

ESG DATA

Environment

	FY2018	FY2019	FY2020
Greenhouse gas (GHG) emissions*1			
SCOPE1 (t-CO ₂)	10,300	9,740	9,880
SCOPE2 (t-CO ₂)	79,100	72,300	67,000
SCOPE1+2 (t-CO ₂)	89,400	82,100	76,900
Greenhouse gas emission basic unit (SCOPE1+SCOPE2) (t/million yen)	0.203	0.179	0.196
SCOPE3 (t-CO ₂)	1,530,000	1,530,000	1,250,000
Energy consumption			
Total (MWh)	477,000	463,000	425,000
Weighted improvement rate of basic energy unit (%)	19.1	17.6	20.1
Waste*2			
Total amount of waste (t)	13,700	12,200	11,900
Recycling rate*3 (%)	83.4	77.9	79.1
Water used			
Total amount used (m ³)	1,820,000	1,830,000	1,750,000
Total amount of wastewater*4 (m ³)	1,820,000	1,380,000	1,330,000
Amount of chemical substances used*5			
Amount used (t)	440	408	550
Quantity of emissions (atmosphere/water system) (t)	18	12	8
Amount transferred (waste/product/sewage) (t)	21	25	45

*1: Calculated according to the Greenhouse Gas Protocol Initiative classifications.
 *2: Only routine waste from sites included; excludes waste resulting from large-scale construction, relocation, etc.
 *3: Recycling rate = Recycling amount/total amount of waste (including the valuable sale amount)
 *4: Wastewater for FY2018 is considered to be the same as the amount of water used.
 *5: Handling volume of major chemical substances related to the PRTR Law (Act on Confirmation, etc. of Release Amounts of Specific Chemical Substances in the Environment and Promotion of Improvements to the Management Thereof)

For details of the data, refer to "Environment Data" on the website.
https://www.oki.com/en/eco/env_data/material_balance.html

Governance

Number of Directors, Audit & Supervisory Board Members	June 2019	June 2020	June 2021
Number of directors	9	9	9
Number of outside directors	4	4	4
Number of female directors	1	1	1
Number of outside directors with business management experience	2	2	2
Number of Audit & Supervisory Board members	4	4	5
Number of outside Audit & Supervisory Board members	2	2	3
Number of female Audit & Supervisory Board members	0	0	0

Board of Directors Attendance Rate	FY2018	FY2019	FY2020
Overall attendance rate by directors	100.0	98.9	100.0
Overall attendance rate by Audit & Supervisory Board members	100.0	100.0	97.5

Cross Shareholdings	FY2018	FY2019	FY2020
Number of stock brands	113	93	84
Total value recorded on balance sheet (billions of yen)	40.2	31.7	35.5

Main Initiatives/Organizations in Which OKI Participates

United Nations Global Compact

In May 2010, OKI signed the "United Nations Global Compact (UNGC)." The OKI Group supports the UNGC's 10 principles concerning the protection of human rights, the eradication of unfair labor practices, environmental measures, and anti-corruption, and will work to contribute to creating a sustainable society.

Task Force on Climate-related Financial Disclosures (TCFD)

In May 2019, OKI announced its support for the "Task Force on Climate-related Financial Disclosures (TCFD)" recommendations. We will disclose and disseminate information in accordance with TCFD recommendations, and will strengthen our efforts to contribute to the realization of a sustainable society brought about by a virtuous cycle of the environment and the economy. (see page 37)

Japan Climate Initiative (JCI)

In April 2020, as a part of initiatives aimed at contributing to global warming prevention and the achievement of SDGs, OKI joined the "Japan Climate Initiative (JCI)," a network aiming for the realization of a decarbonized society. We will leverage co-creation with a broad range of partners aiming for decarbonization to strengthen our measures against climate change, and will contribute to the realization of a decarbonized society.

Challenge Zero

In June 2020, OKI joined "Challenge Zero (Challenge Net Zero Carbon Innovation)" organized by Keidanren (Japan Business Federation), which aims to encourage companies and organizations to take on the challenge of creating new innovations to realize a decarbonized society. We will take on this challenge of creating new innovations that will lead to products and services which contribute to resolving a wide range of environmental issues.

External Evaluations, etc.

Health & Productivity Management Outstanding Organization (OKI)



Platinum Kurumin Certification (OKI, OKI Circuit Technology)



Kurumin Certification (OKI Software)



Eruboshi Certification (OKI)



Nikko Investor Relations FY2020 All Japanese Listed Companies' Website Ranking AAA Website (Overall Category)

Gómez IR Site Ranking 2020 Silver



Daiwa Investor Relations Internet IR Excellence Award



Digital Transformation Certification (OKI)



Social

	FY2018	FY2019	FY2020
Number of employees (numbers in parentheses are for OKI alone)	17,930 (4,077)	17,751 (4,203)	15,639 (4,395)
Male	— (3,574)	13,776 (3,666)	12,054 (3,819)
Female	— (503)	3,975 (537)	3,585 (576)
Management gender ratio (numbers in parentheses are for OKI alone)			
Male (%)	— (96.7)	94.1 (96.6)	94.7 (96.7)
Female (%)	— (3.3)	5.9 (3.4)	5.3 (3.3)
Average length of service (years)*1	20.2	20.0	19.5
Average monthly hours of overtime (hours/month)*1	22.22	22.59	24.93
Paid leave usage rate (%)*1	59.5	64.0	54.1
Number of employees taking childcare leave*1	20	14	19
Male	1	1	7
Female	19	13	12
Employment rates of challenged people (%)*2	2.24	2.33	2.45
Number of hires (new graduates)*3	272	272	266
Male	221	203	206
Female	51	69	60
Number of hires (mid-career)*3	57	104	36
Male	50	88	29
Female	7	16	7
Incidence rates of occupational accidents*1	0.24	0.00	0.00

*1: OKI alone
 *2: Aggregate of eight special subsidiary-applied Group companies.
 *3: Domestic consolidated subsidiaries

CONSOLIDATED BALANCE SHEETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2021

ASSETS	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current assets:			
Cash and deposits	¥ 44,845	¥ 49,227	\$ 407,681
Notes and accounts receivable	105,371	111,314	957,918
Lease receivables and investments in leases	12,732	14,150	115,745
Finished goods	14,889	15,901	135,354
Work in process	14,558	14,332	132,345
Raw materials and supplies	17,937	21,978	163,063
Other current assets	11,999	10,202	109,081
Allowance for doubtful receivables	(165)	(382)	(1,500)
Total current assets	222,170	236,726	2,019,727
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	20,239	21,357	183,990
Machinery, equipment and vehicle	8,550	9,421	77,727
Tools, furniture and fixtures	7,862	8,719	71,472
Land	14,272	11,611	129,745
Construction in progress	390	318	3,545
Total property, plant and equipment (Note 5)	51,314	51,428	466,490
Intangible assets	13,637	11,288	123,972
Investments and other assets:			
Investments in securities (Note 5)	38,632	34,694	351,200
Asset for retirement benefits	30,635	20,007	278,500
Long-term trade receivables	22,245	20,549	202,227
Other investments and other assets	14,181	15,765	128,918
Allowance for doubtful receivables	(19,604)	(17,989)	(178,218)
Total investments and other assets	86,091	73,027	782,645
Total non-current assets	151,043	135,744	1,373,118
Total assets	¥ 373,213	¥ 372,471	\$ 3,392,845

