

(Translation)

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

October 29, 2020

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

Securities Code: 6703

Stock Exchange Listing: Tokyo Stock Exchange

Representative: Shinya Kamagami, President, Representative Director

Contact: Atsushi Yamauchi, General Manager, Investor Relations

Filing of Quarterly Securities Report (Scheduled): November 13, 2020

Commencement of Dividend Payment (Scheduled): –

Supplementary Document on Quarterly Financial Results: Yes

Quarterly Financial Results Briefing: Yes (for institutional investors)

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

TEL: +81-3-3501-3836

(Amounts less than one million yen have been truncated)

1. Consolidated Financial Results for the Six Months Ended September 30, 2020

(from April 1, 2020 to September 30, 2020)

(1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2020	173,542	(20.5)	(2,568)	–	(3,231)	–	(5,445)	–
September 30, 2019	218,384	12.8	5,201	545.6	2,937	–	4,060	–

(Note) Comprehensive income Six months ended September 30, 2020: ¥(6,019) million (–%)
Six months ended September 30, 2019: ¥5,342 million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2020	(62.91)	–
September 30, 2019	46.92	46.85

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2020	342,099	96,083	28.0
As of March 31, 2020	372,471	106,440	28.5

(Reference) Shareholders' equity As of September 30, 2020: ¥95,879 million
As of March 31, 2020: ¥106,205 million

2. Dividends

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

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

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

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	405,000	(11.4)	8,500	(49.5)	8,000	(42.0)	1,000	(92.9)	11.55

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

Notes:

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
 - 1) Changes in accounting policies in accordance with revision of accounting standards, etc.: None
 - 2) Any changes in accounting policies other than 1) above: None
 - 3) Changes in accounting estimates: None
 - 4) Restatements: None
- (4) Number of shares issued (common stock)
 - 1) Number of shares issued at the end of the period (including treasury shares)
 - As of September 30, 2020: 87,217,602 shares
 - As of March 31, 2020: 87,217,602 shares
 - 2) Number of treasury shares at the end of the period
 - As of September 30, 2020: 653,156 shares
 - As of March 31, 2020: 690,583 shares
 - 3) Average number of shares during the period
 - Six months ended September 30, 2020: 86,564,727 shares
 - Six months ended September 30, 2019: 86,530,194 shares

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

Explanation regarding appropriate use of results projection and other special notes

(Warning on forward-looking statements)

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

(How to obtain supplementary document on financial results)

The Company is scheduled to hold a financial result briefing for institutional investors on October 29, 2020 (Thursday). The document on financial results is disclosed on TDNet at the same time as this Summary of Consolidated Financial Results and is also made available on the Company’s website on the same day.

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1. Qualitative Information on Financial Results for the Period

(1) Operating Results

1) Overview of the first half of the fiscal year ending March 31, 2021 (April 1, 2020 to September 30, 2020)

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

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

For the business conditions in the first half of the fiscal year ending March 31, 2021, net sales were ¥173.5 billion, a ¥44.9 billion or 20.5% decrease year-on-year. As COVID-19 continued to spread globally, its impact was particularly pronounced in the European market. Net sales also declined due to the completion of large-scale projects in the previous fiscal year, including those related to networks for carriers, and the transfer of the business of a subsidiary in Brazil. As a result, operating loss was ¥2.6 billion, worsened by ¥7.8 billion, and ordinary loss was ¥3.2 billion, worsened by ¥6.1 billion.

Loss attributable to owners of parent was ¥5.4 billion, worsened by ¥9.5 billion year-on-year. In addition to the above factors, business restructuring expenses of ¥1.8 billion were recorded in the fiscal year under review, while extraordinary gains from the sales of non-business assets and other factors were recorded in the previous fiscal year, led to a significant decline in profit.

For the period under review, the impact of COVID-19 was negative with net sales of approximately ¥16.5 billion and operating income of approximately ¥5.0 billion.

(Billions of yen)	Six months ended September 30, 2020	Six months ended September 30, 2019	Year-on-year change rate
Net sales	173.5	218.4	(20.5) %
Operating income (loss)	(2.6)	5.2	–
Ordinary income (loss)	(3.2)	2.9	–
Profit (loss) attributable to owners of parent	(5.4)	4.1	–

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

From the first quarter of the current fiscal year, the reportable segment classification and the method of measuring profit or loss by segment have been changed. Therefore, in the comparison of the same period of the previous fiscal year below, figures for the same period of the previous fiscal year are compared with figures reclassified according to the segment classification and measurement method after the change.

