

The people of OKI, true to the company's "enterprising spirit," are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age.

OKI REPORT 2020



20
20

OKI GROUP VALUES

The “OKI Group Action Principles” we enacted in September 2016 give formal expression to values shared by all OKI Group executives and employees. Amid large changes in the business environment, we seek to embed these principles as extensively as we can into our practices with the commitments expressed in the “OKI Group Charter of Corporate Conduct” and the “OKI Group Code of Conduct” as the cornerstones of our corporate activities. We seek to realize our corporate philosophy by striving to embody our vision.

Corporate Philosophy

The people of OKI, true to the company’s “enterprising spirit,” are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age.

Vision

The OKI Group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of “Mono-zukuri” and “Koto-zukuri.”

*Mono-zukuri: manufacturing

*Koto-zukuri: creation of solutions and services

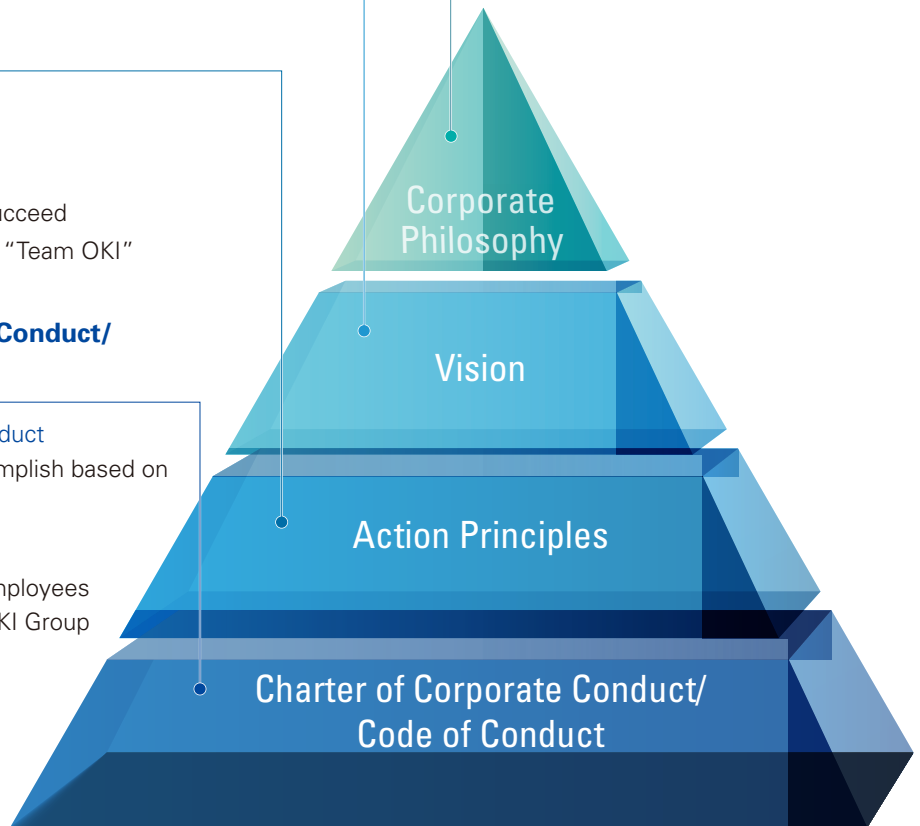
Action Principles

- Act with integrity
- Challenge and drive change
- Perform with speed and agility
- Be passionate, and determined to succeed
- Proactively encourage excellence as “Team OKI”

OKI Group Charter of Corporate Conduct/ OKI Group Code of Conduct

OKI Group Charter of Corporate Conduct
CSR activities OKI Group must accomplish based on its corporate philosophy

OKI Group Code of Conduct
Codes of conduct executives and employees must conform to in accordance to OKI Group Charter of Corporate Conduct



CONTENTS

1

VALUE CREATION STORY

- | | | | |
|---|----------------------------|---|--|
| 1 | OKI Group Values | 5 | The OKI Group's Value Creation Process |
| 3 | The Path to Value Creation | 7 | Financial and Non-Financial Highlights |

2

VALUE CREATION STRATEGY

- | | | | |
|----|--------------------------------|----|---------------------------------|
| 9 | Message from the President | 25 | Technology Strategy |
| 13 | Medium-Term Business Plan 2022 | 27 | At a Glance |
| 16 | Materiality of the OKI Group | 29 | Overview of Operations |
| 17 | Message from the CFO | 29 | Solution Systems Business |
| 21 | Innovation Management System | 31 | Components & Platforms Business |
| 22 | Growth Strategy | | |

3

VALUE CREATION FOUNDATION

- | | | | |
|----|---|----|--------------------------------|
| 33 | ESG Initiatives of the OKI Group | 45 | Corporate Governance |
| 35 | Human Resource Management | 49 | Questions to Outside Directors |
| 39 | Consideration for the Environment | 53 | Risk Management/Compliance |
| 43 | Quality- and Production-Related Initiatives | 54 | Information Security |
| 44 | Supply Chain Initiatives | 55 | Management |

4

DATA SECTION

- | | | | |
|----|---|----|--|
| 57 | Consolidated Balance Sheets | 61 | Consolidated Statements of Changes in Net Assets |
| 59 | Consolidated Statements of Income | 62 | Consolidated Statements of Cash Flows |
| 60 | Consolidated Statements of Comprehensive Income | 63 | Notes to Consolidated Financial Statements |
| 87 | Investor Information | 88 | Company Profile |

■ Editorial Policy

OKI Report 2020 has been created with the aim of deepening the understanding of investors and other stakeholders regarding the OKI Group's efforts aimed at sustainable growth. More detailed information is reported on our website, so please see that as well. Please note that in the editing of this report, we referred to the "International Integrated Reporting Framework" of the International Integrated Reporting Council (IIRC), and "Guidance for Collaborative Value Creation" from the Ministry of Economy, Trade and Industry.

■ Targeted Organizations

OKI Electric Industry Co., Ltd. and its domestic and international consolidated subsidiaries
Note that when the scope differs from the above, this has been individually mentioned.

■ Targeted Period

FY2019 (April 1, 2019 to March 31, 2020)
Some portions include information pertaining to April 2020 and after.

■ Forward-looking Statements

This report contains forward-looking statements concerning the OKI Group's future plans, financial targets, technologies, products, services and performance. These forward-looking statements represent assumptions and beliefs based on data and calculation methods currently available to OKI as of the date of publication, and therefore they are not a guarantee of future accuracy. Also, these forward-looking statements, which include our analysis and forecasts, are not a guarantee of future performance or outcomes. These statements involve business risks and uncertainties. Due to various factors, actual results may differ from those discussed in this document.

■ Information Disclosure System

Financial Information

● OKI Report <https://www.oki.com/en/ir/data/ar/news.html>

● Website: Investor Relations
<https://www.oki.com/en/ir/>

● Financial Results
<https://www.oki.com/en/ir/data/results/>

Non-Financial Information

● Website: Sustainability
<https://www.oki.com/en/sustainability/>

● Corporate Governance Report
<https://www.oki.com/en/ir/corporate/governance/>

THE PATH TO VALUE CREATION

Since its founding, OKI has been delivering a succession of advanced products and services underpinned by the Company's "enterprising spirit" to meet the needs of society. We will continue our efforts to realize a comfortable and affluent tomorrow for everyone by creating values that contribute to the development of information society.

Historical background and social issues

Dawn of industrial modernization
Reconstruction after the Great Kanto earthquake

Post-war reconstruction
Period of high economic growth

Values provided by OKI

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

Working hard on post-war telecommunications-network reconstruction
Participating in a joint project of the public and private sector to develop a domestically produced computer to lead the times as a comprehensive telecommunications manufacturer

Delivering OK! to your life.

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



Japan's postal, telegraph, and telephone services all started in the early Meiji era, when Kibaturo Oki founded Meikosha, Ltd., and one by one evolved to become our present information communication system. In the early days of telecommunications, Kibaturo recognized the future of telegraphs and telephones and worked hard to develop them. Four years after the phone was brought in from the United States, he succeeded in developing Japan's first domestic telephone.

The "enterprising spirit" of Kibaturo, who paved the way with his own technology and creativity, has been passed down inside the company and makes OKI what it is today.

