(Translation)

(Securities Identification Code: 6703)
June 7, 2021

NOTICE OF 97TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Oki Electric Industry Co., Ltd. (the "Company") would hereby like to inform you that the 97TH ordinary general meeting of shareholders will be held as follows.

To prevent the spread of novel coronavirus disease (COVID-19), shareholders are kindly requested to exercise their voting rights in writing or via the Internet, etc. for this general meeting of shareholders, and refrain from attending the meeting in person. On the meeting day, we will ensure appropriate social distancing between seats and this will significantly reduce the number of seats available, compared to the previous years. Accordingly, even if you come to the venue, you may not be able to enter. We would appreciate your understanding in advance.

Shareholders are kindly requested to review "Reference Documents for the General Meeting of Shareholders" provided hereunder and exercise their voting rights by no later than 5:15 p.m. on June 28 (Monday), 2021 (JST).

Yours faithfully,

Shinya Kamagami,
President, Representative Director
Oki Electric Industry Co., Ltd.
1-7-12 Toranomon, Minato-ku, Tokyo

(Translation)

1. **Date and Time:** Tuesday, June 29, 2021, from 10:00 a.m. (Reception will open at 9:30 a.m.)
2. **Location:** Nikkei Hall, 3F Nikkei Building, 1-3-7 Otemachi, Chiyoda-ku, Tokyo

   The date and time, and location are subject to change due to the situation regarding the COVID-19 outbreak. Any change that occurs will be announced on our website (https://www.oki.com/jp/). Should you intend to attend the meeting, please check the website in advance.
3. **Meeting Agenda**

Items to be reported:

1. Business Report, Consolidated Financial Statements and audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 97th fiscal year (from April 1, 2020 to March 31, 2021)
2. Non-consolidated Financial Statements for the 97th fiscal year (from April 1, 2020 to March 31, 2021)

Items to be resolved:

Agenda Item 1: Appropriation of Surplus
Agenda Item 2: Election of Nine (9) Directors
Agenda Item 3: Election of Two (2) Audit & Supervisory Board Members
Agenda Item 4: Grant of Stock Option for Stock-linked Compensation (Equity Warrants) to Directors

Instructions for the Exercise of Voting Rights

Exercise of voting rights via postal mail:
Please indicate your approval or disapproval in the space provided on the ballot and return the ballot to the Company no later than 5:15 p.m., June 28 (Monday), 2021 (JST).

Exercise of voting rights via the Internet, etc.:
Please read “Instructions for the Exercise of Voting Rights via the Internet, etc.” on page 3, and indicate your approval or disapproval no later than 5:15 p.m., June 28 (Monday), 2021 (JST).

Exercise of voting rights via attending the meeting:
Please bring and always wear a face mask. Present the enclosed ballot at the reception desk of the meeting.

* If you exercise your voting rights both in writing and via the Internet, etc., we will regard the vote cast via the Internet, etc. to be effective.
* If you exercise your voting rights more than once via the Internet, etc., we will regard the last vote you cast to be the effective one.
* The Company has provided the Notice of 97th Ordinary General Meeting of Shareholders on its Internet website (https://www.oki.com/jp/). Any amendment to the Company’s Reference Documents for the General Meeting of Shareholders, the Business Report, and the Consolidated and Non-consolidated Financial Statements will be announced on the website.

(Translation)

Instructions for the Exercise of Voting Rights via the Internet

<table>
<tr><th>How to scan QR code
“Smart Exercise”</th><th>How to enter
voting rights exercise code and password</th></tr>
<tr><td>You can simply login to the voting site without entering your voting rights exercise code and password.
1. Please scan the QR code provided at the bottom right of the voting rights exercise form.
* “QR code” is a registered trademark of Denso Wave Incorporated.
2. Please input approval or disapproval to each proposal in accordance with the instructions on the screen.

Exercising voting rights by “Smart Exercise” is available only once.
If you need to change your votes after excising your voting rights, please log in the voting site for a personal computer by using your “voting rights exercise code” and “password” provided on the voting rights exercise form and exercise your voting rights again.
* If you rescan the QR code, you can access the Exercise of Voting Rights Website for a personal computer.</td><td>Voting site:
https://soukai.mizuho-tb.co.jp/
1. Please access the voting site.
2. Please enter the “voting rights exercise code” printed on the voting rights exercise form.
3. Please enter the “password” printed on the voting rights exercise form.
4. Please input approval or disapproval to each proposal in accordance with the instructions on the screen.</td></tr>
<tr><td>If you have any inquiries about the operation of a personal computer, a smartphone or a cellular phone regarding the exercise of voting rights via the Internet, please contact on the right-hand side:</td><td>Internet Help Dial, Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
Tel: 0120-768-524 (toll free, only in Japan)
(Operating hours: 9:00 a.m. to 9:00 p.m. excluding Saturdays, Sundays and national holidays)</td></tr>
</table>

Institutional investors can utilize the electronic voting platform operated by ICJ, Inc.

(Translation)

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item 1: Appropriation of Surplus

The Company has given consideration to matters including the business performance of the fiscal year under review, business earnings projections for the next fiscal year (FY2021), the Company's financial position, etc., and it proposes to pay year-end dividends for the fiscal year under review as follows.

1. Type of dividend asset

Cash

2. Allocation of dividend assets and total amount of dividends

Common stock of the Company	¥20 per share
Total dividends	¥1,731,276,020

3. Effective date of dividend of surplus

June 30, 2021

(Reference) Shareholder Return Policy

OKI's top management priorities are to strengthen its financial position and ensure retained earnings in order to continually improve the OKI Group's corporate value, as well as to increase shareholder returns so that shareholders are encouraged to hold its shares over the medium- to long-term. While, in principle, providing stable and continuous shareholder returns, OKI decides on its dividends amounts, giving comprehensive consideration to business performance, the investment required for research & development and facilities that are critical to future growth, and reinforcing its management foundations.

(Translation)

Agenda Item 2: Election of Nine (9) Directors

The tenure of office of all nine (9) Directors will expire at the conclusion of this general meeting of shareholders. Accordingly, the Company proposes the election of nine (9) Directors, and the candidates are shown as follows. The candidates for Directors have been approved by the Board of Directors after deliberation by the Personnel Affairs and Compensation Advisory Committee, consisting of five (5) members including four (4) outside officers.

Candidate number	Name		Current position/ responsibility in the Company	Number of attendance at meetings of the Board of Directors	Number of years in office
1	Shinya Kamagami	Re-election Inside	President, Representative Director Supervision	100% (14 out of 14 times)	7 years
2	Masayuki Hoshi	Re-election Inside	Senior Executive Vice President, Representative Director Chief Compliance Officer Chief Financial Officer Chief Information Officer, Chief Human Resource Officer	100% (14 out of 14 times)	5 years
3	Masashi Tsuboi	Re-election Inside	Executive Vice President and Member of the Board Head of Solution Systems Business Group	100% (14 out of 14 times)	2 years
4	Masashi Fuse	Re-election Inside	Senior Vice President and Member of the Board Head of Corporate Group Internal Control Administrator	100% (14 out of 14 times)	2 years
5	Masatoshi Saito	Newly nominated Inside	Senior Vice President Head of Components & Platforms Business Group	–% (- out of - times)	–
6	Shigeru Asaba	Re-election Outside Independent	Outside Director	100% (14 out of 14 times)	4 years
7	Tamotsu Saito	Re-election Outside Independent	Outside Director	100% (14 out of 14 times)	3 years
8	Izumi Kawashima	Re-election Outside Independent Woman	Outside Director	100% (14 out of 14 times)	3 years

(Translation)

Candidate number	Name		Current position/ responsibility in the Company	Number of attendance at meetings of the Board of Directors	Number of years in office
9	Makoto Kigawa	Re-election Outside Independent	Outside Director	100% (14 out of 14 times)	2 years

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Re-election] 1	Shinya Kamagami (February 9, 1959) Number of years in office as Director: 7 years (as of the conclusion of this general meeting of shareholders) Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%) Number of Oki shares held: Common stock: 13,800 shares	Apr. 1981 Joined Oki Electric Industry Co., Ltd. Apr. 2001 Manager, Hardware Development Department No. 2, Terminal Systems Division, Systems Solution Company Apr. 2005 Head of Systems Hardware Development Division, Systems Hardware Company, Systems Networks Business Group Apr. 2011 Executive Officer Apr. 2012 Senior Vice President Jun. 2014 Senior Vice President and Member of the Board Apr. 2016 President, Representative Director (incumbent) **Reason for the selection of candidate for Director** Based on his past experience serving in business divisions and headquarters divisions, Mr. Shinya Kamagami has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Kamagami assumed the office of Director in June 2014, and has been engaging in management of the Company as President and Representative Director since fiscal 2016. He is nominated as a candidate for Director as it is expected that, as a member of the Board of Directors, he will continue to share information with other Directors and strengthen the decision-making function.

(Translation)

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Brief personal profile, position and responsibility in the Company and significant concurrent positions</th></tr>
<tr><td rowspan="2">[Re-election]
2</td><td rowspan="2">Masayuki Hoshi
(March 9, 1960)

Number of years in office as Director:
5 years
(as of the conclusion of this general meeting of shareholders)

Number of attendance at meetings of the Board of Directors
(the year under review):
14 out of 14 times
(100%)

Number of Oki shares held:
Common stock:
5,600 shares</td><td>Apr. 1982 Joined The Fuji Bank, Limited
Apr. 2007 General Manager of Global Trade Finance Division, Mizuho Corporate Bank, Ltd.
Apr. 2009 Executive Officer, General Manager of Corporate Banking Division No.17
Apr. 2011 Managing Executive Officer, Head of Global Transaction Banking Unit
Jun. 2014 Managing Executive Officer, Mizuho Financial Group, Inc.
May 2015 Senior Vice President, Oki Electric Industry Co., Ltd.
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 (incumbent)
Jun. 2018 Chief Compliance Officer (incumbent)
Apr. 2019 Senior Executive Vice President, Representative Director (incumbent), Chief Information Officer (incumbent)
Apr. 2021 Chief Human Resources Officer (incumbent)</td></tr>
<tr><td>Reason for the selection of candidate for Director
Mr. Masayuki Hoshi has abundant experience gained as Managing Executive Officer at the Mizuho Financial Group, which the candidate comes from, and has a deep understanding of governance and perspective related to the global business on which the Company focuses. He also has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Hoshi assumed the office of Director in June 2016, and has been playing a core role in management by serving as Senior Executive Vice President and Representative Director since fiscal 2019. He is nominated as a candidate for Director as it is expected that, as a member of the Board of Directors, he will share information with other Directors and strengthen the decision-making function.</td></tr>
</table>

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Re-election] 3	Masashi Tsuboi (May 16, 1960) Number of years in office as Director: 2 years (as of the conclusion of this general meeting of shareholders) Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%) Number of Oki shares held: Common stock: 6,700 shares	Apr. 1983 Joined Oki Electric Industry Co., Ltd. Apr. 2002 President, Multimedia Messaging Company Apr. 2011 Manager, Corporate Network Systems Division, Telecom Systems Group Jul. 2014 Manager, Information Systems Division, Solution & Services Group Apr. 2015 Executive Officer Apr. 2016 Deputy Head of ICT Business Group Apr. 2017 Senior Vice President and Head of ICT Business Group Jun. 2019 Senior Vice President, Head of ICT Business Group and Member of the Board Apr. 2020 Executive Vice President and Member of the Board and Head of Solution Systems Business Group (incumbent)
		Reason for the selection of candidate for Director Based on his past experience serving in business divisions, Mr. Masashi Tsuboi has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Tsuboi assumed the office of Director in June 2019, and has been engaging in core businesses of the Company as Executive Vice President and Head of Solution Systems Business Group since fiscal 2020. He is nominated as a candidate for Director as it is expected that he will share information with other Directors and strengthen the decision-making function.

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Re-election] 4	Masashi Fuse (February 23, 1961) Number of years in office as Director: 2 years (as of the conclusion of this general meeting of shareholders) Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%) Number of Oki shares held: Common stock: 3,400 shares	Apr. 1984 Joined Oki Electric Industry Co., Ltd. Jun. 1994 Oki America Inc. Apr. 2015 Head of Accounting & Control Division, Oki Electric Industry Co., Ltd. Jun. 2015 Outside Director, SAXA Holdings, Inc. Apr. 2016 Executive Officer, Oki Electric Industry Co., Ltd. Apr. 2018 Senior Executive Officer and Head of Corporate Management Group Jun. 2019 Senior Executive Officer and Member of the Board Apr. 2020 Senior Vice President and Member of the Board and Head of Corporate Group (incumbent), Internal Control Administrator (incumbent)
		Reason for the selection of candidate for Director Based on his past experience serving in headquarters divisions, accounting & control division, and overseas offices, Mr. Masashi Fuse has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Fuse assumed the office of Director in June 2019, and has been playing a core role in corporate management as Senior Vice President and Head of Corporate Group since fiscal 2020. He is nominated as a candidate for Director as it is expected that he will share information with other Directors and strengthen the decision-making function.

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions	
[Newly nominated] 5	Masatoshi Saito (December 20, 1963) Number of years in office as Director: – (as of the conclusion of this general meeting of shareholders) Number of attendance at meetings of the Board of Directors (the year under review): - out of - times (–%) Number of Oki shares held: Common stock: 3,200 shares	Apr. 1986	Joined Oki Electric Industry Co., Ltd.
		Oct. 2002	Head of Strategy Planning Office, IP Solution Company
		Apr. 2007	President, Security & Mobility Company, IP System Company, Systems Networks Business Group
		Oct. 2008	Director, Oki Networks Co., Ltd.
		Apr. 2016	Head of Corporate Planning Division, Corporate Planning Group, Oki Electric Industry Co., Ltd.
		Apr. 2017	Executive Officer
		Apr. 2018	Senior Executive Officer, Head of Corporate Planning Group and Chief Information Officer
		Apr. 2020	Senior Vice President (incumbent) and Vice President of Components & Platforms Business Group
		Apr. 2021	Head of Components & Platforms Business Group (incumbent)
		Reason for the selection of candidate for Director Based on his past experience serving in the Corporate Planning Division and business divisions, Mr. Masatoshi Saito has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Saito assumed the office of Senior Vice President in fiscal 2021, and has been engaging in core businesses of the Company as Head of Components & Platforms Business Group. He is nominated as a candidate for Director as it is expected that he will share information with other Directors and strengthen the decision-making function.	

(Translation)

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Brief personal profile, position and responsibility in the Company and significant concurrent positions</th></tr>
<tr><td rowspan="2">[Outside]
[Re-election]
[Independent]
6</td><td rowspan="2">Shigeru Asaba
(May 21, 1961)

Number of years in office as Director:
4 years
(as of the conclusion of this general meeting of shareholders)

Number of attendance at meetings of the Board of Directors
(the year under review):
14 out of 14 times
(100%)

Number of Oki shares held:
Common stock:
300 shares</td><td>Apr. 1992 Associate Professor, Faculty of Economics, Gakushuin University
Mar. 1994 Ph.D., Economics, University of Tokyo
Apr. 1997 Professor, Faculty of Economics, Gakushuin University
Apr. 2013 Professor, Graduate School of Commerce, Waseda University
Apr. 2016 Professor, Waseda Business School (Graduate School of Business and Finance) (incumbent)
Jun. 2016 Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (incumbent)
Sep. 2016 Dean, Waseda Business School (Graduate School of Business and Finance)
Jun. 2017 Outside Director, Oki Electric Industry Co., Ltd. (incumbent)
(Significant concurrent positions)
Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd.
*There are no business relationships between Nippon Beet Sugar Manufacturing Co., Ltd. and the Company.</td></tr>
<tr><td>Reason for the selection of candidate for Outside Director and expected role, etc.
Mr. Shigeru Asaba is currently a professor of Waseda Business School (Graduate School of Business and Finance) and has academic expertise in business in general though his specialist knowledge in the fields of industrial organizations, corporate strategy, competitive strategy, ownership structures and strategies, and family-run businesses as well as high ethical standards. In addition, he has a high degree of independence from the management team, experience as an outside director of other companies, and serves as the chairman of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on his academic expertise in all aspects of business, he is nominated as a candidate for Outside Director as it is expected that he will contribute to the strengthening of the management supervision function and the function to supervise conflicts of interest, including the supervision of the progress of medium- to long-term management plans, the supervision of succession planning for the President, etc., and the deepening of deliberations at the Board of Directors meetings. Although he has never had experience of being involved in corporate management other than as an outside officer, the Company determined that he will be able to carry out the duties of Outside Director appropriately for the aforementioned reason.</td></tr>
</table>

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Outside] [Re-election] [Independent] 7	Tamotsu Saito (July 13, 1952) Number of years in office as Director: 3 years (as of the conclusion of this general meeting of shareholders) Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%) Number of Oki shares held: Common stock: 2,500 shares	Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations Apr. 2008 Director, Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation Apr. 2011 Executive Vice President Apr. 2012 President Apr. 2016 Chairman of the Board Jun. 2017 Outside Director, JAPAN POST INSURANCE Co., Ltd. (incumbent) Jun. 2018 Outside Director, Oki Electric Industry Co., Ltd. (incumbent) Apr. 2020 Director, IHI Corporation Jun. 2020 Advisor, IHI Corporation (incumbent) (Significant concurrent positions) Advisor, IHI Corporation, Outside Director, JAPAN POST INSURANCE Co., Ltd. He will assume the office of Outside Director of Furukawa Electric Co., Ltd. in June 2021. *The volume of transactions between the above companies and the Company accounts for less than 1% of each company's net sales. **Reason for the selection of candidate for Outside Director and expected role, etc.** As a long-time representative director of IHI Corporation and a business leader not only in the industry but also in Japan, Mr. Tamotsu Saito has a wealth of management experience and high ethical standards in the manufacturing industry. In addition, he has a high degree of independence from the management team, experience as an outside director of other companies, and serves as the member of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on his abundant management experience, he is nominated as a candidate for Outside Director as it is expected that he will contribute to the strengthening of the management supervision function and the function to supervise conflicts of interest, including the supervision of the progress of medium- to long-term management plans, the supervision of succession planning for the President, etc., and the improvement of risk and crisis response.

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Outside] [Re-election] [Independent] [Woman] 8	Izumi Kawashima (June 25, 1955) Number of years in office as Director: 3 years (as of the conclusion of this general meeting of shareholders) Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%) Number of Oki shares held: Common stock: 500 shares	Mar. 1985 Left Graduate School of Law, Waseda University after completing a doctoral course Apr. 1989 Associate Professor, Faculty of Economics, Gifu Keizai University Apr. 1996 Professor, School of Law, Senshu University Sep. 2004 Professor, Faculty of Social Sciences, Waseda University (incumbent) Jun. 2016 Outside Director, Oki Electric Cable Co., Ltd. Jun. 2018 Outside Director, Oki Electric Industry Co., Ltd. (incumbent) **Reason for the selection of candidate for Outside Director and expected role, etc.** Ms. Izumi Kawashima is currently a professor of the Faculty of Social Sciences at Waseda University. She specializes in commercial law (mainly the Companies Act) and the Financial Instruments and Exchange Act, and particularly has academic specialist knowledge relating to the Companies Act and corporate governance as well as high ethical standards. In addition, she has a high degree of independence from the management team, experience as an outside director of other companies, and serves as the member of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on her knowledge as a legal expert in the Companies Act, Financial Instruments and Exchange Act, etc., she is nominated as a candidate for Outside Director as it is expected that she will contribute to the strengthening of the management supervision function and the supervisory function for conflicts of interest, including the deepening of deliberations at the Board of Directors meetings, supervision of succession planning by the President, etc., and improvement of risk and crisis response. Although she has never had experience of being involved in corporate management other than as an outside officer, the Company determined that she will be able to carry out the duties of Outside Director appropriately for the aforementioned reason.