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Current liabilities:			
Notes and accounts payable	¥ 56,706	¥ 61,714	\$ 515,509
Short-term borrowings (Note 5)	38,123	35,415	346,572
Lease obligations	4,202	4,539	38,200
Other accrued expenses	21,028	21,590	191,163
Other current liabilities	34,091	36,681	309,918
Total current liabilities	154,151	159,940	1,401,372
Long-term liabilities:			
Long-term borrowings	39,848	42,310	362,254
Lease obligations	12,670	15,417	115,181
Deferred tax liabilities	15,880	9,784	144,363
Provision for directors' retirement benefits	286	372	2,600
Liability for retirement benefits	31,419	32,129	285,627
Other long-term liabilities	5,691	6,075	51,736
Total long-term liabilities	105,795	106,090	961,772
Total liabilities	259,947	266,030	2,363,154
NET ASSETS			
Shareholders' equity:			
Capital stock	44,000	44,000	400,000
Additional paid-in capital	19,029	19,047	172,990
Retained earnings	56,315	60,847	511,954
Treasury stock, at cost	(919)	(971)	(8,354)
Total shareholders' equity	118,425	122,923	1,076,590
Accumulated other comprehensive income:			
Net unrealized holding gain (loss) on other securities	3,570	(218)	32,454
Gain (loss) on deferred hedges	82	112	745
Translation adjustments	(8,655)	(9,029)	(78,681)
Retirement benefits liability adjustments	(399)	(7,583)	(3,627)
Total accumulated other comprehensive income	(5,401)	(16,718)	(49,100)
Subscription rights to shares	168	171	1,527
Non-controlling interests	74	64	672
Total net assets	113,265	106,440	1,029,681
Total liabilities and net assets	¥ 373,213	¥ 372,471	\$ 3,392,845

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net sales	¥ 392,868	¥ 457,223	\$ 3,571,527
Cost of sales	293,444	339,415	2,667,672
Gross profit	99,423	117,807	903,845
Selling, general and administrative expenses (Note 6)	89,914	100,978	817,400
Operating income	9,509	16,829	86,445
Non-operating income			
Interest income	40	87	363
Dividend income	1,141	1,430	10,372
Dividend income of insurance	447	—	4,063
Foreign exchange gain	408	363	3,709
Receipt on litigation	—	438	—
Other	1,247	790	11,336
Total non-operating income	3,285	3,109	29,863
Non-operating expenses			
Interest expense	1,411	1,721	12,827
Foreign exchange loss	—	3,274	—
Loss on liquidation of subsidiaries	424	—	3,854
Other	1,579	1,138	14,354
Total non-operating expenses	3,415	6,135	31,045
Ordinary income	9,380	13,804	85,272
Extraordinary income			
Gain on sale of fixed assets	—	4,842	—
Gain on sale of investments in securities	—	4,682	—
Gain on sales of shares of subsidiaries and associates	—	165	—
Insurance claim income	—	617	—
Compensation for damage income	—	202	—
Gain on sale of businesses	512	—	4,654
Total extraordinary income	512	10,510	4,654
Extraordinary loss			
Loss on sale and disposition of fixed assets	920	560	8,363
Loss on impairment of fixed assets (Note 6)	465	846	4,227
Loss on sales of shares of subsidiaries and associates	—	192	—
Loss on valuation of investment securities	—	234	—
Loss on disaster	—	411	—
Business structure improvement expenses (Note 6)	4,566	2,418	41,509
Total extraordinary loss	5,952	4,663	54,109
Profit before income taxes	3,940	19,651	35,818
Income taxes			
Current	519	4,267	4,718
Deferred	3,593	1,262	32,663
Total income taxes	4,113	5,529	37,390
Profit (loss)	(172)	14,122	(1,563)
Profit attributable to non-controlling interests	33	35	300
Profit (loss) attributable to owners of parent	¥ (205)	¥ 14,086	\$ (1,863)

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Profit (loss)	¥ (172)	¥ 14,122	\$ (1,563)
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	3,788	(3,036)	34,436
Gain (loss) on deferred hedges	(29)	(56)	(263)
Translation adjustments	376	1,852	3,418
Retirement benefits liability adjustments	7,183	(1,576)	65,300
Share of other comprehensive income of entities accounted for using equity method	0	0	0
Total other comprehensive income (Note 7)	11,320	(2,815)	102,909
Comprehensive income	¥ 11,147	¥ 11,306	\$ 101,336
Comprehensive income attributable to:			
Owners of the parent	¥ 11,110	¥ 11,273	\$ 101,000
Non-controlling interests	¥ 36	¥ 33	\$ 327

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2021

	Shareholders' equity					Accumulated other comprehensive income								Total net assets
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Gain (Loss) on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests		
	Millions of yen													
Balance at March 31, 2019	¥ 44,000	¥ 19,057	¥ 51,785	¥ (997)	¥ 113,845	¥ 2,816	¥ 169	¥ (10,884)	¥ (6,006)	¥ (13,904)	¥ 133	¥ 126	¥ 100,200	
Cumulative effects of changes in accounting policies			(698)		(698)								(698)	
Restated balance	44,000	19,057	51,086	(997)	113,146	2,816	169	(10,884)	(6,006)	(13,904)	133	126	99,502	
Dividends from surplus			(4,325)		(4,325)								(4,325)	
Profit attributable to owners of parent			14,086		14,086								14,086	
Purchases of treasury stock				(5)	(5)								(5)	
Disposition of treasury stock		(10)		32	21								21	
Net changes in items other than shareholders' equity during the term						(3,035)	(56)	1,855	(1,576)	(2,813)	38	(62)	(2,838)	
Net changes during the term	—	(10)	9,761	26	9,776	(3,035)	(56)	1,855	(1,576)	(2,813)	38	(62)	6,938	
Balance at March 31, 2020	44,000	19,047	60,847	(971)	122,923	(218)	112	(9,029)	(7,583)	(16,718)	171	64	106,440	
Dividends from surplus			(4,326)		(4,326)								(4,326)	
Profit attributable to owners of parent			(205)		(205)								(205)	
Purchases of treasury stock				(1)	(1)								(1)	
Disposition of treasury stock		(17)		53	35								35	
Net changes in items other than shareholders' equity during the term						3,789	(29)	373	7,183	11,316	(3)	10	11,323	
Net changes during the term	—	(17)	(4,532)	51	(4,498)	3,789	(29)	373	7,183	11,316	(3)	10	6,825	
Balance at March 31, 2021	¥ 44,000	¥ 19,029	¥ 56,315	¥ (919)	¥ 118,425	¥ 3,570	¥ 82	¥ (8,655)	¥ (399)	¥ (5,401)	¥ 168	¥ 74	¥ 113,265	

	Shareholders' equity					Accumulated other comprehensive income								Total net assets
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Gain (Loss) on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests		
	Thousands of U.S. dollars													
Balance at March 31, 2020	\$ 400,000	\$ 173,154	\$ 553,154	\$ (8,827)	\$ 1,117,481	\$ (1,981)	\$ 1,018	\$ (82,081)	\$ (68,936)	\$ (151,981)	\$ 1,554	\$ 581	\$ 967,636	
Dividends from surplus			(39,327)		(39,327)								(39,327)	
Profit attributable to owners of parent			(1,863)		(1,863)								(1,863)	
Purchases of treasury stock				(9)	(9)								(9)	
Disposition of treasury stock		(154)		481	318								318	
Net changes in items other than shareholders' equity during the term						34,445	(263)	3,390	65,300	102,872	(27)	90	102,936	
Net changes during the term	—	(154)	(41,200)	463	(40,890)	34,445	(263)	3,390	65,300	102,872	(27)	90	62,045	
Balance at March 31, 2021	\$ 400,000	\$ 172,990	\$ 511,954	\$ (8,354)	\$ 1,076,590	\$ 32,454	\$ 745	\$ (78,681)	\$ (3,627)	\$ (49,100)	\$ 1,527	\$ 672	\$ 1,029,681	

CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2021

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash flows from operating activities:			
Profit before income taxes	¥ 3,940	¥ 19,651	\$ 35,818
Depreciation and amortization	12,859	12,574	116,900
Impairment loss	465	846	4,227
Increase (decrease) in provisions	(3,787)	1,841	(34,427)
Interest and dividend income	(1,182)	(1,517)	(10,745)
Interest expense	1,411	1,722	12,827
Gain on sales of investment securities	(99)	(4,682)	(900)
Gain on disposition of fixed assets	920	(4,282)	8,363
Gain on sale of businesses	(512)	—	(4,654)
(Increase) decrease in notes and accounts receivable	6,567	(6,629)	59,700
(Increase) decrease in inventories	3,886	11,098	35,327
(Decrease) increase in notes and accounts payable	(7,635)	(2,999)	(69,409)
Other, net	4,072	8,593	37,018
Subtotal	20,905	36,215	190,045
Interest and dividend income received	1,182	1,518	10,745
Interest expense paid	(1,435)	(1,716)	(13,045)
Income taxes paid	(2,579)	(3,469)	(23,445)
Net cash provided by operating activities	18,073	32,547	164,300
Cash flows from investing activities:			
Purchase of property, plant and equipment	(21,419)	(11,840)	(194,718)
Proceeds from sales of property, plant and equipment	12,002	6,123	109,109
Purchase of intangible assets	(5,062)	(4,441)	(46,018)
Proceeds from sales of investment securities	1,430	8,941	13,000
Proceeds from sale of businesses	815	—	7,409
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(1,045)	(0)	(9,500)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	—	27	—
Purchase of long-term prepaid expenses	(1,496)	(2,067)	(13,600)
Other payments	(210)	(766)	(1,909)
Other proceeds	525	1,052	4,772
Net cash (used in) provided by investing activities	(14,459)	(2,972)	(131,445)
Cash flows from financing activities:			
Decrease in short-term borrowings	324	(8,734)	2,945
Proceeds from long-term borrowings	13,580	26,660	123,454
Repayments of long-term borrowings	(14,009)	(18,296)	(127,354)
Dividends paid	(4,308)	(4,307)	(39,163)
Repayments of lease obligations	(4,464)	(4,476)	(40,581)
Other, net	25	(69)	227
Net cash provided by (used in) financing activities	(8,852)	(9,224)	(80,472)
Effect of exchange rate changes on cash and cash equivalents	551	(658)	5,009
Net increase (decrease) in cash and cash equivalents	(4,686)	19,693	(42,600)
Cash and cash equivalents at beginning of the year	46,517	26,823	422,881
Cash and cash equivalents at end of the year (Note 9)	¥ 41,830	¥ 46,517	\$ 380,272

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
March 31, 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Basis of preparing consolidated financial statements

The accompanying consolidated financial statements of Oki Electric Industry Co., Ltd. (the "Company") and consolidated subsidiaries (the OKI Group) have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

As permitted, amounts of less than one million yen have been omitted. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and in U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥110 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2021. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

In addition, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

2) Scope of consolidation

All 66 subsidiaries are included in the 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 EMAUTOMAÇÃO 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.

3) Application of equity method

(1) Name of affiliated company to which the equity method is applied: BANKING CHANNEL SOLUTIONS LIMITED and other one company

(2) Name of affiliated company to which the equity method is not applied: TOWN NETWORK SERVICE Corporation
Reason for not applying the equity method:
The company has little influence and has no significance on profit or loss and retained earnings.

4) Accounting standards

(1) Valuation standards and methods for significant assets

(i) Securities

The Company and its domestic consolidated subsidiaries value securities in accordance with how they are held as indicated below. Overseas consolidated subsidiaries apply the lower of cost or fair value.

Other securities:

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 the moving average method.)

Non-marketable securities:

Stated at cost based on the moving average method.

(ii) Inventories

The Company and its domestic consolidated subsidiaries evaluate inventories as follows, and overseas consolidated subsidiaries primarily apply the lower of cost or fair value.

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.)

(iii) Derivatives

Stated at fair value.

(2) Depreciation and amortization

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

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

Overseas consolidated subsidiaries 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 of provision

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

(ii) Provision for directors' retirement benefits

Certain consolidated subsidiaries record the necessary amount at the end of the year in accordance with company's internal rules to prepare for the payment of directors' retirement allowance.

(4) Method of accounting for retirement benefits

(i) Attributing expected retirement benefits to a period

The estimated amount of retirement benefits for employees is attributed to each period by the benefit formula method.

(ii) Accounting for actuarial gains and losses, and prior service costs

Prior service costs are amortized by the straight-line method over a set number of years (10 to 13 years) determined by 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) determined by the average remaining years of service of employees at the time of accrual in each fiscal year. Amortization of such gains and losses commences in the following fiscal year.

(5) Recognition of revenue and costs

Recognition of revenue relating to contract work and software development contracts

(i) Revenue from those with 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.)

(ii) Other revenue

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

(6) Hedge accounting methods

(i) Method of hedge accounting

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 requirements for special treatment.

(ii) Hedging instruments and hedged items

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

(iii) Hedging policy

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

(iv) Assessment method of the effectiveness of hedges

To determine the effectiveness of hedges, the Company compares the accumulated total of market fluctuations or

cash flow fluctuations for the targets of hedging and that of the market fluctuations or the cash flow fluctuations for the means of hedging, during the period from the start of hedging to the assessment. The Company then makes a decision based on the changes of the two.

(7) Amortization of goodwill and amortization period

Goodwill is amortized using the straight-line method over its useful life (mainly 5 years).

(8) Cash equivalents

All highly liquid investments, with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

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

(i) Accounting processing of consumption tax

The tax-exclusion method is used for accounting of consumption tax and local consumption tax.

(ii) Application of consolidated tax payment

The consolidated tax payment is applied.

(iii) 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). Accordingly, amounts of deferred tax assets and deferred tax liabilities are determined in accordance with the provisions of the tax law before revision.

2. 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 (\$102,463 thousand)

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

(i) Overview

Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter "OBSZ"), a consolidated subsidiary of the Company in China, includes accounts receivable of RMB1,115.463 million or ¥18,806 million (\$170,963 thousand) from Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter "Yihua Industrial") in long-term trade receivables. OBSZ filed a request for arbitration with the South China International Economic and Trade Arbitration Commission, on October

10, 2015, demanding payment of such accounts receivable and compensation of damages (Case A). Further, OBSZ filed litigation to commingle property beyond legal personality with the High People's Court of Guangdong Province against Shenzhen Yihua Computer Co., Ltd. ("Yihua Computer"), the parent of Yihua Industrial, and others as defendants, claiming that they are jointly and severally responsible for payment of the above claims against Yihua Industrial which had been unpaid, to request protection of property (Case B).

Subsequently, Case A 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 or ¥18,493 million (\$168,118 thousand) as well as interest for arrears, legal costs, and others.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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 or ¥11,271 million (\$102,463 thousand) is estimated to be irrecoverable and added to allowance for doubtful receivables.

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

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

2) Estimate of total 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 (\$442,909 thousand). 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 (\$192,936 thousand).

- (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 (\$70,872 thousand)

- (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.

3. UNAPPLIED ACCOUNTING STANDARDS

1) Accounting standard for revenue recognition

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020)

"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 26, 2021)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19, March 31, 2020)

- (1) Summary

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition, and announced "Revenues arising from contracts with customers" (IFRS 15 in the IASB and Topic 606 in the FASB) publicly in May, 2014. Considering the situation that "IFRS 15 is applied from the fiscal year beginning on after January 1, 2018" and "Topic 606 is applied from the fiscal year beginning on after December 15, 2017", Accounting Standards Board of Japan (ASBJ) developed a comprehensive accounting standard for revenue recognition and announced it publicly with guidance.

The basic policies for developing accounting standards for revenue recognition by the ASBJ are as follows. (1) In order to enable comparison between financial statements, we adopt the basic principles of IFRS 15 and establish accounting standards. (2) In the case where there are items that should be taken into consideration in practice that have been carried out in Japan, substitute treatment is added to the extent that comparability is not impaired.

- (2) Expected date to apply

It will be applied from the beginning of the fiscal year ending March 31, 2022.

- (3) Impact of application of accounting standard

The impact on the consolidated financial statements is insignificant.

