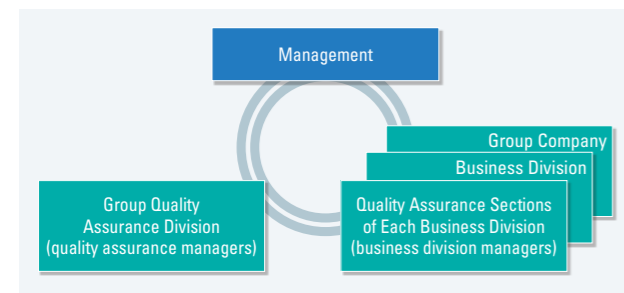
QUALITY- AND PRODUCTION-RELATED INITIATIVES

Under its quality philosophy of “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, produce and provide products and services with due consideration for safety and user-friendliness.

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 conduct quality assurance through collaboration between the Group quality assurance division, which adopts a Groupwide perspective, and the quality assurance sections of each business division, which have business-specific functions.

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. In our ongoing efforts to prevent quality fraud, in fiscal year 2021 we conducted questionnaires with 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. We share activities from each site for fraud risk mitigation and quality improvement through means such as Groupwide quality liaison meeting, as we aim for cross-lateral development of these activities.

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.

• Succession of Skills and Know-how

The OKI Group conducts group activities in which production base supervisors announce and award everyday improvement activities. To award and share effective initiatives and to promote cross-lateral development and succession, a Groupwide “Production Reform Award Presentation” and “Quality

Improvement Award Presentation” are held once a year, respectively. In fiscal year 2021, the Production Reform Award was conferred to the “Large-scale Overseas Production Transfer of the Printer Business” that was achieved amid the pandemic, and the Quality Improvement Award was conferred to “Quality Awareness Reform Efforts,” which organically linked corporate culture improvements, human resources development, and improvement activities.

In addition, with the aim of improving the technical capabilities of customer engineers (CE), who are responsible for equipment maintenance for customers, and improving how effectively CEs respond to customers, OKI Crosstech, a maintenance service company, organizes an “IT Technology Contest” each year. In fiscal year 2021, 20 representatives of 1,200 CEs in Japan competed on maintenance and customer service skills using the CrosCore PBX and USCOS II recycling withdrawal/deposit machine. The contest was streamed in Japan, and operations that received a high score were archived to contribute to the skills enhancement of CEs as a whole.

Enhancing Safety and User-Friendliness

Under its Product Safety Basic Policy, the OKI Group is committed to enhancing product safety from various perspectives including by incorporating safety requirements into its own activities and into contracts with suppliers. We have established rules for responding quickly to quality-related problems and we manage the progress of each problem until it is corrected and prevented from recurring.

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

Mono-zukuri Infrastructure Reinforcement Initiatives

Within the OKI Group, asking the question of “what is Mono-zukuri that contributes to customers,” we are reinforcing our Mono-zukuri infrastructure as a foundation for growth. The development environment that has been optimized for each specific business is now seeing standardization across development tools, such as electronic CAD, mechanical CAD, component technology information systems, and PDM. We are also standardizing measures for the environment and compliance with various laws and regulations. In fiscal year 2021, we standardized the skillsets of hardware engineers as part of our commitment to developing and making effective use of human resources.

Website “Quality Initiatives”
<https://www.oki.com/en/sustainability/csract/customer/quality.html>

SUPPLY CHAIN INITIATIVES

To promote fair corporate activities in response to the voice of stakeholders, cooperation from suppliers is essential. We are committed to building relationships of trust with our suppliers. This commitment is reflected in our OKI Group Procurement Policies, which illustrate our basic approach to procurement activities. The policies stipulate “fair and honest selection of suppliers,” “procuring activities that incorporate the concepts of CSR,” and “pursuit of appropriate levels of quality and cost and stable procurement of materials.”

Legal Compliance Initiatives

In accordance with the OKI Group Code of Conduct, we emphasize fair, honest, and non-discriminatory selection of suppliers, as well as sincere and fair business transactions. To ensure that our procurement activities are conducted properly, OKI conducts biannual workshops on purchasing-related laws for persons in charge of materials- and procurement-related divisions, including those of subsidiaries. At the workshops, we provide education and share information on the OKI Group’s policies as well as relevant laws including the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. In fiscal year 2021, we held the workshops on purchasing-related laws online in September and February. A total of 240 people participated. In addition, 29 people participated in the Ministry of Economy, Trade and Industry’s online lecture on Subcontract Act cases and practices.

Promoting CSR-Conscious Procurement

As a CSR guideline for suppliers and business partners, the OKI Group established the OKI Group Supply Chain CSR Deployment Guidebook, which covers areas such as human rights and labor, occupational health and safety, environment, fair trade and ethics, product quality and safety, information security, business continuity plans, and the construction of a management system, in compliance with the Responsible Business Conduct Guidelines published by JEITA (Japan Electronics and Information Technology Industries Association). Based on these guidelines, OKI is conducting CSR surveys through self-assessment questionnaires given to domestic and overseas suppliers and business partners, and is also monitoring CSR initiatives of domestic suppliers and business partners through visits.

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. In fiscal year 2021, we received questionnaire responses from 51 of these suppliers and business partners with manufacturing bases in Asia and China. Primary suppliers and business partners which are trading companies were asked to submit questionnaires to secondary suppliers and business partners. In this survey, no suppliers and business partners raised concerns regarding CSR initiatives. OKI will continue to expand and revise the details of CSR surveys in light of the growing interest of stakeholders in ESG. In fiscal year 2022, we plan to ask approximately 100 companies to fill out CSR surveys.

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 earthquakes, typhoons, torrential rains, and other natural disasters that are occurring frequently in recent years, and are preparing for disasters by regularly examining the locations of our suppliers’ manufacturing bases and improving communication protocols for times of emergency. In the event of a disaster, we strive to maintain our supply chain by keeping in contact with suppliers and business partners across the OKI Group and making necessary adjustments.

In fiscal year 2021, a global materials shortage emerged, including semiconductors, as demand rapidly increased for computers and servers worldwide due to the spread of telework and other lifestyle changes with the COVID-19 pandemic, followed by a rapid recovery in demand for automobiles. Materials supply continues to be unstable as measures to prevent the spread of COVID-19 in China and Southeast Asia have resulted in suspension of plant operations and logistical disruptions. 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. OKI will continue to work and coordinate with suppliers and business partners in order to secure materials.

Constructing a Relationship of Trust with Suppliers and Business Partners

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.

OKI has prepared and announced a “Declaration of Partnership Building” encouraged by the Ministry of Economy, Trade and Industry in line with the purpose of the above initiatives. We strive to further strengthen partnerships between the OKI Group and suppliers in accordance with this declaration, which states OKI’s intention to improve operational efficiency by sharing and visualizing information across the entire supply chain, engage in initiatives that increase mutual and collaborative added value through the sharing of purchasing plans, and ensure employees are trained to make judgements and act based on the OKI Group Procurement Policies.

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

CORPORATE GOVERNANCE

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. The positions of Chief Executive Officer (CEO) and Chief Operating Officer (COO) have been established since April 2022. The new system is designed to further reinforce the management force and speed up the decision-making process, where the CEO has the ultimate responsibility for the management strategies of the whole Group and the COO is responsible for the execution of the operations. 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 in consideration of diversity, such as expertise, work experience, and gender based on a skills matrix. Four directors, which is about half of the Board of Directors, are outside directors with a high level of independence 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. In fiscal year 2021, the effectiveness of the Audit & Supervisory Board was evaluated based on Audit & Supervisory Board members’ self-evaluation. Future improvements in auditing activities were considered, and improvement measures were developed.

• 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 four outside directors, and after receiving advice and deliberating 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.

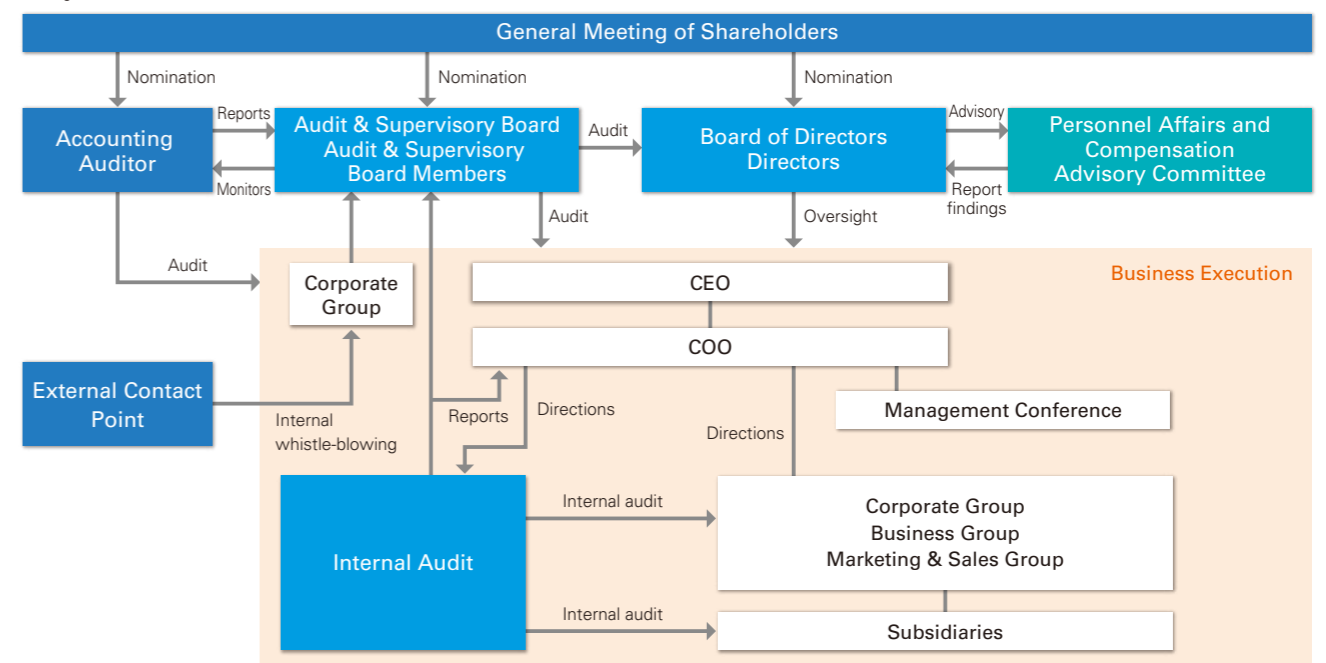
• Appointment and Dismissal of Directors and Executive Officers

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

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	○			Representative Director (CEO)
	Takahiro Mori	○			Representative Director (COO)
	Masayuki Hoshi	○			Executive Vice President, Representative Director
	Masashi Fuse	○			Senior Vice President, Member of the Board
	Masatoshi Saito	○			Senior Vice President, Member of the Board
	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	Toshiya Hatakeyama	△		●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				●	●	●	●	
	Masashi Fuse				●		●	●	
	Masatoshi Saito			●		●			●
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

with, deliberated with, and reported to the Personnel Affairs and Compensation Advisory Committee, which then submits their proposal to the Board of Directors.