(Translation)

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Brief personal profile, position and responsibility in the Company and significant concurrent positions</th></tr>
<tr><td rowspan="2">[Outside]
[Re-election]
[Independent]
9</td><td rowspan="2">Makoto Kigawa
(December 31, 1949)

Number of years in office as Director:
2 years
(as of the conclusion of this general meeting of shareholders)

Number of attendance at meetings of the Board of Directors
(the year under review):
14 out of 14 times
(100%)

Number of Oki shares held:
Common stock:
300 shares</td><td>Apr. 1973 Joined The Fuji Bank, Ltd.
Apr. 2004 Managing Director, Mizuho Corporate Bank, Ltd.
Mar. 2005 Resigned Mizuho Corporate Bank, Ltd.
Jun. 2005 Managing Director, Yamato Transport Co., Ltd.
Apr. 2011 Representative Director, Executive Officer and President, Yamato Holdings Co., Ltd.
Jun. 2016 Outside Director, Komatsu Ltd. (incumbent)
Apr. 2018 Chairperson of the Board of Directors, Yamato Holdings, Co., Ltd.
Jun. 2018 Outside Director, Seven Bank, Ltd. (incumbent)
Jun. 2019 Outside Director, Oki Electric Industry Co., Ltd. (incumbent), retired as Director,
Special Advisor, Yamato Holdings Co., Ltd. (incumbent)
Apr. 2020 Outside Corporate Auditor, The Higo Bank, Ltd. (incumbent)
(Significant concurrent positions)
Outside Director, Komatsu Ltd., Outside Director, Seven Bank, Ltd., Special Advisor, Yamato Holdings Co., Ltd., and Outside Corporate Auditor, The Higo Bank, Ltd.
*The volume of transactions between the above companies and the Company accounts for less than 1% of each company’s net sales.</td></tr>
<tr><td>Reason for the selection of candidate for Outside Director and expected role, etc.
After serving as an officer at a financial institution, Mr. Makoto Kigawa served as Representative Director of Yamato Holdings Co., Ltd. for more than ten years, and has extensive management experience and high ethical standards, mainly in the logistics industry, including the transformation of business models using ICT. In addition, he has a high degree of independence from the management team, experience as an outside director of other companies, and serves as the member of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on his abundant management experience, he is nominated as a candidate for Outside Director as it is expected that he will contribute to the strengthening of the management supervision function and the function to supervise conflicts of interest, including the supervision of the progress of medium- to long-term management plans, the supervision of succession planning for the President, etc., and the improvement of risk and crisis response.</td></tr>
</table>

Notes:

1. There is no special conflict of interest between each candidate and the Company.
2. Mr. Shigeru Asaba, Mr. Tamotsu Saito, Ms. Izumi Kawashima, and Mr. Makoto Kigawa are candidates for outside directors.
3. When Mr. Tamotsu Saito was a director of IHI Corporation, it was revealed that the maintenance of commercial aircraft engines was performed inappropriately. In March 2019, pursuant to the Aircraft Manufacturing Industry Act, the Ministry of Economy, Trade and Industry ordered that IHI Corporation conduct the necessary repairs in an approved manner. In April 2019, IHI Corporation received a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism in accordance with the Civil Aeronautics Law.
   It came to light that at JAPAN POST INSURANCE Co., Ltd., where Mr. Tamotsu Saito has been an outside director since June 2017, there was a case pertaining to contract transfers, etc. where it is possible to have caused a loss without acting in accordance with customers’ wishes. With regard to this case, the aforementioned company received administrative sanctions from the Financial Services Agency on December 27, 2019 based on the Insurance Business Act. However, Mr. Saito fulfilled his duties by continuously making proposals from the viewpoint of legal

compliance, and after this case came to light, he made proposals, etc. in order to protect customers and prevent recurrence.

4. Mr. Makoto Kigawa served as a director of Yamato Holdings Co., Ltd. until June 2019. In February 2017, the Yamato Group started to investigate the actual labor hours of employees and found out various problems remained unrecognized, such as no enough breaks for many employees. Because this situation was considered to be serious, the Yamato Group has been promoting work-style reforms, for example, “improve and strictly conduct labor management” and “promote a work-life balance,” and implementing various structural reforms.
   Yamato Home Convenience Co., Ltd., a consolidated subsidiary of Yamato Holdings Co., Ltd., made payment requests in an inappropriate manner in violation of contract provisions when it provided relocation services to employees of its corporate customers. In January 2019, it became subject to an administrative disposition and received a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism. Yamato Holdings Co., Ltd. has striven to build the necessary structure to prevent Yamato Home Convenience Co., Ltd. from facing similar situations and to strengthen governance in order to enhance the soundness of group management.
5. The Company has entered into a liability limitation agreement with Mr. Shigeru Asaba, Mr. Tamotsu Saito, Ms. Izumi Kawashima, and Mr. Makoto Kigawa. The outline of the agreement is provided on pages 34 to 35 in the Business Report. If their reappointment is approved, the Company will continue this agreement with them.
6. The Company has entered into a directors and officers liability insurance policy, naming all Directors as insured, and a summary of it is shown on page 35 of the Business Report. The Company plans to continue and renew this policy, and if the appointment of each candidate is approved and they are appointed as Directors, each candidate will be insured under the policy.
7. Mr. Shigeru Asaba, Mr. Tamotsu Saito, Ms. Izumi Kawashima, and Mr. Makoto Kigawa are independent officers based on the terms of the Tokyo Stock Exchange. If their reappointment is approved, they will continue to be independent officers.

(Translation)

Agenda Item 3: Election of Two (2) Audit & Supervisory Board Members

The tenure of office of Audit & Supervisory Board Member Sei Yano will expire at the conclusion of this general meeting of shareholders. In this regard, OKI proposes the election of two Audit & Supervisory Board Members, including one Outside Audit & Supervisory Board Member, to strengthen and enhance the Company's audit system. The details of the proposed candidates are provided below.

Candidate number	Name (Date of birth)	Brief personal profile, position in the Company and significant concurrent positions
[Newly nominated] 1	Toshiyuki Yokota (April 14, 1960) Number of years in office as Audit & Supervisory Board Member: – (as of the conclusion of this general meeting of shareholders) Number of attendance at meetings of the Board of Directors (the year under review): - out of - times (–%) Number of attendance at meetings of the Audit & Supervisory Board (the year under review): - out of - times (－%) Number of Oki shares held: Common stock: 1,300 shares	Jul. 2008 Counselor, Small and Medium Enterprise Agency, the Ministry of Economy, Trade and Industry Jul. 2009 Head of General Coordination Department, Japan Oil, Gas and Metals National Corporation Jul. 2010 Deputy Director-General of Global ICT Strategy Bureau, Ministry of Internal Affairs and Communications Aug. 2012 Deputy Director-General for Policy Coordination, the Ministry of Economy, Trade and Industry Jul. 2013 Deputy Director-General of Small and Medium Enterprise Agency, the Ministry of Economy, Trade and Industry Jul. 2014 Head of JETRO New York, Japan External Trade Organization Nov. 2016 Advisor, Oki Electric Industry Co., Ltd. Apr. 2017 Senior General Manager Apr. 2018 Executive Officer Jun. 2019 Outside Director, JECC Corporation (incumbent) Apr. 2021 Advisor, Oki Electric Industry Co., Ltd. (incumbent) (Significant concurrent positions) Outside Director, JECC Corporation *The volume of transactions between the above companies and the Company accounts for less than 1% of each company's net sales. He will retire as Outside Director of JECC Corporation in June 2021.
		Reason for the selection of candidate for Audit & Supervisory Board Member Mr. Toshiyuki Yokota held important positions in the Ministry of Economy, Trade and Industry, etc., and has extensive experience and knowledge of trade and industrial policy and laws and regulations. As Executive Officer of the Company, Mr. Yokota has led the Company's innovation activities, is familiar with the Company's business, and has high ethical standards. He is nominated as a candidate for Audit & Supervisory Board Member as it is expected that he will provide appropriate auditing of the Company's management by taking advantage of these qualities.

(Translation)

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Brief personal profile, position in the Company
and significant concurrent positions</th></tr>
<tr><td rowspan="2">[Outside]
[Newly nominated]
[Independent]
2</td><td rowspan="2">Yoshihiro Tsuda
(July 25, 1962)

Number of years in office as Audit & Supervisory Board Member:
–
(as of the conclusion of this general meeting of shareholders)

Number of attendance at meetings of the Board of Directors
(the year under review):
- out of - times
(–%)

Number of attendance at meetings of the Audit & Supervisory Board
(the year under review):
- out of - times
(－%)

Number of Oki shares held:
Common stock:
0 shares</td><td>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 Head of Yoshihiro Tsuda CPA Office (incumbent)
Sep. 2019 Audit & Supervisory Board Member, Oki Data Corporation
Feb. 2020 Standing Audit & Supervisory Board Member, Tribeck Strategies Inc. (currently Tribeck Inc.) (incumbent)

(Significant concurrent positions)
Outside Standing Audit & Supervisory Board Member, Tribeck Inc.
He will assume the office of Corporate Auditor of PRONEXUS Inc. in June 2021.
*The volume of transactions between the above companies and the Company accounts for less than 1% of each company’s net sales.</td></tr>
<tr><td>Reason for the selection of candidate for Outside Audit & Supervisory Board Member
As a certified public accountant, Mr. Yoshihiro Tsuda has been engaged in accounting audits of various industries, including global, for many years. He is nominated as a candidate for Audit & Supervisory Board Member as the Company judges that he will be able to perform auditing on the Company’s management from a global perspective in an objective, neutral manner by utilizing his extensive experience, knowledge and high level of ethical standards. Although Mr. Yoshihiro Tsuda has never had experience of being involved in corporate management, the Company determined that he will be able to carry out the duties of Outside Audit & Supervisory Board Member appropriately for the aforementioned reason.</td></tr>
</table>

Notes:

1. There is no special conflict of interest between each candidate and the Company.
2. Mr. Toshiyuki Yokota and Mr. Yoshihiro Tsuda have served in the positions described above and have extensive knowledge in finance, accounting, and judicial affairs necessary for auditing of the Company.
3. If the appointment of Mr. Toshiyuki Yokota and Mr. Yoshihiro Tsuda is approved, the Company will enter into a liability limitation agreement with them. The outline of this agreement is provided on pages 34 to 35 in the Business Report.
4. The Company has entered into a directors and officers liability insurance policy, naming all Audit & Supervisory Board Members as insured, and a summary of it is shown on page 35 of the Business Report. The Company plans to continue and renew this policy, and if the appointment of each candidate is approved and they are appointed as Audit & Supervisory Board Members, each candidate will be insured under the policy.
5. If the appointment of Mr. Yoshihiro Tsuda is approved, he will be an independent officer based on the terms of the Tokyo Stock Exchange.

(Translation)

(Reference) Table of Members of Board of Directors, Personnel Affairs and Compensation Advisory Committee, and Audit & Supervisory Board

If Agenda Items 2 and 3 are approved, the Board of Directors and Audit & Supervisory Board will appoint and select the following persons at their meeting to be held after the conclusion of this general meeting of shareholders, and the structure comprising these personnel will engage in management of the OKI Group.

	Name	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board	Position
Director	Shinya Kamagami	○			President, Representative Director
	Masayuki Hoshi	○			Senior Executive Vice President, Representative Director
	Masashi Tsuboi	○			Executive Vice President and Member of the Board
	Masashi Fuse	○			Senior Vice President and Member of the Board
	Masatoshi Saito	○			Senior Vice President and Member of the Board
	Shigeru Asaba	○	◎ Chairperson		Independent Outside Director
	Tamotsu Saito	○	○		Independent Outside Director
	Izumi Kawashima	◎ Chairperson	○		Independent Outside Director
	Makoto Kigawa	○	○		Independent Outside Director
Audit & Supervisory Board Member	Toshiya Hatakeyama	△		◎ Chairperson	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 Director

○ Member
◎ Chairperson
△ Persons who are members and have a right and obligation to attend relevant meetings

(Translation)

(Reference) The Company's stance towards independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company elects Outside Directors and Outside Audit & Supervisory Board Members based on the following policies:

1) Persons who are not business executers[*1] of the OKI Group
2) Parties for whom the OKI Group is not a major business partner (parties whose sales to OKI Group exceeds 2% of the total sales of the parties' group) or business executers thereof
3) Parties who are not major businesses partners of the OKI Group (parties to whom OKI Group' sales exceeds 2% of the total sales of the OKI Group) or business executers thereof
4) Parties who are not major shareholders of the Company (parties who holds 10% or more of the total voting rights directly or indirectly) or business executers thereof
5) Persons who are not business executers of parties of whom the OKI Group is a major shareholder
6) Persons who are not consultants, accounting specialist such as certified public accountants, or legal experts such as attorney-at-law receiving significant amount of money (more than ¥10 million annually) or other property (property worth more than ¥10 million annually), except for compensation paid to Directors and Audit & Supervisory Board Members, from the OKI Group (or if the entity receiving such property is an organization including corporation and association, persons belonging to the organization)
7) Persons who do not belong to the accounting firm conducting statutory audits of the Company
8) Persons who have not fallen under any of items 1) through 7) in the past 10 years
9) Persons who are not relatives within two degrees of kinship of the following persons:
   a. Persons who fall under any of the above 2) through 7) (however, for the "business executers" in 2) through 5), this applies only to principal business executers[*2], for the "persons belonging to the organization" in 6), this applies only to principal business executers thereof or persons with professional certificates or license such as certified public accountants and attorney-at-law if the relevant organization is an audit firm or law firm, and for "persons who belong to the accounting firm" in 7), this applies only to principal business executers thereof or persons with professional certificates or license such as certified public accountants.)
   b. Principal business executers of the OKI Group
   c. Persons who have fallen under the above b in the past 10 years

*1 "Business executers" refer to persons who perform business execution such as Directors (excluding Outside Directors), Executive Officers, employees, etc.

*2 "Principal business executers" refer to persons who perform important business execution such as Directors (excluding Outside Directors), Executive Officers, General Managers, etc.

In addition to these policies, the Company elects Outside Directors and Outside Audit & Supervisory Board Members, on the ground of each candidate's experience and knowledge in respective professional fields being beneficial to the Company at present.

(Translation)

Agenda Item 4: Grant of Stock Option for Stock-linked Compensation (Equity Warrants) to Directors

1. Purpose and reason for the proposal

In accordance with the resolution passed at the 92nd Ordinary General Meeting of Shareholders of the Company held on June 24, 2016, the Company grants stock acquisition rights of stock options as compensation to Directors excluding Outside Directors. This was established as part of the compensation, etc. for Directors excluding Outside Directors, with an annual maximum of ¥100 million for compensation, etc. related to stock acquisition rights, which are so-called stock options as compensation, separately from the amount of compensation, etc. for Directors previously approved.

In accordance with the "Act for Partial Revision of the Companies Act (Act No. 70 of 2019)" enacted on March 1, 2021, the granting of stock acquisition rights as compensation to Directors is required to be approved at a general meeting of shareholders with regard to the specific details thereof. OKI seeks approval to continue the current Stock Option Plan but with newly added “(8) Matters concerning acquisition of equity warrants” (underlined portion) as details on the equity warrants mentioned in 2. below. The stock options referred to in this proposal are for the purpose of further raising a willingness and culture of contributing to medium- to long-term improvement in business performance and improvement in corporate value in accordance with the Company’s “Policy for Determining the Details of Remuneration Amounts for Individual Directors,” which has been decided by resolution at a meeting of the Board of Directors, and the number of equity warrants awarded is calculated based on the Director’s position, an amount that is decided in accordance with indicators of the Medium-Term Business Plan, and the share price level at the time such rights are awarded. In addition to the aforementioned, as share remuneration type stock options, they also have the aspect of having the Directors share in the merits and risks of share price fluctuation with shareholders, and are accordingly deemed to be appropriate as remuneration, etc. for Directors.

Currently there are five (5) Directors, excluding Outside Directors, who are eligible to be awarded equity warrants, and if Proposal 2 is approved, the number of such Directors will be five (5).

2. Details of stock acquisition rights

The details of stock acquisition rights issued to Directors (excluding Outside Directors) as compensation are as follows:

(1) Type and number of shares to be issued for the purpose of stock acquisition rights

The type of shares to be issued for the purpose of stock acquisition rights shall be common stock of the Company, and the number of shares (hereinafter "Number of Shares Granted") shall be 100.

In addition, if it is appropriate for the Company to adjust the Number of Shares Granted in the event of a stock split, gratis allotment of shares or reverse stock split, etc., the Number of Shares Granted shall be adjusted in accordance with the following formula. However, such adjustment shall be made only for those stock acquisition rights that have not been exercised at the time of adjustment, and any fraction of less than one share resulting from the adjustment shall be rounded down.

Number of Shares Granted after adjustment = Number of Shares Granted before adjustment × Ratio of stock split, gratis allotment of shares or reverse stock split, etc.

In addition, if the Company undergoes an absorption-type merger or incorporation-type merger and the stock acquisition rights are succeeded to, or if the Company undergoes a share exchange or share transfer to become a wholly owned subsidiary and the stock acquisition rights are succeeded to, the Company may adjust the Number of Shares Granted as deemed necessary in accordance with the merger ratio and other factors.

(2) Total number of equity warrants
The maximum number of stock acquisition rights to be issued within one year from the date of the Ordinary General Meeting of Shareholders for each fiscal year shall be 1,000, and they shall be allocated annually.
Even if the Company continues to issue 1,000 stock acquisition rights, which is the maximum number of stock acquisition rights to be issued annually for ten (10) years, we believe that the level is appropriate, as the dilution rate of shares due to the exercise of all the stock acquisition rights, including those already issued, will be only about 1.2%.

(3) Amount to be paid for the stock acquisition rights
The amount to be paid in shall be a fair value calculated by the Black-Scholes model, etc. on the allotment date of the stock acquisition rights. The amount to be paid in shall be offset against the same amount of compensation claims against the Company.

(4) Value of assets to be contributed upon exercise of stock acquisition rights
The value of assets to be contributed upon the exercise of each stock acquisition right shall be the amount obtained by multiplying the Number of Shares Granted by the paid-in amount of one ¥(1) per share to be delivered upon the exercise of each stock acquisition right.