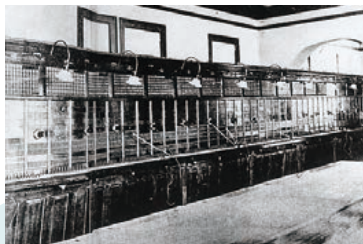
1881
Meikosha, Ltd. established by Kibaturo Oki. Japan's first domestically produced telephone developed and displayed at the National Industrial Exhibition

1896
Japan's first domestically produced in-line multiple telephone switchboard delivered to Naniwacho Branch Telephone Office in Tokyo and put into operation

1902
First Japan-made magnetic parallel multiple telephone switchboard delivered to Nagasaki Telephone Office

1918
100% Japan-made common-battery telephone switchboard delivered to Takanawa Telephone Office in Tokyo

1930
First in-house AEI-type automatic exchange delivered to Nakano Telephone Office in Tokyo



Magnetic parallel multiple telephone switchboard

1950
Mass production of the Type-4 telephone—a symbol of Japan's reconstruction—began

1953
Page printing telegraph "Teletypewriter" released

1961
Computer equipped with first Japan-made core memory released

1962
Order received from Honduras to construct a telecommunications network

1963
Mass production of Type-600 telephone began. Shipped a total of 3.9 million such phones by 1971

1969
"OKITAC®-4300" minicomputer released

1971
D10 electronic telephone switchboard delivered to Nippon Telegraph and Telephone Public Corporation

1975
Agreement concluded with US-based Bell Laboratories to jointly develop a cellular car phone

1976
"OKIFAX 7100" digital thermal facsimile machine released



Type-600 telephone



Teletypewriter



OKIFAX 7100



OKITAC-4300

For details on OKI's history, please visit the websites below. —

- History
<https://www.oki.com/en/profile/history/>
- The 120-Year History of Oki Electric
<https://www.oki.com/en/profile/history/120y.html>
- 130th Anniversary Column: OKI and the Changing Times
<https://www.oki.com/en/130column/>



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

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

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

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

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

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

1980

"if800 series" of personal computers released

1981

World's first LED printer developed

1982

World's first cash-recycling ATMs, the "AT-100 series," released

1985

Integrated production of car/mobile phones began by Oki Telecom Group of Oki America Inc.

1986

Japanese-English automatic translation system "PENSEE" released

1996

Computer-Telephony Integration System "CTstage®" released

Japan's first VoIP system released

1998

ISO 14001 certification acquired for all OKI production bases

2000

World's first millimeter wave optical fiber wireless transmission system for ITS road-vehicle communication systems successfully developed

2002

EMS business began

2003

Next-generation Aeronautical Telecommunication Network (ATN) router delivered to the United States Federal Aviation Administration (FAA)

2005

Real-time earthquake disaster prevention system developed

2006

World's first dissimilar-material thin-film-bonding technology, "epifilm bonding," successfully mass-produced at the practical level

2008

"COREFIDO" series of printers and Multifunction Printers (MFPs) released for the Japanese market with the industry's first free five-year warranty

2009

"ATM-Recycler G7," a cash-recycling ATM capable of handling the paper money of multiple countries, developed for the worldwide market

2010

"SUKIT™" information kiosk terminals and a "Next Generation Automated Gate System" delivered to Haneda Airport's new International Passenger Terminal

Participated in the United Nations Global Compact

2014

"River Monitoring System" that uses a 920 MHz band multi-hop wireless network developed

2018

Innovation Management System "Yume Pro" started

2019

"OKI Environmental Challenge 2030/2050," OKI Group Environmental Vision, established

Expressed support for the TCFD

AI Edge Computer "AE2100" released

"AI Edge Robot," a service robot that helps resolve labor shortages, developed

2020

"Hygienic Touch Panel™," which enables non-contact screen operation, developed



LED printer

VoIP system



Cash-recycling ATM



COREFIDO



ATM-Recycler G7



An early EMS factory



AI Edge Computer AE2100



AI Edge Robot



Hygienic Touch Panel

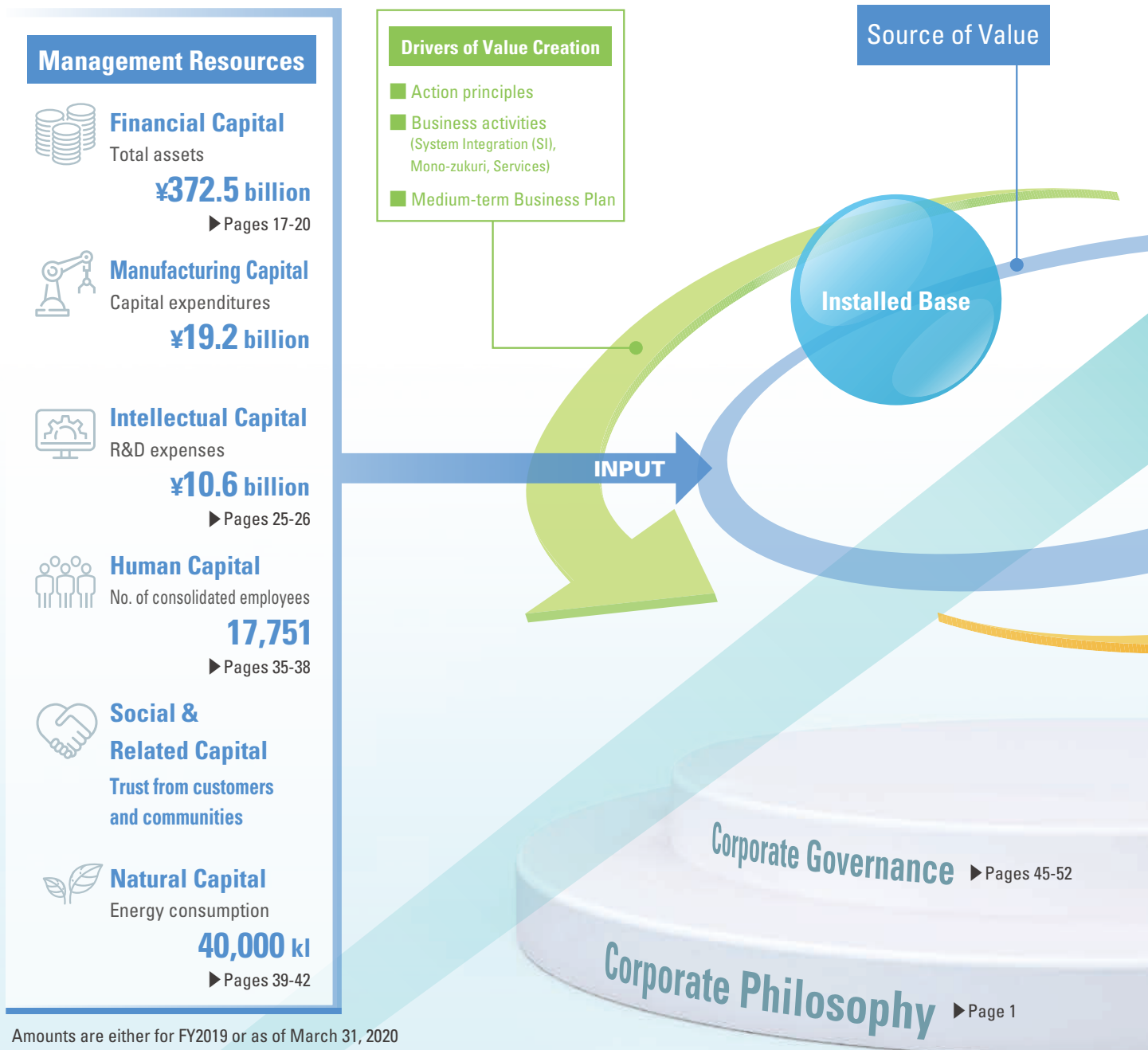
*MDGs (Millennium Development Goals): development goals for the year 2015 that were established to help resolve poverty problems and other issues in developing countries.

THE OKI GROUP'S VALUE CREATION PROCESS

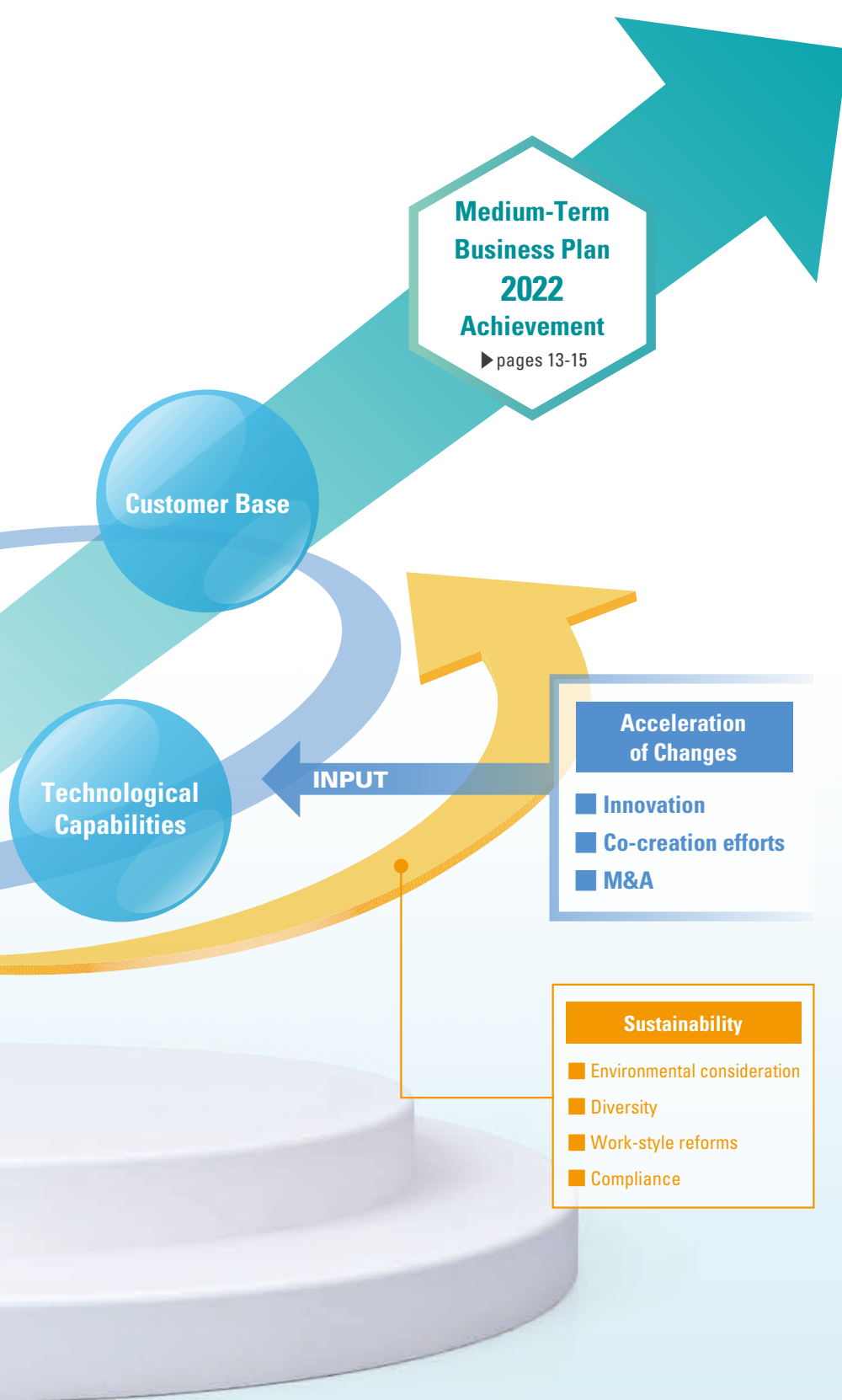
The OKI Group has three strengths: a strong “customer base” built up over more than 130 years, an “installed base*” of terminals in edge domains, and high “technological capabilities” to support them. Based on these strengths, we will move the business cycle by effectively injecting management resources and accelerate changes through innovations and co-creation efforts, thereby aiming to maximize both business value and social value.