• Internal Auditing

OKI has established the Group Internal Auditing Division tasked with internal auditing. The division is comprised of 20 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 stock-compensation type stock options 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 post.) Separately, stock options as stock-based compensation for directors (excluding outside directors) was passed at the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016 and the 97th Ordinary General Meeting of Shareholders held on June 29, 2021, limiting the amount to within ¥100 million a 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 2021, and came to the conclusions outlined below:

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 previous fiscal year.
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. The questionnaire was the same as the previous fiscal year. It was based on "Corporate Governance Code" and related materials.

• Results of Effectiveness Evaluation of the Board of Directors

With regard to the results of the evaluations for fiscal year 2021, it was recognized that the effectiveness of OKI's Board of Directors has improved and that further improvement was needed. Overall, the effectiveness was at around the same level as that in the previous fiscal year. The details are as described below.

- In managing the progress of the "Medium-Term Business Plan 2022," the managers of business and marketing & sales sections reported directly at the Board of Directors' meeting and a Q&A session was held to provide a realistic picture. On the other hand, there were variations in the level of explanations regarding quantitative monitoring based on KPIs, and therefore, further improvements will be made to the content.
- "Successor Development Plan for the President" was discussed at the Personnel and Compensation Advisory Committee, whose members are outside directors, and the president was replaced. Going forward, we will continue to hold discussions regarding the formulation of a plan for training the next or subsequent group of management.
- No significant improvements were made in the creation of "opportunities to provide field information to outside directors" amidst the COVID-19 pandemic. We will increase the number of visits to business sites while taking measures to prevent infection and increase communication between outside directors and execution sites.

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. 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.

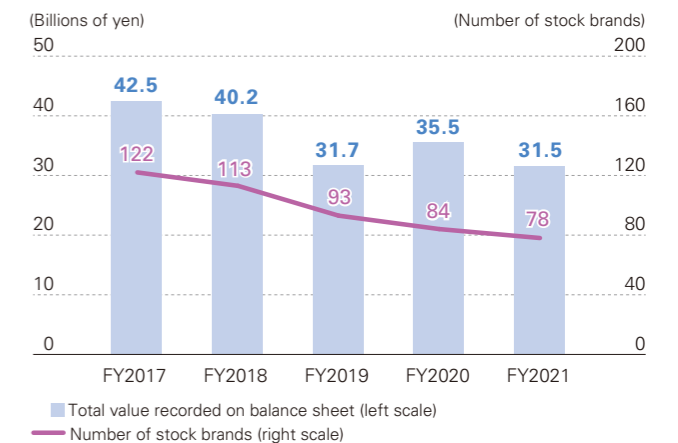
In exercising our voting rights for our cross shareholdings, we categorize bills as follows, make judgements and exercise our voting rights based on exercising criteria.

- 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.

Group Governance

The OKI Group's governance systems undergo continual reviews, in accordance with the section on "Business Portfolio Management" contained within the Ministry of Economy, Trade and Industry's "Practical Guidelines for Group Governance Systems." Specifically, we are restructuring our subsidiaries

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



by first identifying the number of subsidiaries that is appropriate to the scale of our business, then transferring subsidiaries which generate little synergy effects, or by integrating subsidiaries with similar or duplicate functions to improve their management efficiency. As a result of this restructuring, we reduced the number of OKI Group subsidiaries from 94 at the end of March 2017 to 62 at the end of March 2022.

We have established management systems to ensure our subsidiaries carry out their business in an appropriate manner; specifically, they are required to adhere to our Basic Policy Concerning the Development of Internal Control Systems*, while our internal "Management Regulations for Associated Companies" stipulate that they must comply with the Companies Act and all other relevant laws and regulations. Furthermore, while our Headquarters Section is tasked with formulating and overseeing our management policy, our Business Section has the right and responsibility of managing our subsidiaries.

As part of our initiatives to strengthen governance, we intend to ensure a stricter separation of supervisory and executive roles on our subsidiaries' Boards of Directors; to this end, we are reviewing their constituent members. We require our subsidiaries' Boards of Directors to issue notifications of meetings in advance, distribute information related to meeting agendas, and draw up and store meeting minutes on our online database system; in this way, the headquarters can monitor whether effective institutional management is being carried out.

We have also been creating a shared set of regulations for the entire OKI Group, as well as standardizing and optimizing our rules.

*Basic Policy Concerning the Development of Internal Control Systems
<https://www.oki.com/en/ir/corporate/governance/policy.html>

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

A Conversation
between
the COO and
an Outside
Director

Implementing an exciting strategy to achieve our goal of “Delivering OK! to your life.”

Successor candidates for the position of OKI's President are considered through the collaboration of the incumbent president and the Personnel Affairs and Compensation Advisory Committee, taking into account our corporate philosophy and business environment and based on discussions of the selection criteria and job requirements. We recently had Shigeru Asaba, the chairman of the Personnel Affairs and Compensation Advisory Committee as well as an outside director, talk to Mori, our new President, about the process leading up to the President's appointment in April 2022 as well as the expectations surrounding Mori, etc.

Asaba To decide who to appoint as our President, the Personnel Affairs and Compensation Advisory Committee came up with three basic qualities that suitable candidates should possess. The first is multi-stakeholder management, which specifically means considering the strengths and weaknesses of OKI's management resources in order to determine what kind of value to provide to our diverse stakeholders, including customers, investors, and society. The second is will and resolve, which means the guts necessary to effect change after becoming President. Finally, the last set of qualities we looked for were more human traits, such as sincerity. As a committee, we worked to select human resources who satisfy all of the above requirements.

In a sense, I suppose you could say that the top managers of any company require these three qualities. In addition, I personally emphasized the need for qualities that are suitable right now: human resources capable of dealing with the problems OKI is currently facing, including finding a way to boost our chronically low revenue and getting us on to a growth trajectory. Mori was involved with the Printers business for many years, where—faced with many competitors—he launched the new COREFIDO* business model and successfully improved our revenue. In addition, as the President of a printer subsidiary, he had the guts it took to integrate his company with OKI, and—thanks to his cheerfulness and interpersonal skills—others were inspired to follow him even in the midst of those difficult changes. At the same time, he had little business experience related to OKI itself, and, when he was appointed in April, he had no experience as a director, but we figured that Kamagami—our former President and new CEO—as well as us outside directors could cover for him.

Mori I believe the reason I was nominated at a time when our fiscal year 2021 performance was assumed to be poor is that I am supposed to help change our current situation and escape the trouble we are in. And based on your explanation,

I am even more convinced that I am right.

My whole life has been spent in the Printers business, and I have spent almost twenty years constantly thinking about underdog strategies aimed at beating huge, powerful rivals. In order for an underdog to win, it is necessary for them to find a way to dominate a narrow playing field, which means it is necessary to properly identify their originality and the trade-offs required to exploit it. I believe this perspective is necessary for OKI in its current state as well. As was just pointed out, I have little business experience related to OKI itself, so I hope to gain an understanding of our business from a higher perspective, change our culture, and form a group that implements actual business reforms.

Asaba We are currently engaged in discussions pertaining to our next Medium-Term Business Plan, but—in terms of devising OKI's strategy—although we have the necessary

technology, we feel like our marketing is weak, including a general lack of excitement and fun. The key message behind our current Medium-Term Business Plan, “Delivering OK! to your life.” is a nice turn of phrase and all, but the social issues and areas we are working on in connection with this ethos are still too all-encompassing. Ultimately, trying to do everything means you can't do anything right. For our next Medium-Term Business Plan, we must discuss how to achieve our goal of “Delivering OK! to your life.” in more concrete and in-depth terms, make sure that we have a firm understanding of our strengths and signature moves from diverse perspectives, and clearly decide what we need to do.

Everyone must also be convinced of the importance of the social issues we are targeting, and they must all be involved in our efforts to resolve them. Furthermore, we need to use our unique advantages as a starting point for telling our story. If we can fully exploit advantages that other companies cannot imitate, I believe our business will continue for five years, ten years, or even longer in spite of our times of dramatic change. In that sense, I think COREFIDO*, in which Mori was involved, is a truly fascinating example. He chose to exploit the strengths of LED printers by emphasizing a simple system that is unlikely to break—as opposed to the conventional approach of emphasizing quiet designs and printing quality—and, with that perspective as a starting point, he devised a business model leading to a strategy other companies could not copy. I think it would be wonderful if he could apply the same kind of thinking to the growth strategy for our next Medium-Term Business Plan.

Mori As was just said, I also believe the key is to ensure that other companies cannot imitate us. If we try to imitate some other big company, we'll just end up losing the ensuing power game to them. I think the best way for OKI to

survive is to narrow down the markets we compete in so that we can more effectively emphasize our unique features. As an example, COREFIDO was born as a result of interviews with customers, during which I learned that the main reason they purchased our products—that is, our products' true strength—is that they do not break. I think it's important to really listen to customer feedback like this when it comes to our strengths as well and then contemplate how to turn such feedback into a competitive advantage or a path to victory for our business.

I hope to clarify our vision for our next Medium-Term Business Plan, what we will target a few years down the line, and which initiatives we will pursue. OKI's current net sales amount to around 350 billion yen, which is approximately half of our peak sales of 720 billion yen. Scale might not be everything, but we still require a certain presence to achieve OKI's vision of what we should be. To accomplish that, I will do everything I can to get us on to a growth trajectory during the next Medium-Term Business Plan period so that we can get, if only a little, closer to the level we need to be at or at least find the right path to do so during my term of office.

Asaba I have looked at OKI as an outside director, and I can see that the Company is extremely skilled in terms of system-based thinking and reductionism. Of course, although that is fine in some ways, what OKI really needs right now is not the ability to reduce things or break them down and clarify their mechanisms but rather the ability to make sense of things in general and then make specific decisions about how to realize individual projects. In that sense as well, I think Mori is the perfect man for the job.

Mori I also think it is important to be able to gain an overall understanding of what is happening, abstract it a bit, and then share it. Based on that, I will help devise an exciting strategy at a level detailed enough to ensure that we will be able to win—and certainly not lose in the next five years or so—and then implement it. I hope to effectively convey a message to OKI about why we need to change like that and what the purpose of our reforms is.

Asaba I think there are a lot of expectations surrounding OKI regarding our technologies, the way they can help resolve social issues, and, in other words, how we can achieve our goal of “Delivering OK! to your life.” I believe Mori's mission as our President is to make those expectations a reality, and I am convinced he can do it.

Mori I hope to engage in deeper discussions with our outside directors, promote our reforms, and help ensure that they yield results. Thank you for your time today.