(5) Period during which the stock acquisition rights may be exercised
The term will be a period prescribed by the Company’s Board of Directors that is no more than 25 years and begins from the day following the allotment date for the equity warrants

(6) Conditions for the exercise of stock acquisition rights
Those who have received an allotment of stock acquisition rights (hereinafter "Stock Acquisition Right Holders") may exercise their stock acquisition rights only within ten (10) days from the day following the day on which they lose any of their positions as Directors or Executive Officers of the Company.

(7) Restriction on transfer of stock acquisition rights
The acquisition of stock acquisition rights by transfer shall require approval of the Board of Directors of the Company.

(8) Matters related to the acquisition of stock acquisition rights

(i) If the following proposals are approved at a general meeting of shareholders of the Company (or if a resolution of a general meeting of shareholders is not required, the Board of Directors of the Company), the Company may acquire the stock acquisition rights without consideration on a date separately determined by the Board of Directors.

(a) Proposal for approval of a merger agreement in which the Company becomes an extinct company

(b) Proposal for approval of the split agreement or incorporation-type split plan in which the Company becomes a split company

(c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company becomes a wholly owned subsidiary

(d) In the event of the death of the equity warrant holder, cases where there is no heir or the heir has died

(e) Proposal for approval of amendment to the Articles of Incorporation to provide the details of shares for the purpose of stock acquisition rights, whereby the acquisition of such shares by transfer shall require approval of the Company, and the Company may acquire all shares of the relevant class by a resolution of the general meeting of shareholders.

(ii) If a Stock Acquisition Right Holder or its successor comes to fall under any of the following items, the stock acquisition rights may no longer be exercised and the entire unexercised stock acquisition rights shall be transferred to the Company without consideration.

(a) In the event of a violation of the provisions of the agreement on stock acquisition rights concluded with the Company

(b) In the event of dismissal as Director or Executive Officer of the Company

(c) If the Board of Directors recognizes that an event has occurred that makes it inappropriate to continue to hold the stock acquisition rights, such as an act that has or is likely to have a significant negative impact on the social credibility or adverse effect on the Company

(d) If there is no successor or if the successor dies

(e) When the commencement of guardianship, curatorship or assistance is ordered

(f) In the event that a decision to commence bankruptcy proceedings or civil rehabilitation proceedings is received

(iii) In cases where an equity warrant holder loses their position as either a Director or an executive officer of the Company mid-way through a fiscal year, they shall be deemed to have continuously held the number of equity warrants calculated as their length of service in months divided by 12, and any remainder equity warrants from the allocated number shall be transferred to the Company without compensation.

(9) Treatment of fractions less than one share arising from the exercise of stock acquisition rights

Any fraction of less than one (1) share in the number of shares to be issued to the Stock Acquisition Right Holder who exercised the stock acquisition rights shall be rounded down.

(10) Other details of stock acquisition rights

The details of (1) through (9) above and other matters concerning stock acquisition rights shall be determined by the Board of Directors of the Company.

(Reference)

When the share remuneration type stock options (equity warrants) are awarded to the Company’s Directors (excluding Outside Directors) as determined by a resolution at the Board of Director’s meeting, equity warrants as stock options with the same details as above will be issued to the Company's executive officers as well.

(Translation)

(Attachment)

Business Report

(From April 1, 2020 to March 31, 2021)

1. Status of the OKI Group

(1) Operating progress and results

Business environment

Today, both individuals and companies are required to address many urgent social issues. These include resolving global environmental problems, moving toward a sustainable society, overcoming the spread of COVID-19, and establishing a new normal lifestyle.

In this business environment, OKI has been promoting measures in line with its new medium-term business plan, which was launched in 2020, with the aim of becoming a responsible company that will be demanded even more by society in the future. Taking advantage of OKI's strengths in network technology, installed base of terminals, and customer relations, OKI is working to realize products and services that resolve seven social issues (aging problems, natural disasters, traffic issues, environmental issues, labor shortages, labor productivity, and the infectious diseases) based on its newly established materiality (material issue).

Operating results for the fiscal year under review

For the business conditions in the fiscal year ended March 31, 2021, the net sales were ¥392.9 billion, a ¥64.3 billion or 14.1% decrease year-on-year. Several factors, including the business transfer of a Brazilian subsidiary and the spread of COVID-19, had an impact on the results, in addition to the impact of temporary factors in the previous fiscal year, such as large-scale projects and the expansion of the scope of application of the percentage-of-completion method. In terms of profits, despite some contributions from structural reforms, the impact of COVID-19 on sales was significant, resulting in operating income of ¥9.5 billion, a decrease of ¥7.3 billion year-on-year, and ordinary income of ¥9.4 billion, a decrease of ¥4.4 billion year-on-year.

Net loss attributable to owners of parent was ¥0.2 billion, a deterioration of ¥14.3 billion year-on-year. This was mainly due to the recording of ¥4.6 billion in business restructuring expenses associated with the review of the business portfolio and the reversal of a portion of deferred tax assets.

For the fiscal year ended March 31, 2021, the impact of COVID-19 was a decrease of approximately ¥27.0 billion in net sales and a decrease of approximately ¥6.5 billion in operating income.

Looking at non-consolidated business performance, net sales were ¥216.4 billion, down ¥32.8 billion (13.2%) from the previous fiscal year. Operating loss was ¥0.9 billion, a deterioration of ¥5.1 billion year-on-year. Ordinary income decreased by ¥10.7 billion year-on-year to ¥3.5 billion. Profit was ¥1.3 billion, a ¥15.6 billion down year-on-year.

The following provides a summary of each segment.

(Translation)

- Net Sales by Segments

(Unit: Billions of yen)

Segment	FY2019 (reference: previous fiscal year)	FY2020 (Fiscal year under review)	Changes (amount)	Changes (%)
Solution Systems	229.1	192.5	(36.6)	(16.0)
Components & Platforms	216.3	196.5	(19.8)	(9.1)
Others	11.9	3.8	(8.1)	(67.6)
Total	457.2	392.9	(64.3)	(14.1)

Notes:

1. Figures less than ¥100 million for each item are rounded to the nearest ¥100 million. The amounts of "changes (amount)" are calculated on the basis of figures in units of ¥100 million. Accordingly, in some cases the sum of individual figures presented for each item may not equal the respective "total" stated.
2. From the fiscal year ended March 31, 2021, aiming at strengthening manufacturing required in the IoT/5G era, OKI reorganized the Mechatronics Systems business, Printers business, and EMS business, and newly established the Components & Platforms Business Group. The ICT Business Group was renamed the Solution Systems Business Group.

Solution Systems

Solution Systems business provides various solutions, products and services to support the infrastructure of society in the areas focused on including transport, construction/infrastructure, disaster prevention, finance and retail, manufacturing and marine. It does so by utilizing OKI's unique device, sensing technologies utilized in acoustic and optical sensors, and technologies and know-how of networks, data processing and operation. In addition, expecting that AI processes which have been executed on the cloud will be shifted to the edge (terminal) domain, we are promoting the social implementation of DX with customers by combining various use cases and AI edge computing (AI edge) technology based on the AI edge strategy announced in 2019.

We consider the promotion of "AI edge x local 5G," a combination of 5G/local 5G that has newly entered service, and AI edge, as a chance to accelerate the social implementation of DX. We are promoting the application to a variety of use cases to resolve apparent social issues such as smart factories, local mobility service and river/infrastructure monitoring. Since the introduction of local 5G requires specialized knowledge and know-how related to private wireless communication systems, we also provide a service to support this.

While establishing an ecosystem* through the cooperation with partners, Solution Systems business is developing new markets. We aim to create new businesses for our growth by establishing an ecosystem with AI edge partners, partners with which we create a DX solution and open innovation partners that develop innovative solutions and having mutual collaboration with them.

*The relationship to realize coexistence and co-prosperity by sharing jobs and working together with partners such as companies and customers

Net sales came to ¥192.5 billion, a year-on-year decrease of 16.0% or ¥36.6 billion, and operating income came to ¥16.3 billion, a year-on-year decrease of ¥3.9 billion. Although there was a reactionary decrease due to temporary factors in the previous fiscal year, such as large-scale projects and a partial review of sales standards, and the impact of COVID-19, the results were largely as expected, partly due to the fact that network-related businesses performed well throughout the year.

(Translation)

Components & Platforms

The Components & Platforms business helps to resolve social issues by developing and providing various components utilizing technologies accumulated over our long history and offering services having manufacturing, which is our strength, as a platform. In particular, we focus on unmanned systems, automation and the improvement of efficiency which lead to the solution of labor shortages and the realization of work-style reform. At the same time, they lead to contactless services, which will be required in the new normal society that is being paid attention to for preventing infectious diseases.

The Components business innovates and offers a variety of products that help resolve social issues. The business develops and provides a home delivery receipt machine and self-checkout for the distribution and retail service domain and a medication reconciliation method that can safely improve the work efficiency of people who handle medication for the medical domain.

In 2020, we introduced a contactless-type hygienic touch panel that makes it possible to operate a device without touching it with a finger, as a man-machine interface of a social infrastructure service terminal in the new normal.

The Platforms business expanded the scope of manufacturing-related services from electronics to mechatronics for proprietary technologies, from a circuit board to an entire piece of equipment for products, and from manufacturing to design, manufacturing, evaluation and maintenance for the order receiving process. Under a business environment with significant changes that require us to move fast, we provide a comprehensive manufacturing service to support customers and resolve their various manufacturing-related issues.

To deliver these types of products and services to as many customers as possible, we will develop businesses by not only dealing with our own brand but also cooperating with domestic and foreign partners, and work on the resolution of global social issues.

Net sales came to ¥196.5 billion, a year-on-year decrease of 9.1% or ¥19.8 billion. The impact of COVID-19 was strong in overseas markets, particularly in printers. In addition, due to the prolonged COVID-19 pandemic, the markets in Asian countries where the automation system market is growing have stagnated more than expected, and some domestic EMS business has been affected. The structural reform of printers has progressed as planned, and its effects are beginning to contribute. However, the impact of lower overseas sales was significant, resulting in an operating loss of ¥0.1 billion, a year-on-year deterioration of ¥5.3 billion.

Net sales of the others business segment came to ¥3.8 billion, a year-on-year decrease of 67.6% or ¥8.1 billion, and operating loss came to ¥0.3 billion, a year-on-year improvement of ¥0.2 billion. Sales decreased due to the transfer of the business of a Brazilian subsidiary.

(Translation)

(2) Capital expenditure and research and development expenses

Capital expenditures and research and development expenses for the fiscal year under review equaled ¥22.4 billion and ¥11.2 billion, respectively.

Investment by segment were as follows.

(Unit: Billions of yen)

Segment	Amount of capital expenditure (Amount of research and development expenses)		Major capital expenditure
Solution Systems	1.8	(3.1)	Upgrading, etc. of facilities to design/manufacture new products and incidental facilities of plants in business areas (e.g. social infrastructure, IoT, finance, and network systems)
Components & Platforms	5.2	(5.9)	Investment in mold and production line used to manufacture new automation products and capital expenditures on upgrading aged manufacturing facilities and increasing production capabilities to strengthen comprehensive manufacturing service.
Others/Company-wide (shared)	15.4	(2.2)	
Total	22.4	(11.2)	

Note: "Others and company-wide (shared)" includes the acquisition of the building and land of Shibaura Business Center (¥12.0 billion) and the acquisition of the land of Warabi System Center (¥2.9 billion).

(3) Financing

Operating funds and funds for capital expenditures necessary for business activities will be obtained from our own funds, borrowed funds, or other sources. Among these, operating funds are raised through short-term and long-term borrowings. In addition, long-term funds for production facilities, etc. are raised through long-term borrowings. Long-term funds are raised on fixed interest rates in the forms of separate borrowings from financial and other institutions and syndicated loans.

As for financing, the Company utilizes a domestic cash management system, whereby the Company integrates the funds of consolidated subsidiaries into the Company itself to improve the cash efficiency and reduce borrowings.

Cash in hand and deposits that the Company owns has been kept at a sufficient level. The Company maintains good business relationships with major partner financial institutions, so recognizes that it will be able to raise operating and investment funds necessary for business activities without any problem. However, for more stable financing, we entered into a commitment line agreement to prepare for contingencies such as COVID-19.

The OKI Group places emphasis on the financial discipline and intends to use free cash flow generated through business activities as basic financial resources and efficiently raise the necessary funds.

(Translation)

(4) Future challenges

Guided by our corporate philosophy of "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," the OKI Group (the Company and its consolidated subsidiaries) has been conducting business activities aiming to "help create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri (the spirit and mind-set to innovate, create and improve products) and Koto-zukuri (working together, proactively seeking opportunities that deliver value to customers)."

Today, both individuals and companies are required to address many urgent social issues. These include resolving global environmental problems, moving toward a sustainable society, overcoming the spread of COVID-19, and establishing a new normal lifestyle.

In this business environment, OKI will promote measures in line with its new medium-term business plan, which was launched in 2020, with the aim of becoming a responsible company that will be demanded even more by society in the future. Namely, OKI will work to realize products and services that resolve seven social issues (aging problems, natural disasters, traffic issues, environmental issues, labor shortages, labor productivity, and the infectious diseases) based on its newly established materiality (material issue).

Under our key message, "Delivering OK! to your life," we will steadily establish the foundation to achieve sustainable growth through the resolution of social issues during the Medium-Term Business Plan period. As for the figure of the management targets for the term ending in March 2023, we set out the targets of ¥20.0 billion in operating income and 30% as shareholders' equity ratio; however, what is more important is to establish a business foundation that realizes sustainable growth after achieving the targets.

To be more specific, we will review the existing business portfolio and create products and services that match social needs such as contactless services. To realize these targets, we reviewed the business structure in April 2020. In addition, we implemented a large-scale reallocation of development resources including human resources accordingly.

We will utilize assets such as our network technologies and customers who have installed our terminals developed over the course of our history—we mark our 140th anniversary in 2021—as well as the relationship with customers. In this way, we will strengthen the manufacturing infrastructure to reinforce OKI's technical advantages in the areas of AI edge technology, manufacturing, etc. Furthermore, we will execute structural reform including a reform of costs for the functions shared in the Group.

In addition to the measures above, we will reinvigorate the Group based on co-creation with partners and innovation activities in which everyone participates.

(Translation)

(5) Trends in assets and profit/loss

Trends in assets and profit/loss for the fiscal year under review and the past three years are as follows.

	94th year (FY2017)	95th year (FY2018)	96th year (FY2019)	97th year (Fiscal year under review, FY2020)
Sales	438.0 billion yen	441.5 billion yen	457.2 billion yen	392.9 billion yen
Profit attributable to owners of parent	5,891 million yen	8,405 million yen	14,086 million yen	(205) million yen
Basic earnings per share	67.86 yen	97.16 yen	162.80 yen	(2.38) yen
Total assets	366.5 billion yen	365.5 billion yen	372.5 billion yen	373.2 billion yen
Net assets	102.1 billion yen	100.2 billion yen	106.4 billion yen	113.3 billion yen
Net assets per share	1,154.03 yen	1,155.28 yen	1,227.42 yen	1,305.67 yen

Notes:

1. Basic earnings per share is computed based on the average number of shares during the year (weighted average). Net assets per share are computed based on the number of shares outstanding at the year-end. These figures exclude treasury stocks.
2. The Company has adopted Partial Amendments to Accounting Standard for Tax Effect Accounting, etc. (ASBJ Statement No. 28, February 16, 2018) since the fiscal year ended March 31, 2019, and made changes to classifications (i.e. classified deferred tax assets into investments and other assets and deferred tax liabilities into long-term liabilities). Amounts for fiscal 2017 are those reflecting the reclassification.

(6) Status of major subsidiaries

(i) Status of major subsidiaries

Name	Capital	Company's voting right ratio (%)	Major business
OKI Crosstech Co., Ltd.	2,001 million yen	100	Maintenance, construction and sales of information processing equipment and telecommunications equipment Design and construction of electronic works and electronic telecommunications works
OKI Software Co., Ltd.	400 million yen	100	Development and operation of telecommunications system software
Oki Data Corporation	19,000 million yen	100	Manufacturing and sales of printers
Oki Data Manufacturing (Thailand) Co., Ltd.	420 million baht	100*	Manufacturing of printers, etc.
Oki Electric Industry (Shenzhen) Co., Ltd.	8 million U.S. dollars	100*	Manufacturing of information processing equipment and printers
Oki Europe Ltd.	141 million euro	100*	Sales of printers, etc.

Notes:

1. Figures marked with an asterisk (*) indicate the ratio of voting rights held by subsidiaries of the Company.
2. Oki Data Corporation was dissolved due to the absorption-type merger that assigned the Company as the surviving company as of April 1, 2021.

(ii) Major partners

- Major technical partners:
  International Business Machines Corporation (US)
  Canon Inc.
- Major business partners:
  Hewlett-Packard Company (US)
  Cisco Systems G.K.

(7) Major offices

Our major offices are as follows.

Name	Classification	Location
Oki Electric Industry Co., Ltd.	Head office	Minato-ku, Tokyo
	Branch offices	Hokkaido region (Sapporo, Hokkaido), Tohoku region (Sendai, Miyagi), Chubu region (Nagoya, Aichi), Kansai region (Osaka, Osaka), Chugoku region (Hiroshima, Hiroshima), Shikoku region (Takamatsu, Kagawa), and Kyushu region (Fukuoka, Fukuoka)
	Business offices	Minato-ku (Tokyo), Warabi (Saitama), Honjo (Saitama), Takasaki (Gunma), Tomioka (Gunma) and Numazu (Shizuoka)
	Research institutes	Warabi (Saitama) and Osaka (Osaka)
OKI Crosstech Co., Ltd.	Head office	Chuo-ku, Tokyo
OKI Software Co., Ltd.	Head office	Warabi, Saitama
Oki Data Corporation	Head office	Minato-ku, Tokyo
Oki Data Manufacturing (Thailand) Co., Ltd.	Head office	Thailand
Oki Electric Industry (Shenzhen) Co., Ltd.	Head office	China
Oki Europe Ltd.	Head office	UK

Note: Oki Data Corporation was dissolved due to the absorption-type merger that assigned the Company as the surviving company as of April 1, 2021.

(8) Employees

(i) Employees by segment

Segment	Number of employees	
	OKI Group	Oki Electric Industry
Solution Systems	6,873	2,492
Components & Platforms	7,246	1,213
Others	830	–
Company-wide (shared)	690	690
Total	15,639	4,395

(Translation)

(ii) Employees of Oki Electric Industry

Number of employees	Average age	Average years of service	Average annual wage (yen)
4,395 (increased by 192 from the end of the previous fiscal year)	44.6	19.5	7,346,563

(9) Major creditors

Major creditors of the OKI Group are as follows:

(Unit: Billions of yen)

Creditor	Loan balance
Mizuho Bank, Ltd.	22.7
Sumitomo Mitsui Banking Corporation	15.7
Mizuho Trust & Banking Co., Ltd.	4.2
The Norinchukin Bank	2.8
The Hachijuni Bank, Ltd.	2.8

(10) Corporate governance

(i) **Basic policy**

Guided by the corporate philosophy of "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," the OKI Group recognizes sustainable growth and increases corporate value over medium- to 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 of "enhancement of management fairness and transparency," "timely decision-making processes," and "full compliance and fortification of risk management."