2) Accounting standard for fair value measurement

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 July 4, 2019)

"Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9 July 4, 2019)

"Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 July 4, 2019)

"Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31 July 4, 2019)

"Implementation Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No. 19 March 31, 2020)

- (1) Summary

The IASB and the FASB have detailed guidance on measuring fair value that is similar in detail "Fair Value Measurement" in International Financial Reporting Standards" (IFRS 13). In view of the situation that Topic 820 "Fair value measurement" of accounting standardization is established in the US GAAP, the ASBJ has adopted the Japanese standard as an international standard, mainly regarding the guidance and disclosure regarding the fair value of financial instruments. Efforts have been made to ensure consistency with various accounting standards, and "Accounting Standards for Market Value Calculation" etc. have been announced.

From the perspective of improving the comparability of financial statements between domestic and foreign companies by using a uniform calculation method as a basic policy for the development of accounting standards for the calculation of market value by the ASBJ, It is decided that all the provisions of IFRS 13 will be basically adopted, and in consideration of the practice etc. that have been carried out in Japan up to now, individual items will be It is supposed that the other handling is decided.

- (2) Expected date to apply

It will be applied from the beginning of the fiscal year ending March 31, 2022.

- (3) Impact of application of accounting standard

The impact on the consolidated financial statements is still decided.

4. 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 FINANCIAL STATEMENTS [UNAUDITED]

5. CONSOLIDATED BALANCE SHEET**1) Accumulated depreciation for property, plant and equipment**

Accumulated depreciation for Property, plant and equipment at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Accumulated depreciation	¥ 161,079	¥ 158,259	\$ 1,464,354

2) Assets pledged as collateral and liabilities collateralized by the above assets

Assets pledged as collateral at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investments in securities	¥ 5,660	¥ 7,654	\$ 51,454

Liabilities collateralized by the above assets at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Short-term borrowings	¥ 500	¥ 1,000	\$ 4,545

3) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Investments in securities	¥ 1,753	¥ 1,667	\$ 15,936

4) Liabilities for guarantee

Guarantee for borrowings by employees at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Guarantee for borrowings by employees	¥ 85	¥ 110	\$ 772

5) Contingent liabilities

OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação LTDA. (OKI Brasil), a consolidated subsidiary, received an additional tax assessment notice from the tax authorities of Sao Paulo State on August 20, 2018.

According to this notice, OKI Brasil was ordered to pay 90 million BRL or ¥1,726 million (\$15,690 thousand) as ICMS (tax on distribution of goods and services).

However, OKI Brasil refuses to accept this order, and it has filed a lawsuit. The Company cannot reasonably estimate the probability of the occurrence of a loss or the amount of a loss at present.

6) The unexecuted balance of overdraft and commitment line

The OKI Group has concluded overdraft agreement and Commitment Line agreement with transaction banks etc. for efficient procurement of working capital. The unexecuted balance of overdraft and Commitment Line at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total overdraft and Commitment Line amount	¥ 68,071	¥ 45,078	\$ 618,827
Amount of borrowing execution balance	12,672	12,837	115,200
Net	¥ 55,398	¥ 32,241	\$ 503,618

6. CONSOLIDATED STATEMENT OF INCOMES**1) Research and development expenses**

Research and development expenses for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Selling, general and administrative expenses	¥ 11,215	¥ 10,558	\$ 101,954

2) Loss on impairment of fixed assets

The OKI Group recorded impairment losses of ¥846 million for the year ended March 31, 2020.

Major impairment losses were as follows.

Purpose of use	Location	Type of assets	Millions of yen
Company-owned house	Saitama, Saitama Pref.	Land	¥ 730
		Others	93

Regarding business assets, the OKI 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.

Company-owned house that was subject to impairment will be sold. Therefore, the book value has been reduced to the recoverable amounts in the current consolidated fiscal year. The recoverable amount of the asset is measured by the net realizable value.

The OKI Group recorded impairment losses of ¥612 million (\$5,564 thousand) for the year ended March 31, 2021 of which ¥465 million (\$4,227 thousand) were presented as impairment losses in the extraordinary loss category and ¥146 million (\$1,327 thousand) were included in business structure improvement expenses in the same category.

Major impairment losses were as follows.

Business	Purpose of use	Type of assets	Millions of yen	Thousands of U.S. dollars
Components & Platforms Business Group (Automation Systems Business)	Business assets	Buildings and structures	¥ 265	\$ 2,409
		Machinery, equipment and vehicles	66	600
		Tools, furniture and fixtures	74	672
		Others	58	527

Regarding business assets, the Group basically sets up asset groups based on business segments. However, if certain business assets (e.g. assets to be disposed of) are considered to independently create cash flows, they are grouped by asset.

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

3) Business structure improvement expenses

For the years ended March 31, 2021 and 2020, the OKI Group recorded losses for restructuring related costs.

The nature of the losses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Special retirement expenses	¥ 3,784	¥ 481	\$ 34,400
Loss on sale of subsidiary	352	1,908	3,200
Other	429	28	3,900
Total	¥ 4,566	¥ 2,418	\$ 41,509

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

7. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ 5,213	¥ (690)	\$ 47,390
Reclassification adjustments	(59)	(3,380)	(536)
Before tax effect	5,153	(4,070)	46,845
Tax effect	(1,364)	1,034	(12,400)
Net unrealized holding gain (loss) on other securities	3,788	(3,036)	34,436
Gain (loss) on deferred hedges:			
Amount arising during the year	(43)	(81)	(390)
Asset acquisition cost adjustments	—	—	—
Before tax effect	(43)	(81)	(390)
Tax effect	13	25	118
Gain (loss) on deferred hedges	(29)	(56)	(263)
Translation adjustments:			
Amount arising during the year	(47)	1,925	(427)
Reclassification adjustments	424	(72)	3,854
Translation adjustments	376	1,852	3,418
Retirement benefits liability adjustments:			
Amount arising during the year	7,734	(3,116)	70,309
Reclassification adjustments	1,326	840	12,054
Before tax effect	9,060	(2,275)	82,363
Tax effect	(1,876)	698	(17,054)
Retirement benefits liability adjustments	7,183	(1,576)	65,300
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	0	0	0
Reclassification adjustments	—	0	—
Share of other comprehensive income of entities accounted for using equity method	0	0	0
Total other comprehensive income	¥ 11,320	¥ (2,815)	\$ 102,909

8. SHAREHOLDERS' EQUITY

Matters concerning class and total number of shares outstanding during the years ended March 31, 2021 and 2020 were as follows:

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

*1 The increase of treasury stock was due to purchase of shares less than one trading unit.

*2 The decrease of treasury stock was due to the exercise of stock options.

	Thousands of shares			
	2020			
	March 31, 2019	Increase in the year	Decrease in the year	March 31, 2020
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	709	4	23	690
Total	709	4	23	690

*1 The increase of treasury stock was due to purchase of shares less than one trading unit.

*2 The decrease of treasury stock was due to the exercise of stock options.

9. CONSOLIDATED STATEMENTS OF CASH FLOWS

Reconciliations of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Cash and deposits	¥ 44,845	¥ 49,227	\$ 407,681
Fixed deposit with a deposit period of more than 3 months	(30)	—	(272)
Deposits with restrictions on withdrawals	(2,985)	(2,710)	(27,136)
Cash and cash equivalents	¥ 41,830	¥ 46,517	\$ 380,272

10. LEASES

(Lessee)

Operating lease transactions

The minimum rental commitments under noncancellable operating leases at March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Due within one year	¥ 1,275	¥ 1,413	\$ 11,590
Due after one year	5,600	4,607	50,909
Total	¥ 6,875	¥ 6,021	\$ 62,500

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

11. FINANCIAL INSTRUMENTS

1) Matters concerning the status of financial instruments

(1) Policy on financial instruments

The OKI Group mainly uses short-term deposits and highly safe marketable securities for fund management, and raises its funds primarily through borrowings from financial institutions and issuance of corporate bonds. The OKI 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 OKI 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 OKI 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 OKI 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 Company assesses the validity of hedges with interest rate swaps by comparing the accumulated fair value changes of hedged items and those of hedging instruments, but does not perform such assessment if they are subject to special treatment.