*COREFIDO: the industry's first business model to achieve a long-term free warranty service by taking advantage of the high durability and maintainability made possible by the simple structure of LED printers

Shigeru Asaba
Outside Director



Takahiro Mori
Representative Director
and COO



RISK MANAGEMENT/COMPLIANCE

The OKI Group is working to reinforce risk management under the Risk Management Committee. The Compliance Committee plays a central role in promoting compliance initiatives, and we have established consultation and reporting contacts as one of the self-mechanisms for early discovery and rectification of internal compliance problems.

Risk Management Initiatives

The OKI Group has established the Risk Management Committee, chaired by the President, 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 the division responsible for said risks. It also deliberates and decides on policies for preventing the materialization of risk and policies to address crisis scenarios.

Risks inherent in each company and division are defined and classified into three categories: risks that should be considered at the management level (management risks); risks that should be recognized and identified in relation to business activities (business risks); and risks that are common to each company and division and should be managed across the Group (common risks). Of these risks, the risks to be managed are chosen. The responsible control division deploys preventive measures for common risks within the Group, while the Compliance Committee (see next section) regularly checks the implementation status. In this way, we are putting in place a sound risk management cycle. Since fiscal year 2020, OKI has identified the business risks for each of its business groups in order to strengthen the management of these risks, and the same was done at major subsidiaries in fiscal year 2021. OKI is making progress in creating the management cycle and developing its framework.

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.

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 (with the Chief Compliance Officer as Committee Chairman) in accordance with the top management's Compliance Commitment thereby striving to ensure rigorous compliance. The Committee regularly monitors the management progress of the common risks identified by the Risk Management Committee. The Committee also deliberates and decides on compliance training plans and oversees their implementation. Moreover, we implement fixed-point observations on conduct and awareness relating to compliance of executives and employees, and to make the most of such measures, we implement compliance awareness surveys on an ongoing basis.

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 stipulated whistle-blowing regulations such as those about the protection of whistle-blowers. We have also developed internal regulations in line with the revision and enforcement of the amended Whistleblower Protection Act in June 2022, and provided internal training on re-ensuring the confidentiality of whistle-blowers. In fiscal year 2021, 23 reports and consultations were received at the OKI Group in Japan.

Ongoing Compliance Training

The OKI Group has appointed compliance managers and promoters (around 310 in total) who play a key role promoting compliance in the workplace at each company and division in Japan. We also hold regular training sessions for these compliance managers and promoters. We are holding ongoing anti-monopoly law training centered on the marketing & sales section. In fiscal year 2021, the group training was held via video conference in order to prevent the spread of COVID-19.

We provide e-learning to all Group employees in Japan on topics related to shared risks, such as personal information protection, information security, and common risks. We also have tools in place to ensure that the content of the training is widely disseminated. These include regular reports of case studies on compliance issued via our intranet and internal newsletters.

In addition, in fiscal year 2018, we started a unified e-learning compliance training program for employees of overseas Group companies, and training was provided to approximately 1,100 employees in fiscal year 2021.

Main Compliance Training Programs (for the OKI Group in Japan) in FY2021

Training Overview	Subject Employees	Attendance Rate
Compliance manager training October to November 2021 (video) Theme: Risk management, learning from risk cases; Introduction to internal auditing	Domestic Group managers/promoters	100% (approx. 310 persons)
Anti-monopoly Act training December 2021 to March 2022 (video)	Domestic Group employees of related divisions (sales, etc.)	100% (approx. 2,200 persons)
Personal information protection and information security e-learning (regular and start anytime sessions) Regular session (simultaneous training) August to September 2021	All domestic Group employees	Simultaneous training: 99.9%
Workplace compliance e-learning (regular and start anytime sessions) Regular session (simultaneous training) December 2021 to January 2022	All domestic Group employees	Simultaneous training: 99.9%

Approaches to Anti-Corruption

Anti-corruption is a global issue included in the Ten Principles of the United Nations Global Compact. The OKI Group is promoting initiatives to prevent corruption based on the "OKI Group Anti-Corruption and Anti-Bribery Policy."

The "OKI Group Anti-Corruption and Anti-Bribery Policy" complies with anti-corruption laws and regulations that apply in each country and region where the OKI Group operates, such as the Japanese Unfair Competition Prevention Act, the US Foreign Corrupt Practices Act, and the UK Bribery Act. The policy defines the basic requirements for complying with laws and regulations and conducting business appropriately. Furthermore, we established specific administration rules for recording the exchange of the gifts and receiving/offering entertainment, and each OKI Group company monitors compliance with these rules annually.

In fiscal year 2021, there were no issues related to bribery or corruption in the OKI Group.

Emergency and Disaster Response

The OKI Group has established Safety Countermeasure

Committees at its domestic and overseas sites, as well as at subsidiaries, in order to ensure "protect people's lives," "prevent secondary accidents," "contribute to local communities and foster good relationships with them," and "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 for the "continuity of business operations."

In fiscal year 2021, the COVID-19 Task Force that was established in January 2020 continued to conduct initiatives to prevent the spread of the virus and maintain business continuity, such as transmitting information about the status of the virus in Japan as well as identifying and handling those infected inside the Group. In the wake of the outbreak of the Russia-Ukraine issue in February 2022, response headquarters were established in the relevant business divisions and continue to deal with the situation in coordination with the sites.

OKI is also striving to respond more quickly and appropriately by continuously reviewing initial countermeasures for natural disasters, such as earthquakes, typhoons, and floods.

INFORMATION SECURITY

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

The OKI Group is building a robust IT infrastructure to support its business growth. As part of this effort, we are working to strengthen information security from the perspective of minimizing management risks. As our Risk Management Committee has defined "electronic information leakage" and "cyber attack" as common risks, we have made it clear that measures for information security are an important part of management and we are proceeding with them.

In accordance with the Information Security Basic Policy, we are promoting a wide range of "visibility, support, and protection." 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 and promotes information security measures in Japan and overseas. We also establish information security guidelines in each country and region, appoint security managers at each site, and introduce various risk management tools. In addition, we are working to expand the scope of our information security management system (ISMS).

Unauthorized Access to File Server

In November 2021, OKI confirmed that a third party gained unauthorized access to our file server in Japan via an overseas subsidiary. The OKI Group takes this incident seriously and has taken measures to strengthen our security measures, including the introduction of suspicious behavior detection mechanisms and the establishment of a monitoring system for all Group computers and servers. To prevent a recurrence, we will adopt more advanced security measures, such as enhanced authentication infrastructure and domestic and overseas security controls.

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 for the personal information protection laws in the EU as well as other overseas regions and countries. 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 2022, seven companies of the OKI Group have received PrivacyMark certification in Japan.

MANAGEMENT

(As of June 29, 2022)

Directors



Representative Director and CEO

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 (current)



Representative Director and COO

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
Apr. 2022 COO
Jun. 2022 Representative Director and COO (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)



Senior Vice President and Member of the Board

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 (current), Head of Corporate Group (current), Internal Control Administrator (current)
Apr. 2022 Chief Information Officer (current)



Senior Vice President and Member of the Board

Masatoshi Saito

Apr. 1986 Joined the Company
Oct. 2002 Head of Strategy Planning Office, IP Solution Company
Apr. 2007 President of Security & Mobility Company, IP System Company, Systems Networks Business Group
Oct. 2008 Director of Oki Networks Co., Ltd.
Apr. 2016 Head of Corporate Planning Division, Corporate Planning Group of the Company
Apr. 2017 Executive Officer
Apr. 2018 Senior Executive Officer, Head of Corporate Planning Group, Chief Information Officer
Apr. 2020 Senior Vice President, Vice President of Components & Platforms Business Group
Apr. 2021 Head of Components & Platforms Business Group (current)
Jun. 2021 Senior Vice President and Member of the Board (current)



Director

Shigeru Asaba

Outside Independent

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

Outside Independent

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. (current)
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)



Director

Izumi Kawashima

Outside Independent

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

Outside Independent

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)

Audit & Supervisory Board Members



Standing Audit & Supervisory Board Member

Toshiya Hatakeyama

Apr. 1980 Joined the Company
Oct. 2007 Head of Accounting & Control Division
Apr. 2008 Executive Officer
Apr. 2015 Senior Vice President
Jun. 2015 Senior Vice President and Member of the Board
Jul. 2015 Chief Financial Officer
Apr. 2016 Chief Compliance Officer, Head of Corporate Management Group
Apr. 2017 President, Representative Director of Oki Wintech Co., Ltd.
Apr. 2019 Advisor of the Company
Jun. 2019 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 Deputy Commissioner for Global ICT Strategy Bureau of Ministry of Internal Affairs and Communications
Aug. 2012 Deputy 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 JETRO New York
Nov. 2016 Advisor of the Company
Apr. 2017 Associate Director
Apr. 2018 Executive Officer
Jun. 2019 Outside Director of JECC corporation
Apr. 2021 Advisor of the Company
Jun. 2021 Audit & Supervisory Board Member (current)



Audit & Supervisory Board Member

Hideo Shiwa

Outside Independent

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. (current)
Jun. 2020 Audit & Supervisory Board Member, PEO Co., Ltd. (current)
Jun. 2020 Outside Audit & Supervisory Board Member of the Company (current)



Audit & Supervisory Board Member

Ryuichi Makino

Outside Independent

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
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

Outside Independent

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 Tribeck Strategies Inc. (currently Tribeck Inc.) (current)
Jun. 2021 Outside Audit & Supervisory Board Member of PRONEXUS Inc. (current), Outside Audit & Supervisory Board Member of the Company (current)

Executive Officers



Executive Vice President **Masashi Tsuboi** Senior Vice President **Teiji Teramoto** Senior Vice President **Yuichiro Katagiri** Senior Executive Officer **Keizou Ikeda** Senior Executive Officer **Hiroshi Tomizawa** Senior Executive Officer **Hajime Maruo** Senior Executive Officer **Tetsuya Takimoto** Executive Officer **Shutarou Otahara**



Executive Officer **Hiroshi Nishimura** Executive Officer **Yoichi Kato** Executive Officer **Yuhiko Fujiwara** Executive Officer **Takashi Inoue** Executive Officer **Toru Hattanda** Executive Officer **Hajime Inoue** Executive Officer **Takashi Itou** Executive Officer **Shotaro Nakatsu**