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

OKI Focuses on Social Issues



Amounts are either for FY2019 or as of March 31, 2020



Medium-Term Business Plan 2022 Achievement
 ▶ pages 13-15

Customer Base

Technological Capabilities

Acceleration of Changes

- Innovation
- Co-creation efforts
- M&A

Sustainability

- Environmental consideration
- Diversity
- Work-style reforms
- Compliance

Vision

The OKI Group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of “Mono-zukuri*” and “Koto-zukuri*.”

* Please see the notes (*) on page 1 for “Mono-zukuri” and “Koto-zukuri.”

Sustainability and Growth

Creating social value

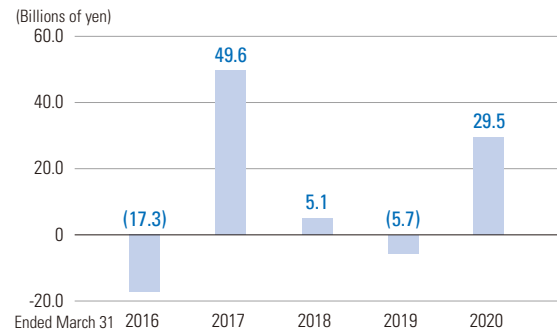
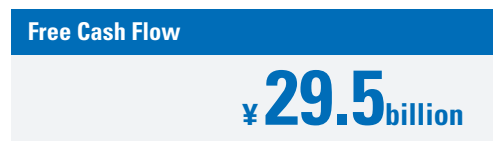
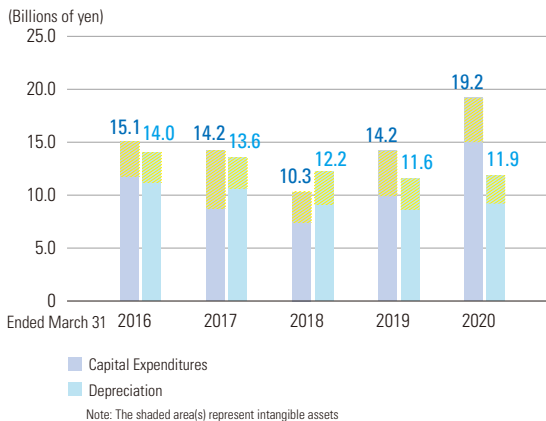
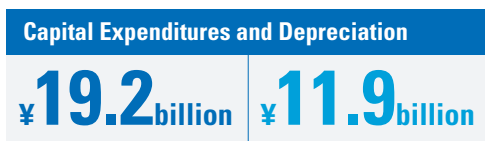
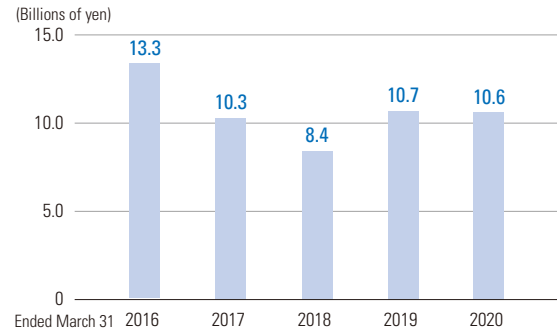
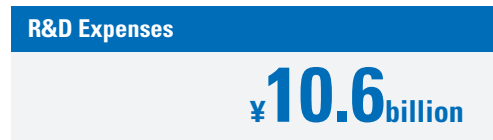
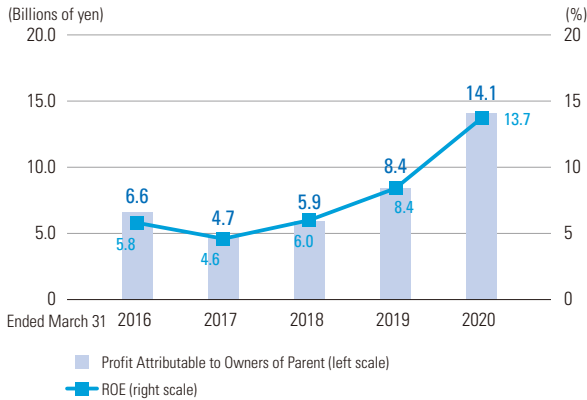
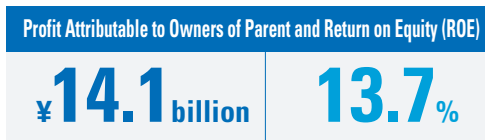
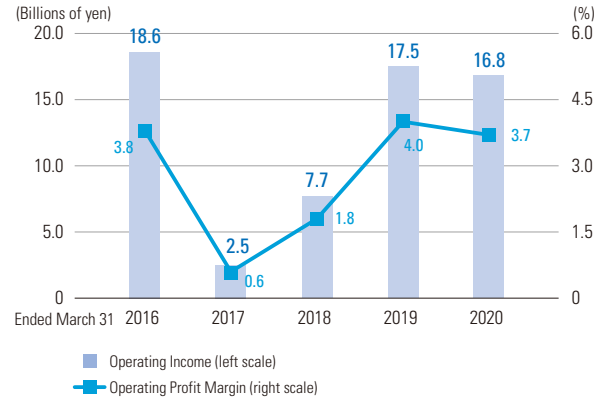
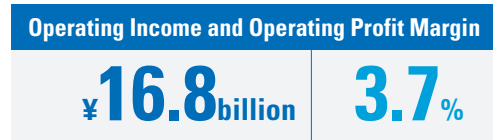
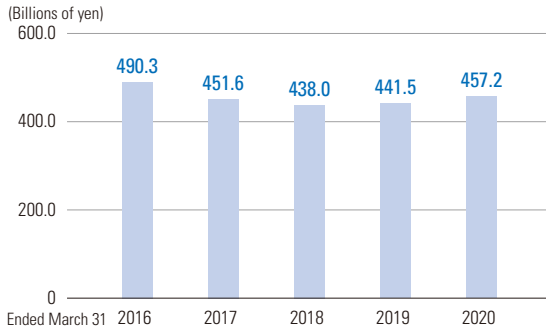
3 GOOD HEALTH AND WELL-BEING 	7 AFFORDABLE AND CLEAN ENERGY
8 DECENT WORK AND ECONOMIC GROWTH 	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION 	14 LIFE BELOW WATER

Strengthening management infrastructure

5 GENDER EQUALITY 	8 DECENT WORK AND ECONOMIC GROWTH
11 SUSTAINABLE CITIES AND COMMUNITIES 	12 RESPONSIBLE CONSUMPTION AND PRODUCTION
13 CLIMATE ACTION 	16 PEACE, JUSTICE AND STRONG INSTITUTIONS

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

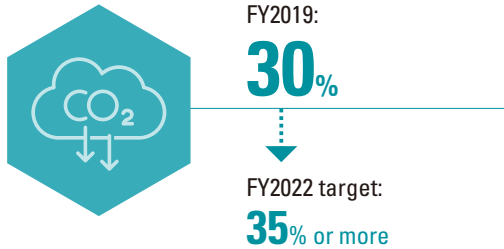
Financial Highlights



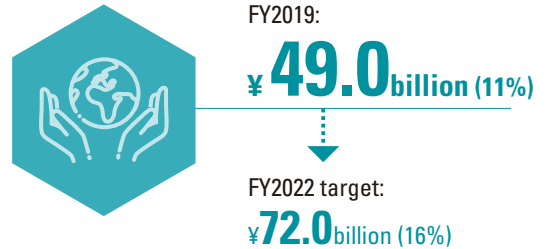
Non-Financial Highlights

Reduction of CO₂ from Sites (Compared to FY2013)

We are aiming to contribute to a sustainable society by striving to tackle environmental issues such as intensifying climate change through combination with our core business.