The Group executes and manages derivative transactions in accordance with OKI Group's policy.

(3) Supplemental explanation regarding the disclosure concerning fair value of financial instruments

The fair value of financial instruments is based on market prices, but if no market prices are available, their fair value reflects the value reasonably calculated. Because fluctuation factors are incorporated into the calculation of the said value, it may change if different prerequisites, etc. are used. Contract amounts, etc. related to derivative transactions described in "2) Disclosure concerning fair value of financial instruments" do not indicate market risks related to these transactions.

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 below.)

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			2021		
	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 44,845	¥ 44,845	¥ —	¥ 49,227	¥ 49,227	¥ —	\$ 407,681	\$ 407,681	\$ —
(2) Notes and accounts receivable	105,371	105,371	—	111,314	111,314	—	957,918	957,918	—
(3) Investments in securities	30,275	30,284	8	26,409	26,417	7	275,227	275,309	72
(4) Long-term trade receivables	22,245			20,549			202,227		
Allowance for doubtful receivables ^(*)	(14,549)			(13,289)			(132,263)		
	7,696	7,696	—	7,260	7,260	—	69,963	69,963	—
Total assets	188,189	188,198	8	194,213	194,220	7	1,710,809	1,710,890	72
(1) Notes and accounts payable	56,706	56,706	—	61,714	61,714	—	515,509	515,509	—
(2) Short-term borrowings ^(*)	22,081	22,081	—	21,400	21,400	—	200,736	200,736	—
(3) Other accrued expenses	21,028	21,028	—	21,590	21,590	—	191,163	191,163	—
(4) Long-term borrowings ^(*)	55,890	56,293	403	56,324	56,634	310	508,090	511,754	3,663
Total liabilities	155,706	156,109	403	161,029	161,340	310	1,415,509	1,419,172	3,663
Derivative transactions ^(*)	¥ (40)	¥ (40)	¥ —	¥ 375	¥ 375	¥ —	\$ (363)	\$ (363)	\$ —

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

*2 As of March 31, 2021 and 2020, Long-term borrowing (¥16,042 million (\$145,836 thousand) and ¥14,014 million) that are due within one year are classified as "short-term" borrowings in the consolidated balance sheet.

*3 The amount of the receivables and payables derived from derivative transactions is presented on a net basis and the amounts in parentheses are liabilities as the result of netting.

Notes:

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

Assets

(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 determined to be equal to their 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 as of the balance sheet date.

(4) Long-term trade receivables

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

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, and (3) 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 determined to be equal to their book value.

(4) Long-term borrowings

The fair value is based primarily on the method of calculation whereby the sum of principal and interest is discounted by an assumed interest rate based on rates currently available to the Company for similar transactions. Some long-term borrowings with floating interest rates are prescribed to be subject to special accounting treatment applicable to interest rate swaps (see below). Hence, the fair value of a long-term borrowings 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 an assumed interest rate based on rates currently available to the Company for similar transactions.

Derivative transactions

Described in Note13

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

Unlisted equity securities as of March 31, 2021 and 2020, are not included in (3) Investments in securities because they have no market price and it is deemed extremely difficult to assess their fair values.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unlisted equity securities	¥ 8,356	¥ 8,284	\$ 75,963

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2021 and 2020:

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

	Millions of yen			
	2020			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 49,227	¥ —	¥ —	¥ —
Notes and accounts receivable	109,855	1,459	—	—
Total	¥ 159,083	¥ 1,459	¥ —	¥ —

	Thousands of U.S. dollars			
	2021			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	\$ 407,681	\$ —	\$ —	\$ —
Notes and accounts receivable	949,272	8,636	—	—
Total	\$ 1,356,963	\$ 8,636	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

4. Repayment schedule for long-term borrowings and other interest-bearing debt as of March 31, 2021 and 2020:

Millions of yen						
2021						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 22,081	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	16,042	16,042	13,042	8,048	2,716	—
Total	¥ 38,123	¥ 16,042	¥ 13,042	¥ 8,048	¥ 2,716	¥ —

Millions of yen						
2020						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 21,400	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	14,014	13,326	13,326	10,326	5,332	—
Total	¥ 35,415	¥ 13,326	¥ 13,326	¥ 10,326	¥ 5,332	¥ —

Thousands of U.S. dollars						
2021						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	\$ 200,736	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term borrowings	145,836	145,836	118,563	73,163	24,690	—
Total	\$ 346,572	\$ 145,836	\$ 118,563	\$ 73,163	\$ 24,690	\$ —

12. SECURITIES

1) Trading securities

Not applicable

2) Bonds held to maturity

Not applicable

3) Other securities

Securities at March 31, 2021 and 2020 were summarized as follows. Securities for which it is extremely difficult to reasonably measure its fair value are not included in the table below.

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			2021		
	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference
Other securities whose fair value recorded in balance sheet exceeds their acquisition costs:									
Equity securities	¥ 28,306	¥ 22,726	¥ 5,580	¥ 3,829	¥ 2,699	¥ 1,129	\$ 257,327	\$ 206,600	\$ 50,727
Subtotal	28,306	22,726	5,580	3,829	2,699	1,129	257,327	206,600	50,727
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	1,969	2,455	(485)	22,580	23,742	(1,161)	17,900	22,318	(4,409)
Subtotal	1,969	2,455	(485)	22,580	23,742	(1,161)	17,900	22,318	(4,409)
Total	¥ 30,275	¥ 25,181	¥ 5,094	¥ 26,409	¥ 26,442	¥ (32)	\$ 275,227	\$ 228,918	\$ 46,309

4) Sales of other securities for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2021			2020			2021		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	¥ 1,357	¥ 130	¥ (80)	¥ 7,810	¥ 3,637	¥ 52	\$ 12,336	\$ 1,181	\$ (727)
Total	¥ 1,357	¥ 130	¥ (80)	¥ 7,810	¥ 3,637	¥ 52	\$ 12,336	\$ 1,181	\$ (727)

5) Impairment losses on securities

Year ended March 31, 2020

¥224 million

Year ended March 31, 2021

Not applicable

13. DERIVATIVES

Derivative transactions at March 31, 2021 and 2020 were as follows:

1) Derivative transactions which do not qualify for hedge accounting

(i) Currency related

	Millions of yen				Thousands of U.S. dollars			
	2021				2021			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:								
Sell:								
U.S. dollars	¥ 2,597	¥ —	¥ (37)	¥ (37)	\$ 23,609	\$ —	\$ (336)	\$ (336)
Euro	3,461	—	(171)	(171)	31,463	—	(1,554)	(1,554)
Buy:								
U.S. dollars	1,258	—	70	70	11,436	—	636	636
Total	¥ 7,317	¥ —	¥ (138)	¥ (138)	\$ 66,518	\$ —	\$ (1,254)	\$ (1,254)

	Millions of yen			
	2020			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:				
Sell:				
U.S. dollars	¥ 815	¥ —	¥ (6)	¥ (6)
Euro	¥ 4,451	—	¥ 191	¥ 191
Chinese yuan	¥ 43	—	¥ (2)	¥ (2)
A. dollars	¥ 144	—	¥ 11	¥ 11
Buy:				
U.S. dollars	2,049	—	18	18
Total	¥ 7,503	¥ —	¥ 212	¥ 212

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

(ii) Interest rate related
Not applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

2) Derivative transactions which qualify for hedge accounting

(i) Currency related

Hedged item		Millions of yen			Thousands of U.S. dollars		
		2021			2021		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):							
Sell:							
Euro	Accounts receivable	¥ 4,937	¥ —	¥ (133)	\$ 44,881	\$ —	\$ (1,209)
Buy:							
U.S. dollars	Accounts payable	4,080	—	231	37,090	—	2,100
Total		¥ 9,017	¥ —	¥ 98	\$ 81,972	\$ —	\$ 890

Hedged item		Millions of yen		
		2020		
		Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):				
Sell:				
Euro	Accounts receivable	¥ 6,157	¥ —	¥ 113
Buy:				
U.S. dollars	Accounts payable	5,405	—	48
Total		¥ 11,562	¥ —	¥ 162

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

(ii) Interest rate related

Hedged item		Millions of yen			Thousands of U.S. dollars		
		2021			2021		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):							
Pay fixed/receive floating	Long-term borrowings	¥ 49,462	¥ 35,336	*	\$ 449,654	\$ 321,236	*

Hedged item		Millions of yen		
		2020		
		Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):				
Pay fixed/receive floating	Long-term borrowings	¥ 48,899	¥ 37,152	*

* Derivative transactions subject to special treatment applied to interest rate swaps are treated in combination with long-term borrowings as hedged items. Hence, their fair value is included in that of long-term borrowings.