(ii) **Corporate governance structure**

(a) Outline of the structure

As a company with the Audit & Supervisory Board, the Company establishes the Board of Directors and Audit & Supervisory Board and adopts an executive officer system, aiming to promote "timely decision-making processes" by separating business execution and supervision. In addition, it works on the "enhancement of management fairness and transparency" by nominating outside directors as well as setting up a voluntary committee concerned with personnel affairs and compensation, so as to ensure effective supervision from an independent and objective standpoint. In addition to audits by the Audit & Supervisory Board and its members, OKI seeks to ensure "full compliance and fortification of risk management," such as by establishing the Risk Management Committee, which includes outside directors.

During the fiscal year under review, as stated on pages 41 to 42, the Company was operated by nine Directors, including four Outside Directors (including one female Director); four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members; and 13 Executive Officers, including four Executive Officers with Titles (including one female Executive Officer). All the Outside Directors and Outside Audit & Supervisory Board Members are independent officers who are neutral and independent of the management. Furthermore, there is no system to receive consulting and advice, etc., from former representative directors and presidents, etc.

(b) Reason for selecting the current structure

The Company judges that it can stably achieve "enhancement of management fairness and transparency," "timely decision-making processes," and "full compliance and fortification of risk management" by conducting various measures including (i) enhancing the supervisory function of the Board of Directors by separating business execution and supervision and promoting active involvement of outside directors; (ii) having objective auditing by Audit & Supervisory Board members who are independent of management and have a strong authority for investigation; and (iii) establishing voluntary Personnel Affairs and Compensation Advisory Committee. The Company will continue to seek sustainable growth and increase corporate value from a medium- to long-term viewpoint while recognizing its responsibility to its stakeholders and complying with the aims of the Corporate Governance Code.

(iii) **General Meeting of Shareholders**

The General Meeting of Shareholders of the Company, a company with the Board of Directors, resolves items set forth in laws and regulations, and the Articles of Incorporation. The Board of Directors is authorized to resolve the following matters in accordance with relevant laws and regulations. It is stipulated that the amount of dividends, other than interim dividends, is determined at general meetings of shareholders.

(a) Organization to determine the acquisition of treasury stock

The Articles of Incorporation stipulate that the Company may acquire treasury stock through market transactions, etc. upon a resolution of the Board of Directors pursuant to Article 165, paragraph (2) of the Companies Act to swiftly implement capital policies.

(b) Organization to determine interim dividend

The Articles of Incorporation stipulate that the Company may pay interim dividends upon a resolution of the Board of Directors to distribute profits swiftly to shareholders.

(c) Requirements for special resolutions of a general meeting of shareholders

The Articles of Incorporation stipulate that, for smooth operations of general meetings of shareholders, special resolutions at a general meeting of shareholders set forth in Article 309, paragraph (2) of the Companies Act are passed by a majority of two-thirds or more of the votes of the shareholders present at the meeting where the shareholders holding one-third or more of votes of the shareholders entitled to vote at such shareholders meeting are present.

(iv) **Board of Directors**

(a) Duties, Composition, Operations, etc.

During the fiscal year under review, the Board of Directors consisted of nine Directors, held a meeting once a month in principle as well as special meetings when necessary, decided on significant matters including basic management policy, and supervised business execution based on laws and regulations, and the Articles in Incorporation.

To secure the functions of the Board of Directors, the Company selects candidates for Directors in consideration of diversities such as expertise, career and gender, and includes four highly independent Outside Directors (including one female Director) to improve the fairness and transparency of management.

The Board of Directors is chaired by a Director who is mutually appointed, but was chaired by a non-executive Chairman during the fiscal year under review.

The Board of Directors held a total of 14 meetings including special meetings during the fiscal year under review, and the attendance rates of the Outside Directors and Outside Audit & Supervisory Board Members are shown on page 47. To contribute to in-depth discussions at the Board of Directors meetings, outside officers are given materials and explanations in advance by the secretariat of the Board of Directors, etc.

(b) Matters concerning Directors

i. Number of Directors

The Articles of Incorporation stipulate that the number of Directors of the Company shall be no more than 15.

ii. Requirements for resolution of election of Directors

The Articles of Incorporation stipulate that resolutions for election of Directors shall be passed by more than half of the votes of the shareholders present at the meeting where the shareholders holding one-third or more of votes of the shareholders entitled to vote at such shareholders meeting are present, and that no cumulative vote is adopted in the election of Directors.

iii. Tenure of office

The Articles of Incorporation stipulate that the tenure of office of Directors shall be set as one year to clarify management responsibility for each fiscal year.

(c) Outline of liability limitation agreements

The Company concluded agreements to limit liabilities with all Outside Directors and Audit & Supervisory Board Members under the provisions of Article 427, paragraph (1) of the Companies Act. The outline of the agreements is as follows:

- In cases where Outside Directors and Audit & Supervisory Board Members are liable for any damages arising from their negligence to the Company, they shall compensate for such damages only to the extent of the minimum liabilities as stipulated in laws and regulations.

- The above limitation of liability shall be applied only when the relevant Outside Directors and Audit & Supervisory Board Members have executed their duties that caused the liabilities in good faith and without gross negligence.

(d) Outline of liability insurance agreement for Directors

The Company concluded liability insurance agreements as defined in the provisions of Article 430-3, paragraph (1) of the Companies Act covering Directors, Audit & Supervisory Board Members and Executive Officers of the Company; Directors, Executive Officers, Audit & Supervisory Board Members and Corporate Officers of all of the domestic subsidiaries; and Directors, Executive Officers, Audit & Supervisory Board Members, Corporate Officers and employees who hold executive positions at some foreign subsidiaries in the U.S., China, Thailand, etc. as the insured. The Company or a subsidiary bears the full amount of premium including riders, and the insured has no burden to pay the premium. The insurance agreement compensates for damage which may be incurred when the insured has responsibility to execute duties or receives a claim related to the pursuit of responsibility. However, it determines certain reasons for exceptions such as damage that arises due to an act conducted while realizing it breaches laws and regulations. In addition, the insurance agreement defines the scope of deductibles, and the damage up to the deductibles will not be compensated for by the insurance. In this way, by defining the provisions on the reasons for exceptions and deductibles, the Company intends not to impair the adequacy of the duties of Directors, etc.

(v) **Voluntary committee**

The Company has established the Personnel Affairs and Compensation Advisory Committee as a voluntary committee to secure transparency and objectiveness in the decision-making processes concerning appointment and dismissal of Directors and determination of compensation for officers. The Committee is consulted prior to resolutions at a Board of Directors meeting on appointment and dismissal of Directors, Executive Officers, etc. and the structure and level of their compensation, deliberates on these issues from an objective viewpoint, and reports the results to the Board of Directors. In addition, the Committee delivers its opinion on nomination of candidates for Audit & Supervisory Board Members to Audit & Supervisory Board Members. The Committee consists of five members; that is, all the four Outside Directors and the non-executive Chairman. The Chairperson of the Committee is appointed through a resolution at a meeting of the Board of Directors and the post was held by an Outside Director in the fiscal year under review. The Committee held 9 meetings in the fiscal year under review.

(vi) **Election and dismissal of company officers**

Upon the nomination of candidates for Directors and Audit & Supervisory Board Members and appointment of Executive Officers, the Company takes into consideration that the candidate satisfies the following requirements, as well as legal eligibility.

- Those with excellent personality, insights, high ethical standards, fairness and integrity as well as a high-level awareness of compliance
- Those who can execute their duties towards the realization of the OKI Group's corporate philosophy and continuous improvement of the corporate value
- Those who have had a long term of office
- Audit and Supervisory Board Members who have the necessary knowledge of finance, accounting and legal affairs
- Outside officers who satisfy the independence criteria (See page 20)

A dismissal of a director, Audit & Supervisory Board member, or executive officer is proposed in cases where the said person engages, or is likely to engage, in an act in violation of laws and regulations or the Articles of Incorporation, or where a certain event occurs, which makes it difficult for the said person to fulfill the duties appropriately, and the Personnel Affairs and Compensation Advisory Committee is promptly consulted and deliberates on such an event, and reports the results and proposes a dismissal to the Board of Directors.

(vii) Matters related to stocks owned by the Company (As of March 31, 2021)

(a) Policy on cross-shareholdings

The Company will reduce cross-shareholdings phase by phase as a result of comprehensive consideration of conditions such as the medium- and long-term improvement of the corporate value of the Company and a share certificate-issuing company.

(b) Outline of consideration-related cross-shareholdings

Every year, the Board of Directors validates cross-shareholdings. The decision on the suitability of holding is made for each stock based on a comprehensive consideration of quantitative and qualitative factors.

(c) Standards for the exercise of voting rights regarding cross-shareholdings

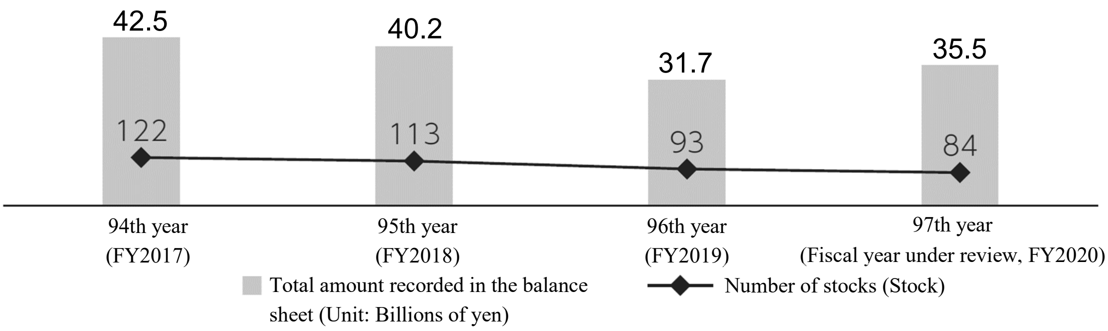
For the exercise of voting rights regarding cross-shareholdings, we classify proposals as follows, establish standards for exercise to make a decision and exercise the rights.

- In case of a proposal to elect an officer, the total number, ratio of independent officers, etc.
- In case of a proposal related to remuneration for officers, performance, asset status, etc.
- In case of a proposal for appropriation of surplus, performance, condition of retained earnings, etc.
- We shall pay extra attention to the deliberation of a proposal for anti-takeover measures, M&A or third-party allocation of shares.

(Translation)

(d) Number of brands of the stocks that the Company owns for purposes other than pure investment and the total amount recorded in the balance sheet

		94th year (FY2017)	95th year (FY2018)	96th year (FY2019)	97th year (Fiscal year under review, FY2020)
Number of stocks (Stock)	Unlisted stock	76	75	66	59
	Stocks other than unlisted stock	46	38	27	25
	Total	122	113	93	84
Total amount recorded in the balance sheet (Unit: Billions of yen)	Unlisted stock	5.4	6.3	6.3	6.3
	Stocks other than unlisted stock	37.2	33.8	25.4	29.2
	Total	42.5	40.2	31.7	35.5



(viii) The OKI Group's effort to promote women's advancement

Establishing a policy to promote human resource measures for sustainable growth, such as the creation of new innovations and the improvement of employees' engagement, the OKI Group is promoting diversity aiming to create a workplace where all employees can work comfortably and perform at their full potential. We aim to establish a workplace that accepts and respects various differences and personalities, and utilize them as valuable elements. In fiscal 2020, as part of diversity education, we provided all employees of the OKI Group with "Unconscious bias" training and executed measures.

Furthermore, regarding the Act on the Promotion of Female Participation and Career Advancement in the Workplace, the Company established the following two goals, and is implementing measures such as leadership development training:

Goal 1: To keep monthly average overtime hours of full-time employees to less than that of fiscal 2019 (24 hours)

Goal 2: Increase the ratio of female executives from 3% at present to 5%

The current status as of March 31, 2021 is as follows:

Average overtime hours of full-time employees in fiscal 2020: 27 hours (the Company)

Number of female officers: Two at the Company, four* at OKI Group companies in Japan
Ratio of female executives: 3.3% at the Company, 2.6% at OKI Group companies in Japan
Ratio of female employees: 13.1% at the Company, 13.9% at OKI Group companies in Japan

		End of FY2018	**End of FY2019**	**End of fiscal year under review, FY2020**
Number of female officers (persons)	The Company	3	2	2
	OKI Group companies in Japan	2	2	4
Ratio of female executives to all executives	The Company	3.3%	3.4%	3.3%
	OKI Group companies in Japan	2.1%	2.5%	2.6%
Ratio of female employees	The Company	12.3%	12.8%	13.1%
	OKI Group companies in Japan	13.0%	13.5%	13.9%

*The “Company” is not included within the “domestic OKI group.”

(11) Other significant events of the OKI Group

Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter referred to as “OBSZ”), a subsidiary of the Company, filed a request for arbitration against Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter referred to as “Yihua Industrial”) in October 2015, demanding payment of RMB1,115,463 thousand (approx. ¥18.8 billion if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review), which includes the proceeds from sale of ATM.

Regarding the arbitration proceedings, in December 2020, the South China International Economic and Trade Arbitration Commission ordered Yihua Industrial to pay OBSZ RMB1,096,866 thousand (approx. ¥18.5 billion if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) for the unpaid products, interest for arrears, legal fees, etc.

To collect the amount awarded, OBSZ has filed a lawsuit against Shenzhen Yihua Computer Co., Ltd., the parent company of Yihua Industrial seeking joint and collective liability in the Guangzhou Higher People’s Court. Currently, the lawsuit for the collection is on trial. Although the Company has recorded a provision of allowance for doubtful receivables regarding this case, it is striving to collect the amount awarded fully.

(Translation)

2. Shareholders' Equity

(1) Number of shares authorized to be issued by the Company:

240,000,000 shares

(2) Number of outstanding shares:

87,217,602 shares

(including 653,801 shares of treasury stock)

(3) Number of shareholders:

66,032

(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	9,265,300	10.70
Custody Bank of Japan, Ltd. (trust account)	5,087,200	5.88
Oki Denki Group Employees' Shareholdings Committee	2,084,561	2.41
Custody Bank of Japan, Ltd. (trust account 4)	1,773,200	2.05
Custody Bank of Japan, Ltd. (trust account 9)	1,569,900	1.81
Mizuho Bank, LTD.	1,419,648	1.64
Meiji Yasuda Life Insurance Company	1,400,097	1.62
Custody Bank of Japan, Ltd. (trust account 5)	1,248,900	1.44
State Street Bank West Client-Treaty 505234	1,211,193	1.40
JP Morgan Chase Bank 385781	1,134,592	1.31

Note: The percentages of shares held are calculated after deducting treasury stock.

(Translation)

3. Equity Warrants

(1) Equity warrants granted to the Company's officers as consideration for their performance of duties

(i) Number of equity warrants

922

(ii) Type and number of shares subject to equity warrants

92,200 shares of the Company's common stock (100 shares per equity warrant)

(iii) Status of equity warrants held by the Company's officers

Issued Number (Exercise Price)	**Exercise period**	**Directors (excluding outside Directors)**	
		Number of equity warrants	**Number of holders**
FY2016 equity warrant (1 yen) (Issued on August 16, 2016)	August 17, 2016 to August 16, 2041	152	4
FY2017 equity warrant (1 yen) (Issued on August 15, 2017)	August 16, 2017 to August 15, 2042	180	4
FY2018 equity warrant (1 yen) (Issued on August 14, 2018)	August 15, 2018 to August 14, 2043	185	4
FY2019 equity warrant (1 yen) (Issued on August 14, 2019)	August 15, 2019 to August 14, 2044	197	4
FY2020 equity warrant (1 yen) (Issued on August 18, 2020)	August 19, 2020 to August 18, 2045	208	4

(2) Equity warrants issued to employees in consideration of performance during the fiscal year under review

Issued Number	**Exercise period**	**Directors (excluding outside Directors)**	
		Number of equity warrants	**Number of holders**
FY2020 equity warrant (1 yen) (Issued on August 18, 2020)	August 19, 2020 to August 18, 2045	397	13

(Translation)

4. Company Officers

(1) Names, etc. of Directors and Audit & Supervisory Board Members

Note 1	Position	Name	Status or main duties
	Director and Chairman of the Board	Hideichi Kawasaki	Chairman of the Board
X	President, Representative Director	Shinya Kamagami	Supervision
X	Senior Executive Vice President, Representative Director	Masayuki Hoshi	Chief Compliance Officer Chief Financial Officer Chief Information Officer
X	Executive Vice President and Member of the Board	Masashi Tsuboi	Head of Solution Systems Business Group
X	Senior Vice President and Member of the Board	Masashi Fuse	Head of Corporate Group Internal Control Administrator
	Director	Shigeru Asaba	Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd.
	Director	Tamotsu Saito	Advisor, IHI Corporation Outside Director, JAPAN POST INSURANCE Co., Ltd.
	Director	Izumi Kawashima	
	Director	Makoto Kigawa	Outside Director, Komatsu Ltd. Outside Director, Seven Bank, Ltd. Special Adviser, Yamato Holdings, Co., Ltd. Outside Corporate Auditor, The Higo Bank, Ltd.
	Standing Audit & Supervisory Board Member	Sei Yano	
	Standing Audit & Supervisory Board Member	Toshiya Hatakeyama	
	Audit & Supervisory Board Member	Hideo Shiwa	External Director (Audit and Supervisory Committee Member), OUTSOURCING Inc.
	Audit & Supervisory Board Member	Ryuichi Makino	Outside Audit & Supervisory Board Member, Synchro Food Co., Ltd.

Notes:
1. X indicates Executive Officer.
2. Directors Shigeru Asaba, Tamotsu Saito, Izumi Kawashima, and Makoto Kigawa are Outside Directors.
3. Audit & Supervisory Board Members Hideo Shiwa and Ryuichi Makino are Outside Audit & Supervisory Board Members.
4. Directors Shigeru Asaba, Tamotsu Saito, Izumi Kawashima, and Makoto Kigawa and Audit & Supervisory Board Members Hideo Shiwa and Ryuichi Makino have been reported as independent officers to Tokyo Stock Exchange.
5. Audit & Supervisory Board Member Toshiya Hatakeyama has served in positions such as Officer in charge of the Accounting & Control Division and Chief Financial Officer, and has extensive knowledge in finance and accounting.

6. Audit & Supervisory Board Member Hideo Shiwa headed the finance & accounting and planning divisions and presided over a business company and unit of the head office of a manufacturing company, and has extensive knowledge in finance and accounting.
7. Audit & Supervisory Board Member Ryuichi Makino is a certified public accountant, and has extensive knowledge in finance and accounting.
8. Executive officers as of March 31, 2021 are as follows (excluding those who concurrently serve as Directors).