2) Results by business segment

< Solution Systems >

Net sales came to ¥83.5 billion (a year-on-year decrease of 19.4% or ¥20.1 billion). This was due to a reactionary decline from the large projects (network construction for carriers and for some government offices) recorded in the previous fiscal year and the first fiscal year impact of the expansion of the scope of application of the percentage-of-completion method in the previous fiscal year. However, the decline was smaller in the second quarter.

Despite the impact of a reactionary decline in sales, operating income remained stable, reaching ¥4.0 billion (a year-on-year decrease of ¥1.6 billion).

(Billions of yen)	Six months ended September 30, 2020	Six months ended September 30, 2019	Year-on-year change rate
Net sales	83.5	103.6	(19.4) %
Operating income	4.0	5.6	(29.1) %

<Components & Platforms>

Net sales came to ¥87.8 billion (a year-on-year decrease of 19.0% or ¥20.6 billion). Although the domestic market remained relatively stable, the spread of COVID-19 continued to have an impact on overseas markets, and equipment sales were sluggish. There are still no signs of significant improvement in overseas businesses, as infections are re-spreading in Europe and there has been no major change in the infection situation in India.

Operating loss was ¥3.6 billion, worsened by ¥6.7 billion year-on-year, due to lower sales in overseas markets. Sales of printer consumables and automated equipment in the Asian region have not made significant progress. Sales mix is in the process of improving.

(Billions of yen)	Six months ended September 30, 2020	Six months ended September 30, 2019	Year-on-year change rate
Net sales	87.8	108.4	(19.0) %
Operating loss	(3.6)	3.1	—

<Others>

Net sales came to ¥2.2 billion (a year-on-year decrease of 64.6% or ¥4.1 billion). This was mainly due to the transfer of a Brazilian subsidiary.

Operating loss was ¥0.1 billion (same as the previous year).

(Billions of yen)	Six months ended September 30, 2020	Six months ended September 30, 2018	Year-on-year change rate
Net sales	2.2	6.3	(64.6) %
Operating income	(0.1)	(0.1)	—

(2) Financial Position

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

At the end of the period under review, total assets decreased by ¥30.4 billion from the end of the previous fiscal year to ¥342.1 billion. Shareholders' equity decreased ¥10.3 billion from the end of the previous fiscal year to ¥95.9 billion mainly due to the recording of ¥5.4 billion in loss attributable to owners of parent and a distribution of ordinary dividends of ¥4.3 billion in the first half of the fiscal year ending March 31, 2021. As a result, shareholders' equity ratio stood at 28.0%.

With respect to major decreases in assets, there was a decrease of ¥34.7 billion in notes and accounts receivable - trade, while there was an increase of ¥4.1 billion in inventories.

With respect to major decreases in liabilities, there was a decrease of ¥11.9 billion in notes and accounts payable - trade. Borrowings decreased by ¥0.4 billion from ¥77.7 billion at the end of the previous fiscal year to ¥77.3 billion.

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

For the period under review, net cash provided by operating activities amounted to ¥16.6 billion (¥12.1 billion of cash inflow for the same period of the previous fiscal year), due mainly to the decrease in working capital.

Net cash used in investing activities amounted to ¥10.1 billion (¥1.4 billion of cash inflow for the same period of the previous fiscal year), due to payments for purchase of property, plant and equipment, despite sales of property, plant and equipment.

As a result, free cash flow, which is the sum of cash flows from operating activities and cash flows from investing activities, resulted in a net inflow of ¥6.5 billion (net inflow of ¥13.5 billion for the same period of the previous fiscal year).

Net cash used in financing activities amounted to ¥6.7 billion (¥13.3 billion of cash outflow for the same period of the previous fiscal year), due to the distribution of ordinary dividends and repayments of lease obligations.

In addition to the above factors, due to a decrease of ¥0.2 billion from the effect of exchange rate change on cash and cash equivalents, cash and cash equivalents at the end of the period under review decreased from ¥46.5 billion at the end of the previous fiscal year to ¥46.2 billion.