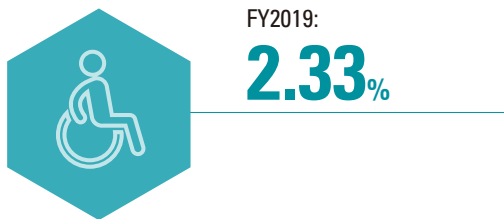
Environmental Contribution Product Sales



The percentages in parentheses are ratios to the overall sales

Employment Rate of Challenged People*

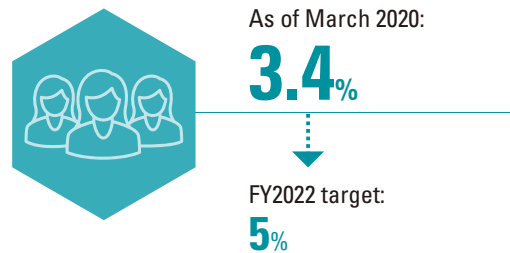
We are working toward the improvement of work environments that are easy to work at and fulfilling, turning the opinions and efforts of each of our diverse employees into value, and linking that to innovation creation.



Reference: Mandatory employment rate for persons with disabilities: 2.2%

*Employment rate of challenged people: The aggregate of eight special-subsidary-applied Group companies in Japan

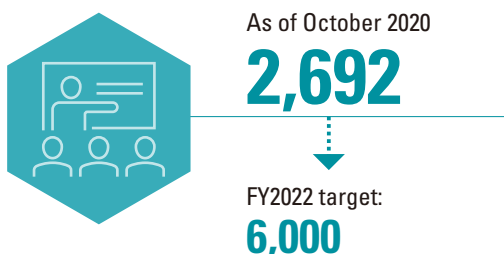
Percentage of Female Managers*



*Ratio of female managers : OKI

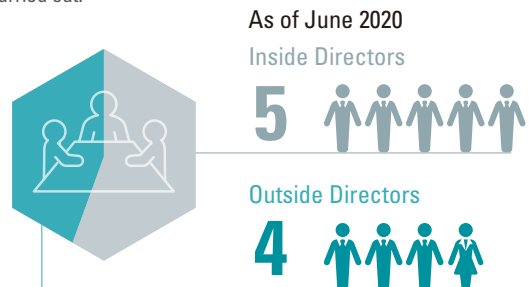
No. of People Who Completed Innovation Training

Aiming to resolve social issues through innovation, we are driving human resource development and internal cultural reforms through Innovation Management System building, training, and the like.



Structure of Board of Directors

Through the participation of outside directors in management, spirited discussions directed toward the improvement of corporate value are being carried out.



MESSAGE FROM THE PRESIDENT

“Delivering OK! to your life.”
Our promise directed toward
the future.



S. Kamagami

Shinya Kamagami
President, Representative Director
Oki Electric Industry Co., Ltd.

Climate Change, Disaster Prevention and Reduction, and SDGs

Looking back, there were many natural disasters in 2019, such as the North Kyushu Flood, Typhoon Hagibis and so forth; then, in July of 2020, there was concentrated downpour centered on Kumamoto Prefecture, and in August of the same year, many lives were lost due to heat stroke from the most intense heat wave observed on record. Looking at statistical data (2019 White Paper on Small and Medium Enterprises in Japan), we can see that the frequency of natural disasters in Japan is increasing year by year, and the costs of damages are expanding. This indicates that not only are more disasters occurring, they are also increasing in severity. This trend is similar around the world, and I believe it is essentially globally recognized that the cause of this phenomenon is global warming. The social costs brought about by climate change are escalating, and even those of us who are not directly affected by damage will take on an economic burden which will put pressure on our social lifestyles. Accordingly, all of us, without exception, must cope with environmental issues. This is one of the reasons that OKI was so quick to declare its approval for the Task Force on Climate-related Financial Disclosures (TCFD). For each person constituting a member of our

society, it cannot be considered sufficient to simply work toward lightening the environmental burden by reducing the emission of greenhouse gases and other means. There are things that OKI can do as a company to reduce the damage that natural disasters cause to society. OKI has a track record involving disaster prevention administrative radio systems, firefighting radio systems and the like; recently, we have been especially focused on disaster prevention and reduction efforts such as advancing our sensing technologies to provide solutions to sense and predict, at early stages, distortions of structures and the ground, changes in the water level of rivers, and so forth. I believe that doing our utmost to reduce human casualties and economic damage by making proactive efforts is our responsibility as a company.

It is my stance that solving various social issues through business activities in this way is precisely in line with the principle of “Sustainable Development Goals” (SDGs) adopted by the United Nations. OKI is promoting its Innovation Management System “Yume Pro” under which our vision is to help realize the SDGs and it will contribute to sustainable social development through our core business as a responsible company.

Confrontation with COVID-19

On January 23, 2020, a lockdown began in Wuhan, China. In February, just a short time after our surprise at this unprecedented situation of a massive city closing, operations at our Shenzhen plant were suspended, which dramatically impacted both our business activities and our employees’ day-to-day lives. Naturally, this also had an effect on our performance figures. Even now, the virus, which spread throughout the world thereafter, is not projected to settle down, and it is a well-known fact that COVID-19 has cast an expansive shadow over the global economy and social lifestyles. It is speculated that the disease originated in wild animals such as bats, but some scientists insist that the periodic appearance of new infectious diseases such as, looking back, SARS and MARS, and now COVID-19 is due to the natural environment being progressively destroyed, creating more occasions for humans to come into contact with unknown viruses as a result. Assuming this is true, we can take the spread of disease as an issue having the same root cause as environmental problems. Moreover, as long as this issue remains unsolved, even after COVID-19 is no longer a concern, we may well continue to be threatened by new infectious diseases.

In order to promote sustainable corporate activities as a responsible company in this kind of environment, we must first protect the safety of our employees. I believe that we can only engage in sustainable corporate activities when our employees are able to work with peace of mind, and that this will, in turn, lead to the peace of mind of our customers and partners and result in the fulfillment of corporate responsibility through our business. On January 31, the day after the WHO declared a state of emergency, we established the COVID-19 Response Headquarters with the goal of ensuring the safety of our employees and handling their times of infection, setting forth the following three basic policies.

- (1) We will place utmost priority on respect for and the safety of the lives of our customers, partners, Group employees and their families, and the people in local communities.
- (2) We will cooperate with requests from governments and public organizations and continue to provide products and services essential for social activities.
- (3) We will endeavor to continue operating our business while striving to minimize the spread of disease.

MESSAGE FROM THE PRESIDENT

We had already promoted the teleworking system aggressively as a part of work-style reforms, but under the COVID-19 situation, we are aiming to further enhance the system. Aiming for infrastructural strengthening, we have also advanced the improvement of remote environments. In addition, we are moving forward with the installation of satellite offices. The majority of our meetings including Board of Director Meetings are held remotely and operations are proceeding with no negative effect on our corporate activities. Along with accelerating the digital transformation of work styles, I hope for us to realize “smart work life,” which aims to improve productivity by proactively

introducing flexible work styles. Further, I am of the opinion that this will lead to the strategic management of human resources, which are the most necessary asset for corporate sustainability.

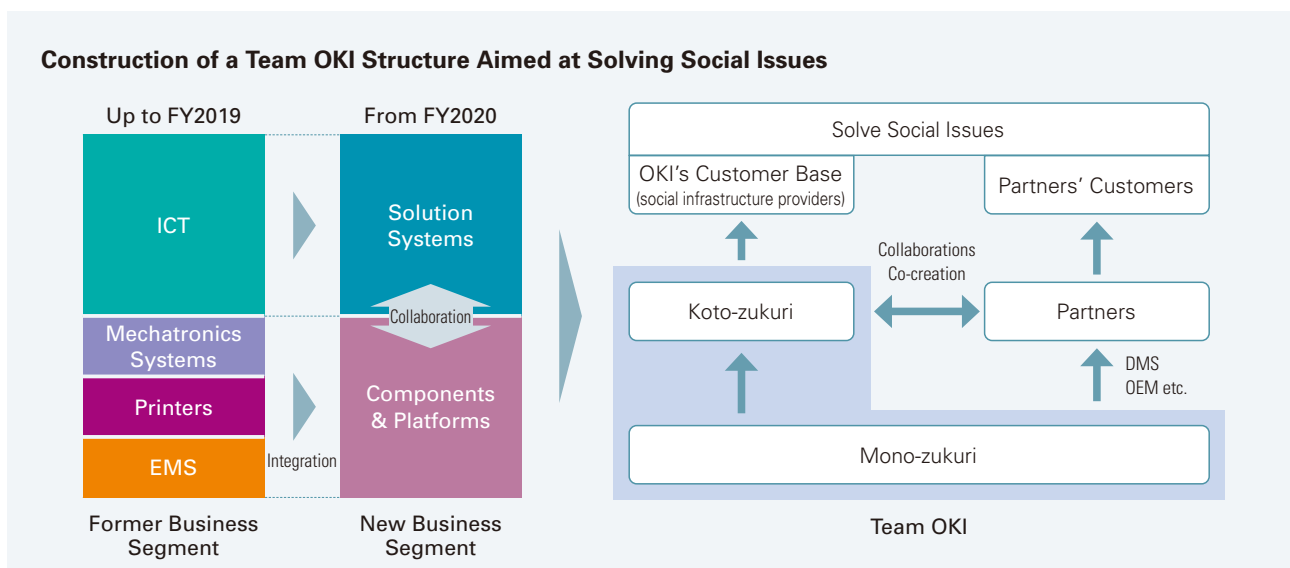
With regard to the situation regarding the emergence of COVID-19 patients within the Company, at the same time as publishing information on our employee-facing intranet, we also release it on our Japanese internet website in an effort to ease the concerns of our stakeholders. OKI will continue to follow these basic policies and conduct flexible corporate operations with a view to sustainable growth.