ESG DATA

Environment

	FY2019	FY2020	FY2021
Greenhouse gas (GHG) emissions*1			
SCOPE1 (t-CO ₂)	9,650	9,890	9,900
SCOPE2 (t-CO ₂)	72,700	67,600	65,200
SCOPE1+2 (t-CO ₂)	82,300	77,500	75,100
Greenhouse gas emission basic unit (SCOPE1+SCOPE2) (t/million yen)	0.180	0.197	0.213
SCOPE3 (t-CO ₂)	1,520,000	1,180,000	1,070,000
Energy consumption			
Total (MWh)	452,000	428,000	425,000
Waste			
Total amount of waste*2 (t)	13,300	12,800	16,100
Recycling rate*3 (%)	82.2	81.3	85.7
Water used			
Total amount used (m ³)	1,819,000	1,724,000	1,721,000
Total amount of wastewater (m ³)	1,421,000	1,349,000	1,324,000
Amount of chemical substances used*4			
Amount used (t)	429	552	517
Quantity of emissions (atmosphere/water system) (t)	10	9	9
Amount transferred (waste/product/sewage) (t)	41	42	46

*1 Calculated according to the Greenhouse Gas Protocol Initiative classifications.
 *2 Only routine waste from sites included; excludes waste resulting from large-scale construction, relocation, etc.
 *3 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.)
 *4 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/eco/env_data/material_balance.html

Social

	FY2019	FY2020	FY2021
Number of employees (numbers in parentheses are for OKI alone)	17,751(4,203)	15,639(4,395)	14,850(4,760)
Male	13,776(3,666)	12,054(3,819)	11,400(4,117)
Female	3,975(537)	3,585(576)	3,450(643)
Number of temporary workers (numbers in parentheses are for OKI alone)	2,561(407)	2,444(461)	2,598(416)
Male	1,518(233)	1,456(284)	1,604(289)
Female	1,043(174)	988(177)	994(127)
Number of employees by region	17,751	15,639	14,850
Japan	12,406	12,271	11,992
Asia and others	3,357	2,926	2,600
Americas	1,553	120	46
Europe	435	322	212
Management gender ratio (numbers in parentheses are for OKI alone)			
Male (%)	94.1(96.6)	94.7(96.7)	94.9(96.4)
Female (%)	5.9(3.4)	5.3(3.3)	5.1(3.6)
Average length of service (years)*1	20.0	19.5	19.9
Male	20.3	19.9	20.6
Female	17.3	16.2	15.4
Average monthly hours of overtime (hours/month)*1	22.59	24.93	27.40
Paid leave usage rate (%)*1	64.0	54.1	59.8
Number of employees taking childcare leave*1	14	19	25
Male	1	7	4
Female	13	12	21
Employment rates of challenged people (%)*2	2.33	2.45	2.44
Number of hires (new graduates)*3	272	266	259
Male	203	206	196
Female	69	60	63
Number of hires (mid-career)*3	104	36	46
Male	88	29	41
Female	16	7	5
Rate of employee turnover (%)*3 (numbers in parentheses are for OKI alone)	2.1(1.5)	1.4(1.3)	1.8(1.6)
Rate of voluntary employee turnover (%)*3 (numbers in parentheses are for OKI alone)	1.9(1.2)	1.2(1.1)	1.6(1.5)
Average annual hours of education and training per employee (hours)*1	19.3	15.6	17.0
Average annual education and training expenses per employee (yen)*1	85,221	64,314	60,644
Incidence rates of occupational accidents*1	0.00	0.00	0.09
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

Governance

	June 2020	June 2021	June 2022
Number of Directors, Audit & Supervisory Board Members			
Number of directors	9	9	9
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	4	5	5
Number of outside Audit & Supervisory Board members	2	3	3
Number of female Audit & Supervisory Board members	0	0	0

	FY2019	FY2020	FY2021
Board of Directors Attendance Rate			
Overall attendance rate by directors	98.9	100	100
Overall attendance rate by Audit & Supervisory Board members	100	97.5	100

	FY2019 (no. of applicable executives)	FY2020 (no. of applicable executives)	FY2021 (no. of applicable executives)
Total Compensation, etc. of Directors and Audit & Supervisory Board Members			
Directors excluding outside directors (millions of yen)	262(5)	265(5)	234(6)
Audit & Supervisory Board members excluding outside Audit & Supervisory Board members (millions of yen)	46(3)	46(2)	46(3)
Outside directors (millions of yen)	40(5)	46(4)	53(4)
Outside Audit & Supervisory Board members (millions of yen)	14(2)	17(4)	24(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.

	FY2019	FY2020	FY2021
Cross Shareholdings			
Number of stock brands	93	84	78
Total value recorded on balance sheet (billions of yen)	31.7	35.5	31.5

	FY2019	FY2020	FY2021
Compliance, Fair Corporate Activities			
Number of bribery and corruption issues	0	0	0
Number of cases consulted to consultation and reporting contacts*1	42	41	23
Participation rate of compliance manager training (%)*2	99.7	100	100
Participation rate of workplace compliance training (%)*3	99.9	100	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



2022 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)



Evaluations by External Organizations



CDP Climate Change A-(OKI)



Health & Productivity Management Outstanding Organization (OKI)



Eruboshi Certification (OKI)



Platinum Kurumin Certification (OKI, OKI Circuit Technology)



Kurumin Certification (OKI Software)

*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.ftserussell.com/products/indices/blossom-japan>

*The inclusion of OKI in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of OKI by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

CONSOLIDATED BALANCE SHEETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2022

ASSETS	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current assets:			
Cash and deposits	¥ 36,691	¥ 44,845	\$ 300,745
Notes and accounts receivable	—	105,371	—
Notes and accounts receivable, and contract assets (Note 4)	94,469	—	774,336
Lease receivables and investments in leases	10,355	12,732	84,877
Finished goods	17,425	14,889	142,827
Work in process	14,713	14,558	120,598
Raw materials and supplies	26,023	17,937	213,303
Other current assets	12,216	11,999	100,131
Allowance for doubtful receivables	(57)	(165)	(467)
Total current assets	211,837	222,170	1,736,368
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	19,793	20,239	162,237
Machinery, equipment and vehicle	8,801	8,550	72,139
Tools, furniture and fixtures	6,914	7,862	56,672
Land	15,996	14,272	131,114
Construction in progress	6,147	390	50,385
Total property, plant and equipment (Note 4)	57,653	51,314	472,565
Intangible assets	14,027	11,969	114,975
Investments and other assets:			
Investments in securities (Note 4)	34,495	38,632	282,745
Asset for retirement benefits	30,447	30,635	249,565
Long-term trade receivables	25,047	22,245	205,303
Other investments and other assets	13,909	14,181	114,008
Allowance for doubtful receivables	(18,246)	(19,604)	(149,557)
Total investments and other assets	85,652	86,091	702,065
Total non-current assets	157,333	149,376	1,289,614
Total assets	¥ 369,170	¥ 371,546	\$ 3,025,983

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Current liabilities:			
Notes and accounts payable	¥ 56,691	¥ 56,706	\$ 464,680
Short-term borrowings (Note 4)	43,337	38,123	355,221
Lease obligations	3,912	4,202	32,065
Other accrued expenses	19,138	21,028	156,868
Other current liabilities (Note 4)	34,878	34,091	285,885
Total current liabilities	157,958	154,151	1,294,737
Long-term liabilities:			
Long-term borrowings	43,838	39,848	359,327
Lease obligations	9,740	12,670	79,836
Deferred tax liabilities	12,961	15,880	106,237
Provision for directors' retirement benefits	195	286	1,598
Liability for retirement benefits	31,320	31,419	256,721
Other long-term liabilities	5,520	5,691	45,245
Total long-term liabilities	103,576	105,795	848,983
Total liabilities	261,535	259,947	2,143,729
NET ASSETS			
Shareholders' equity:			
Capital stock	44,000	44,000	360,655
Additional paid-in capital	19,006	19,029	155,786
Retained earnings	55,103	54,767	451,663
Treasury stock, at cost	(869)	(919)	(7,122)
Total shareholders' equity	117,241	116,877	960,991
Accumulated other comprehensive income:			
Net unrealized holding gain (loss) on other securities	1,030	3,570	8,442
Gain (loss) on deferred hedges	22	82	180
Translation adjustments	(9,069)	(8,774)	(74,336)
Retirement benefits liability adjustments	(1,788)	(399)	(14,655)
Total accumulated other comprehensive income	(9,804)	(5,520)	(80,360)
Subscription rights to shares	138	168	1,131
Non-controlling interests	60	74	491
Total net assets	107,635	111,598	882,254
Total liabilities and net assets	¥ 369,170	¥ 371,546	\$ 3,025,983

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, 2022

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Net sales	¥ 352,064	¥ 392,868	\$ 2,885,770
Cost of sales	261,948	293,444	2,147,114
Gross profit	90,116	99,423	738,655
Selling, general and administrative expenses (Note 5)	84,252	90,528	690,590
Operating income	5,864	8,895	48,065
Non-operating income			
Interest income	118	40	967
Dividend income	1,177	1,141	9,647
Foreign exchange gain	1,897	447	15,549
Other	1,472	1,656	12,065
Total non-operating income	4,665	3,285	38,237
Non-operating expenses			
Interest expense	1,340	1,411	10,983
Loss on liquidation of subsidiaries	—	424	—
Other	1,496	1,579	12,262
Total non-operating expenses	2,837	3,415	23,254
Ordinary income	7,691	8,766	63,040
Extraordinary income			
Gain on sale of fixed assets	550	—	4,508
Gain on sale of investments in securities	502	—	4,114
Gain on sale of businesses	—	512	—
Total extraordinary income	1,053	512	8,631
Extraordinary loss			
Loss on sale and disposition of fixed assets	629	920	5,155
Loss on impairment of fixed assets (Note 5)	1,144	465	9,377
Business structure improvement expenses (Note 5)	2,798	4,566	22,934
Total extraordinary loss	4,571	5,952	37,467
Profit before income taxes	4,173	3,326	34,204
Income taxes			
Current	2,398	519	19,655
Deferred	(303)	3,593	(2,483)
Total income taxes	2,094	4,113	17,163
Profit (loss)	2,078	(786)	17,032
Profit attributable to non-controlling interests	12	33	98
Profit (loss) attributable to owners of parent	¥ 2,065	¥ (819)	\$ 16,926

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, 2022

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Profit (loss)	¥ 2,078	¥ (786)	\$ 17,032
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	(2,540)	3,788	(20,819)
Gain (loss) on deferred hedges	(59)	(29)	(483)
Translation adjustments	(293)	267	(2,401)
Retirement benefits liability adjustments	(1,388)	7,183	(11,377)
Share of other comprehensive income of entities accounted for using equity method	—	0	—
Total other comprehensive income (Note 6)	(4,282)	11,210	(35,098)
Comprehensive income	¥ (2,204)	¥ 10,423	\$ (18,065)
Comprehensive income attributable to:			
Owners of the parent	¥ (2,217)	¥ 10,387	\$ (18,172)
Non-controlling interests	¥ 13	¥ 36	\$ 106