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

In order to respond to the acceleration of environmental changes triggered by the spread of COVID-19, OKI had been reviewing various measures to improve its business structure that have been planned for some time. In order to examine the impact of this change, OKI had been postponed the release of part of its full-year consolidated earnings forecast for the fiscal year ending March 31, 2021 and its medium-term business plan. However, reflecting recent changes in business performance and the impact of revisions to various measures, OKI announces the following.

1. Full-year consolidated results projection for the fiscal year ending March 31, 2021

As for net sales and operating income, the previously announced figures will remain unchanged as the results for the first half of the current fiscal year are generally within the expected range. In addition, based on recent exchange rate levels and an estimate of restructuring costs associated with the restructuring of the business portfolio centered on the hardware business, OKI expects ordinary income of ¥8.0 billion and profit attributable to owners of parent of ¥1.0 billion.

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

(Billions of yen)	Fiscal year ending March 31, 2021	Fiscal year ended March 31, 2020	Change
Net sales	405.0	457.2	(11.4) %
Operating income	8.5	16.8	(49.5) %
Ordinary income	8.0	13.8	(42.0) %
Profit attributable to owners of parent	1.0	14.1	(92.9) %

(Billions of yen)		Fiscal year ending March 31, 2021	Fiscal year ended March 31, 2020	Change
Solution Systems	Net sales	195.0	229.1	(14.9) %
	Operating income	15.0	20.2	(25.8) %
Components & Platforms	Net sales	205.0	216.3	(5.2) %
	Operating income	1.0	5.2	(80.8) %
Others	Net sales	5.0	11.9	(57.9) %
	Operating income	0.0	(0.6)	–
Elimination/corporate	Operating income	(7.5)	(8.0)	–
Total	Net sales	405.0	457.2	(11.4) %
	Operating income	8.5	16.8	(49.5) %

* Restate values for the fiscal year ended March 31, 2020 have been partially revised due to a review of the method of measuring profit or loss by segment.

2. Medium-Term Business Plan2022 (FY2020~FY2022)

OKI has established the "Medium-Term Business Plan 2022" with fiscal year ending March 31, 2023(FY2022) as the final year. Based on the acceleration of changes brought about by the spread of new coronavirus infections, this plan is a management plan that aims to implement structural reforms and lay the foundation for realizing "sustainable growth through resolution of social issues" by leveraging AI edge technology and manufacturing capabilities. The overview is as follows.

1. OKI's Business Environment and Vision

In the business environment surrounding OKI, social issues such as environmental problems, natural disasters, and labor shortages have become apparent. In particular, COVID-19 affected a variety of activities, indicating that changes occurred instantaneously.

In this environment, OKI has adopted the key message of "Delivering OKI! to your life." and will continue to solve social issues through the critical mono-zukuri (manufacturing) and koto-zukuri (creation of solutions and services) that support social infrastructure services that cannot be stopped. OKI has also identified material issues (Materiality) based on its vision and social issues to be addressed, the expectations and needs of society and stakeholders, and the social issues surrounding OKI.

2. Structural Reforms toward Growth

In 2031, OKI will celebrate its 150th year anniversary. In order to realize our vision of sustainable growth through the resolution of social issues, we believe that large-scale structural reforms are necessary, and we will proceed with structural reforms, positioning the three years until FY 2022 as the foundation for growth.

3. Growth Strategy

OKI will integrate its strengths in manufacturing and AI edge technologies to transform itself into a company that offers solutions to social issues and aims to grow through solutions to more customer issues. While major competitors are focusing on the cloud, OKI will differentiate itself by focusing on the visualization of field data acquired from real field equipment in the edge area and AI edge technology and real time processing in cooperation with the cloud.

(1) Growth Strategy by Segment

In the Solution Systems business, we will accelerate the implementation of the AI Edge Strategy in society, support DX for customers, build an ecosystem with customers and partners, and create businesses through co-creation.

In the Components & Platforms business, we will develop and provide components (products, terminals and modules) that solve social issues, and provide services based on our core strength of mono-zukuri. We will pursue growth by collaborating with global partners and developing markets regardless of our own brand.

(2) Innovation

OKI promotes an innovation management system through co-creation in order to continuously create new businesses and products that contribute to society. By combining R&D and business development utilizing the strengths of AI Edge, we will promote co-creation that will contribute to solving social issues at new normal.