Awareness of and Issues Concerning Management Environment

It is thought that in the “new normal,” the situation sought by the post-COVID-19 world, the provision of non-contact and non-face-to-face services will become standardized. Since its establishment, OKI has been a company that has supported social infrastructure based on network technologies. In addition, in terms of terminal device development, our strengths lie in technologies for automation, manpower reduction, and so forth. OKI has a track record of broadly installing its terminal devices in every corner of social life, from parts of the transportation sector such as roads, railroads, and airports to financial institutions and convenience stores. OKI’s above-mentioned technologies and track record will be indispensable in many scenes where non-contact and non-face-to-face services will be realized in the new normal. In order to respond to such requests from society, OKI will aggregate its resources and commit itself to the development of solutions and terminal devices that can respond to social needs.

OKI has many possibilities aimed at the future, but our business portfolio to this point has not necessarily made use of those possibilities to the full. For instance, while we possess both network technologies and hardware

development technologies, it cannot necessarily be said that we have many businesses that link the two. We often build solutions using hardware that we have procured from external sources, too. With regard to automated equipment as well, we have a significant leaning toward specific fields such as railroads and finance; thus, our track record for fields such as medical care and distribution, which are currently considered necessary, is limited. In order to solve such issues and maximize our potential, on April 1, 2020, OKI restructured its businesses. We will conduct a bold reallocation of our resources toward necessary fields, and focus investment in vital fields such as AI Edge and IoT. In the medium- to long-term, we will build a new business portfolio in which we demonstrate a synergistic effect where our Solution Systems business and our Components & Platforms business resonate with one another, and make great strides. Furthermore, the Innovation Promotion Center has been established as an organization under the direct supervision of the President, and will develop activities aimed at the future in line with the medium-term innovation plan.



Vision & Action Principles of OKI Group

“Delivering OK! to your life.” In other words, we will contribute to the realization of a sustainable society by resolving social issues that have become manifest. This is our promise directed toward the future.

What will we aim for, and what should we do? Let all of us who work for the OKI Group share our awareness and unify our feelings regarding these points, and let us follow through on this promise. This is a key message composed with such sentiments in mind.

Throughout its history to this point, the OKI Group has, based on its corporate philosophy, supported various social foundations behind the scenes. We should be proud of this. Our basic stance as a company will continue on unchanged in the future as well. Further, in this time, in which society is poised to undergo great change, what is required of the OKI Group and each of its employees are future-oriented contributions to society.

At the OKI Group, five action principles have been indicated for executives and employees. These are “act

Corporate Philosophy

The people of OKI, true to the company’s “enterprising spirit,” are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age.

Vision

The OKI Group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of “Mono-zukuri” and “Koto-zukuri.”

Aiming for Sustainable Management

If we wish for a sustainable society, we must create it with our own hands. This is the unavoidable reality of living in this world. We must accept the social issues that have become manifest as our own issues, and earnestly endeavor toward resolving them.

There is a saying that “companies are a public institution to serve society,” and while this is a traditional saying, it indicates the universal form which management should take. Companies exist as a part of society; thus, the responsibility to contribute to society naturally emerges.

I believe that sustainable management means putting the principles as a company into practice without fail, regardless of era, environmental changes, or the like, and no matter what difficulty we face.

For some time, I asked myself, as the leader of the Company, what we could do for society in the midst of this unprecedented paradigm shift. As a result, I came to have a newly strengthened awareness: there are not only “things that OKI can do,” but “things that *only* OKI can do.” Medium-Term Business Plan 2022, explained in the following pages, is the first action plan for attaining those things in concrete form. A strategy called “AI Edge” is a strategy

with integrity,” “challenge and drive change,” “perform with speed and agility,” “be passionate and determined to succeed,” and “proactively encourage excellence as ‘Team OKI.’” These action principles refer to implementing an attitude of engaging in compliance and, as a cohesive team, boldly striving to respond to great environmental changes without being satisfied with the current situation.

Together with their superiors, employees have looked back on whether they have been able to conduct actions consistent with these principles, and the results of these considerations are reflected in individual evaluations. In order to solidify these action principles as part of corporate culture, it is necessary to continue such practices. I believe that when the behavior of each employee changes, the Company will change, enabling us to move toward our vision.

made possible only because of the assets that OKI has built to this point, such as customers and terminals.

In a virtual world in which enormous foreign companies have dominance, highly convenient new services have emerged. However, it is not the case that such services will resolve all of the issues in the real world. For instance, these services are not perfect solutions in critical areas such as those that involve human life, including the areas of health and medical care. How should the virtual world and the real world be connected in order to utilize the benefits of the former in the latter with maximum effectiveness? OKI, with its skill in network technologies, its strength in Mono-zukuri, and further, its strong relationships with customers, is a company in the optimal position to answer this question.

We will adapt to social changes and effectively utilize the resources we have. Moreover, to continue to be an indispensable company, we will change and realize growth together with society. I am confident that this is what is meant by an attitude of sustainable management.

December 2020

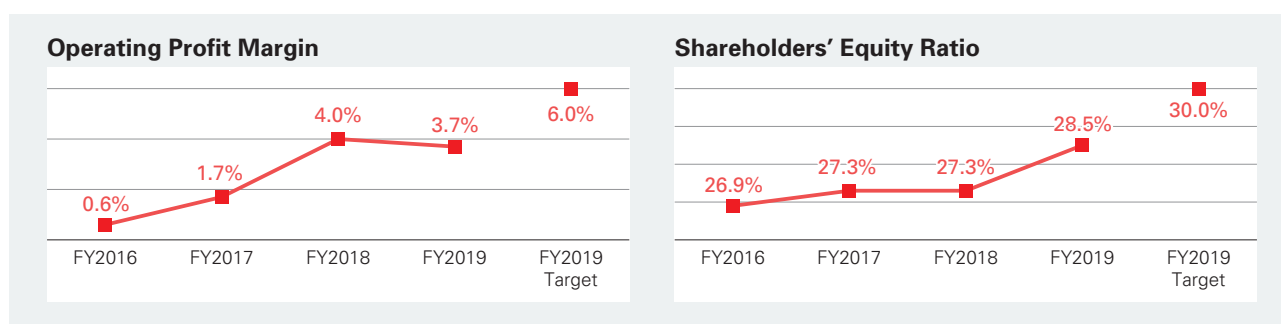


MEDIUM-TERM BUSINESS PLAN 2022

On October 29, 2020, “Medium-Term Business Plan 2022” was announced. In this plan, based on our awareness of society and the economy, which we explained above, OKI has put together an action plan for what it must execute in the first three years in order to achieve its vision. The outline of this plan is as shown below.

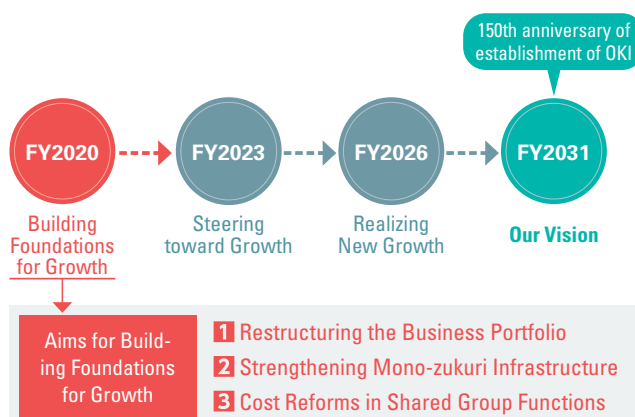
Looking Back at the Previous Medium-Term Business Plan

In Medium-Term Business Plan 2019, we prioritized reinforcing our earning capacity, advancing our activities with the two business targets of (1) an operating profit margin of 6%, and (2) a shareholders’ equity ratio of 30% or more. As a result, our financial structure steadily improved, with our operating profit margin improving by 3.1 points, and our shareholders’ equity ratio improving by 1.6 points, but unfortunately, we were not able to meet our goal. The tasks that remain for us are resource reallocation within the framework of the hardware business, strengthening of the ability to access markets, and cost structure reforms.



Positioning of New Medium-Term Business Plan

Medium-Term Business Plan 2022 has been positioned as the building of foundations for the realization of sustainable growth through resolving social issues. In order to achieve this, our first aim is to pave the way to resolve the business issues we have recognized by looking back at the previous medium-term business plan. That is to say, we will reconsider our Mechatronics Systems business and our Printers business, for which sales have stagnated, and aim to improve the profitability of our businesses, especially those related to hardware. Through the strengthening of governance, we will curtail expenses in back-office operations, which had increased. By way of initiatives, we will improve our ability to respond to accelerating market changes.