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, 2022

	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, 2020	¥ 44,000	¥ 19,047	¥ 60,847	¥ (971)	¥ 122,923	¥ (218)	¥ 112	¥ (9,029)	¥ (7,583)	¥ (16,718)	¥ 171	¥ 64	¥ 106,440	
Cumulative effects of changes in accounting policies			(933)		(933)			(9)		(9)			(943)	
Restated balance	44,000	19,047	59,914	(971)	121,989	(218)	112	(9,038)	(7,583)	(16,727)	171	64	105,497	
Dividends from surplus			(4,326)		(4,326)								(4,326)	
Loss attributable to owners of parent			(819)		(819)								(819)	
Purchases of treasury stock				(1)	(1)								(1)	
Disposition of treasury stock		(17)		53	35								35	
Net changes in items other than shareholders' equity during the term						3,789	(29)	263	7,183	11,206	(3)	10	11,213	
Net changes during the term	—	(17)	(5,146)	51	(5,112)	3,789	(29)	263	7,183	11,206	(3)	10	6,101	
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)	
Profit 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	

	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, 2021	\$360,655	\$155,975	\$448,909	\$ (7,532)	\$ 958,008	\$29,262	\$ 672	\$ (71,918)	\$ (3,270)	\$ (45,245)	\$ 1,377	\$ 606	\$ 914,737	
Cumulative effects of changes in accounting policies			8		8					—			8	
Restated balance	360,655	155,975	448,926	(7,532)	958,016	29,262	672	(71,918)	(3,270)	(45,245)	1,377	606	914,754	
Dividends from surplus			(14,188)		(14,188)								(14,188)	
Profit attributable to owners of parent			16,926		16,926								16,926	
Purchases of treasury stock				(8)	(8)								(8)	
Disposition of treasury stock		(180)		426	237								237	
Net changes in items other than shareholders' equity during the term						(20,819)	(483)	(2,409)	(11,377)	(35,106)	(237)	(106)	(35,467)	
Net changes during the term	—	(180)	2,737	409	2,967	(20,819)	(483)	(2,409)	(11,377)	(35,106)	(237)	(106)	(32,491)	
Balance at March 31, 2022	\$360,655	\$155,786	\$451,663	\$ (7,122)	\$ 960,991	\$ 8,442	\$ 180	\$ (74,336)	\$ (14,655)	\$ (80,360)	\$ 1,131	\$ 491	\$ 882,254	

CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2022

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Cash flows from operating activities:			
Profit before income taxes	¥ 4,173	¥ 3,326	\$ 34,204
Depreciation	12,602	12,798	103,295
Impairment losses	1,144	465	9,377
Increase (decrease) in provisions	(3,627)	(3,787)	(29,729)
Interest and dividend income	(1,295)	(1,182)	(10,614)
Interest expense	1,340	1,411	10,983
Loss (gain) on sale of investment securities	(502)	(99)	(4,114)
Loss (gain) on sale of businesses	—	(512)	—
Decrease (increase) in trade receivables	15,807	6,567	129,565
Decrease (increase) in inventories	(12,679)	3,886	(103,926)
Increase (decrease) in trade payables	(5,821)	(7,635)	(47,713)
Other, net	(3,264)	4,992	(26,754)
Subtotal	7,877	20,230	64,565
Interest and dividends received	1,295	1,182	10,614
Interest paid	(1,394)	(1,435)	(11,426)
Income taxes paid	(1,857)	(2,579)	(15,221)
Net cash provided by (used in) operating activities	5,921	17,398	48,532
Cash flows from investing activities:			
Purchase of property, plant and equipment	(16,811)	(21,419)	(137,795)
Proceeds from sale of property, plant and equipment	3,778	12,002	30,967
Purchase of intangible assets	(4,889)	(4,387)	(40,073)
Proceeds from sale of investment securities	1,000	1,430	8,196
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(1,045)	—
Purchase of long-term prepaid expenses	(1,050)	(1,496)	(8,606)
Other payments	(331)	(210)	(2,713)
Other proceeds	707	1,340	5,795
Net cash provided by (used in) investing activities	(17,597)	(13,784)	(144,237)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(1,244)	324	(10,196)
Proceeds from long-term borrowings	25,078	13,580	205,557
Repayments of long-term borrowings	(16,080)	(14,009)	(131,803)
Dividends paid	(1,726)	(4,308)	(14,147)
Repayments of lease liabilities	(4,369)	(4,464)	(35,811)
Other, net	23	25	188
Net cash provided by (used in) financing activities	1,680	(8,852)	13,770
Effect of exchange rate change on cash and cash equivalents	1,544	551	12,655
Net increase (decrease) in cash and cash equivalents	(8,451)	(4,686)	(69,270)
Cash and cash equivalents at beginning of period	41,830	46,517	342,868
Cash and cash equivalents at end of period (Note 8)	¥ 33,379	¥ 41,830	\$ 273,598

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, 2022

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 ¥122 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2022. 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 62 subsidiaries are included in the scope of consolidation.

The newly established OKI Trading (Kunshan) Co., Ltd. is included in the consolidated account from this fiscal year. OKI Data Corporation is not included in the consolidated account since it has been absorbed by the Company. Likewise, Nagano Oki Electric Co., Ltd. is not included because of its merger with a consolidated subsidiary Oki Communication Systems Co., Ltd., Oki Printed Circuits Co., Ltd. is not included due to its merger with a consolidated subsidiary OKI Circuit Technology Co., Ltd., and JNO Co., Ltd. is not included because of its merger with a consolidated subsidiary OKI Crosstech Co., Ltd., while OKI BR Argentina S.A. is not included due to its liquidation. Note that Oki Communication Systems Co., Ltd. changed its name to OKI Nextech 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. Overseas consolidated subsidiaries apply the lower of cost or fair value.

Other securities:

Those other than shares without market value:

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

Non-marketable securities:

Mainly stated at cost based on the moving average method

(ii) Inventories

The Company and its domestic consolidated subsidiaries value inventories as below. Overseas consolidated subsidiaries primarily apply the lower of cost or fair value.

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 (10 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 (10 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 long-term borrowings.

(iii) Hedging policy

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

(iv) Assessment method of the effectiveness of hedges

To determine the effectiveness, 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

(i) Application of consolidated tax payments

Consolidated tax payments are applied.

(ii) Application of deferred tax accounting for the transition from the consolidated taxation system to the group tax sharing system

The Company and consolidated subsidiaries in Japan will make the transition from the consolidated taxation system to the group tax sharing system from the next fiscal year. However, as for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company has not applied the provisions of Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of Paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

The Company plans to apply the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021), which prescribes handling of the accounting process and disclosure of the corporate tax, local corporate tax and the tax effect accounting for the group tax sharing system, from the beginning of the next fiscal year.

2. NOTES ON 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 customer.

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 (\$4,901 thousand), ¥269 million (\$2,204 thousand), and ¥735 million (\$6,024 thousand), respectively. Thus, operating income improved by

¥406 million (\$3,327 thousand). As a result of a ¥18 million (\$147 thousand) decrease in non-operating expenses, ordinary income and profit before income taxes each improved by ¥424 million (\$3,475 thousand). 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.

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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Allowance for doubtful receivables	¥ 9,408	¥ 11,271	\$ 77,114

(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 RMB1,115,463 million or ¥21,483 million (\$176,090 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 ¥21,125 million (\$173,155 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 currently being tried.

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 being upheld and the law suit being settled in Case B is taken into account for a period that is considered to be required for recovery, RMB488,507 million or ¥9,408 million (\$77,114 thousand) is estimated to be irrecoverable and added to allowance for doubtful receivables, and a reversal of doubtful receivables of ¥3,198 million (\$26,213 thousand) was accounted for as a reversal of selling, general and administrative expenses.

(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, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
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	¥ 49,520	—	\$ 405,901
Of which, for the years ended March 31, 2022, an amount recognized related to construction projects in progress at the end of the period.	¥ 22,108	—	\$ 181,213

(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, 2022 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

3) Estimate of recoverability of deferred tax assets

(1) Amount recognized on the consolidated financial statements for the years ended March 31, 2022 and 2021

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets	¥ 8,265	¥ 7,796	\$ 67,745

(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. In developing the business plans, the assumption that the disruption of supply chain, such as parts shortages, especially the semiconductors, raw material price surge, and distribution cost surge, will continue beyond the next fiscal year.

(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. 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, 2022 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Notes receivable	¥ 8,400		\$ 68,852
Accounts receivable	69,293		567,975
Contract assets	16,298		133,590

2) Accumulated depreciation for Property, plant and equipment

Accumulated depreciation for Property, plant and equipment at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Accumulated depreciation	¥ 160,268	¥ 161,079	\$ 1,313,672

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

Assets pledged as collateral at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investments in securities	¥ 5,449	¥ 5,660	\$ 44,663

Liabilities collateralized by the above assets at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Short-term borrowings	¥ 100	¥ 500	\$ 819

4) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Investments in securities	¥ 1,772	¥ 1,753	\$ 14,524

5) Contract liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Contract liabilities	¥ 8,548		\$ 70,065

6) Liabilities for guarantee

Guarantee for borrowings by employees at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Guarantee for borrowings by employees	¥ 60	¥ 85	\$ 491

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 ¥2,309 million (\$18,926 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total overdraft and Commitment Line amount	¥ 66,367	¥ 68,071	\$ 543,991
Amount of borrowing execution balance	12,292	12,672	100,754
Net	¥ 54,074	¥ 55,398	\$ 443,229

5. CONSOLIDATED STATEMENT OF INCOMES

1) Research and development expenses

Research and development expenses for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Selling, general and administrative expenses	¥ 11,549	¥ 11,215	\$ 94,663

2) Loss on impairment of fixed assets

The OKI Group recorded impairment losses of ¥612 million for the year ended March 31, 2021 of which ¥465 million were presented as impairment losses in the extraordinary loss category and ¥146 million were included in business structure improvement expenses in the same category.

Business	Purpose of use	Type of assets	Millions of yen
Components & Platforms Business Group (Automation Systems Business)	Business assets	Buildings and structures	¥ 265
		Machinery, equipment and vehicles	66
		Tools, furniture and fixtures	74
		Others	58

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 posted impairment losses of ¥1,144 million (\$9,377 thousand) 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	Thousands of U.S. Dollars
Components & Platforms business (Automation Systems Business)	Business assets	Buildings and structures	¥ 60	\$ 491
		Tools, furniture and fixtures	749	6,139
		Intangible assets	109	893
		Others	51	418

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.