(3) Investment in Growth

As for capital investment, we plan to deploy and implement facilities, and IT systems throughout the Group, which form the basis of our growth strategy, and to invest between ¥70.0 billion and ¥80.0 billion over a three-year period.

As for R&D, we plan to spend ¥40.0 billion over a three-year period, focusing on the development of components that solve social issues and AI edge areas, which are our core technologies.

4. Management Targets

OKI has set the following numerical targets.

- Operating income ¥20.0 billion
- Shareholders' equity ratio 30%

(Warning on forward-looking statements)

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

2. Consolidated Financial Statements and Significant Notes Thereto

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2020	As of September 30, 2020
Assets		
Current assets		
Cash and deposits	49,227	48,964
Notes and accounts receivable - trade	111,314	76,606
Finished goods	15,901	18,139
Work in process	14,332	17,586
Raw materials and supplies	21,978	20,609
Other	24,352	23,618
Allowance for doubtful accounts	(382)	(401)
Total current assets	236,726	205,124
Non-current assets		
Property, plant and equipment	51,428	51,853
Intangible assets	11,288	11,813
Investments and other assets	73,027	73,309
Total non-current assets	135,744	136,975
Total assets	372,471	342,099
Liabilities		
Current liabilities		
Notes and accounts payable - trade	61,714	49,783
Short-term borrowings	35,415	41,839
Provisions	7,382	5,631
Other	55,429	51,849
Total current liabilities	159,940	149,103
Non-current liabilities		
Long-term borrowings	42,310	35,494
Provision for retirement benefits for directors (and other officers)	372	348
Other provisions	1,468	1,485
Retirement benefit liability	32,129	32,244
Other	29,808	27,340
Total non-current liabilities	106,090	96,912
Total liabilities	266,030	246,016
Net assets		
Shareholders' equity		
Share capital	44,000	44,000
Capital surplus	19,047	19,029
Retained earnings	60,847	51,075
Treasury shares	(971)	(919)
Total shareholders' equity	122,923	113,185
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(218)	(1,617)
Deferred gains or losses on hedges	112	(150)
Foreign currency translation adjustment	(9,029)	(8,752)
Remeasurements of defined benefit plans	(7,583)	(6,785)
Total accumulated other comprehensive income	(16,718)	(17,305)
Share acquisition rights	171	152
Non-controlling interests	64	51
Total net assets	106,440	96,083
Total liabilities and net assets	372,471	342,099

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Net sales	218,384	173,542
Cost of sales	164,072	132,163
Gross profit	54,312	41,378
Selling, general and administrative expenses	49,110	43,947
Operating income (loss)	5,201	(2,568)
Non-operating income		
Interest income	50	16
Dividend income	929	708
Miscellaneous income	274	500
Total non-operating income	1,255	1,225
Non-operating expenses		
Interest expenses	871	737
Foreign exchange losses	2,055	428
Miscellaneous expenses	592	721
Total non-operating expenses	3,518	1,887
Ordinary profit (loss)	2,937	(3,231)
Extraordinary income		
Gain on sales of non-current assets	4,830	—
Gain on sales of investment securities	2,468	—
Gain on sales of shares of subsidiaries and associates	165	—
Gain on sale of businesses	—	550
Total extraordinary income	7,463	550
Extraordinary losses		
Loss on disposal of non-current assets	248	590
Loss on sales of shares of subsidiaries and associates	175	—
Loss on valuation of investment securities	173	—
Loss on disaster	319	—
Business restructuring expenses	1,607	1,796
Total extraordinary losses	2,524	2,387
Profit (loss) before income taxes	7,877	(5,068)
Income taxes - current	1,381	201
Income taxes - deferred	2,416	160
Total income taxes	3,797	362
Profit (loss)	4,079	(5,431)
Profit attributable to non-controlling interests	19	14
Profit (loss) attributable to owners of parent	4,060	(5,445)

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

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Profit (loss)	4,079	(5,431)
Other comprehensive income		
Valuation difference on available-for-sale securities	(558)	(1,399)
Deferred gains or losses on hedges	186	(262)
Foreign currency translation adjustment	829	275
Remeasurements of defined benefit plans, net of tax	805	797
Total other comprehensive income	1,262	(588)
Comprehensive income	5,342	(6,019)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	5,320	(6,033)
Comprehensive income attributable to non-controlling interests	21	13