Position	Name	Principal duty
Executive Vice President	Masasuke Kishi	Head of Components & Platforms Business Group and Head of Development Division
Senior Vice President	Toru Miyazawa	Head of Marketing & Sales Group
Senior Vice President	Masatoshi Saito	Deputy Head of Components & Platforms Business Group
Senior Vice President	Yuka Miyagawa	Head of Business Collaboration Division, Components & Platforms Business Group
Senior Executive Officer	Yuichiro Katagiri	Deputy Head of Solution Systems Business Group
Senior Executive Officer	Keizou Ikeda	General Manager of Automation Systems Division, Components & Platforms Business Group
Executive Officer	Hiroshi Tomizawa	Deputy Head of Corporate Group and General Manager of Legal Affairs & Intellectual Property Division, Chief Quality Officer
Executive Officer	Toshiyuki Yokota	In charge of Special Missions, Chief Innovation Officer
Executive Officer	Hajime Maruo	Head of Marketing & Sales Division-2, Marketing & Sales Group
Executive Officer	Masahito Nozue	Head of Electronics Manufacturing Services Division, Components & Platforms Business Group
Executive Officer	Shinichi Tanaka	Deputy Head of Solution Systems Business Group and General Manager of Financial & Enterprise Solutions Division
Executive Officer	Shutaro Otahara	General Manager of Corporate Planning Division, Corporate Group
Executive Officer	Takahiro Mori	Officer of Components & Platforms Business Group and President of Oki Data Corporation

(Translation)

(2) Compensation, etc. paid to Directors and Audit & Supervisory Board Members in the fiscal year under review

(i) Policy on determining the content of individual compensation, etc. for Directors

The Company established the policy on determining the content of individual compensation, etc. for Directors, and a summary is as follows. 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 enforcement of the corporate competitiveness while being the compensation structure that can attract excellent human resources. The compensation structure is divided into performance-linked compensation and compensation other than performance-linked compensation, and consists of basic compensation, annual incentive compensation linked to the performance of each fiscal year, and compensation-type stock option as medium- to long-term incentive compensation as shown in the table below. These compensations have been provided as part of efforts to develop an environment for a shift to the management focused on "more aggressive goal setting" and "growth over medium- to long-term" in order to achieve "continuous growth" of the OKI Group. The compensation for outside directors consists only of basic compensation.

The calculation method of performance-linked compensation is stated below.

The business performance indexes selected as the basis of calculating the amount of annual incentive compensation are sales, operating income and working capital. These business performance indexes were selected because the Company judged that these indexes were appropriate to achieve the OKI Group's sustainable growth. As for the calculation method, 70% of the total amount is the standard compensation amount which has been set for each position in advance multiplied by a performance evaluation factor, and 30% of the total amount is determined by the qualitative evaluation stated in (2) (c). The target amounts related to performance-linked compensation for the fiscal year under review were ¥405.0 billion for net sales, ¥8.5 billion for operating income, and ¥93.8 billion for working capital. In the actual results, ¥392.9 billion was recorded for net sales, ¥9.5 billion for operating income, and ¥89.6 billion for working capital.

The business performance index selected as the basis of calculating the amount (or quantity) of the medium- to long-term incentive compensation is ROE. This business performance index was chosen because the Company evaluated that this index was adequate to aim for improving corporate and shareholders' value over the medium and long term and share value with shareholders. To calculate the amount, the Company sets the standard compensation amount for each position in advance, then multiplies it by a performance evaluation factor. The target related to performance-linked compensation for the fiscal year under review was to achieve ROE of 10%. In the actual results, ROE was -0.2%.

As for how to determine the policy on determining individual compensation, etc. for Directors, as described on page 35* in order to secure transparency and objectiveness in the decision-making processes concerning compensation for officers, the Company has established the Personnel Affairs and Compensation Advisory

Committee. It deliberates, prior to resolutions at a Board of Directors meeting, on the structure and level of compensation for directors and executive officers, and reports the results to the Board of Directors. In addition, the appropriateness of the structure and level of compensation is validated mainly utilizing objective evaluation data from external organizations. The Personnel Affairs and Compensation Advisory Committee held a total of nine meetings during the fiscal year under review, discussed the compensation structure for officers in three of these meetings, and reported the results three times (concerning annual incentive compensation, medium- to long-term incentive compensation, and the policy on determining individual compensation, etc.).

Since the Board of Directors decided the content of individual compensation, etc. for Directors for the fiscal year under review after confirming the content of the report, it was evaluated that the content of the individual compensation, etc. for Directors for the fiscal year under review complied with the policy above.

<table>
<tr><th colspan="3">Type</th><th>Content of compensation</th></tr>
<tr><td>Basic compensation</td><td>Fixed compensation</td><td rowspan="2">Monetary compensation</td><td>When serving as Executive Officer concurrently, monetary compensation shall be determined and paid monthly while being individually tailored to the position, followed by duties.</td></tr>
<tr><td>Annual incentive compensation</td><td rowspan="2">Performance-linked compensation</td><td>Once a year, monetary compensation shall be paid and determined individually with a linkage with the past year’s consolidated business performance of the OKI Group and that of the division each Director is responsible for. The rate of payment is determined within a scope of 0% to 200%, according to linkage with the quantitative assessment by business performance and qualitative assessment by the President or the Personnel Affairs and Compensation Advisory Committee. It is set that the degree of linkage with business performance is higher for a person in a higher position. The amount of payment is 35% to 45% of the basic compensation when the rate of payment is 100%.</td></tr>
<tr><td>Medium- to long-term incentive compensation</td><td>Non-monetary compensation</td><td>The amount of payment linked to the Medium-Term Business Plan is determined and paid as compensation-type stock option once a year. The rate of payment is determined within the scope of 0% to 200% depending on business performance. It is set that the degree of linkage with business performance is higher for a person in a higher position. The amount of payment is 15% to 20% of the basic compensation when the rate of payment is 100%.</td></tr>
</table>

(ii) Matters related to the resolution for the compensation, etc. for Directors and Audit & Supervisory Board Members of the ordinary general meeting of shareholders

As for the amount of monetary compensation for Directors, at the 82nd ordinary general meeting of shareholders held on June 29, 2006, it was resolved that the annual amount for Directors would be ¥600 million or less (not including employee salary for an employee who is serving as Director). The number of Directors at the end of the ordinary general meeting of shareholders was eleven (including one outside director).

Separately from the monetary compensation, at the 92nd ordinary general meeting of shareholders held on June 29, 2016, it was resolved that the compensation-type stock option for Directors excluding outside directors would be ¥100 million or less per year. The number of Audit & Supervisory Board Members at the end of the ordinary general meeting of shareholders was five (excluding outside director).

As for the amount of monetary compensation for Audit & Supervisory Board Members, at the 82nd ordinary general meeting of shareholders held on June 29, 2006, it was resolved that it would be ¥100 million or less per year. The number of Audit & Supervisory Board Members at the end of the ordinary general meeting of shareholders was four.

(iii) Matters related to the commission of the decision on the content of individual compensation, etc. for Directors

The Company commissions the decision on the specific content of individual remuneration related to annual incentive compensation for Directors based on a resolution for the commission of the Board of Directors as below. As for the part commissioned to a Director who is concurrently serving as President and Executive Officer, the Company has taken measures such as deliberating the validation at the Personnel Affairs and Compensation Advisory Committee to ensure that the Director adequately executes his/her authority.

Applicable Directors	Commissioned person	Content of the commissioned authority	Reason for the commission of the authority
Director concurrently serving as the President and Executive Officer	Members of the Personnel Affairs and Compensation Advisory Committee (Directors Shigeru Asaba, Tamotsu Saito, Izumi Kawashima, Makoto Kigawa, and Hideichi Kawasaki)	Qualitative evaluation for 30% of annual incentive compensation	To secure transparency of the process and objectivity of evaluation
Executive Director other than the above	Director concurrently serving as the President and Executive Officer (Director Shinya Kamagami)	Qualitative evaluation for 30% of annual incentive compensation	To focus on aggressive goal-setting for each task assigned to the person

(Translation)

(iv) Compensation paid to Directors and Audit & Supervisory Board Members, etc.

Officer Title	Amount of payment	Amount of payment by type of compensation				Number of applicable officers
		Fixed compensation	Performance-linked compensation			
		Monetary compensation			Non-monetary compensation	
		Basic compensation	Annual incentive		Medium- to long-term incentive	
Directors (excluding Outside Directors)	¥265 million	¥217 million	¥36 million		¥10 million	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	¥46 million	¥46 million	–		–	2
Outside officers Outside Directors Outside Audit & Supervisory Board Members	 ¥46 million ¥17 million	 ¥46 million ¥17 million	 – –		 – –	 4 4

Notes:

1. The application of the medium- to long-term incentive compensation starts in fiscal 2021. The payment for the fiscal year under review remains as fixed compensation, which is 13% of basic compensation.
2. The medium- to long-term incentive compensation is non-monetary compensation, etc. The content and provision status are stated in Agenda Item 4: Grant of Stock Option for Stock-linked Compensation (Equity Warrants) to Directors on page 21 and "Matters related to the Company's share option, etc." (which is listed on the Company website in accordance with laws, regulations and Article 15 of the Articles of Incorporation).
3. The number of Outside Directors as of the end of the fiscal year under review is different from the number shown above, because the number above includes the Outside Directors who retired at the conclusion of the 96th Ordinary General Meeting of Shareholders held on June 26, 2020.

(3) Outside Directors and Audit & Supervisory Board Members

(i) Status of material concurrent positions at other organizations, etc. and the Company's relationship with the aforesaid organizations

Director Shigeru Asaba serves as an Outside Director of Nippon Beet Sugar Manufacturing Co., Ltd. There are no business relationships between Nippon Beet Sugar Manufacturing Co., Ltd. and the Company.

Director Tamotsu Saito concurrently serves as Advisor of IHI Corporation and Outside Director of JAPAN POST INSURANCE Co., Ltd. In addition, he will assume the office of Outside Director of Furukawa Electric Co., Ltd. in June 2021. The volume of transactions between the companies and the Company accounts for less than 1% of the OKI Group's net sales and accounts for less than 1% of each company's net sales.

Director Makoto Kigawa concurrently serves as Outside Director of Komatsu Ltd. and Outside Director of Seven Bank, Ltd. The volume of transactions between the companies and the Company accounts for less than 1% of the OKI Group's net sales and accounts for less than 1% of each company's net sales. Although he serves as Special Adviser of Yamato Holdings, Co., Ltd. and Outside Corporate Auditor of The Higo Bank, Ltd., there are no business relationships between the companies and the Company.

Audit & Supervisory Board Member Hideo Shiwa serves as External Director (Audit and Supervisory Committee Member) of OUTSOURCING Inc. There are no business relationships between OUTSOURCING Inc. and the Company.

Audit & Supervisory Board Member Ryuichi Makino serves as Outside Audit & Supervisory Board Member of Synchro Food Co., Ltd. There are no business relationships between Synchro Food Co., Ltd. and the Company.

(ii) Major activities in the fiscal year under review

(a) Attendance at meetings of the Board of Directors and the Audit & Supervisory Board

	Board of Directors meeting (number of meetings in parenthesis)		Audit & Supervisory Board meeting (number of meetings in parenthesis)	
	Attendance frequency	Attendance rate	Attendance frequency	Attendance rate
Shigeru Asaba, Director	14 (14)	100%	–	–
Tamotsu Saito, Director	14 (14)	100%	–	–
Izumi Kawashima, Director	14 (14)	100%	–	–
Makoto Kigawa, Director	14 (14)	100%	–	–
Hideo Shiwa, Audit & Supervisory Board Member	9 (10)	90%	10 (10)	100%
Ryuichi Makino, Audit & Supervisory Board Member	10 (10)	100%	10 (10)	100%

Note: The number of meetings for Audit & Supervisory Board Members Hideo Shiwa and Ryuichi Makino represents the number of meetings held since they took office in June 2020.

(Translation)

(b) Major activities

	Principal comments at the Board of the Directors and summary of the duties executed for the role expected of outside director
Shigeru Asaba, Director	He provided advice and made proposals for the appropriateness and properness of decision making by the Board of Directors. He also contributed to strengthening compliance by providing a good example to managerial personnel through his leadership and enhancing the management fairness and transparency as the Chairperson of the Personnel Affairs and Compensation Advisory Committee. He also contributes to the improvement of the Company's corporate value by actively giving advice and making proposals for supervision of the medium- and long-term business plans including Medium-Term Business Plan 2022 and oversight of the development plan of successors such as the President, for which he is expected to play an active role, based on his academic expertise in overall business.
Tamotsu Saito, Director	He provided advice and made proposals for the appropriateness and properness of decision making by the Board of Directors. He also contributed to strengthening compliance by providing a good example to managerial personnel through his leadership and enhancing the management fairness and transparency as a member of the Personnel Affairs and Compensation Advisory Committee. He also contributes to the improvement of the Company's corporate value by actively giving advice and making proposals for supervision of the medium- and long-term business plans including Medium-Term Business Plan 2022 and oversight of the development plan of successors such as the President, for which he is expected to play an active role, based on his academic expertise in overall business.
Izumi Kawashima, Director	She provided advice and made proposals for the appropriateness and properness of decision making by the Board of Directors. She also contributed to strengthening compliance by providing a good example to managerial personnel through her leadership and enhancing the management fairness and transparency as a member of the Personnel Affairs and Compensation Advisory Committee. She also contributes to the improvement of the Company's corporate value by actively giving advice and making proposals to supervise improvements to the efficiency of operations of the Board of Directors and the development plan of successors such as the President, for which she is expected to play an active role, based on her knowledge as a legal expert in the Companies Act, the Financial Instruments and Exchange Act, etc.
Makoto Kigawa, Director	He provided advice and made proposals for the appropriateness and properness of decision making by the Board of Directors. He also contributed to strengthening compliance by providing a good example to managerial personnel through his leadership and enhancing the management fairness and transparency as a member of the Personnel Affairs and Compensation Advisory Committee. He also contributes to the improvement of the Company's corporate value by actively giving advice and making proposals for supervision of the medium- and long-term business plans including Medium-Term Business Plan 2022 and oversight of the development plan of successors such as the President, for which he is expected to play an active role, based on his academic expertise in overall business.
Hideo Shiwa, Audit & Supervisory Board Member	He audited the business execution of Directors and leveraged his extensive experience and knowledge as an executive and a Director at a manufacturing company to make statements aimed at achieving sustainable growth and producing medium- to long-term corporate value for the Company.
Ryuichi Makino, Audit & Supervisory Board Member	He audited the business execution of Directors and leveraged his extensive experience and knowledge as a certified public accountant to make statements aimed at achieving sustainable growth and establishing high-quality corporate governance systems for the Company.

(Translation)

5. Status of Accounting Auditor

(1) Name: PricewaterhouseCoopers Aarata LLC

(2) Policy and reason for the appointment

The Company has appointed the accounting auditor with comprehensive consideration by assessing indicators, such as the quality control scheme, independence, auditing scheme, and estimated compensation for auditing services.

(3) Policy regarding decision to dismiss or not reappoint

The Audit & Supervisory Board, in principle, will determine the detail of the proposal to be submitted to the general meeting of shareholders regarding dismissal or non-reappointment of the accounting auditor if it is deemed unlikely that the accounting auditor will be able to perform audits properly. In addition, if the accounting auditor falls under provisions of the items in Article 340, paragraph (1) of the Companies Act, the Audit & Supervisory Board will dismiss the accounting auditor upon the consent of all the Audit & Supervisory Board Members.

(4) Assessment of the audit corporation by Audit & Supervisory Board members and the Audit & Supervisory Board

The Audit & Supervisory Board members and the Audit & Supervisory Board of the Company assess the audit corporation. The assessment is comprehensive based on indicators, such as the audit corporation's quality control scheme, independence, auditing scheme, group auditing scheme, and estimated compensation for auditing services.

(5) Contents, etc. of compensation for auditing services

(i) Compensation, etc.

Category	Previous fiscal year		Fiscal year under review	
	Compensation for audit attestation services (millions of yen)	Compensation for non-auditing services (millions of yen)	Compensation for audit attestation services (millions of yen)	Compensation for non-auditing services (millions of yen)
Oki Electric Industry	159	43	200	47
Consolidated subsidiaries	86	–	110	–
Total	245	43	310	47

Notes:

1. The Company does not distinguish between auditor compensation regarding (i) auditing in accordance with the Companies Act, and (ii) auditing in accordance with the Financial Instruments and Exchange Act. The total of these amounts is recorded above.
2. Among our major subsidiaries, Oki Data Manufacturing (Thailand) Co., Ltd., Oki Electric Industry (Shenzhen) Co., Ltd., and Oki Europe Ltd. have undergone statutory audits by accounting auditors other than the accounting auditor of the Company.

(ii) Content of non-auditing services

(Previous fiscal year)

The Company has entrusted the accounting auditor with "advisory services relating to the new revenue recognition standard" and other services, which are services other than the audits specified in Article 2, paragraph (1) of the Certified Public Accountants Act, and pays the auditor compensation for the services.

(Fiscal year under review)

The Company has entrusted the accounting auditor with "advisory services relating to the new revenue recognition standard" and other services, which are services other than the audits specified in Article 2, paragraph (1) of the Certified Public Accountants Act, and pays the auditor compensation for the services.

(iii) Policy regarding determination of compensation for auditing services

The Company has no particular rules or regulations regarding decisions on compensation for auditing services to the audit corporation but has determined the compensation after having fully considered the audit plan, etc. of the audit corporation and verified the validity of the time, contents, etc. of the auditing services

(iv) Reason for the Audit & Supervisory Board to consent to compensation for accounting auditor

The Audit & Supervisory Board has decided to consent to the compensation to be paid to the accounting auditor proposed by the Board of Directors in accordance with Article 399, paragraph (1) of the Companies Act. This is because it has performed necessary verification as to the appropriateness of matters such as the content of the accounting auditor's audit plan, the status of performance of duties by the accounting auditor, and the basis for calculating the estimated compensation for the accounting auditor, and has found them appropriate.

(Translation)

6. Policies and procedures of the Company

(1) Procedures to ensure that Directors and employees comply with applicable laws, regulations and the Articles of Incorporation in conducting their business and other systems to ensure appropriate operations

(i) Procedures to ensure that Directors and employees comply with applicable laws, regulations and the Articles of Incorporation in conducting their business

(a) As the foundation for ensuring compliance, the Company has established the "OKI Group Charter of Corporate Conduct" and "OKI Group Code of Conduct." In addition, officers take the initiative in compliance activities in conformance with the "Compliance Commitment."

(b) The Company has established a Compliance Committee chaired by the Chief Compliance Officer to decide on and examine basic policies regarding compliance programs.

(c) In accordance with the basic policies formulated by the Compliance Committee, the division responsible for compliance plans, draws up, and promotes specific measures such as education and training for Directors and employees. In education and training, we aim to raise employee awareness about compliance by utilizing means such as e-learning.

(d) The Company establishes whistle-blowing regulations which enable reporting to Outside Directors and Audit & Supervisory Board Members and provides a contact point for reporting and consultation, aiming to detect any misconduct at its earliest stages and make improvements.

(e) The Company stands firmly against antisocial groups that threaten the order and safety of civil society in cooperation with the police and related organizations, and refuses to have any relationship with them as a whole.

(ii) Procedures to retain and manage information relating to Directors' conduct of business

The Company retains and stores information relating to the conduct of business by Directors as appropriate in accordance with applicable laws, regulations and internal rules.