3) Business structure improvement expenses

For the years ended March 31, 2022 and 2021, 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
	2022	2021	2022
Special retirement expenses	¥ 2,171	¥ 3,784	\$ 17,795
Loss on abandonment of inventories	334	236	2,737
Loss on sale of subsidiary	—	352	—
Other	291	192	2,385
Total	¥ 2,798	¥ 4,566	\$ 22,934

6. 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
	2022	2021	2022
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ (3,321)	¥ 5,213	\$ (27,221)
Reclassification adjustments	(329)	(59)	(2,696)
Before tax effect	(3,650)	5,153	(29,918)
Tax effect	1,110	(1,364)	9,098
Net unrealized holding gain (loss) on other securities	(2,540)	3,788	(20,819)
Gain (loss) on deferred hedges:			
Amount arising during the year	(86)	(43)	(704)
Asset acquisition cost adjustments	—	—	—
Before tax effect	(86)	(43)	(704)
Tax effect	26	13	213
Gain (loss) on deferred hedges	(59)	(29)	(483)
Translation adjustments:			
Amount arising during the year	(293)	(157)	(2,401)
Reclassification adjustments	—	424	—
Translation adjustments	(293)	267	(2,401)
Retirement benefits liability adjustments:			
Amount arising during the year	(3,174)	7,734	(26,016)
Reclassification adjustments	(23)	1,326	(188)
Before tax effect	(3,197)	9,060	(26,204)
Tax effect	1,808	(1,876)	14,819
Retirement benefits liability adjustments	(1,388)	7,183	(11,377)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	—	0	—
Reclassification adjustments	—	—	—
Share of other comprehensive income of entities accounted for using equity method	—	0	—
Total other comprehensive income	¥ (4,282)	¥ 11,210	\$ (35,098)

Note: As described in "Changes in accounting policies," changes in accounting policies regarding configuration or customization costs in cloud computing contracts are applied retroactively, and for the previous consolidated fiscal year, the figures after retroactive application are stated.

7. SHAREHOLDERS' EQUITY

Matters concerning class and total number of shares outstanding during the years ended March 31, 2022 and 2021 were as follows:

	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.

	Thousands of shares			
	2021			
	March 31, 2020	Increase in the year	Decrease in the year	March 31, 2021
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	690	1	38	653
Total	690	1	38	653

*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.

8. 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
	2022	2021	2022
Cash and deposits	¥ 36,691	¥ 44,845	\$ 300,745
Fixed deposit with a deposit period of more than 3 months	—	(30)	—
Deposits with restrictions on withdrawals	(3,312)	(2,985)	(27,147)
Cash and cash equivalents	¥ 33,379	¥ 41,830	\$ 273,598

9. LEASES

(Lessee)

Operating lease transactions

The minimum rental commitments under noncancellable operating leases at March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Due within one year	¥ 709	¥ 1,275	\$ 5,811
Due after one year	4,903	5,600	40,188
Total	¥ 5,612	¥ 6,875	\$ 46,000

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

10. 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 "12. Derivatives" do not indicate market risks related to these transactions.

2) Disclosure concerning fair value of financial instruments

As of March 31, 2022 (consolidated balance sheet date), the amount recorded in the consolidated balance sheet, fair value, and the amount of differences are as shown in the table below.

	Millions of yen						Thousands of U.S. dollars		
	2022			2021			2022		
	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 ^(1,2)	¥ 26,166	¥ 26,184	¥ 17	¥ 30,275	¥ 30,284	¥ 8	\$ 214,475	\$ 214,622	\$ 139
(2) Long-term trade receivables	25,047			22,245			205,303		
Allowance for doubtful receivables ⁽³⁾	(12,957)			(14,549)			(106,204)		
	12,089	12,089	—	7,696	7,696	—	99,090	99,090	—
Total assets	38,256	38,273	17	37,972	37,980	8	313,573	313,713	139
(1) Long-term borrowings ⁽⁴⁾	64,888	65,334	446	55,890	56,293	403	531,868	535,524	3,655
Total liabilities	64,888	65,334	446	55,890	56,293	403	531,868	535,524	3,655
Derivative transactions ⁽⁵⁾	¥ 98	¥ 98	¥ —	¥ (40)	¥ (40)	¥ —	\$ 803	\$ 803	\$ —

*1 Notes are omitted on cash and deposits; notes and accounts receivable, and contract assets; notes and accounts payable; short-term borrowings; and other accrued expenses, 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
	2022	2021	2022
unlisted shares	¥ 8,328	¥ 8,356	\$ 68,262

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

*4 As of March 31, 2022 and 2021, Long-term borrowing (¥21,050 million (\$172,540 thousand) and ¥16,042 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 TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

Notes:

1. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2022 and 2021:

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	¥ —	¥ —

Millions of yen				
2021				
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 44,845	¥ —	¥ —	¥ —
Notes and accounts receivable	104,420	950	—	—
Total	¥ 149,266	¥ 950	¥ —	¥ —

Thousands of U.S. dollars				
2022				
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	\$ 300,745	\$ —	\$ —	\$ —
Notes and accounts receivable	761,483	12,852	—	—
Total	\$ 1,062,229	\$ 12,852	\$ —	\$ —

2. Repayment schedule for long-term borrowings and other interest-bearing debt at of March 31, 2022 and 2021:

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	¥ —

Millions of yen						
2021						
	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	¥ 22,081	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	16,042	16,042	13,042	8,048	2,716	—
Total	¥ 38,123	¥ 16,042	¥ 13,042	¥ 8,048	¥ 2,716	¥ —

Thousands of U.S. dollars						
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	\$ 182,680	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term borrowings	172,540	147,950	107,016	63,311	41,049	—
Total	\$ 355,221	\$ 147,950	\$ 107,016	\$ 63,311	\$ 41,049	\$ —

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				
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				
2022				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Equity Securities	\$ 214,393	\$ —	\$ —	\$ 214,393
Derivative transactions*	\$ —	\$ 803	\$ —	\$ 803

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

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				
2022				
Fair value				
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Golf club memberships	\$ —	\$ 221	\$ —	\$ 221
Long-term trade receivables	—	—	99,090	99,090
Long-term debt	\$ —	\$ 535,524	\$ —	\$ 535,524

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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.

11. SECURITIES

1) Trading Securities

Not applicable

2) Bonds Held to Maturity

Not applicable

3) Other Securities

Securities at March 31, 2022 and 2021 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		
	2022			2021			2022		
	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	¥ 4,916	¥ 2,768	¥ 2,147	¥ 28,306	¥ 22,726	¥ 5,580	\$ 40,295	\$ 22,688	\$ 17,598
Subtotal	4,916	2,768	2,147	28,306	22,726	5,580	40,295	22,688	17,598
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	21,250	21,958	(707)	1,969	2,455	(485)	174,180	179,983	(5,795)
Subtotal	21,250	21,958	(707)	1,969	2,455	(485)	174,180	179,983	(5,795)
Total	¥ 26,166	¥ 24,727	¥ 1,439	¥ 30,275	¥ 25,181	¥ 5,094	\$ 214,475	\$ 202,680	\$ 11,795

4) Sales of other securities for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2022			2021			2022		
	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	¥ 791	¥ 340	¥ —	¥ 1,357	¥ 130	¥ (80)	\$ 6,483	\$ 2,786	\$ —
Total	¥ 791	¥ 340	¥ —	¥ 1,357	¥ 130	¥ (80)	\$ 6,483	\$ 2,786	\$ —

5) Impairment losses on securities

Year ended March 31, 2021

Not applicable

Year ended March 31, 2022

Not applicable

12. DERIVATIVES

Derivative transactions at March 31, 2022 and 2021 were as follows:

1) Derivative transactions which do not qualify for hedge accounting

(i) Currency related

	Millions of yen				Thousands of U.S. dollars			
	2022				2022			
	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	¥ 2,768	¥ —	¥ (131)	¥ (131)	\$ 22,688	\$ —	\$ (1,073)	\$ (1,073)
Buy:								
U.S. dollars	2,129	—	196	196	17,450	—	1,606	1,606
Total	¥ 4,897	¥ —	¥ 65	¥ 65	\$ 40,139	\$ —	\$ 532	\$ 532

	Millions of yen			
	2021			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:				
Sell:				
U.S. dollars	¥ 2,597	¥ —	¥ (37)	¥ (37)
Euro	¥ 3,461	—	¥ (171)	¥ (171)
Buy:				
U.S. dollars	1,258	—	70	70
Total	¥ 7,317	¥ —	¥ (138)	¥ (138)

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

(ii) Interest rate related

Not applicable

2) Derivative transactions which qualify for hedge accounting

(i) Currency related

		Millions of yen			Thousands of U.S. dollars		
		2022			2022		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):							
Sell:							
Euro	Accounts receivable	¥ 3,886	¥ —	¥ (205)	\$ 31,852	\$ —	\$ (1,680)
Buy:							
U.S. dollars	Accounts payable	4,118	—	237	33,754	—	1,942
Total		¥ 8,005	¥ —	¥ 32	\$ 65,614	\$ —	\$ 262

		Millions of yen		
		2021		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):				
Sell:				
Euro	Accounts receivable	¥ 4,937	¥ —	¥ (133)
Buy:				
U.S. dollars	Accounts payable	4,080	—	231
Total		¥ 9,017	¥ —	¥ 98

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

(ii) Interest rate related

		Millions of yen			Thousands of U.S. dollars		
		2022			2022		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):							
Pay fixed/receive floating	Long-term borrowings	¥ 57,546	¥ 38,978	*	\$ 471,688	\$ 319,491	*

		Millions of yen		
		2021		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):				
Pay fixed/receive floating	Long-term borrowings	¥ 49,462	¥ 35,336	*

* Derivative transactions subject to special treatment applied to interest rate swaps are treated in combination with long-term borrowings as hedged items. Hence, their fair value is included in that of long-term borrowings.
Note: Fair value is based on the quotes presented by the financial institutions.

13. 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, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Retirement benefit obligation at April 1, 2021 and 2020	¥ 105,590	¥ 108,511	\$ 865,491
Service cost	3,164	3,089	25,934
Interest cost	1,167	1,165	9,565
Actuarial gain / loss	(237)	578	(1,942)
Retirement benefit paid	(8,023)	(7,397)	(65,762)
Other	(647)	(355)	(5,303)
Retirement benefit obligation at March 31, 2022 and 2021	¥ 101,013	¥ 105,590	\$ 827,975

(2) The changes in plan assets during the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Plan assets at April 1, 2021 and 2020	¥ 104,807	¥ 96,389	\$ 859,073
Expected return on plan assets	2,313	889	18,959
Actuarial gain / loss	(3,426)	8,319	(28,081)
Contributions by the Company and subsidiaries	1,395	4,061	11,434
Retirement benefits paid	(4,949)	(4,852)	(40,565)
Plan assets at March 31, 2022 and 2021	¥ 100,140	¥ 104,807	\$ 820,819

(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, 2022 and 2021 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Funded retirement benefit obligation	¥ 85,482	¥ 87,635	\$ 700,672
Plan assets at fair value	(100,140)	(104,807)	(820,819)
	(14,657)	(17,171)	(120,139)
Unfunded retirement benefit obligation	15,531	17,955	127,303
Net liability for retirement benefits in the balance sheet	¥ 873	¥ 783	\$ 7,155
Liability for retirement benefits	31,320	31,419	256,721
Asset for retirement benefits	(30,447)	(30,635)	(249,565)
Net asset for retirement benefits in the balance sheet	¥ 873	¥ 783	\$ 7,155

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

(4) The components of retirement benefit expense for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Service cost	¥ 3,164	¥ 3,089	\$ 25,934
Interest cost	1,167	1,165	9,565
Expected return on plan assets	(2,313)	(889)	(18,959)
Amortization of actuarial gain / loss	95	1,445	778
Amortization of prior service cost	(118)	(118)	(967)
Other	473	735	3,877
Retirement benefit expense	¥ 2,468	¥ 5,427	\$ 20,229

Note: In addition to the retirement benefit costs related to the above defined benefit plan, as a special retirement allowance, ¥32 million (\$262 thousand) was recorded as miscellaneous expenses for non-operating expenses, and ¥2,171 million (\$17,795 thousand) was recorded as an extraordinary loss in Business restructuring expenses for extraordinary for the year ended March 31, 2022.