(3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2019	Six months ended September 30, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	7,877	(5,068)
Depreciation	6,055	6,095
Increase (decrease) in provisions	(522)	(1,759)
Interest and dividend income	(980)	(724)
Interest expenses	871	737
Loss (gain) on disposal of non-current assets	(4,581)	590
Loss (gain) on sale of businesses	—	(550)
Decrease (increase) in trade receivables	8,846	32,909
Decrease (increase) in inventories	(431)	(5,119)
Increase (decrease) in trade payables	161	(11,289)
Other, net	(3,312)	2,740
Subtotal	13,982	18,560
Interest and dividends received	963	724
Interest paid	(894)	(761)
Income taxes paid	(1,934)	(1,911)
Net cash provided by (used in) operating activities	12,116	16,612
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,339)	(18,171)
Proceeds from sales of property, plant and equipment	5,510	11,780
Purchase of intangible assets	(2,074)	(1,917)
Proceeds from sale of businesses	—	275
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(0)	(1,045)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	16	—
Other payments	(1,414)	(1,178)
Other proceeds	4,664	186
Net cash provided by (used in) investing activities	1,362	(10,070)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	2,565	7,134
Repayments of long-term borrowings	(9,435)	(7,296)
Dividends paid	(4,299)	(4,316)
Repayments of lease obligations	(2,105)	(2,217)
Other, net	8	26
Net cash provided by (used in) financing activities	(13,267)	(6,669)
Effect of exchange rate change on cash and cash equivalents	(404)	(173)
Net increase (decrease) in cash and cash equivalents	(192)	(300)
Cash and cash equivalents at beginning of period	26,823	46,517
Cash and cash equivalents at end of period	26,631	46,216

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

(COVID-19 impact)

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

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

(Segment Information)

I First half of the fiscal year ended March 31, 2020 (from April 1, 2019 to September 30, 2019)

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

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	103,640	108,426	212,066	6,317	218,384	–	218,384
Intersegment net sales or transfers	1,889	3,393	5,282	7,771	12,054	(13,054)	–
Total	105,529	111,819	217,349	14,089	231,438	(13,054)	218,384
Segment income (loss)	5,627	3,073	8,700	(143)	8,557	(3,355)	5,201

- (Notes) 1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.
2. The adjustment to segment income or loss of ¥(3,355) million includes the elimination of intersegment transactions of ¥44 million, corporate expenses not allocated to each reportable segment of ¥(3,373) million, and an adjustment to non-current assets of ¥(27) million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.
3. Segment income or loss is adjusted with operating income in the consolidated statements of income.

II First half of the fiscal year ending March 31, 2021 (from April 1, 2020 to September 30, 2020)

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

(Millions of yen)

	Reportable segments			Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	Solution Systems	Components & Platforms	Total				
Net sales							
Net sales to external customers	83,507	87,800	171,308	2,234	173,542	–	173,542
Intersegment net sales or transfers	1,591	2,461	4,053	6,641	10,694	(10,694)	–
Total	85,099	90,262	175,361	8,875	184,237	(10,694)	173,542
Segment income (loss)	3,988	(3,633)	355	(87)	268	(2,836)	(2,568)

- (Notes) 1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.
2. The adjustment to segment income or loss of ¥(2,836) million includes the elimination of intersegment transactions of ¥106 million, corporate expenses not allocated to each reportable segment of ¥(2,963) million, and an adjustment to non-current assets of ¥20 million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.
3. Segment income or loss is adjusted with operating income in the consolidated statements of income.

2. Matters related to changes in reportable segments

(Change in segment classification)

From the first quarter of the fiscal year ending March 31, 2021, aiming at strengthening manufacturing required in the IoT /5G era, OKI reorganized the Mechatronics Systems business, Printers business, and EMS business to "Components & Platforms Business". The ICT business was renamed "Solution Systems Business". In addition, OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A. and its subsidiaries,

which were previously disclosed as the Mechatronics Systems business of the reportable segment, are now preparing for liquidation procedures. Therefore, they have been removed from the reportable segment and replaced with the "Others" segment.

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

(Change in the measurement method)

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

As the effect of the change in the measurement method on segment profit or loss has increased in importance since the first half of the current fiscal year, the segment information for the first half of the previous fiscal year has also been prepared based on the changed measurement method.