Business Targets

While shifting our business portfolio to aim for growth, we will realize operating income that equals or exceeds that of fiscal year 2019, as well as the building of a stable corporate infrastructure.

	Results of Previous Medium-Term Business Plan FY2019	Medium-Term Business Plan Target FY2022	Business Targets
Net sales	¥457.2 billion	¥465.0 billion	Operating income ¥20.0 billion
Operating income	¥16.8 billion	¥20.0 billion	
Profit	¥14.1 billion	¥12.0 billion	Shareholders' equity ratio 30%
Shareholders' equity	¥106.2 billion	¥115.0 billion	
Shareholders' equity ratio	28.5%	30%	
Shareholder returns	¥50 dividend/share	30% or higher	
ROE	13.7%	10%	

Structural Reforms Aimed at Growth

Restructuring the Business Portfolio

We will perform restructuring within the framework integrating the three businesses focused on hardware, and reallocate resources toward focus areas for which growth can be anticipated in the future, such as non-contact, non-face-to-face (self-service and remote) terminals, automation that resolves labor shortages, terminals that boost work efficiency, and the like.

We will advance the fusion of development resources, including the shifting of hardware engineers. Such resources will be utilized in Mono-zukuri services and in the creation of devices which solve social issues. Furthermore, we have newly established the Business Collaboration Division in order to strengthen sales and marketing functions.

With regard to overseas businesses, we will conduct a fundamental review. In terms of our Printers business, we will focus on models such as industrial use label printers that are competitive and able to succeed on a global stage. Under this policy, in North America we will end our sales of printer hardware at the end of 2020, and in Europe we will aim to streamline operations by reducing personnel, consolidating sites, and the like. With regard to the Automation Systems business, we will curtail business and/or pull out of areas that do not match our strategy.

We will review our sales strategy, and in the future, we will aim for business expansion even if it entails a component provision model; we will not be particular about the product expansion of OKI brands as we have in the past. With regard to new products in the future, we will adopt a strategy of cooperating with our global partners, and will utilize OKI's overseas sites as a Group. In North America as well, we will utilize OKI Data Americas, our printer sales subsidiary, as a site for the expansion of the Components business.

In conjunction with the review of the Printers business, OKI Data, a subsidiary engaged in the printer business, will be absorbed into the main OKI company, and we will aim for rationalization by means of the unification of common functions.

Strengthening Mono-zukuri Infrastructure

We will evolve our Mono-zukuri and carry out reforms with the goal of technical development that can succeed on a global stage. In order to realize the cost competitiveness, quality, and speed required by our customers and partners, we will carry out reforms aimed at manufacturing at optimal sites and cost reduction.

Specific Initiatives

- We will integrate our hardware businesses, and build a 700-person development structure.
We will advance the database creation of our human resource skills and the fusion of our technologies, and will strengthen our ability to adapt to diversifying needs.
- With the goal of optimizing our manufacturing functions by integrating our three hardware businesses, we will integrate and reorganize our manufacturing subsidiaries.
Functions allowing the Group to control manufacturing roadmaps, manufacturing technology development, and the like will be established and strengthened. In conjunction with this, the unification of processes and of IT will be advanced.
- We will advance the digital transformation of the manufacturing of OKI itself, and will carry out transitions into smart factories that could become model factories in the future.
We will realize flexible manufacturing that responds to changes in needs, cutting edge technologies such as local 5G, and the like. We will pay consideration to coexistence with local communities, as well as the environmental burden.
- The Group as a whole will unify its procurement functions and reduce costs through concentrated purchasing and development purchasing.

Cost Reforms in Shared Group Functions

Through reforms of common divisions, in three years, we will reduce procurement costs by ¥10.0 billion and reduce labor costs and business expenses by ¥4.0 billion.

Through integration of the procurement divisions of the OKI Group as a whole, we will strengthen supply chain management and advance further cost reductions.

Initiatives for Procurement Cost Reductions

- Leveraging the concentration of sales volume due to integration, we will reorganize our supplier map.
- We will strengthen procurement activities from the planning stages, as well as concurrent activities.

Procurement costs **¥10.0 billion reduction**
(3-year accumulated total)

Labor costs and businesses expenses will be optimized across the Group.

Initiatives for Labor Cost and Business Expense Reductions

- We will aim to optimize costs by outsourcing non-core work.
- We will advance office reforms by means of flexible working styles such as telework, and improve productivity.
- We will advance the standardization of tasks with common functions, expand the scope of shared work, and reduce operation costs.
- We will aim for the reduction of external outsourcing costs.

Labor costs and business expenses **¥4.0 billion reduction**
(3-year accumulated total)

MEDIUM-TERM BUSINESS PLAN 2022

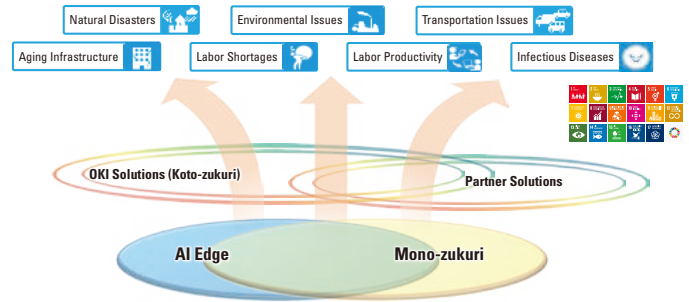
Growth Strategy

Targeting seven social issues, such as natural disasters and infectious diseases, we aim to leverage the strengths of edge technology and Mono-zukuri in order to solve social issues through collaboration and co-creation with our customers and partners, and to achieve growth.

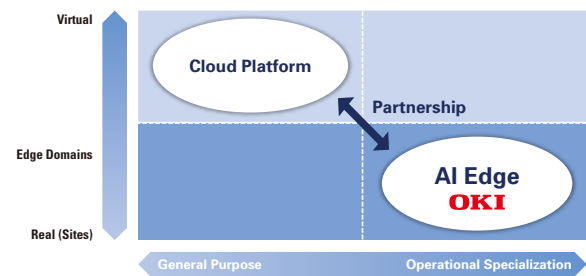
OKI's strengths are its customer base, its installed base, and its technological capabilities. We have a rich track record of providing many devices and solutions in real edge domains to customers who provide services for social infrastructure, such as government agencies and organizations in the fields of finance and transportation.

We will target real sites at which social issues are occurring, and develop businesses with AI Edge technology as our strength. AI Edge involves providing edge technologies with intelligence, and conducting processing in the real world. In cases such as highly detailed videos, high-volume real-time sensors, and high-speed, high-data communications using local 5G, processing using edge computing has become crucial. At a time when many vendors are focusing on the virtual world, OKI will focus on real sites with specialized operations. We will link to cloud service vendors via networks, and support social infrastructures or provide solutions that solve social issues.

Social Issues OKI Should Address



OKI's Position



Innovation

OKI has integrated its Corporate Research & Development Center and its innovation functions, and prepared a structure for promoting innovation. In order to continually create new businesses and products that contribute to society, we will aim for the creation of medium- to long-term businesses that will be our future pillars, under the innovation management system (IMS) standard outlined in ISO 56002. Throughout the entire company, we will link together innovation and work site operations by layering processes as a system with two levels. From the initial stages, we will closely provide information to business sections, create processes that entail joint development while receiving advice, and make arrangements which enable smoothly passing the baton to the business sections for innovation.

In the four industrial fields shown in the figure, we will leverage the strengths of AI Edge to fuse R&D and business development, and advance co-creation aimed at solving social issues in the "new normal."

Promotion of new fields and co-creation projects



Growth Investment

With the goal of deploying and introducing the facilities, equipment, and IT systems that will be the foundation of our growth strategy, we will invest between ¥70.0 billion and ¥80.0 billion over three years, including M&A. This will include such activities as the strengthening of the Mono-zukuri infrastructure in order to realize manufacturing at optimal sites, the transition to smart factories, the renewal of ERP with the aim of promoting the digital transformation of the OKI Group, and IT consolidation.

Moreover, in order to continue being "a company that solves social issues through critical Mono-zukuri and Koto-zukuri," we will invest ¥40.0 billion in R&D over three years with the goal of research into necessary cutting edge technologies, new digital transformation solutions, the development of components, the development of technologies related to AI Edge and so forth.

Capital expenditures	¥70.0 billion to ¥80.0 billion (3-year accumulated total)
R&D investments	¥40.0 billion (3-year accumulated total)

Materiality of the OKI Group

OKI is proud of its long history of contributing to society by supporting social infrastructure in a broad sense based on its corporate philosophy. On this occasion, we have specified the necessary materiality for maintaining this stance over the long term and “Delivering OK! to your life.” We have identified the issues we must address from each of the perspectives of the direction toward which OKI’s businesses must aim for, and the expectations and requests of society and stakeholders, and have organized an order of priorities. In the future, OKI will set specific KPIs for materiality and manage the progress of initiatives, and will communicate information about the situation at appropriate times.