And, as a special retirement allowance, ¥281 million was recorded as miscellaneous expenses for non-operating expenses, and ¥3,784 million was recorded as an extraordinary loss in Business restructuring expenses for extraordinary for the year ended March 31, 2021.

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Prior service cost	¥ (118)	¥ (118)	\$ (967)
Actuarial gain / loss	(3,079)	9,179	(25,237)
Total	¥ (3,197)	¥ 9,060	\$ (26,204)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2022 and 2021 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Unrecognized prior service cost	¥ (102)	¥ (221)	\$ (836)
Unrecognized actuarial gain / loss	(605)	(3,684)	(4,959)
Total	¥ (707)	¥ (3,905)	\$ (5,795)

(7) Plan assets

(i) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2022 and 2021 were as follows:

	2022	2021
Bonds	37%	37%
Stocks	28	32
Alternative	17	17
Other	18	14
Total*	100%	100%

* The retirement benefit trust consists of 16% of the total plan assets for the year ended March 31, 2022 and 18% of the total plan assets for the year ended March 31, 2021, 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:

	2022	2021
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	2.26%	0.95%

3) Defined contribution plan

The Company and domestic consolidated subsidiaries made required contributions to the defined contribution plans of ¥2,178 million (\$17,852 thousand) and ¥2,247 million for the years ended March 31, 2022 and 2021, respectively.

14. STOCK OPTION PLAN

The stock options outstanding as of March 31, 2022 are as follows:

1) The amount in relation to the stock options.

Selling, general and administrative expenses for the years ended March 31, 2021 is ¥31 million.

* There were no stock options granted during the years ended March 31, 2022. Therefore, there are no Selling, general and administrative expenses for the years ended March 31, 2022.

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	31,500 shares	42,100 shares
Vested	—	—	—
Exercised	—	2,700 shares	9,600 shares
Cancelled	—	—	—
Outstanding	20,600 shares	28,800 shares	32,500 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 (\$7.04)	¥1,000 (\$8.19)	¥878 (\$7.19)

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	52,100 shares	60,500 shares
Vested	—	—
Exercised	12,300 shares	13,000 shares
Cancelled	—	—
Outstanding	39,800 shares	47,500 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 (\$7.87)	¥526 (\$4.31)

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, 2022.

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.

15. INCOME TAXES

1) Deferred tax assets and liabilities at March 31, 2022 and 2021 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Deferred tax assets:			
Loss carryforwards (Note)	¥ 20,883	¥ 19,350	\$ 171,172
Liability for retirement benefits	12,463	13,051	102,155
Accrued bonuses	3,730	3,755	30,573
Excess of allowance for doubtful receivables and bad debts expenses	2,663	4,976	21,827
Write-downs of inventories	2,162	1,981	17,721
Write-downs of investments in securities	1,840	1,836	15,081
Investment balance of retirement benefit trust property	920	797	7,540
Excess depreciation	849	934	6,959
Asset retirement obligations	843	846	6,909
Other	4,821	4,217	39,516
Gross deferred tax assets	51,174	51,743	419,459
Valuation allowance for tax loss carryforwards (Note)	(20,705)	(19,079)	(169,713)
Valuation allowance for deductible temporary differences	(22,204)	(24,866)	(182,000)
Less: Valuation allowance	(42,909)	(43,946)	(351,713)
Total deferred tax assets	8,265	7,796	67,745
Deferred tax liabilities:			
Asset for retirement benefits	(9,290)	(9,873)	(76,147)
Write-ups of investments in securities	(5,723)	(5,723)	(46,909)
Taxable unrealized gain on contribution of securities to a pension trust	(1,944)	(1,957)	(15,934)
Fair-value accounting for associated with the acquisition of a subsidiary	(944)	(1,701)	(7,737)
Other	(1,431)	(2,583)	(11,729)
Total deferred tax liabilities	(19,332)	(21,837)	(158,459)
Net deferred tax liabilities	¥ (11,067)	¥ (14,040)	\$ (90,713)

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

	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

	Millions of yen						
	2021						
	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	¥ 166	¥ 88	¥ 318	¥ 224	¥ 492	¥ 18,060	¥ 19,350
Less: Valuation allowance	(166)	(78)	(315)	(224)	(491)	(17,804)	(19,079)
Deferred tax assets	¥ 0	¥ 9	¥ 3	¥ 0	¥ 1	¥ 255	¥ 270

	Thousands of U.S. dollars						
	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	\$ 713	\$ 2,557	\$ 1,836	\$ 7,090	\$ 23,368	\$ 135,590	\$ 171,172
Less: Valuation allowance	(639)	(2,540)	(1,836)	(7,090)	(22,237)	(135,352)	(169,713)
Deferred tax assets	\$ 74	\$ 17	\$ —	\$ —	\$ 1,131	\$ 238	\$ 1,459

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, 2022 and 2021, 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, 2022 and 2021 are summarized as follows:

	2022	2021
Statutory tax rates	30.6%	30.6%
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	(3.2)	(7.1)
Permanent nondeductible differences such as entertainment expenses	54.6	11.4
Increase (decrease) in valuation allowance for deferred tax assets	(56.7)	60.4
Per capita portion of inhabitants' taxes	7.3	9.2
Extinction of loss carryforwards	35.4	17.9
Difference in applicable tax rates of overseas subsidiaries	(13.9)	3.4
Other, net	(3.8)	(2.0)
Effective tax rates	50.2%	123.7%

Note: As described in "Changes in accounting policies," changes in accounting policies regarding configuration or customization costs in cloud computing contracts are applied retroactively, and for the previous consolidated fiscal year, the figures after retroactive application are stated.

16. BUSINESS COMBINATION, ETC.

Transactions, etc. under Common Control

The Company resolved to absorb its wholly-owned specified subsidiary Oki Data Corporation (hereinafter "ODC") at the Board of Directors meeting held on October 29, 2020. The merger agreement was concluded on the same day, and the merger was completed on April 1, 2021.

1) Overview of business separation

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

Name of the company	Oki Data Corporation
Content of business	Development, manufacture and sales of printer equipment and other related solutions

(2) Date of business combination

April 1, 2021

(3) Legal forms of business combination

A merger in which the Company is the surviving company and ODC is the dissolving company

(4) Name of the company after combination

Oki Electric Industry Co., Ltd.

(5) Other items regarding outline of transaction

The Group aims to resolve social issues through the key Japanese concepts of "Mono-zukuri" and "Koto-zukuri (creation of solutions and services)" over the medium to long term. The "Medium-Term Business Plan 2022" is positioned as building the foundations for growth, through which we plan to restructure the business portfolio and strengthen the foundation for "Mono-zukuri (manufacturing)." Meanwhile, the market for the Printers business operated by ODC has been on a shrinking trend with a shift to paperless operations and other developments, and the trend is accelerating due to the global spread of COVID-19.

The merger of ODC into the Company is meant to respond to changes in the market environment, as part of the measures under the Group's Medium-Term Business Plan. We aim to grow our Components & Platforms business by strengthening our product development capabilities through a shift in development resources of the Printers business and utilizing the global sales bases held by ODC, production bases and production control functions as the Group.

2) Outline of accounting procedures applied

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

17. REVENUE RECOGNITION

1) Information on disaggregation of revenue from contracts with customers

	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
North America	—	8,144	8,144	—	8,144
Central and South America	—	2,093	2,093	—	2,093
Europe	8	24,377	24,386	—	24,386
China	6	5,393	5,400	—	5,400
Others	—	14,855	14,855	—	14,855
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				
	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	\$ 1,332,983	\$ 1,524,926	\$ 2,857,918	\$ 3,467	\$ 2,861,393
Other revenue	163	24,213	24,377	—	24,377
Total net sales	1,333,155	1,549,139	2,882,303	3,467	2,885,770
<Geographical market>					
Revenue from contracts with customers					
Japan	1,332,868	1,075,204	2,408,073	3,467	2,411,549
North America	—	66,754	66,754	—	66,754
Central and South America	—	17,155	17,155	—	17,155
Europe	65	199,811	199,885	—	199,885
China	49	44,204	44,262	—	44,262
Others	—	121,762	121,762	—	121,762
Other revenue					
Japan	163	24,213	24,377	—	24,377
<Timing of revenue recognition>					
Revenue from contracts with customers					
Revenue recognized at one point	374,975	1,192,155	1,567,131	3,245	1,570,385
Revenue recognized over time	\$ 958,008	\$ 332,770	\$ 1,290,778	\$ 221	\$ 1,291,000

* "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				
	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.

	Thousands of U.S. dollars				
	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	\$ 403,852	\$ 423,532	\$ 111,983	\$ 393,598	\$ 1,332,983
Other revenue	—	—	163	—	163
Total net sales	\$ 403,852	\$ 423,532	\$ 112,155	\$ 393,598	\$ 1,333,155

* 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.

	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.

	Thousands of U.S. dollars		
	2022		
	By business areas (Components & Platforms)*		
	Components	Mono-zukuri Platform	Total
For the year ended March 31			
Revenue from contracts with customers	\$ 980,155	\$ 544,770	\$ 1,524,926
Other revenue	24,213	—	24,213
Total net sales	\$ 1,004,368	\$ 544,770	\$ 1,549,139

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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.

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

	Millions of yen		Thousands of U.S. dollars
	As of March 31, 2022	As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers	¥ 77,693	¥ 95,796	\$ 636,827
Of which, notes receivable	8,400	7,144	68,852
Of which, accounts receivable	69,293	88,651	567,975
Contract assets	16,298	10,392	133,590
Contract liabilities	¥ 8,548	¥ 5,857	\$ 70,065

- 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
	2022	2022
Within one year	¥ 19,153	\$ 156,991
One year to three years	8,704	71,344
Over three years	434	3,557
Unsatisfied performance obligation total	¥ 28,292	\$ 231,901

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, 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.

(2) 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.