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

14. RETIREMENT BENEFITS

1) Overview of the retirement benefit system adopted

The Company and domestic consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans.

The noncontributory defined benefit plan that is a funded plan adopts a cash balance plan. In this plan, amount of benefit in which the "Point" based on the pay level is multiplied by rate based on the Japanese Government Bonds is provided to employee as pension or lump-sum payment.

The lump-sum retirement benefit is provided employee in accordance with the "Point" based on the business results, and the length of service. The lump-sum retirement payment plans are unfunded plans excluding the Company and certain consolidated subsidiary. The Company's and certain consolidated subsidiary's plan are a funded plan due to contribution to the pension and retirement benefit trust.

Several overseas consolidated subsidiaries have defined benefit and defined contribution pension plans.

The Company and certain consolidated subsidiary set up the retirement benefit trust for defined benefit plans and lump-sum retirement payment plans.

Certain consolidated subsidiaries appraise projected benefit obligation and retirement benefit expenses of lump-sum retirement payment plans by the simplified method.

The Company's and certain consolidated subsidiaries are members of the OKI corporate pension fund that is a multiemployer pension plans. The following amounts include multiemployer pension plans.

2) Defined benefit plan

(1) The changes in the retirement benefit obligation during the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Retirement benefit obligation at April 1, 2020 and 2019	¥ 108,511	¥ 109,248	\$ 986,463
Service cost	3,089	3,024	28,081
Interest cost	1,165	1,182	10,590
Actuarial gain / loss	578	1,615	5,254
Retirement benefit paid	(7,397)	(6,493)	(67,245)
Other	(355)	(64)	(3,227)
Retirement benefit obligation at March 31, 2021 and 2020	¥ 105,590	¥ 108,511	\$ 959,909

(2) The changes in plan assets during the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Plan assets at April 1, 2020 and 2019	¥ 96,389	¥ 97,429	\$ 876,263
Expected return on plan assets	889	1,008	8,081
Actuarial gain / loss	8,319	(1,502)	75,627
Contributions by the Company and subsidiaries	4,061	4,324	36,918
Retirement benefits paid	(4,852)	(4,871)	(44,109)
Plan assets at March 31, 2021 and 2020	¥ 104,807	¥ 96,389	\$ 952,790

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2021 and 2020 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Funded retirement benefit obligation	¥ 87,635	¥ 90,649	\$ 796,681
Plan assets at fair value	(104,807)	(96,389)	(952,790)
	(17,171)	(5,739)	(156,100)
Unfunded retirement benefit obligation	17,955	17,861	163,227
Net liability for retirement benefits in the balance sheet	¥ 783	¥ 12,122	\$ 7,118
Liability for retirement benefits	31,419	32,129	285,627
Asset for retirement benefits	(30,635)	(20,007)	(278,500)
Net asset for retirement benefits in the balance sheet	¥ 783	¥ 12,122	\$ 7,118

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

(4) The components of retirement benefit expense for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Service cost	¥ 3,089	¥ 3,024	\$ 28,081
Interest cost	1,165	1,182	10,590
Expected return on plan assets	(889)	(1,008)	(8,081)
Amortization of actuarial gain / loss	1,445	959	13,136
Amortization of prior service cost	(118)	(118)	(1,072)
Other	735	188	6,681
Retirement benefit expense	¥ 5,427	¥ 4,226	\$ 49,336

Note: In addition to the retirement benefit costs related to the above defined benefit plan, as a special retirement allowance, ¥281 million (\$2,554 thousand) was recorded as miscellaneous expenses for non-operating expenses, and ¥3,784 million (\$34,400 thousand) was recorded as an extraordinary loss in Business restructuring expenses for extraordinary for the year ended March 31, 2021.

And, as a special retirement allowance, ¥481 million was recorded as extraordinary loss in Business restructuring expenses, for the year ended March 31, 2020.

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Prior service cost	¥ (118)	¥ (118)	\$ (1,072)
Actuarial gain / loss	9,179	(2,157)	83,445
Total	¥ 9,060	¥ (2,275)	\$ 82,363

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2021 and 2020 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Unrecognized prior service cost	¥ (221)	¥ (339)	\$ (2,009)
Unrecognized actuarial gain / loss	(3,684)	5,494	(33,490)
Total	¥ (3,905)	¥ 5,155	\$ (35,500)

(7) Plan assets

(i) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2021 and 2020 were as follows:

	2021	2020
Bonds	37%	38%
Stocks	32	29
Alternative	17	17
Other	14	16
Total*	100%	100%

* The retirement benefit trust consists of 18% of the total plan assets for the year ended March 31, 2021 and 16% of the total plan assets for the year ended March 31, 2020, respectively.

(ii) The expected rate of return on plan assets has been estimated based on the average rate of return on plan assets of the latest 3 years.

(8) The assumptions used in accounting for the above plans were as follows:

	2021	2020
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	0.95%	1.07%

3) Defined contribution plan

The Company and domestic consolidated subsidiaries made required contributions to the defined contribution plans of ¥2,247 million (\$20,427 thousand) and ¥2,226 million for the years ended March 31, 2021 and 2020, respectively.

15. STOCK OPTION PLAN

The stock options outstanding as of March 31, 2021 are as follows:

1) The amount in relation to the stock options.

Selling, general and administrative expenses for the years ended March 31, 2021 and 2020 is ¥31 million (\$281 thousand) and ¥59 million, respectively.

2) The size of stock option and its circumstances.

Date of approval by shareholders	July 29, 2016	July 28, 2017	July 27, 2018
Grantees	4 directors and 13 executive officers	3 directors and 15 executive officers	2 directors and 16 executive officers
Type of shares for which new subscription rights offered (Note below)	55,700 shares of Common stock	61,700 shares of Common stock	60,400 shares of Common stock
After the resolution			
End of the preceding term	30,100 shares	41,000 shares	51,600 shares
Vested	—	—	—
Exercised	9,500 shares	9,500 shares	9,500 shares
Cancelled	—	—	—
Outstanding	20,600 shares	31,500 shares	42,100 shares
Date of issuance	August 16, 2016	August 15, 2017	August 14, 2018
Condition of exercising	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.
Vesting period	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018	April 1, 2018 – March 31, 2019
Exercise price	¥1 (\$0.00)	¥1 (\$0.00)	¥1 (\$0.00)
Exercisable period	August 17, 2016 – August 16, 2041	August 16, 2017 – August 15, 2042	August 15, 2018 – August 14, 2043
Official price at the date of offered	¥860 (\$7.81)	¥1,000 (\$9.09)	¥878 (\$7.98)

Date of approval by shareholders	July 26, 2019	July 30, 2020
Grantees	4 directors and 14 executive officers	4 directors and 13 executive officers
Type of shares for which new subscription rights offered (Note below)	61,600 shares of Common stock	60,500 shares of Common stock
After the resolution		
End of the preceding term	61,600 shares	—
Vested	—	60,500 shares
Exercised	9,500 shares	—
Cancelled	—	—
Outstanding	52,100 shares	60,500 shares
Date of issuance	August 14, 2019	August 18, 2020
Condition of exercising	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.
Vesting period	April 1, 2019 – March 31, 2020	April 1, 2020 – March 31, 2021
Exercise price	¥1 (\$0.00)	¥1 (\$0.00)
Exercisable period	August 15, 2019 – August 14, 2044	August 19, 2020 – August 18, 2045
Official price at the date of offered	¥961 (\$8.73)	¥526 (\$4.78)

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

3) The evaluation of fair value of stock option

- (1) The fair value of stock option value is determined using a Black-Scholes model.
(2) General information and the method of estimation.