(iii) Rules concerning risk management and other procedures

(a) The Company has established a Risk Management Committee and promotes measures for appropriately grasping risks that may occur in relation to business activities of the Company and Group companies, and preventing such risks from emerging.

(b) Pursuant to risk management rules, each section of the Company manages risks that may occur in relation to its main duties. At the same time, the Company has established a supervisory section to deal with risks needing company-wide management. This section assesses risks, draws up policies for risk countermeasures and develops appropriate structures based on such policies.

(c) If any risk occurs, the Company will set up an emergency countermeasure headquarters to handle the risk.

(iv) Procedures to secure efficient business performance by Directors

(a) The Company holds regular meetings of the Board of Directors once a month in principle to decide important matters including basic management policies and supervise the business execution of Directors.

(b) The Company appoints Executive Officers to execute business based on basic management policies determined by the Board of Directors so as to separate the functions of business execution and supervision, and promote timely decision-making processes. In addition, the Company holds meetings of the Management Committee consisting of Executive Officers, etc. to assist the President in making decisions.

(c) The Company assigns Directors responsibilities and authority pursuant to rules on division of duties and authorities.

(v) Procedures to secure appropriate Group (Company and subsidiaries) operations

(a) To ensure that the Company and subsidiaries run their operations properly, the Company has established the "OKI Group Charter of Corporate Conduct" which sets out the values for the entire Group. In addition, the Company has established the "OKI Group Code of Conduct" as the code of conduct which all officers and employees should comply with, and is striving to make the code known to all of them.

(b) The division responsible for compliance implements various measures for promoting compliance common to the Group through each subsidiary's compliance officer. The Division also determines, through regular monitoring, the implementation status of such measures by each Group company and reports to the Compliance Committee on the results.

(c) Each subsidiary establishes whistle-blowing regulations that enable reporting to their Outside Directors and Audit & Supervisory Board Members, provides a contact point for reporting and consultation, and aims to detect any misconduct at its earliest stages and make improvements after reporting to the Company.

(d) The Company, in accordance with Subsidiaries and Affiliates Management Rules, determines the status of each subsidiary's management activities through receiving reports regularly from each subsidiary and provides necessary advice and guidance including organization designing, rules and regulations, and business plannings.

(e) To secure the reliability of financial reporting, the Company and each subsidiary establish an internal control system for financial reporting in accordance with related laws and regulations, and strive to maintain and improve that system.

(vi) Procedures for employees who assist Audit & Supervisory Board Members

(a) The Company assigns employees as staff to assist Audit & Supervisory Board Members.

(b) The Company assigns employees, who are not subject to Directors' instructions and orders, as staff to assist Audit & Supervisory Board Members, and any reassignment and evaluation of such employees requires the prior consent of the

Audit & Supervisory Board.

(vii) Procedures for Directors and employees to report to Audit & Supervisory Board Members; procedures for Audit & Supervisory Board Members to receive other reports

(a) If Directors discover anything that may cause significant damage to the Company, they are required to report the matter immediately to the Audit & Supervisory Board Members pursuant to applicable laws and regulations.
(b) Standing Audit & Supervisory Board Members attend meetings of the Management Committee and meetings of the Board of Directors in order to understand important decision-making processes and the status of business operations, as well as to inspect important documentation.
(c) Audit & Supervisory Board Members attend the Risk Management Committee as advisors and receive necessary reports.
(d) Audit & Supervisory Board Members receive whistle-blowing reports based on whistle-blowing regulations, and receive reports biannually on the status of operation of the regulations from relevant divisions.
(e) Audit & Supervisory Board Members receive reports on the status of establishing internal control systems and their operations from Directors and employees on a regular basis, and may request Directors and employees to report on matters deemed necessary.
(f) The Company ensures that a person who made a whistle-blowing report to Audit & Supervisory Board Members will not be treated unfavorably on account of making such report.

(viii) Other procedures to secure effective audits by Audit & Supervisory Board Members

(a) In conducting inspections on the Company's operations and assets and performing other audit duties, Audit & Supervisory Board Members shall conduct audits efficiently and effectively in close cooperation with the internal audit section.
(b) Audit & Supervisory Board Members implement efficient audits by closely cooperating with the accounting auditor. To this end, Audit & Supervisory Board Members hold meetings with the accounting auditor on a regular basis, attend on-site audits by the accounting auditor, and request reports from the accounting auditor on the progress of audits when necessary.
(c) The Company pays all the expenses necessary for the execution of the duties of Audit & Supervisory Board Members.

(2) Overview of Status of Operations

(i) Procedures relating to compliance

(a) The Board of Directors has stipulated a basic policy for internal control systems. As for the foundation for ensuring compliance, the Company has established the "OKI Group Charter of Corporate Conduct" which states social responsibility assumed by the OKI Group and "OKI Group Code of Conduct" to be observed by all OKI officers and employees to assume social responsibility. This charter and code are based on the corporate philosophy of "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."

In addition, the management team, having re-affirmed the importance of compliance, takes the initiative in compliance activities, and officers of the Company and Group companies are working on compliance activities in conformance with the "Compliance Commitment." The Company has established this commitment to reassure shareholders, customers, employees and all other stakeholders within and outside the Company that it strives to foster awareness of compliance and makes a thorough commitment to compliance throughout the OKI Group.

(b) The President and Executive Officer once again raised awareness of the importance of compliance to all OKI Group companies at the FY2020 IR meeting for management strategy (the script was published on the intranet on April 1, 2020).

(c) The Company held group training such as training sessions for compliance managers, in which some 350 compliance managers and promoters of the OKI Group participated, and training sessions on the Anti-Monopoly Act for officers and employees chiefly in the Market & Sales Section. It also conducted e-learning on personal information protection, information security, internal control and general compliance-related topics for all employees in Japan. The Company also regularly presents case studies on compliance on the intranet and internal publications.

As for compliance education which is implemented in the form of e-learning for overseas subsidiaries, additional training has been provided to a subsidiary in Vietnam, which newly joined the Group.

(d) In the fiscal year under review, the Compliance Committee held meetings four times, where it summarized activities in the previous fiscal year, formulated education plans, and reviewed the status of implementation of various measures in individual sections.

(e) The Company clearly has defined that in case of non-compliance, the Company takes disciplinary action in accordance with the workplace regulations, etc., and has the Group Disciplinary Action Committee, which is chaired by the President and Executive Officer, to consider said action.

(f) The Company has a Group whistle-blower hotline, which provides access to external lawyers, to ensure quick discovery and effective correction of improper conduct, and disseminates information about the whistle-blower system to employees as well.

(ii) Procedures relating to risk management

(a) The Company has established a Risk Management Committee chaired by the President and Executive Officer and advised by the Outside Directors and Audit & Supervisory Board Members, to stipulate fundamental matters relating to measures to prevent risks from emerging, and preparation in case risks arise. In the fiscal year under review, the Risk Management Committee held meetings twice, where it deliberated on basic policies for FY2020, risks to be controlled, policies to prevent risks from emerging, policies on emergency response scenarios, and ways to improve the management and reporting system.

(b) The Company has established risk management departments, which deal with group-wide risks that are common to the Group, and each of these management departments assist individual departments and subsidiaries to manage their risks, instruct them to take necessary measures, and confirm the status of implementation of these measures.

(c) If any risk materializes, the department in which it arises takes the necessary steps for the risk, and promptly reports the details of the event to the Risk Management Committee according to the OKI Group Emergency Response System. This Committee manages crisis information in a unified manner, determines a response system and manager promptly, giving consideration to the severity and urgency of the said crisis, implements necessary measures, and gives support to the said department.

(iii) Procedures relating to subsidiary management

(a) In the Subsidiaries and Affiliates Management Rules, an administrative division is designated for each subsidiary, and the head of said administrative division manages it with the authority and responsibilities stipulated by the authority regulations. Appointment and dismissal of chief officers of subsidiaries is determined by the President and Executive Officer of the Company, and appointment and dismissal of other officers is determined by the head of the administrative division.

(b) Heads of administrative divisions clearly state the missions of subsidiaries which they supervise, and when developing business plans, they provide support, instruction, and periodic monitoring, and evaluate the performance of officers. Heads of administrative divisions also monitor the operational status of the general meeting of shareholders and the Board of Directors and compliance of Directors of subsidiaries.

(c) At the accounting division of each subsidiary, the Company has appointed staff with the necessary knowledge and experience. The Company works to conduct the maintenance and improvement of an internal control system for financial reporting conducted in accordance with related laws and regulations.

(d) To prevent losses from violations, misconduct, scandals, or accidents related to any laws, rules or ethics, or loss from failing to appropriately perform risk management, the Company holds regular training seminars for directors and audit & supervisory board members of subsidiaries. Seminar topics include responsibilities and obligations as a subsidiaries' officer, compliance, and internal controls.

(iv) Procedures relating to audits by Audit & Supervisory Board Members

(a) The Standing Audit & Supervisory Board Members assess important decision-making processes and the status of business operations by attending meetings of the Board of Directors and the Management Committee in addition to reading resolution approval documents.

(b) The Audit & Supervisory Board Members have received whistle-blowing reports based on whistle-blowing regulations, and received reports biannually on the status of operation.

(c) In addition to receiving reports on the development and operational status of the internal control system at the meetings of the Board of Directors, the Audit & Supervisory Board Members exchange opinions with the President, executive officers, general managers of divisions and representatives of the subsidiaries, confirming the development and operation of the internal control system in the process.

(d) The Audit & Supervisory Board Members hold discussions and exchanges of opinion with the Internal Auditing Division by taking part in site visits and meetings to report on the results of audits held by the Internal Auditing Division, and utilize the results of audits in audits by Audit & Supervisory Board Members.

(e) The Audit & Supervisory Board Members have maintained close cooperation with the Accounting Auditor including meeting and exchanging opinions with the Accounting Auditor and attending site visits by the Accounting Auditor, to implement effective audits.

Note: indication of amounts

Figures in this business report are indicated as follows.

1. Units of ¥1 million: Figures less than one unit are disregarded.
2. Units of ¥100 million: Figures less than one unit are rounded to the nearest unit.

(Translation)

Consolidated Balance Sheet

(as of March 31, 2021)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets	222,170	Current liabilities	154,151
Cash and deposits	44,845	Notes and accounts payable	56,706
Notes and accounts receivable	105,371	Short-term borrowings	38,123
Lease receivables and lease investment assets	12,732	Lease obligations	4,202
		Other accrued expenses	21,028
Finished goods:	14,889	Others	34,091
Work in process:	14,558	Long-term liabilities	105,795
Raw materials and supplies:	17,937	Long-term debt	39,848
Others	11,999	Lease obligations	12,670
Allowance for doubtful receivables	(165)	Deferred tax liabilities	15,880
Non-current assets	151,043	Provision for Directors' retirement benefits	286
Property, plant and equipment	51,314	Liability for retirement benefits	31,419
Buildings and structures	20,239	Others	5,691
Machinery, equipment and vehicles	8,550	Total liabilities	259,947
Tools, furniture and fixtures	7,862	(Net Assets)	
Land	14,272	Shareholders' equity	118,425
Construction in progress	390	Capital stock	44,000
Intangible assets	13,637	Additional paid-in capital	19,029
Investments and other assets	86,091	Retained earnings	56,315
Investments in securities	38,632	Treasury stock, at cost	(919)
Asset for retirement benefits	30,635	Other accumulated comprehensive income	(5,401)
Long-term trade receivables	22,245	Net unrealized holding gain/loss on other securities	3,570
Others	14,181		
Allowance for doubtful receivables	(19,604)	Loss on deferred hedges	82
		Translation adjustments	(8,655)
		Accumulated retirement benefits liability adjustments	(399)
		Subscription rights to shares	168
		Non-controlling interests	74
		Total net assets	113,265
Total assets	373,213	Total liabilities and net assets	373,213

(Translation)

Consolidated Statement of Operations

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Account title	Amount	
Net sales		392,868
Cost of sales		293,444
Gross profit		99,423
Selling, general and administrative expenses		89,914
Operating income		9,509
Non-operating income		
Interest income	40	
Dividend income	1,141	
Foreign exchange gain	447	
Dividend income of insurance	408	
Other	1,247	3,285
Non-operating expenses		
Interest expense	1,411	
Loss on liquidation of subsidiaries	424	
Other	1,579	3,415
Ordinary income		9,380
Extraordinary profit		
Gain on sale of businesses	512	512
Extraordinary loss		
Loss on sale and disposition of property, plant and equipment	920	
Loss on impairment of fixed assets	465	
Business structure improvement expenses	4,566	5,952
Profit before income taxes		3,940
Income taxes	519	
Income taxes deferred	3,593	4,113
Loss		(172)
Loss attributable to non-controlling interests		33
Loss attributable to owners of parent		(205)

(Translation)

Consolidated Statement of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2020	44,000	19,047	60,847	(971)	122,923
Changes during the term under review					
Dividends from surplus			(4,326)		(4,326)
Loss attributable to owners of parent			(205)		(205)
Purchases of treasury stock				(1)	(1)
Disposition of treasury stock		(17)		53	35
Net changes in items other than shareholders' equity during the term under review					
Net changes during the term under review	–	(17)	(4,532)	51	(4,498)
Balance at March 31, 2021	44,000	19,029	56,315	(919)	118,425

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gain/loss on other securities	Loss on deferred hedges	Translation adjustments	Accumulated retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at April 1, 2020	(218)	112	(9,029)	(7,583)	(16,718)	171	64	106,440
Changes during the term under review								
Dividends from surplus								(4,326)
Loss attributable to owners of parent								(205)
Purchases of treasury stock								(1)
Disposition of treasury stock								35
Net changes in items other than shareholders' equity during the term under review	3,789	(29)	373	7,183	11,316	(3)	10	11,323
Net changes during the term under review	3,789	(29)	373	7,183	11,316	(3)	10	6,825
Balance at March 31, 2021	3,570	82	(8,655)	(399)	(5,401)	168	74	113,265

(Translation)

Notes to Consolidated Financial Statements

Principles for Preparing Consolidated Financial Statements and Notes to Changes in Scope of Consolidation and Scope of Equity Method Application

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 66

Names of major consolidated subsidiaries:

OKI Crosstech Co., Ltd.; OKI Software Co., Ltd.; Oki Data Corporation; OKI DATA MANUFACTURING (THAILAND) CO., LTD.; Oki Electric Industry (Shenzhen) Co., Ltd.; OKI EUROPE LTD.

(2) Changes in scope of consolidation:

The following companies have been excluded from the scope of consolidation: OKI Techno-Power Systems Co., Ltd., which merged with Oki Metal-Tech Co., Ltd., a consolidated subsidiary; ORIGAMI BRASIL TECNOLOGIA E SERVIÇOS EM AUTOMAÇÃO LTDA., due to transfer of all shares; OKI SYSTEMS (UK) LTD., Advanced Wave Systems Co., Ltd., OKI (UK) LTD., OKI ProServe (Thailand) Co., Ltd, and A.C.N. 006 075 216 PTY LTD, due to liquidation.

In addition, Oki Metal-Tech Co., Ltd. has changed its company name to OKI Sympho-Tech Co., Ltd.

2. Application of equity method

(1) Names of affiliated companies to which the equity method is applied:

BANKING CHANNEL SOLUTIONS LIMITED and one other 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.

(Translation)

3. 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 negotiable securities:

Marketable securities:

Stated at fair value based on the market price at the end of the fiscal year (Any difference between book value and fair value is included in net assets; sales costs are calculated by 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) Basis for provision of income and expense

Basis for provision of income relating to contract work and software development contracts

a. Income from those with certain results in progress before the end of the fiscal year

Percentage-of-completion method. (The progress ratio of construction is estimated by the cost proportion method.)

b. Other income

Inspection basis (completed-contract method for some domestic consolidated subsidiaries)

(5) Important hedge accounting methods

(i) Hedge accounting methods

Deferred hedging is applied. Allocation treatment is applied for forward exchange contracts eligible for allocation treatment. Special treatment is applied to interest rate swaps that meet the requirements for special treatment.

(ii) Means of hedging and hedged item

Forward exchange contracts are used to hedge fluctuations of exchange rates on credits and debts in foreign currencies. Interest rate swaps are employed to hedge fluctuations of market interest rates on variable-rate and long-term debt.

(iii) Hedging policy

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

(iv) Assessment method of the effectiveness of hedges

To determine the effectiveness, the Company compares the accumulated total of the market fluctuations or the cash flow fluctuations for the hedged item and that of the market fluctuations or the cash flow fluctuations for the means of hedging, during the period from the start of hedging to the assessment. The Company then makes a decision based on the changes of the two.

(6) Amortization of goodwill and amortization period

Goodwill is evenly amortized over its useful life (mainly five years).

(7) Other important matters in preparation of consolidated financial statements

(i) Method of accounting for retirement benefits

a. 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.

b. 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.

(ii) Accounting processing of consumption tax, etc.

The tax-exclusion approach is applied for accounting of consumption tax and local consumption tax.

(iii) Application of consolidated tax payments

Consolidated tax payments are applied.

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

As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company and consolidated subsidiaries in Japan have not applied the provisions of Paragraph 44 of the "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of Paragraph 3 of the "Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System" (ASBJ PITF No. 39, March 31, 2020).

Notes to Changes in Presentation

Application of "Accounting Standard for Disclosure of Accounting Estimates"

The Company has applied the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the fiscal year under review, and presents note to accounting estimates.

(Translation)

Notes on Accounting Estimates

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

(1) Amount recognized on the consolidated financial statements for the fiscal year
Allowance for doubtful receivables: ¥11,271 million

(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 (¥18,806 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) 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 which had been under review 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 (¥18,493 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) as well as interest for arrears, legal costs, and others.

However, Yihua Industrial does not have an ability to pay and, in order for OBSZ to recover the claims finalized as a result of the arbitration of Case A, it needs to be recovered from the property of Yihua Computer. It is thus essential for the appeal of OBSZ to be recognized in Case B. Case B is currently under review and, 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 OBSZ's appeal being recognized in Case B is taken into account for a period that is considered to be required for recovery, RMB668.545 million (¥11,271 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) is estimated to be irrecoverable and added to allowance for doubtful receivables.

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

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

(Translation)

2. Estimate of total cost of construction when the percentage-of-completion method is applied

(1) Amount recognized on the consolidated financial statements for the fiscal year

The aggregate construction revenue to which the percentage-of-completion method is applied for the fiscal year is ¥48,720 million. Of which, an amount recognized for the fiscal year in relation to construction projects that were work-in-progress at the end of the fiscal year is ¥21,223 million.

(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 percentage-of-completion method was applied for work whose outcome from the completed portion was deemed definite, based on the reliably estimated aggregate construction revenue, total cost of construction and an estimate of the degree of progress of construction at the end of the fiscal year. The degree of progress of construction is estimated by the cost proportion method which determines a ratio of construction cost incurred before the end of the fiscal year to total construction cost as the degree of progress of construction.

In addition, a reliably estimated amount for total construction cost is obtained 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 total construction cost changes due to those impacts and other factors, net sales may change in conjunction with a change in the degree of progress of construction.