In addition, from the fiscal year ended March 31, 2022, BANKING CHANNEL SOLUTIONS LIMITED, an equity-method affiliate that was previously included in the "Solution System Business," has been changed to the "Component & Platform Business" by reviewing its internal management system.

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

(3) 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.

(4) 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 (\$5,032 thousand). In addition, segment assets decreased by ¥1,667 million (\$13,663 thousand), depreciation and amortization decreased by ¥60 million (\$491 thousand), and Increase in property, plant, equipment and intangible assets decreased by ¥675 million (\$5,532 thousand).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

(5) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment
Reporting segment information as of March 31, 2022 and 2021 and for the years then ended were as follows

For the year ended March 31	Millions of yen						
	2022						
	Segments			Other	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
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

For the year ended March 31	Millions of yen						
	2021						
	Segments			Other	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
Sales to third parties	¥ 190,763	¥ 201,468	¥ 392,231	¥ 636	¥ 392,868	—	¥ 392,868
Inter-segment sales and transfers	3,382	6,471	9,853	11,786	21,640	(21,640)	—
Net sales	194,146	207,939	402,085	12,423	414,508	(21,640)	392,868
Operating income (loss)	16,329	(996)	15,333	(60)	15,273	(6,377)	8,895
Total assets	125,388	179,100	304,488	8,187	312,676	58,870	371,546
Depreciation and amortization	2,828	7,575	10,403	344	10,747	1,039	11,787
Investments in equity-method affiliates	984	768	1,753	—	1,753	—	1,753
Increase in property, plant, equipment and intangible assets	¥ 3,107	¥ 7,114	¥ 10,221	¥ 187	¥ 10,409	¥ 17,183	¥ 27,592

For the year ended March 31	Thousands of U.S. dollars						
	2022						
	Segments			Other	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
Sales to third parties	\$ 1,333,155	\$ 1,549,139	\$ 2,882,303	\$ 3,467	\$ 2,885,770	—	\$ 2,885,770
Inter-segment sales and transfers	12,606	30,590	43,196	95,721	138,926	(138,926)	—
Net sales	1,345,762	1,579,737	2,925,500	99,196	3,024,704	(138,926)	2,885,770
Operating income (loss)	78,131	28,663	106,803	2,827	109,631	(61,565)	48,065
Total assets	954,155	1,492,057	2,446,221	74,385	2,520,614	505,368	3,025,983
Depreciation and amortization	22,901	58,336	81,245	2,565	83,811	10,475	94,286
Investments in equity-method affiliates	7,827	—	14,524	—	14,524	—	14,524
Increase in property, plant, equipment and intangible assets	\$ 58,393	\$ 67,081	\$ 125,475	\$ 893	\$ 126,377	\$ 59,622	\$ 186,000

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
	2022	2021	2022
Operating income (loss)			
Elimination of intersegment transactions	¥ 145	¥ 127	\$ 1,188
Corporate expense*	(7,460)	(6,333)	(61,147)
Fixed asset adjustment	(195)	(171)	(1,598)
Total	¥ (7,511)	¥ (6,377)	\$ (61,565)

* 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
	2022	2021	2022
Total assets			
Elimination of intersegment transactions	¥ (84,926)	¥ (134,173)	\$ (696,114)
Corporate assets*	148,073	194,458	1,213,713
Fixed asset adjustment	(1,491)	(1,414)	(12,221)
Total	¥ 61,655	¥ 58,870	\$ 505,368

* 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
	2022	2021	2022
Depreciation and amortization			
Depreciation expense for corporate assets	¥ 1,516	¥ 1,277	\$ 12,426
Fixed asset adjustment	(237)	(237)	(1,942)
Total	¥ 1,278	¥ 1,039	\$ 10,475

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Increase in property, plant, equipment and intangible assets			
Corporate assets	¥ 7,741	¥ 17,595	\$ 63,450
Fixed asset adjustment	(467)	(412)	(3,827)
Total	¥ 7,274	¥ 17,183	\$ 59,622

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, 2022 and 2021 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
	2022	2021	2022
Japan	¥ 297,184	¥ 333,083	\$ 2,435,934
North America	8,144	8,579	66,754
Latin America	2,093	2,771	17,155
Europe	24,386	26,691	199,885
China	5,400	6,815	44,262
Other	14,855	14,928	121,762
Total	¥ 352,064	¥ 392,868	\$ 2,885,770

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

(ii) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Japan	* ¥ —	¥ 45,691	\$ —
Asia	—	4,584	—
Other	—	1,038	—
Total	¥ —	¥ 51,314	\$ —

* 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
	2022	2021	2022
Solution Systems	¥ —	¥ —	\$ —
Components & Platforms	971	* 612	7,959
Company-wide	173	—	1,418
Total	¥1,144	¥ 612	\$ 9,377

* Impairment loss includes impairment loss shown as business structure improvement expenses.

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

Year ended March 31, 2021

The disclosure is omitted due to immateriality.

Year ended March 31, 2022

The disclosure is omitted due to immateriality.

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

Year ended March 31, 2021

Not applicable

Year ended March 31, 2022

Not applicable

19. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2022	2021	2022
Net assets per share	¥ 1,240.62	¥ 1,286.41	\$ 10.16
Basic earnings (losses) per share	¥ 23.85	¥ (9.47)	\$ 0.19
Diluted earnings per share	¥ 23.81	¥ —	\$ 0.19

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

*2 The accounting policies have been updated for configuration and customization costs in cloud computing agreements in the years ended March 31, 2022; therefore, the associated values the years ended March 31, 2021 have retrospectively been applied corrections.

As a result, compared to before the retroactive application, the Net assets per share in the years ended March 31, 2021 decreased by ¥19.26, and the Basic losses per share worsened by ¥7.09.

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Basic earnings (losses) per share			
Profit (loss) attributable to owners of parent	¥ 2,065	¥ (819)	\$ 16,926
Amounts not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent related to common stock	¥ 2,065	¥ (819)	\$ 16,926
Weighted-average number of shares of common stock during the period (thousand shares)	86,600	86,564	
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	—	—	

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

	Millions of yen		Thousands of U.S. dollars
	2022	2021	2022
Total net assets	¥ 107,635	¥ 111,598	\$ 882,254
Amounts deducted from total net assets	¥ 198	¥ 242	\$ 1,622
(Subscription rights to shares)	¥ (138)	¥ (168)	\$ (1,131)
(Non-controlling interests)	¥ (60)	¥ (74)	\$ (491)
Net assets at the year end to common stock	¥ 107,437	¥ 11,356	\$ 880,631
Common stock at the year end used to calculated of the net assets per share (thousand shares)	86,599	86,563	

20. CONSOLIDATED SUPPLEMENTARY SCHEDULES

1) Schedule of company bonds

Not applicable

2) Schedule of borrowings, etc

	Millions of yen				Thousands of U.S. dollars	
	2022		Average interest rate	Term of payment	2022	
	Balance at March 31, 2021	Balance at March 31, 2022			Balance at March 31, 2021	Balance at March 31, 2022
Short-term borrowings	¥ 22,081	¥ 22,287	2.1%	—	\$ 180,991	\$ 182,680
Long-term borrowings (Within 1 year)	16,042	21,050	1.2	—	131,491	172,540
Lease obligations (Within 1 year)	4,202	3,912	—	—	34,442	32,065
Long-term borrowings (Over 1 year)	39,848	43,838	1.2	2023~2027	326,622	359,327
Lease obligations (Over 1 year)	12,670	9,740	—	2023~2031	103,852	79,836
Total	¥ 94,843	¥ 100,827	—	—	\$ 777,401	\$ 826,450

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			
	2022				2022			
	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	¥ 18,050	¥ 13,056	¥ 7,724	¥ 5,008	\$ 147,950	\$ 107,016	\$ 63,311	\$ 41,049
Lease obligations	3,581	2,865	1,918	892	29,352	23,483	15,721	7,311

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, 2022)

Authorized: 240,000,000
 Issued: 87,217,602
 (Including 617,937 treasury stock)

Number of Shareholders (As of March 31, 2022)

67,841

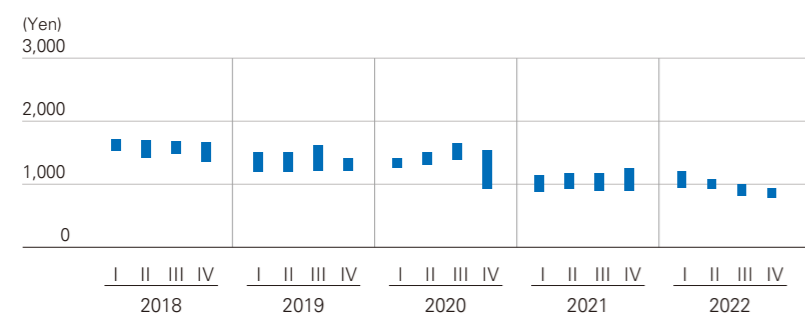
Major Shareholders (As of March 31, 2022)

Name of Shareholders	Number of Shares Held (shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	14,871,700	17.17
Custody Bank of Japan, Ltd. (trust account)	5,125,500	5.92
Oki Denki Group Employees' Shareholdings Committee	2,103,461	2.43
Custody Bank of Japan, Ltd. (trust account 4)	1,772,000	2.05
Mizuho Bank, LTD.	1,419,648	1.64
Meiji Yasuda Life Insurance Company	1,400,097	1.62
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,283,400	1.48
STATE STREET BANK WEST CLIENT-TREATY 505234	1,220,393	1.41
JP MORGAN CHASE BANK 385781	1,041,048	1.20
JUNIPER	1,022,790	1.18

*The shareholding ratio is calculated after excluding 617,937 shares of treasury stock.

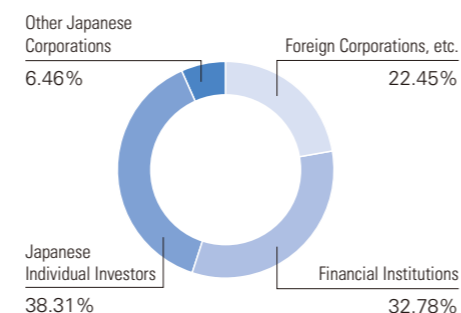
Common Stock Price Range on the Tokyo Stock Exchange

(Fiscal Years ended March 31)



Distribution of Shareholders

(As of March 31, 2022)



- Oki Electric Industry Co., Ltd. aims to be a globally recognized growth company; throughout this report, the Company is referred to as OKI.
- All company and product names included in this report are trademarks or registered trademarks of each of the companies they represent.

COMPANY PROFILE

Profile (As of June 29, 2022)

Company Name: Oki Electric Industry Co., Ltd.
 Founded: 1881
 Company Established: November 1, 1949
 Common Stock: 44,000 million yen
 Employees: 14,850 (Consolidated)
 4,760 (Non-consolidated)
*As of March 31, 2022
 Representative Director and COO: 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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