*SR: Shareholder Relations

Enhance ESG initiatives for medium- to long-term growth of corporate value

OKI's vision and the social issues to be addressed

Material Issues (Materiality)

Creating social value

▶ Products and services that help solve social issues

Social issues: aging infrastructure, natural disasters, transportation issues, environmental issues, labor shortages, labor productivity, infectious diseases



Strengthening management infrastructure

▶ Business activities that meet stakeholder expectations

Business activities built on integrity (governance, internal controls, disclosure), response to climate change, HR management

▶ Strengthen the infrastructure that support Mono-zukuri



Expectations/demands of society and stakeholders and the social issues confronting OKI

MESSAGE FROM THE CFO

To realize sustainable growth that exists alongside society



Senior Executive Vice President,
Representative Director and
Chief Financial Officer

Masayuki Hoshi

Aiming to be a corporate group supporting a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri and Koto-zukuri, the OKI Group has started a new business plan with the key message of “Delivering OK! to your life.”

The OKI Group seeks to contribute to society in a sustainable manner by creating economic value as a company and universal value for society through its core business activities. In order to achieve that goal, it is necessary to provide products and services that respond to changes in the social structure and new needs accompanying those changes. We will aggressively invest in order to develop innovative technologies and new fields that will become

necessary moving forward.

Meanwhile, in the “new normal,” a time during which society is undergoing significant transformation, it has become even more important to appropriately judge risks. We will not alter our financial policy even if society or our business portfolio changes; I believe that it’s the responsibility of the CFO to balance offensive (growth investment) and defensive (financial discipline) in order not to deviate from the path of sustainable growth.

Going forward, we will further strive to meet the expectations of shareholders and investors. We look forward to your continued support and understanding for the future of the OKI Group.

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

Capital Policy

Basic Strategy

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

Basic Policy

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

Financial Soundness

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

Financial Indices

We have established our targets for the end of fiscal year 2022 based on our basic policy.

Shareholders’ Equity Ratio 30%	DE Ratio 1.0 or lower	Dividend Payout Ratio 30% or higher	ROE 10%
--	---------------------------------	---	-------------------

Shareholder Returns

- Aim to raise shareholder value continuously by increasing EPS through reinvesting the profits generated by business activities into growth areas
- Return profits to shareholders in accordance with our business results
- Strive to maintain stable dividends
- Emphasize on rewarding long-term shareholders

Asset Efficiency

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

Analysis of Financial Position and Business Achievement

FY2019 Business Results

In fiscal year 2019, net sales increased by ¥15.7 billion to ¥457.2 billion, mainly due to strong performance in the ICT business. Profits were satisfactory due in part to the effects of increased earnings, business structure reforms carried out in the previous fiscal year, and so forth. However, because of the global COVID-19 pandemic toward the end of the fiscal year, in addition to decreased operations at our Shenzhen factory and other causes, exchange rates had an effect; as a result, our operating income was ¥16.8 billion, a decrease of ¥0.7 billion year on year, and ordinary income was ¥13.8 billion, a decrease of ¥1.7 billion year on year.

In terms of extraordinary profit/loss, we tallied a ¥4.8 billion gain on sales of property, plant and equipment due to reviews of business sites and the like, and a ¥4.7 billion gain on sales of investment securities due to a reduction of cross shareholdings, while on the other hand, for example, we tallied ¥2.4 billion in business structure improvement expenses relating to business transfers and the like for our subsidiary in Brazil. As a result of these factors, our profit attributable to owners of parent was ¥14.1 billion, an improvement of ¥5.7 billion year on year.

It should be noted that from the current period, we have expanded our scope of applying a “percentage of completion” method mainly in our ICT business, the effect being that net sales increased by ¥10.5 billion, and operating income and ordinary income each decreased by ¥0.1 billion.

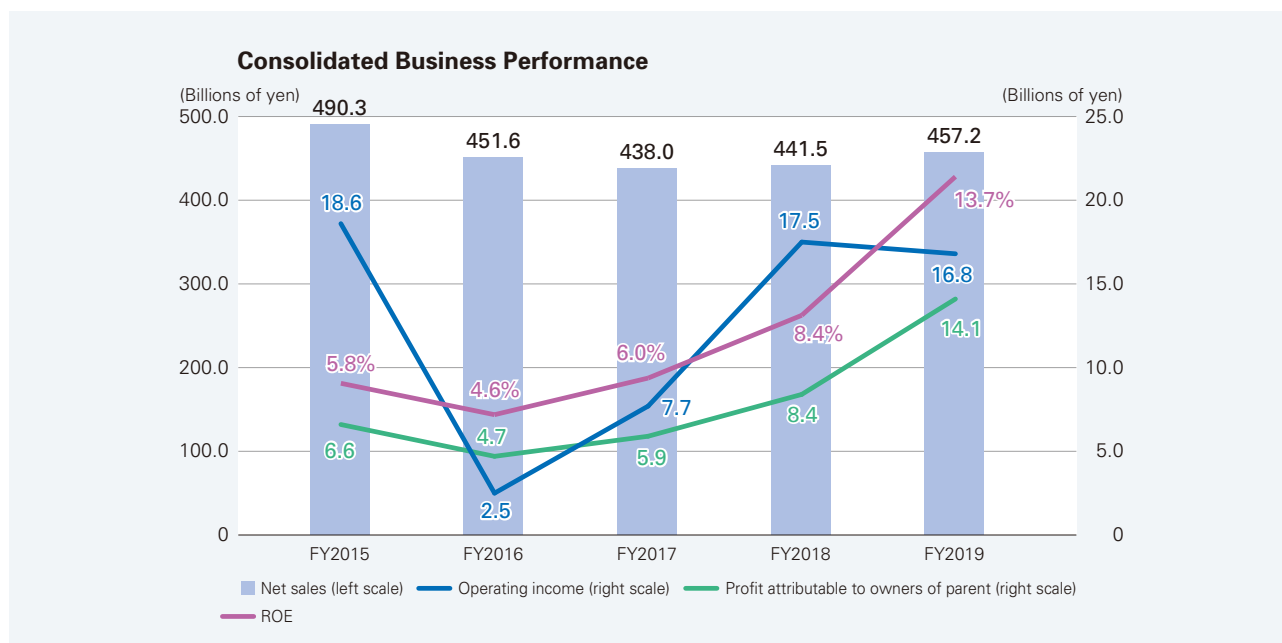
In terms of financial position, total assets increased by ¥7.0 billion from the end of the previous fiscal year, to ¥372.5 billion.

While we recorded profit attributable to owners of parent of ¥14.1 billion, accumulated other comprehensive income decreased by ¥2.8 billion and ordinary dividends were paid in an amount of ¥4.3 billion, resulting in shareholders’ equity increasing by ¥6.3 billion from the end of the previous fiscal year to ¥106.2 billion. As a result, the shareholders’ equity ratio stood at 28.5%. As for assets, in terms of main areas, cash and deposits increased by ¥19.5 billion, while inventories decreased by ¥12.4 billion. Liabilities were at a similar level to the end of the previous fiscal year, at ¥266.0 billion. Also note that borrowings saw a decrease of ¥0.9 billion from the end of the previous fiscal year, tallying ¥77.7 billion.

Outlook for FY2020

Due to the global COVID-19 pandemic, there are concerns for fiscal year 2020 with regard to the impact of customers’ investment plan reviews, a slump in demand for consumables, and the like. At the current time,

it is difficult to rationally estimate the impact of these factors, but we have published our predicted business results based on certain assumptions. While there is some influence due to taking some sales from different



MESSAGE FROM THE CFO

fiscal years into account, it is believed that with respect to the domestic market, the impact in fiscal year 2020 will be limited. In terms of the Asian market, there has been a downturn in demand accompanying the closures of cities in countries such as India, which has the largest market for automated machines, but it is anticipated that the situation will improve during and after the third

quarter. On the other hand, it is predicted that it will take time for the market for office equipment such as printers to improve in the European and American markets. Based on the aforementioned understanding, we predict net sales of ¥405.0 billion, operating income of ¥8.5 billion, ordinary income of ¥8.0 billion, and profit attributable to owners of parent of ¥1.0 billion.

Structural Analysis

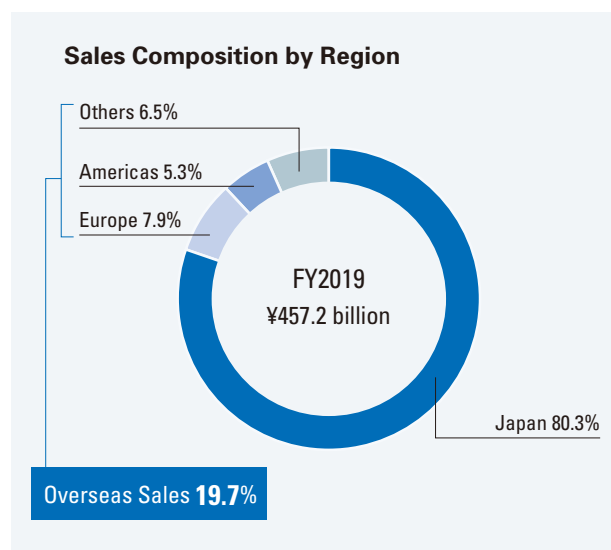
Sales Composition and Overview

The overseas sales ratio in fiscal year 2019 was approximately 20%. By region, Europe was 8%, the Americas were 5%, and others were 7%.