3. Estimate of recoverability of deferred tax assets

(1) Amount recognized on the consolidated financial statements for the fiscal year

Deferred tax assets: ¥7,796 million

(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, we have estimated growth in sales revenue under an assumption that the impact of COVID-19 will last for a certain period of time in the future. Other major assumptions include an estimated improvement in operating income margin through cost reforms. Moreover, the other major assumptions are an expected improvement in the operating profit margin as a result of cost related reforms, which are expected to reduce procurement costs, personnel costs, and miscellaneous expenses.

(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 deterioration in the management environment due to the future spread of COVID-19 and other factors, the recoverability of deferred tax assets may be evaluated differently.

Additional Information

Impact of COVID-19

The Group has revised its accounting estimates based on the expectation that the recovery from the impact of the spread of COVID-19 will be slower than what was assumed in the previous fiscal year. Therefore, accounting estimates (recoverability of deferred tax assets, determination of indications of impairment of fixed assets, etc.) are reflected in the accounting treatment based on the assumption that the impact of COVID-19 will continue for a certain period of time in the next consolidated fiscal year as in the previous consolidated fiscal year.

However, the impact of the spread of COVID-19 is subject to many uncertain factors. Accordingly, future results may differ from those assumptions and estimates.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral for borrowings

Investments in securities	¥5,660 million
Liabilities collateralized by the abovementioned assets:	
Short-term borrowings	¥500 million

2. Accumulated depreciation on property, plant and equipment ¥161,079 million

3. Liabilities for guarantee

Guarantee for borrowings by employees	¥85 million

4. Contingent liabilities

OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. (hereinafter “OKI Brasil”), a consolidated subsidiary of the Company, received an additional tax assessment notice of ICMS (tax on circulation of goods and services) of BRL90 million (¥1,726 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) from the tax authorities of Sao Paulo State on August 20, 2018. 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.

(Translation)

Notes to Consolidated Statement of Changes in Net Assets

1. Matters concerning class and total number of shares outstanding as of the end of FY2020
   Common stock: 87.217 million shares

2. Matters concerning appropriation of surplus
   (1) Dividends paid

Resolution	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2020	Common stock	Retained earnings	4,326	50.00	March 31, 2020	June 29, 2020

   (2) Dividends for which the record date falls in the fiscal year under review and the effective date falls in the following fiscal year.

Proposal	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2021	Common stock	Retained earnings	1,731	20.00	March 31, 2021	June 30, 2021

3. Number of shares to be issued upon exercise of stock acquisition rights

Category	Breakdown of stock acquisition rights	Type of shares to be issued upon exercise of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights (shares)
The Company	FY2016 Stock Acquisition Rights (issued on August 16, 2016)	Common stock	20,600
	FY2017 Stock Acquisition Rights (issued on August 15, 2017)	Common stock	31,500
	FY2018 Stock Acquisition Rights (issued on August 14, 2018)	Common stock	42,100
	FY2019 Stock Acquisition Rights (issued on August 14, 2019)	Common stock	52,100
	FY2020 Stock Acquisition Rights (issued on August 18, 2020)	Common stock	60,500

(Translation)

Notes on 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.

(Translation)

2. Disclosure concerning fair value of financial instruments

As of March 31, 2021 (consolidated balance sheet date), the amount recorded in the consolidated balance sheet, fair value, and the amount of differences are as shown in the table below. Any item whose fair value is deemed extremely difficult to assess is excluded from the table. (See Note 2.)

(Unit: Millions of yen)

	Amount recorded in consolidated balance sheet (*1)	Fair value(*1)	Difference
(1) Cash and deposits	44,845	44,845	–
(2) Notes and accounts receivable	105,371	105,371	–
(3) Investments in securities	30,275	30,284	8
(4) Long-term trade receivables	22,245		
Allowance for doubtful receivables (*2)	(14,549)		
	7,696	7,696	–
(5) Notes and accounts payable	(56,706)	(56,706)	–
(6) Short-term borrowings (*3)	(22,081)	(22,081)	–
(7) Other accrued expenses	(21,028)	(21,028)	–
(8) Long-term debt (*3)	(55,890)	(56,293)	403
(9) Derivative transactions	(40)	(40)	–

(*1) Those recorded as liabilities are shown in brackets.
(*2) Allowance for doubtful receivables specifically provided for long-term trade receivables is deducted.
(*3) Long-term debt that will be reimbursed within one year (¥16,042 million) is classified as "short-term" borrowings in the consolidated balance sheet.

Notes:

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

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

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is based on the relevant book value.

(3) Investments in securities

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

(4) Long-term trade receivables

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

(5) Notes and accounts payable, (6) Short-term borrowings, and (7) Other accrued expenses

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is based on the relevant book value.

(8) 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 (see (9) below). 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.

(9) Derivative transactions

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.

(Translation)

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

Unlisted equity securities (¥8,356 million on the consolidated balance sheet) are not included in (3) Investments in securities because they have no market prices and it is deemed extremely difficult to assess their fair values.

Notes to Per-share Information

1. Net assets per share: ¥1,305.67
2. Loss per share: ¥2.38

Other Notes (Notes on Business Combination, etc.)

Business Separation

In June 2019, in order to transfer its financial and retail services businesses to NCR Brasil Ltda. (hereinafter "NCR Brasil"), a Brazilian subsidiary of NCR Corporation (NCR), OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOSE E TECNOLOGIA EM AUTOMAÇÃO S.A. ("OKI Brasil"), a consolidated subsidiary of the Company, and NCR reached an agreement on a company split of OKI Brasil and transfer of the shares of the newly established company (ORIGAMI BRASIL TECNOLOGIA E SERVIÇOS EM AUTOMAÇÃO LTDA.). All shares of the new company were transferred on April 9, 2020.

(1) Overview of business separation

(i) Name of the company separated to

NCR Brasil Ltda.

(ii) Business separated

Design, development, manufacture, sale and maintenance of automated machines

(iii) Major reason for the business separation

OKI Brasil has been implementing fundamental structural reforms aimed at improving profitability, but the Company has concluded that it will be difficult for OKI Brasil to independently expand its business in the future in order to improve profitability, given changes in the business environment.

In addition, the Company has been reviewing its strategies for developing its overseas Automation Systems business in order to focus on supplying modules to its partners.

Based on the above, the Company considered further development of OKI Brasil in the future and determined that it would be most appropriate to transfer the business to the NCR Group, which has many years of experience in the field and is expected to generate synergies.

(iv) Business separation date

April 9, 2020

(v) Other items regarding outline of transaction including legal formalities

Transfer of shares the proceeds for which are limited to assets including cash

(2) Outline of accounting procedures applied

(i) Amount of transferred gain/loss

(69) million reals

Of which, a loss of 52 million reals was recorded as "Business structure improvement expenses" in the consolidated statement of operations for the previous fiscal year.

(ii) Appropriate book values of assets and liabilities in relation to the business transferred and their major components

Current assets	120 million reals
Non-current assets	36 million reals
Total assets	157 million reals
Current liabilities	(49) million reals
Long-term liabilities	(14) million reals
Total liabilities	(63) million reals

(iii) Accounting processing

A difference between the fair value of assets received as a result of the transfer and an amount corresponding to shareholders' equity in relation to the business transferred is recognized as transferred gain/loss, assuming that investment in each of its financial and retail services businesses transferred were liquidated.

(3) Name of reporting segment in which the business separated was included

It is not included in reporting segments but is classified into 'Other.'

(4) Approximate amount of profit/loss in relation to the business separated that was recorded in the consolidated statement of operations for the fiscal year

Not applicable.

Other Notes (Notes on loss on impairment of fixed assets)

For the fiscal year under review, the Group recorded an impairment loss of ¥612 million, of which ¥465 million is presented as "Impairment loss" under extraordinary losses, and ¥146 million yen is presented included in "Business structure improvement expenses" under extraordinary losses. Major impairment losses are described below.

Business	Purpose of use	Type of assets	Amount (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.

(Translation)

Transcript of Accounting Auditors' Report on Consolidated Financial Statements

Independent Auditors' Report

May 18, 2021

To: Board of Directors
Oki Electric Industry Co., Ltd.

PricewaterhouseCoopers Aarata LLC
Tokyo Office
Kensuke Koda,
Engagement Partner, Certified Public Accountant
Takeaki Ishibashi,
Engagement Partner, Certified Public Accountant
Yoshihiro Shiribiki,
Engagement Partner, Certified Public Accountant

Audit opinion
We have audited the consolidated financial statements – the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets equity and notes to the consolidated financial statements – of Oki Electric Industry Co., Ltd. for the 97th term from April 1, 2020 to March 31, 2021 in accordance with Article 444 paragraph (4) of the Companies Act.
We concluded that the consolidated financial statements fairly present in all aspects of Oki Electric Industry's and its subsidiaries' assets and income or loss in accordance with corporate accounting standards generally accepted in Japan.

Basis for audit opinion
We have conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Responsibility of auditors for the audit of the consolidated financial statements" section of our report. We are independent of the Company and its consolidated subsidiaries in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management, Audit & Supervisory Board Members and the Audit & Supervisory Board for preparing consolidated financial statements
Oki Electric Industry's management is responsible for preparing and presenting fairly these consolidated financial statements in accordance with corporate accounting standards generally accepted in Japan. This includes designing and operating internal control that the management determines necessary to prepare and fairly present these consolidated financial statements that are without material misstatement due to fraud or errors.
In preparing the consolidated financial statements, management is responsible for assessing whether it is appropriate to prepare the consolidated financial statements with the assumption of a going concern, and in accordance with corporate accounting standards generally accepted in Japan, for disclosing, as necessary, matters related to going concern.
Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Responsibility of auditors for the audit of the consolidated financial statements
Our responsibilities are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the consolidated financial statements based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of these consolidated financial statements.
In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the appropriateness of related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with corporate accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.
We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflict of interest
We or engagement partners have no interests in the Company and its consolidated subsidiaries, which should be stated in compliance with the Certified Public Accountants Act.

(Translation)

Non-Consolidated Balance Sheet

(as of March 31, 2021)

(Millions of yen)

Account title	Amount		Account title	Amount	
(Assets)			**(Liabilities)**		
Current assets			Current liabilities		
Cash and deposits		28,478	Notes payable		3
Notes receivable		1,975	Electronically recorded obligations - operating		3,188
Accounts receivable, trade		63,161	Accounts payable, trade		36,139
Lease investment assets		12,690	Short-term borrowings		20,675
Finished goods:		4,441	Current portion of long-term debt		16,042
Work in process:		9,264	Lease obligations		3,489
Raw materials and supplies:		7,242	Accounts payable, others		12,302
Advance payments - trade		4	Other accrued expenses		7,052
Prepaid expenses		2,323	Income taxes payable		497
Short-term loans receivable		7,449	Advances received		3,274
Accounts receivable, others		7,147	Deposits received		21,309
Others		1,185	Unearned revenue		3
Allowance for doubtful receivables		(9)	Provision for product warranties		1,128
Total current assets		145,354	Provision for directors' bonuses		152
Non-current assets			Provision for loss on construction contracts		945
Property, plant and equipment					
Buildings	30,809		Provision for contingent loss		79
Accumulated depreciation	23,493	7,316	Provision for loss on the Anti-Monopoly Act		292
Structures	2,121		Asset retirement obligations		138
Accumulated depreciation	1,715	406	Others		3
Machinery and equipment	11,620		Total current liabilities		126,718
Accumulated depreciation	10,162	1,457	Long-term liabilities		
Vessels	192		Long-term debt		39,848
Accumulated depreciation	47	144	Lease obligations		11,825
Vehicles	73		Deferred tax liabilities		8,917
Accumulated depreciation	66	6	Retirement benefits		7,837
Tools, furniture and fixtures	38,493		Provision for product warranties		424
Accumulated depreciation	32,432	6,061	Provision for loss on business of subsidiaries and affiliates		326
Land		3,864	Asset retirement obligations		1,004
Construction in progress		271	Others		1,869
Total property, plant and equipment		19,530	Total long-term liabilities		72,053
Intangible assets			Total liabilities		198,772
Right of using facilities		110	(Net Assets)		
Software		10,072	Shareholders' equity		
Total intangible assets		10,183	Capital stock		44,000
Investments and other assets			Additional paid-in capital		21,511
Investments in securities		35,518	Capital reserve		15,000
Investments in and advances to subsidiaries and affiliates		54,955	Other additional paid-in capital		6,511
			Retained earnings		21,930
Contribution		66	Other retained earnings		21,930
Contribution in subsidiaries and affiliates		501	Retained earnings carried forward		21,930
Long-term loans receivable from subsidiaries and affiliates		20,230	Treasury stock, at cost		(912)
Claims provable in bankruptcy, rehabilitation and other		28	Total shareholders' equity		86,530
Long-term prepaid expenses		678	Valuation, translation adjustments and others		
Prepaid pension cost		10,116	Net unrealized holding gain/loss on other securities		3,200
Lease and guarantee deposits		2,611	Total valuation, translation adjustments and others		3,200
Others		240			
Allowance for doubtful receivables		(11,345)	Subscription rights to shares		168
Total investments and other assets		113,603			
Total non-current assets		143,316	Total net assets		89,898
Total assets		288,671	Total liabilities and net assets		288,671

(Translation)

Non-Consolidated Statement of Operations

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

Account title	Amount	
Net sales		216,445
Cost of sales		174,557
Gross profit		41,888
Selling, general and administrative expenses		42,836
Operating loss		(948)
Non-operating income		
Interest income	272	
Dividend income	6,505	
Other	705	7,483
Non-operating expenses		
Interest expense	1,168	
Foreign exchange loss	509	
Provision of allowance for doubtful receivables	910	
Penalty	(306)	
Other	712	2,995
Ordinary income		3,539
Extraordinary profit		
Gain on sale of investments in securities	150	
Gain on cancellation of lease obligations	48	199
Extraordinary loss		
Loss on sale and disposition of property, plant and equipment	699	
Loss on impairment of fixed assets	89	
Loss on sale of investments in securities	80	
Nondeductible write-downs of shares of subsidiaries and affiliates	647	
Special retirement benefits	659	2,176
Profit before income taxes		1,561
Income taxes	(2,133)	
Income taxes deferred	2,436	302
Profit		1,258

(Translation)

Non-Consolidated Statement of Changes in Net Assets

(From April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Additional paid-in capital			Retained earnings		Treasury stock, at cost	Shareholders' equity Total
		Capital reserve	Others Additional paid-in capital	Additional paid-in capital Total	Other retained earnings: Retained earnings carried forward	Retained earnings Total		
Balance at April 1, 2020	44,000	15,000	6,529	21,529	24,998	24,998	(963)	89,563
Changes during the term under review								
Dividends from surplus					(4,326)	(4,326)		(4,326)
Profit					1,258	1,258		1,258
Purchases of treasury stock							(1)	(1)
Disposition of treasury stock			(17)	(17)			53	35
Net changes in items other than shareholders' equity during the term under review								
Net changes during the term under review	–	–	(17)	(17)	(3,067)	(3,067)	51	(3,033)
Balance at March 31, 2021	44,000	15,000	6,511	21,511	21,930	21,930	(912)	86,530

	Valuation, translation adjustments and others			Subscription rights to shares	Total net assets
	Unrealized holding gain/loss on other securities	Loss/gain on deferred hedges	Total valuation, translation adjustments and others		
Balance at April 1, 2020	(471)	–	(471)	171	89,264
Changes during the term under review					
Dividends from surplus					(4,326)
Profit					1,258
Purchases of treasury stock					(1)
Disposition of treasury stock					35
Net changes in items other than shareholders' equity during the term under review	3,671	–	3,671	(3)	3,668
Net changes during the term under review	3,671	–	3,671	(3)	634
Balance at March 31, 2021	3,200	–	3,200	168	89,898

(Translation)

Notes to Non-consolidated Financial Statements

Significant Accounting Policies

1. Standards and valuation methods for negotiable securities

Shares of subsidiaries and affiliated companies:

Stated at cost based on the moving average method

Other negotiable securities:

Marketable securities:

Stated at fair value based on the market price at the end of the fiscal year. (The difference between book value and fair value is included in net assets. The sale cost is calculated by using the moving average method.)

Non-marketable securities:

Stated at cost based on the moving average method

2. Standards and valuation methods for derivatives, etc.

Derivatives: Stated at fair value

3. Standards and valuation methods for inventories

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

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

Raw materials and supplies:

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

4. Depreciation and amortization of non-current assets

Property, plant and equipment (excluding lease assets): Declining-balance method

The straight-line method is applied to buildings, excluding annexed structures, acquired on or after April 1, 1998.

Intangible assets (excluding lease assets)

Software for sale in the market:

Amortization method based on the estimated amounts of sales in the estimated number of years for sales (3 years)

Software for internal use:

Straight-line method based on the estimated durable years (mainly 5 years)

Others: Straight-line method

Lease assets

(Lease assets relating to finance lease transactions without transfer of ownership):

They are depreciated over the lease contract's lifetime by the straight-line method, assuming the residual value is zero.

5. Basis for provision of reserves

Allowance for doubtful receivables

To prepare for any losses on accounts receivable and loans, the Company calculates the amount of potential loss by using the historical loss ratio in the case of non-classified loans/receivables and by individual assessment in the case of classified loans/receivables.

Provision for product warranties

To prepare for the expenses caused by free repairs that occur after product sales, the Company includes a provision for product warranties based on past performance or individual estimates.

Provision for directors' bonuses

To prepare for the payment of bonuses to officers (includes Executive Officers, the same applies below), the Company records the amount attributable to the current fiscal year out of the amount of bonuses expected to be paid to officers.

Provision for loss on construction contracts

To prepare for any losses on construction contracts, the estimated amounts of losses for the following fiscal years are calculated for some of the order backlog as of the end of the fiscal year under review, which are likely to incur losses and for which the amounts thereof can be reasonably estimated.

Provision for contingent loss

To prepare for losses that may occur in the future, the Company includes a provision for contingency losses rationally calculated based on individual risks, etc.

Provision for loss on the Anti-Monopoly Act

To prepare for any losses relating to the Anti-Monopoly Act, the estimated amount for the current fiscal year end is recorded.

Retirement benefits

To prepare for payment of retirement benefits to employees, the Company records the amount recognized to accrue at the end of the fiscal year based on the estimated values of retirement benefit obligations and pension assets.

Prior service cost is amortized by the straight-line method over a certain number of years (13 years) within the average remaining years of service of employees.

The actuarial difference is amortized proportionately using the straight-line method over a certain number of years (13 years) within the average remaining service period of the employees from the fiscal year after the one in which it arises.

Provision for loss on business of subsidiaries and affiliates

In order to prepare for a loss on business of subsidiaries and affiliates, the Company records the amount of expected loss to bear in consideration of the financial position, operating results, etc. of these companies.

(Translation)

6. Hedge accounting methods

(1) 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.

(2) Means of hedging and hedged item

Forward exchange contracts are used to hedge fluctuations of exchange rates on credits and debts in foreign currencies. Interest rate swaps are employed to hedge fluctuations of market interest rates on variable-rate and long-term debt.