Date of approval by shareholders	July 30, 2020
Stock market volatility (Note 1)	41.77%
Estimated residual period (Note 2)	12.5 years
Estimated dividends (Note 3)	¥50 (\$0.45) per share
Risk-free rate (Note 4)	0.17%

- Notes: 1. The figure is calculated from the actual stock prices for the period of 12.5 years (from February, 2008 to August, 2020).
2. Because accumulation of data is insufficient and reasonable estimation is difficult, this is estimated on the assumption that it will be exercised at the midpoint of the subscription rights exercise period.
3. This figure is a simple average of actual dividend for the most recent two periods.
4. The yield of government bond is accordance with estimated residual period.

4) The method of estimating the number of stock options vested

Fundamentally, only the actual number of cancelled stock options is shown as it is difficult to estimate the possible number of cancelled stock options.

16. INCOME TAXES**1) Deferred tax assets and liabilities at March 31, 2021 and 2020 consisted of the following:**

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Deferred tax assets:			
Loss carryforwards (Note)	¥ 19,350	¥ 10,361	\$ 175,909
Liability for retirement benefits	13,051	13,809	118,645
Excess of allowance for doubtful receivables and bad debts expenses	4,976	4,467	45,236
Accrued bonuses	3,755	4,017	34,136
Write-downs of inventories	1,981	2,481	18,009
Write-downs of investments in securities	1,836	1,868	16,690
Asset retirement obligations	846	841	7,690
Excess depreciation	812	715	7,381
Other	5,014	7,838	45,581
Gross deferred tax assets	51,621	46,397	469,281
Valuation allowance for tax loss carryforwards (Note)	(19,079)	(10,011)	(173,445)
Valuation allowance for deductible temporary differences	(24,744)	(25,921)	(224,945)
Less: Valuation allowance	(43,824)	(35,933)	(398,400)
Total deferred tax assets	7,796	10,464	70,872
Deferred tax liabilities:			
Asset for retirement benefits	(9,873)	(7,100)	(89,754)
Write-ups of investments in securities	(5,723)	(5,723)	(52,027)
Taxable unrealized gain on contribution of securities to a pension trust	(1,957)	(1,957)	(17,790)
Fair-value accounting for associated with the acquisition of a subsidiary	(1,701)	(1,708)	(15,463)
Net unrealized holding gain on other securities	(1,493)	(137)	(13,572)
Other	(1,090)	(1,094)	(9,909)
Total deferred tax liabilities	(21,837)	(17,719)	(198,518)
Net deferred tax liabilities	¥ (14,040)	¥ (7,255)	\$ (127,636)

- Notes: 1. Significant fluctuations have occurred in the amount deducted from deferred tax assets (valuation allowance amount). This is mainly due to the transfer of the business of OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA. The tax loss carried forward was increased due to the recognition of the tax investment loss in the current consolidated fiscal year.

2) The amount by tax loss carryforward for tax and the deferred tax asset due date.

	Millions of yen						
	2021						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	¥ 166	¥ 88	¥ 318	¥ 224	¥ 492	¥ 18,060	¥ 19,350
Less: Valuation allowance	(166)	(78)	(315)	(224)	(491)	(17,804)	(19,079)
Deferred tax assets	¥ 0	¥ 9	¥ 3	¥ 0	¥ 1	¥ 255	¥ 270

	Millions of yen						
	2020						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	¥ 607	¥ 141	¥ 82	¥ 296	¥ 192	¥ 9,041	¥ 10,361
Less: Valuation allowance	(590)	(120)	(79)	(295)	(184)	(8,741)	(10,011)
Deferred tax assets	¥ 17	¥ 21	¥ 2	¥ 1	¥ 7	¥ 299	¥ 349

	Thousands of U.S. dollars						
	2021						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	\$ 1,509	\$ 800	\$ 2,890	\$ 2,036	\$ 4,472	\$ 164,181	\$ 175,909
Less: Valuation allowance	(1,509)	(709)	(2,863)	(2,036)	(4,463)	(161,854)	(173,445)
Deferred tax assets	\$ 0	\$ 91	\$ 27	\$ 0	\$ 9	\$ 2,327	\$ 2,464

2) Income taxes applicable to the Company and domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 31% for the years ended March 31, 2021 and 2020, respectively. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their respective countries of incorporation. A reconciliation between the statutory tax rates and the effective tax rates as a percentage of profit (loss) before income taxes for the years ended March 31, 2021 and 2020 are summarized as follows:

	2021	2020
Statutory tax rates	30.6%	30.6%
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	(6.0)	(0.9)
Permanent nondeductible differences such as entertainment expenses	9.6	2.7
Increase (decrease) in valuation allowance for deferred tax assets	48.0	(5.9)
Per capita portion of inhabitants' taxes	7.7	1.5
Expiration of loss carryforwards	15.1	1.2
Other, net	(0.7)	(1.1)
Effective tax rates	104.4%	28.1%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

17. 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 BRASILINDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA. ("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 BRASILTECNOLOGIA E SERVIÇOS EM AUTOMAÇÃO LTDA.). All shares of the new company were transferred on April 9, 2020.

1) Overview of business separation

(1) Name of the company separated to
NCR Brasil Ltda.

(2) Business separated

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

(3) 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.

(4) Business separation date

April 9, 2020

(5) 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

(1) Amount of transferred gain/loss

(69) million reais

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

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

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

(3) 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.

18. SEGMENT INFORMATION**1) Segment information**

(1) Overview of reporting segments

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

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

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

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

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

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

(2) Change in reportable segment classification

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 to "Components & Platforms business". The ICT business was renamed "Solution Systems business". In addition, OKI BRASILINDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA. and its subsidiaries, which were previously disclosed as the Mechatronics Systems business of the reportable segment, are now preparing for liquidation procedures. Therefore, they have been removed from the reportable segment and replaced with the "Others".

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

(3) Change in the measurement method

From the fiscal year ended March 31, 2021, the Company has reviewed the allocation method for corporate expenses and changed the measurement method for profit or loss of reportable segments in order to more appropriately reflect the results of each reportable segment.

Accordingly, segment information for the previous fiscal year is disclosed based on the new measurement method.

(4) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment

Reporting segment information as of March 31, 2021 and 2020 and for the years then ended were as follows:

	Millions of yen						
	2021			Others	Total	Adjustments	Consolidated
	Segments						
	Solution Systems	Components & Platforms	Subtotal				
For the year ended March 31							
Sales to third parties	¥ 192,491	¥ 196,534	¥ 389,026	¥ 3,842	¥ 392,868	¥ —	¥ 392,868
Inter-segment sales and transfers	3,382	6,358	9,741	12,011	21,752	(21,752)	—
Net sales	195,874	202,893	398,767	15,853	414,621	(21,752)	392,868
Operating income (loss)	16,307	(142)	16,164	(276)	15,888	(6,378)	9,509
Total assets	125,388	178,675	304,063	10,046	314,110	59,102	373,213
Depreciation and amortization	2,828	7,563	10,391	417	10,808	1,039	11,848
Investments in equity-method affiliates	1,753	—	1,753	—	1,753	—	1,753
Increase in property, plant, equipment and intangible assets	¥ 3,107	¥ 7,717	¥ 10,825	¥ 259	¥ 11,084	¥ 17,183	¥ 28,267