(3) Hedging policy

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

(4) Assessment method of hedging effectiveness

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. Other important matters in preparation of non-consolidated financial statements

(1) Accounting for retirement benefits

The methods of accounting for unappropriated amounts of unrecognized prior service costs and unrecognized actuarial gains and losses for retirement benefits differ from those in the consolidated financial statements.

(2) Accounting processing of consumption tax, etc.

The tax-exclusion approach is applied for accounting of consumption tax and local consumption tax.

(3) Application of consolidated tax payments

Consolidated tax payments are applied.

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

As for items regarding the transition to the group tax sharing system introduced in the "Act Partially Amending the Income Tax Act" (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company 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.

Notes to Changes in Presentation

Application of "Accounting Standard for Disclosure of Accounting Estimates"

(Translation)

The Company has applied the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) to the consolidated financial statements for the fiscal year under review, and presents note to accounting estimates.

Notes on Accounting Estimates

1. Estimate of recoverability of receivables from consolidated subsidiaries
   (1) Amount recognized on the non-consolidated financial statements for the fiscal year
   Allowance for doubtful receivables ¥11,289 million
   (2) Information regarding important accounting estimates for the item identified
   (i) Overview

The Company provides OKI HONG KONG LTD. (hereinafter “OHL”), a consolidated subsidiary which primarily engages in the material procurement and logistics management businesses in China, with loans in the amounts of US$147 million and RMB216.5 million (¥19,926 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) as of the end of the fiscal year, and they are included in long-term loans receivable from subsidiaries and affiliates. In addition, OHL has accounts receivable from Oki Electric Industry (Shenzhen) Co., Ltd. (hereinafter “OSZ”), which has accounts receivable from Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter “OBSZ”).

As described in the “Notes to Consolidated Financial Statements, Notes on Accounting Estimates, 1. Estimate of recoverability of claims for which litigation is currently pending”, accounts receivable from Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter “Yihua Industrial”) have been outstanding at OBSZ and, as a result, the payment of a similar amount from OBSZ to OSZ, and from OSZ to OHL remains unpaid. In light of such retention status, OHL recorded an allowance for doubtful receivables against accounts receivable from OSZ in conjunction with an allowance for doubtful receivables recorded by OBSZ for accounts receivable from Yihua Industrial. This resulted in negative net worth at OHL at the end of the fiscal year, giving rise to a serious issue regarding repayment of the loans provided by the Company.

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

The Company classifies the loans to OHL into doubtful accounts and recorded an allowance for doubtful receivables for an estimated amount of loss up to an amount by which OHL’s liabilities exceed its assets from the previous year, as a result of making judgment of OHL’s activities in the material procurement and logistics management businesses, management status, and ability to pay comprehensively. The amount of US$101.968 million (¥11,289 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year) was recognized at the end of the fiscal year.

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

As the amount by which OHL’s liabilities exceed its assets changes in tandem with the allowance for doubtful receivables recorded by OBSZ for accounts receivable from Yihua Industrial, the estimated amount of loss may vary significantly subject to the status of the appeal by OBSZ.

(Translation)

2. Estimate of total cost of construction when the percentage-of-completion method is applied
   (1) Amount recognized on the non-consolidated financial statements for the fiscal year
       The aggregate construction revenue to which the percentage-of-completion method was applied for the fiscal year amounted to ¥39,070 million, of which ¥14,584 million was recognized in relation to construction projects in progress at the end of the fiscal year.
   (2) Information regarding important accounting estimates for the item identified
       The calculation method for the amount in (1) is the same as the one described in the Notes to Consolidated Financial Statements, "Notes on Accounting Estimates, 2. Estimate of total cost of construction when the percentage-of-completion method is applied."

3. Estimate of recoverability of deferred tax assets
   (1) Amount recognized on the non-consolidated financial statements for the fiscal year

Deferred tax assets	¥2,363 million

   (2) Information regarding important accounting estimates for the item identified
       The calculation method for the amount in (1) is the same as the one described in the Notes to Consolidated Financial Statements, "Notes on Accounting Estimates, 3. Estimate of recoverability of deferred tax assets."

Notes to Non-consolidated Balance Sheet

1. Assets provided as collateral

Investments in securities	¥5,660 million
Liabilities collateralized by the abovementioned assets	
Short-term borrowings	¥500 million

2. Guarantee liabilities:
   The Company provides guarantees for bank borrowings made by employees, and subsidiaries and affiliates as shown below.

OKI EUROPE LTD.	¥2,756 million
	(GBP18 million, EUR132 thousand)
OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA.	¥2,340 million
	(BRL122.036 million)
OKI INDIA PRIVATE LIMITED	¥1,118 million
	(INR740.837 million)
Oki Printed Circuits Co., Ltd.	¥999 million
Oki Data Manufacturing (Thailand) Co., Ltd.	¥608 million
	($5.5 million)
OKI Crosstech Co., Ltd.	¥577 million
Four other entities:	¥868 million
Total:	¥9,270 million

(Translation)

3. Monetary claims receivable from and payable to subsidiaries and affiliates

Short-term monetary claims receivable from subsidiaries and affiliates:	¥16,727 million
Long-term monetary claims receivable from subsidiaries and affiliates:	¥1,161 million
Short-term monetary claims payable to subsidiaries and affiliates:	¥34,401 million
Long-term monetary claims payable to subsidiaries and affiliates:	¥67 million

Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

Net sales:	¥14,462 million
Purchases:	¥50,054 million
Non-operating transactions:	¥8,848 million

Notes to Non-consolidated Statement of Changes in Net Assets

Type and number of treasury stock as of the end of the fiscal year

Common stock:	653 thousand shares

(Translation)

Notes to Deferred Tax Accounting

Major factors giving rise to deferred tax assets and liabilities

Deferred tax assets	
Nondeductible write-downs of shares of subsidiaries and affiliates	¥12,553 million
Loss carry forwards	¥8,899 million
Nondeductible retirement benefits	¥4,017 million
Allowance for doubtful receivables	¥3,477 million
Adjustments of losses on transfers among consolidated subsidiaries	¥3,411 million
Nondeductible accrued bonuses	¥1,195 million
Nondeductible write-downs of inventories	¥786 million
Balance of trust property with retirement benefits	¥770 million
Provision for product warranties	¥469 million
Bad debts expenses	¥354 million
Asset retirement obligations	¥350 million
Others	¥2,293 million
Subtotal deferred tax assets	¥38,574 million
Valuation allowance	¥(36,211) million
Total deferred tax assets	¥2,363 million

Deferred tax liabilities	
Gain on valuation of investment securities	¥(5,723) million
Prepaid pension cost	¥(2,108) million
Nondeductible unrealized gain on contribution of securities to the pension trust	¥(1,957) million
Net unrealized holding gain/loss on other securities	¥(1,328) million
Others	¥(164) million
Total deferred tax liabilities	¥(11,280) million
Net deferred tax assets	¥(8,917) million

(Translation)

Notes to Related Party Transactions

Subsidiaries, etc.

Attribute	Name of company, etc.	Location	Capital	Business	Voting right ratio	Relationship with related party	Description of transactions	Transaction amount (mil. yen)	Account item	Ending balance (mil. yen)
Subsidiary	OKI Crosstech Co., Ltd.	Chuo-ku, Tokyo	¥2,001 million	Equipment work, designing, construction and maintenance of telecommunication, firefighting and other facilities, maintenance, operations and technical support for ICT equipment and systems, and sales of related equipment and supplies	(Direct) 100%	Supply products, etc., purchase of services	Borrowings of funds	–	Deposits received	8,202
Subsidiary	OKI Software Co., Ltd.	Warabi, Saitama Pref.	¥400 million	Development, design, manufacture and maintenance of software and embedded software, system building services, SI/solution services, consulting, outsourcing and sales of information equipment	(Direct) 100%	Production of software on a contract basis, etc.	Purchase of services	14,520	Accounts payable, trade	4,214
Subsidiary	Oki Data Corporation	Minato-ku, Tokyo	¥19,000 million	Development, manufacture and sales of printer equipment and other related solutions	(Direct) 100%	Purchase of products, etc., concurrent assumption of office	Borrowings of funds	–	Deposits received	5,916
Subsidiary	Oki Printed Circuits Co., Ltd.	Joetsu, Niigata Pref.	¥480 million	Manufacture and sales of printed circuit boards and electronic equipment	(Direct) 100%	Purchase of products and services, lending of funds	Lending of funds	3,231	Short-term loans receivable	2,811
									Long-term loans receivable from subsidiaries and affiliates	304
Subsidiary	OKI BRASILINDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA.	Brazil	BRL744.622 thousand	Design, manufacture, sales and maintenance of automation equipment	(Direct) 100%	Lending of funds to supply products, etc.	Underwriting of capital increase	6,553	Investments in and advances to subsidiaries and affiliates	–
							Repayment of loans receivable	5,830	Long-term loans receivable from subsidiaries and affiliates	–
Subsidiary	Oki Hong Kong, Ltd.	Hong Kong	US$10.292 thousand	Holdings company, material procurement	(Direct) 100%	Supply products, etc., lending of funds, guarantee for borrowings	Lending of funds	15,784	Long-term loans receivable from subsidiaries and affiliates	19,926

Notes:

1. The transaction amount excludes consumption tax, etc., while the ending balance includes consumption tax, etc.
2. Conditions of transactions and policy in determining conditions
   (1) The Company determines conditions regarding purchase of services and sales of products based on market prices and conducting negotiation.
   (2) The Company determines the interest rate for the lending of funds by taking the market rate of interest into consideration. However, for some subsidiaries, the Company determines the said interest rate by taking the financial position of the subsidiaries. Transaction amount shows the average balance during the fiscal year because the transactions are repetitive.
3. An allowance for doubtful accounts of ¥11,289 million has been recorded for loans to OKI HONG KONG LTD. Furthermore, an allowance for doubtful accounts of ¥768 million has been provisioned this fiscal year.
4. The Company increased the capital of OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA. which repaid the loans to us by using the proceeds from the capital increase. Nondeductible write-downs of shares of subsidiaries and affiliates were recorded for the portion of the capital increase

which was not used to repay the loans, ¥647 million. It caused the balance of shares of subsidiaries and affiliates to be zero. In addition, when looking at the portion which was used to repay the loans, ¥5,830 million (BRL298.423 million), as individual transactions, nondeductible write-downs of shares of subsidiaries and affiliates were recorded for shares of subsidiaries and affiliates acquired through the capital increase, and reversal of allowance for doubtful receivables which had been recognized was recorded to long-term loans receivable from subsidiaries and affiliates which decreased as a result of the repayment. However, when looking at it as a package of transactions, it is considered similar to a debt-equity swap in nature. A debt-equity swap is accounted for as the acquisition cost of shares of subsidiaries and affiliates acquired through the capital increase being equal to the assessed value of corresponding long-term loans receivable from subsidiaries and affiliates (an amount as obtained by subtracting allowance for doubtful receivables from the book values of the claims), which is zero. Given that the transaction extinguished the loans to OKI Brasil, the Company reduced both long-term loans receivable from subsidiaries and affiliates and allowance for doubtful receivables by ¥5,947 million (BRL298.423 million). There is no impact on profit except for foreign exchange loss due to foreign currency conversions at the time of the capital increase and repayment.

Notes to Per-share Information

1. Net assets per share: ¥1,036.59
2. Earnings per share: ¥14.54

Notes to Significant Subsequent Event

Absorption-type Merger of Consolidated Subsidiary

The Company resolved at its Board of Directors' meeting held on October 29, 2020 to merge with Oki Data Corporation with the Company as the surviving company and Oki Data Corporation as the absorbed company, and merged Oki Data Corporation on April 1, 2021.

An outline of the merger is as follows:

1. Outline of the transaction

(1) Purpose of the merger

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 Oki Data Corporation 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 Oki Data Corporation 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 Oki Data Corporation, production bases and production control functions as the Group.

(2) Method of the merger

The Company merged Oki Data Corporation with the Company as the surviving company.

(3) Date of the merger

April 1, 2021

(4) Shares issued upon merger and their allotment

There will be no allotment of shares or other properties as a result of the merger.

(5) Details of assets and liabilities assumed

The Company assumed the assets and liabilities, as well as contractual status and other rights and obligations (including joint and several guarantees in relation to the Company's borrowings and corporate debts) of Oki Data Corporation pursuant to the merger agreement.

(6) Outline of the surviving company

Corporate name	Oki Electric Industry Co., Ltd.
Amount of capital stock	¥44,000 million
Business	There will be no changes in the business as a result of the merger.

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).

Explanatory notes on Company to Which Consolidated Dividend Regulations Apply

The Company will be a company to which consolidated dividend regulations apply after the final day of the fiscal year under review becomes the final day of the final fiscal year.

(Translation)

Transcript of Accounting Auditors' Report

Independent Auditors' Report

May 18, 2021

To: Board of Directors
Oki Electric Industry Co., Ltd.

PricewaterhouseCoopers Aarata LLC
Tokyo Office
Kensuke Koda,
Engagement Partner, Certified Public Accountant
Takeaki Ishibashi,
Engagement Partner, Certified Public Accountant
Yoshihiro Shiribiki,
Engagement Partner, Certified Public Accountant

Audit opinion

We have audited the non-consolidated financial statements—the non-consolidated balance sheet, the non-consolidated statement of operations, the non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements—and its supporting schedules ("Financial Statements, etc.") of Oki Electric Industry Co., Ltd. for the 97th term from April 1, 2020 to March 31, 2021 in accordance with Article 436, paragraph (2), item (i) of the Companies Act.

We concluded that the Financial Statements, etc. fairly present in all aspects of Oki Electric Industry's assets and income or loss in accordance with corporate accounting standards generally accepted in Japan.

Basis for audit opinion

We have conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Responsibility of auditor for the audit of the Financial Statements, etc." section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of management, Audit & Supervisory Board Members and the Audit & Supervisory Board for preparing Financial Statements, etc.

Oki Electric Industry's management is responsible for preparing and presenting fairly the Financial Statements, etc. in accordance with corporate accounting standards generally accepted in Japan. This includes designing and operating internal control that the management determines necessary to prepare and fairly present the Financial Statements, etc. that are without material misstatement due to fraud or errors.

In preparing the Financial Statements, etc., management is responsible for assessing whether it is appropriate to prepare the Financial Statements, etc. with the assumption of a going concern, and in accordance with corporate accounting standards generally accepted in Japan, for disclosing, as necessary, matters related to going concern.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the financial reporting process.

Responsibility of auditors for the audit of the Financial Statements, etc.

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the Financial Statements, etc. based on our audit from an independent point of view. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of the Financial Statements, etc.

In accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit process to perform the following:

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the Financial Statements, etc., obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the appropriateness of related notes thereto.
- Conclude on the appropriateness of preparing the Financial Statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related

to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the Financial Statements, etc. or, if the notes to the Financial Statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the presentation of the Financial Statements, etc. and notes thereto are in accordance with corporate accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the Financial Statements, etc., including the related notes thereto, and whether the Financial Statements, etc. fairly present the underlying transactions and accounting events.

We report to the Audit & Supervisory Board Members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit process, and other matters required by auditing standards.

We also provide the Audit & Supervisory Board Members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements in Japan regarding independence, and communicate with them all relationships and other matters that may reasonably be deemed to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Conflict of interest

We or engagement partners have no interests in the Company, which should be stated in compliance with the Certified Public Accountants Act.

(Translation)

Transcript of Audit & Supervisory Board's Report

Audit & Supervisory Board's Report

We, the Audit & Supervisory Board, have prepared upon consultation this Audit Report based on reports compiled by each Audit & Supervisory Board Member with respect to Directors' performance of their duties during the 97th fiscal year from April 1, 2020 to March 31, 2021, as follows:

1. Auditing methods used by Audit & Supervisory Board Members and the Audit & Supervisory Board, and details of audit

(1) The Audit & Supervisory Board specified an audit policy, compiled audit plans and received reports from each Audit & Supervisory Board Member on the status of implementation and results of audits and also received reports from Directors and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.

(2) Each Audit & Supervisory Board Member, according to the audit standards, policy and plans set up by the Audit & Supervisory Board, has maintained good communications with Directors, the internal audit division and other employees and strived to collect information and improve the audit environment and conducted an audit by following the methods described below:

(a) We attended the meetings of the Board of Directors and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and principal operating offices. With respect to the subsidiaries of the Company, we have maintained good communications and exchanged information with Directors, Audit & Supervisory Board Members and others and received reports on business conditions from the subsidiaries as needed.

(b) In addition, we have periodically received reports from Directors and employees, among others, required explanation when necessary, and made opinions with regard to the status of operations and the systems established thereon (internal control systems) made by the Board of Directors concerning the establishment of systems defined in Article 100, paragraph (1) and paragraph (3) of the Regulations for Enforcement of the Companies Act as necessary for ensuring compliance with laws and the Company's Articles of Incorporation in the performance of duties by Directors, described in the Business Report, and for ensuring appropriateness of duties of corporate group consisting of joint stock company and its subsidiaries. With respect to the internal controls over financial reporting, we have received reports on the internal control evaluation and status of the audits from the Directors, etc. and the PricewaterhouseCoopers Aarata LLC, and asked them for explanations as necessary.

(c) We have monitored and verified whether the accounting auditors maintained their independence and properly implemented audits, received from the auditors reports on the performance of their duties and asked them for explanations as necessary. The accounting auditors reported to us that "systems for ensuring proper execution of duties" (listed in each item of Article 131 of the Corporate Calculation Regulations) have been established in accordance with the quality control standards concerning audits (Business Accounting Council, October 28, 2005), and asked them for explanations as necessary.

Based on the methods mentioned above, we have reviewed the business report for the said fiscal year and their supplementary schedules, financial statements for the said fiscal year (balance sheet, statement of operations, statement of changes in shareholders' equity, and notes to non-consolidated financial statements), their supplementary schedules and consolidated financial statements (consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in shareholders' equity, and notes to consolidated financial statements).

2. Results of Audit

(1) Results of audit of the business report

(a) We consider that the business report and its supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.

(b) With respect to the Directors' performance of their duties, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Articles of Incorporation.

(c) We consider that the details of the resolution made by the Board of Directors concerning internal control procedures are proper. With respect to the details described in the Business Report and the Directors' performance of their internal control duties, we have found no issues to be pointed out. Furthermore, regarding internal controls over financial reporting, as of the creation of this audit report, we have received reports from Directors, etc. and PricewaterhouseCoopers Aarata LLC to the effect that there are no significant deficiencies that should be disclosed.

(2) Results of audit of financial statements and their supplementary schedules

We consider that the auditing methods and results of the Company's Accounting Auditors, PricewaterhouseCoopers Aarata LLC, are proper.

(3) Results of audit of consolidated financial statements

We consider that the auditing methods and results of the Company's Accounting Auditors, PricewaterhouseCoopers Aarata LLC, are proper.

May 21, 2021

The Audit & Supervisory Board, Oki Electric Industry Co., Ltd.
Sei Yano, Standing Audit & Supervisory Board Member
Toshiya Hatakeyama, Standing Audit & Supervisory Board Member
Hideo Shiwa, Outside Audit & Supervisory Board Member
Ryuichi Makino, Outside Audit & Supervisory Board Member