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

For the year ended March 31	Millions of yen						
	2020						
	Segments			Others	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
Sales to third parties	¥ 229,065	¥ 216,294	¥ 445,360	¥ 11,863	¥ 457,223	¥ —	¥ 457,223
Inter-segment sales and transfers	3,689	6,709	10,399	16,073	26,473	(26,473)	—
Net sales	232,755	223,003	455,759	27,937	483,696	(26,473)	457,223
Operating income (loss)	20,217	5,202	25,419	(548)	24,871	(8,041)	16,829
Total assets	127,644	178,193	305,837	47,896	353,734	18,736	372,471
Depreciation and amortization	2,944	7,323	10,268	604	10,873	1,014	11,888
Investments in equity-method affiliates	1,667	—	1,667	—	1,667	—	1,667
Increase in property, plant, equipment and intangible assets	¥ 4,482	¥ 12,152	¥ 16,634	¥ 1,268	¥ 17,903	¥ 1,270	¥ 19,174

For the year ended March 31	Thousands of U.S. dollars						
	2021						
	Segments			Others	Total	Adjustments	Consolidated
Solution Systems	Components & Platforms	Subtotal					
Sales to third parties	\$ 1,749,918	\$ 1,786,672	\$ 3,536,600	\$ 34,927	\$ 3,571,527	\$ —	\$ 3,571,527
Inter-segment sales and transfers	30,745	57,800	88,554	109,190	197,745	(197,745)	—
Net sales	1,780,672	1,844,481	3,625,154	144,118	3,769,281	(197,745)	3,571,527
Operating income (loss)	148,245	(1,290)	146,945	(2,509)	144,436	(57,981)	86,445
Total assets	1,139,890	1,624,318	2,764,209	91,327	2,855,545	537,290	3,392,845
Depreciation and amortization	25,709	68,754	94,463	3,790	98,254	9,445	107,709
Investments in equity-method affiliates	15,936	—	15,936	—	15,936	—	15,936
Increase in property, plant, equipment and intangible assets	\$ 28,245	\$ 70,154	\$ 98,409	\$ 2,354	\$ 100,763	\$ 156,209	\$ 256,972

Notes: 1. The category "Others" is a business that is not included in the reporting segments, and is engaged in the provision of utilities and manufacturing and selling other equipment products.

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Operating income (loss)			
Elimination of intersegment transactions	¥ 126	¥ 14	\$ 1,145
Corporate expense*	(6,333)	(7,880)	(57,572)
Fixed asset adjustment	(171)	(175)	(1,554)
Total	¥ (6,378)	¥ (8,041)	\$ (57,981)

* Corporate expenses consist principally of expenses in the Company's General and Administrative Department and research and development expenses that are not attributable to the reportable segments.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total assets			
Elimination of intersegment transactions	¥ (133,940)	¥ (131,832)	\$ (1,217,636)
Corporate assets*	194,458	151,842	1,767,800
Fixed asset adjustment	(1,414)	(1,273)	(12,854)
Total	¥ 59,102	¥ 18,736	\$ 537,290

* Corporate assets consist principally of the Company's surplus funds, funds for long-term investments and assets belonging to the General and Administrative Department.

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Depreciation and amortization			
Depreciation expense for corporate assets	¥ 1,277	¥ 1,248	\$ 11,609
Fixed asset adjustment	(237)	(233)	(2,154)
Total	¥ 1,039	¥ 1,014	\$ 9,445

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Increase in property, plant, equipment and intangible assets			
Corporate assets	¥ 17,595	¥ 1,674	\$ 159,954
Fixed asset adjustment	(412)	(403)	(3,745)
Total	¥ 17,183	¥ 1,270	\$ 156,209

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2) Related information

Related information as of March 31, 2021 and 2020 and for the years then ended were as follows:

(1) Products and service information

Since the same information is disclosed in the segment information, the description is omitted.

(2) Geographic information

(i) Sales

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥ 333,083	¥ 367,128	\$ 3,028,027
North America	8,579	13,281	77,990
Latin America	2,771	11,060	25,190
Europe	26,691	36,177	242,645
China	6,815	10,084	61,954
Other	14,928	19,491	135,709
Total	¥ 392,868	¥ 457,223	\$ 3,571,527

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

(ii) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Japan	¥ 45,691	¥ 44,250	\$ 415,372
Asia	4,584	5,156	41,672
Other	1,038	2,020	9,436
Total	¥ 51,314	¥ 51,428	\$ 466,490

3) Information on impairment loss by each reporting segment

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Solution Systems	¥ —	¥ 6	\$ —
Components & Platforms	612	15	5,563
Company-wide	—	824	—
Total	¥ 612	¥ 846	\$ 5,563

Note: Impairment loss includes impairment loss shown as business structure improvement expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

Year ended March 31, 2020

The disclosure is omitted due to immateriality.

Year ended March 31, 2021

The disclosure is omitted due to immateriality.

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

Year ended March 31, 2020

Not applicable

Year ended March 31, 2021

Not applicable

19. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2021	2020	2021
Net assets per share	¥ 1,305.67	¥ 1,227.42	\$ 11.86
Basic earnings (losses) per share	¥ (2.38)	¥ 162.80	\$ (0.02)
Diluted earnings per share	—	¥ 162.51	—

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

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Basic earnings (losses) per share			
Profit (loss) attributable to owners of parent	¥ (205)	¥ 14,086	\$ (1,863)
Amounts not attributable to common stock	—	—	—
Profit (loss) attributable to owners of parent related to common stock	¥ (205)	¥ 14,086	\$ (1,863)
Weighted-average number of shares of common stock during the period (thousand shares)	86,564	86,529	
Diluted earnings per share			
Profit attributable adjustment to owners of parent	—	—	—
Increase in number of common stocks (thousand shares)	—	155	
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects	—	—	

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

	Millions of yen		Thousands of U.S. dollars
	2021	2020	2021
Total net assets	¥ 113,265	¥ 106,440	\$ 1,029,681
Amounts deducted from total net assets	¥ 242	¥ 235	\$ 2,200
(Subscription rights to shares)	¥ (168)	¥ (171)	\$ (1,527)
(Non-controlling interests)	¥ (74)	¥ (64)	\$ (672)
Net assets at the year end to common stock	¥ 113,023	¥ 106,205	\$ 1,027,481
Common stock at the year end used to calculated of the net assets per share (thousand shares)	86,563	86,527	

20. CONSOLIDATED SUPPLEMENTARY SCHEDULES**1) Schedule of company bonds**

Not applicable

2) Schedule of borrowings, etc

	Millions of yen				Thousands of U.S. dollars	
	2021				2021	
	Balance at March 31, 2020	Balance at March 31, 2021	Average interest rate	Term of payment	Balance at March 31, 2020	Balance at March 31, 2021
Short-term borrowings	¥ 21,400	¥ 22,081	1.7%	—	\$ 194,545	\$ 200,736
Long-term borrowings (Within 1 year)	14,014	16,042	1.2	—	127,400	145,836
Lease obligations (Within 1 year)	4,539	4,202	—	—	41,263	38,200
Long-term borrowings (Over 1 year)	42,310	39,848	1.1	2022~2026	384,636	362,254
Lease obligations (Over 1 year)	15,417	12,670	—	2022~2031	140,154	115,181
Total	¥ 97,682	¥ 94,843	—	—	\$ 888,018	\$ 862,209

Notes: 1. For the "average interest rate", the weighted average interest rate on the balance at the end of the fiscal year such as borrowings is stated. Since we adopt a method that does not recognize interest equivalent amount for part of lease obligations, the description of average interest rate is omitted.

2. The planned amount of repayment within five years after the consolidated closing date of "Long-term borrowings and Lease obligations (over 1 year)" is as follows:

	Millions of yen				Thousands of U.S. dollars			
	2021				2021			
	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
Long-term borrowings	¥ 16,042	¥ 13,042	¥ 8,048	¥ 2,716	\$ 145,836	\$ 118,563	\$ 73,163	\$ 24,690
Lease obligations	3,714	3,345	2,692	1,795	33,763	30,409	24,472	16,318

3) Schedule of asset retirement obligations

The amount of asset retirement obligations at the beginning of this consolidated fiscal year and at the end of the consolidated fiscal year ended March 31,

Since it is less than 1 / 100th of the total amount of liabilities and net assets at the end of the fiscal year, note is omitted.