OKI has developed the Solution Systems business, which provides solutions, and the Components & Platforms business, which provides products and manufacturing services as to hardware. In terms of the fiscal year 2019 business results, the sales composition for net sales was essentially balanced. With regard to the Solution Systems business's major customers, they are mainly a customer group having high domestic trust, including public institutions such as government agencies and local governments; and highly public large private companies such as telecommunications carriers, megabanks, railway companies, and airlines, and net sales for the public sector accounted for approximately one-third of total net sales. The Components & Platforms business has top-class market share in the number of ATMs installed in Japan; in particular, in the retail market as represented by convenience stores, it has over 70% market share* in the number of ATMs installed. The EMS (Electronic Manufacturing Services) business provides original services supporting both high-mix low-volume manufacturing and variable-mix variable-volume manufacturing, and aims to distinguish itself from other companies in the same industry through its highly reliable Mono-zukuri. The number of customers

exceeds 1,000; they come mainly from the domestic manufacturing industry. It secures stable sales with repeat orders from existing customers. With regard to the printer business, approximately three-quarters of sales come from overseas. In fact, most of the OKI Group's overseas sales come from this business.

*Research by OKI



Effect of Exchange Rate Fluctuation on Earnings

Overseas sales account for approximately 20% of the OKI Group's total sales, mainly from the Printers business, and approximately 35% of the Printers business sales are denominated in Euro. For this reason, if the yen appreciates against the Euro, it will result in a decrease in sales and cause a negative impact on operating income.

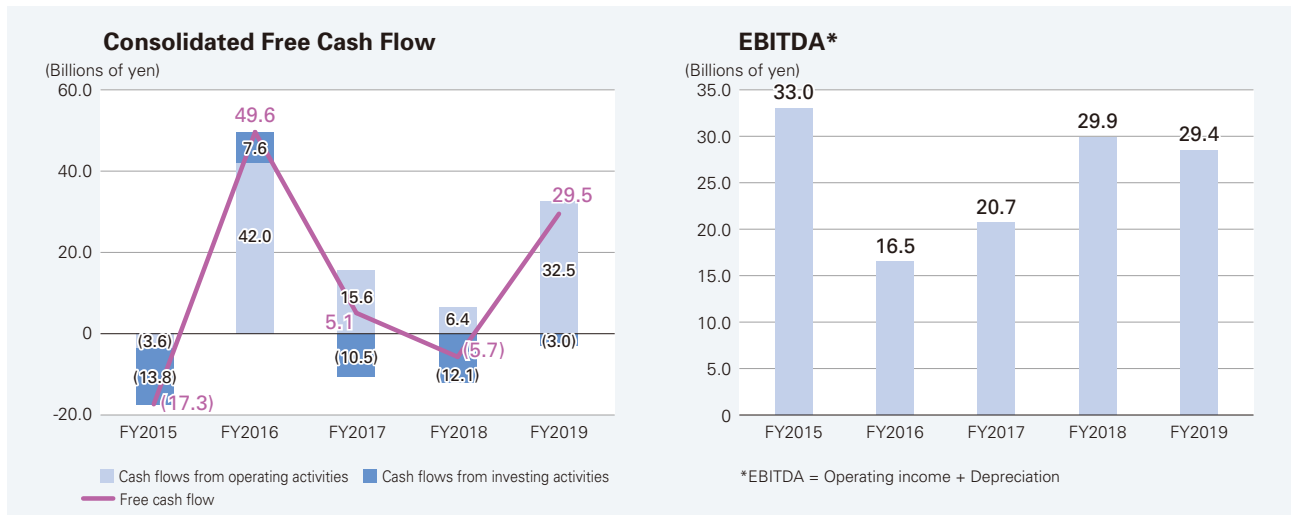
On the other hand, OKI's main factories are located in

Shenzhen, China and Ayutthaya, Thailand; at these factories, major materials procurements are conducted in U.S. dollars. For transactions denominated in U.S. dollars, purchases exceed sales. For this reason, regarding the amount after offset, the appreciation of the yen against the U.S. dollar causes a reduction in material costs while providing a positive impact on operating income.

Cash Flow

The Solution Systems business does not require large-scale capital investment, as system integration is its main business activity. Although the Components & Platforms business requires capital investment for hardware production, it does not require the installation of expensive equipment since it is basically involved in assembly. Like the other businesses, the EMS business does not require

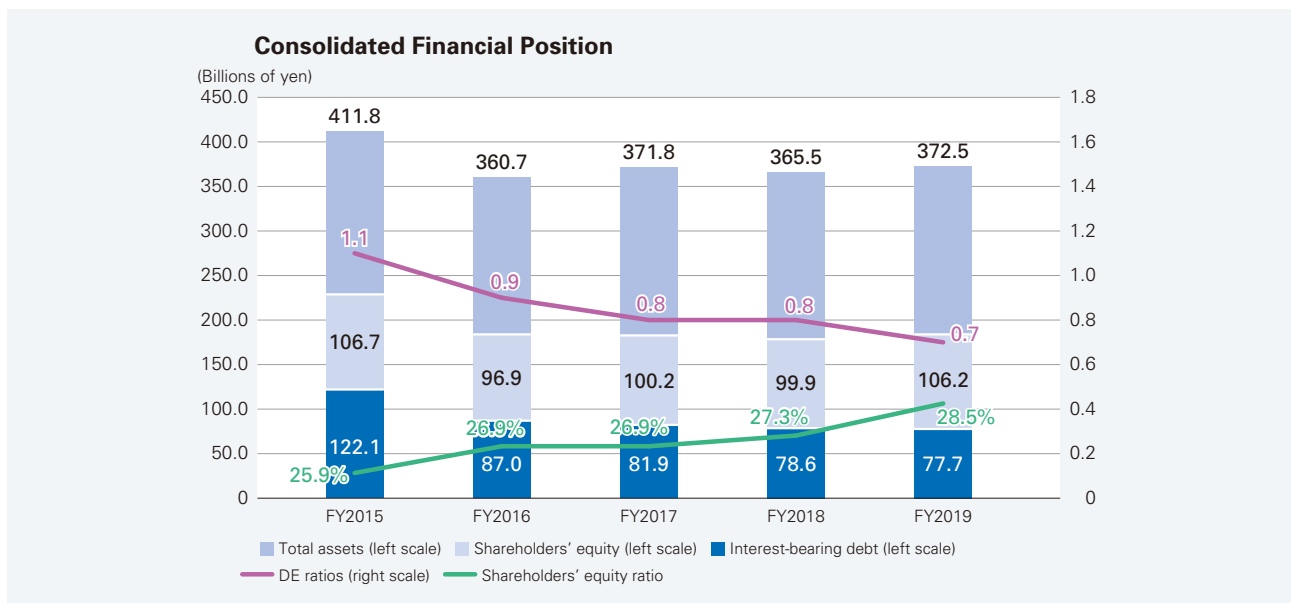
large-scale capital investment since it provides a high-mix low-volume production service. For the reasons outlined above, cash flows from investing activities do not significantly exceed depreciation expenses in normal production activities. As EBITDA shows, fundamentally, it can be said that this business structure generates stable cash flows.



Balance Sheet

For non-business assets, we have established a periodic verification process to continuously review the significance of ownership. We are striving to downsize non-business assets by prioritizing and selling as appropriate. With regard to business assets, each business has a monthly reporting and verification system in place to monitor

changes in working capital, such as notes and accounts receivable and inventories, and we are working to improve the efficiency of them. Surplus funds are used to repay interest-bearing debt to improve overall asset efficiency. As a result of these efforts, our financial position remains stable and sound.



INNOVATION MANAGEMENT SYSTEM

OKI has introduced the Innovation Management System (IMS) “Yume Pro” and is conducting innovation creation activities. The purpose of this system is to organically work on our leadership, vision, plan, support structure, innovation creation activities, and evaluation/improvement based on our organization’s situation while also increasing the level of maturity, and the system is appreciated* as an initiative under which an IMS-related international standard, ISO 56002, has been implemented pre-emptively.

*Ministry of Economy, Trade and Industry’s “Guidelines of Value Creation Management for Japanese Corporations” (October 2019)

Vision

With Yume Pro, we are aiming to resolve the social issues set forth by the SDGs through innovation. Based on the OKI Group’s materiality as specified in Medium-Term Business Plan 2022, we will develop a growth strategy (see page 22) formulated in anticipation of our post-COVID-19 society and medium-term plan for promoting innovation (medium-term innovation plan) as a vision for our Group and strive to share “opportunities intent.”

Organization and Plan

In April of 2020, we integrated the Innovation Promotion Division and Research and Development Center to establish the “Innovation Promotion Center (IPC),” which directly reports to the President, as an innovation promotion structure. By using IPC as the core to comprehensively utilize resources, we will increase the maturity of our IMS.

During the Yume Pro review implemented in fiscal year 2019, our evaluation and verification revealed that, for example, although there are signs that our corporate culture is changing to one willing to take on challenges, there are still site- and division-specific differences in the level of interest. We have incorporated improvement measures aimed at resolving these issues into our fiscal year 2020 business plan and medium-term innovation plan, and these measures are being implemented.

Support Structure (Internal Cultural Reforms)

To build a structure that enables the comprehensive utilization of Group resources for innovation, OKI is conducting various educational and other events indicated in the table to promote in-house cultural reforms. This includes the innovation training

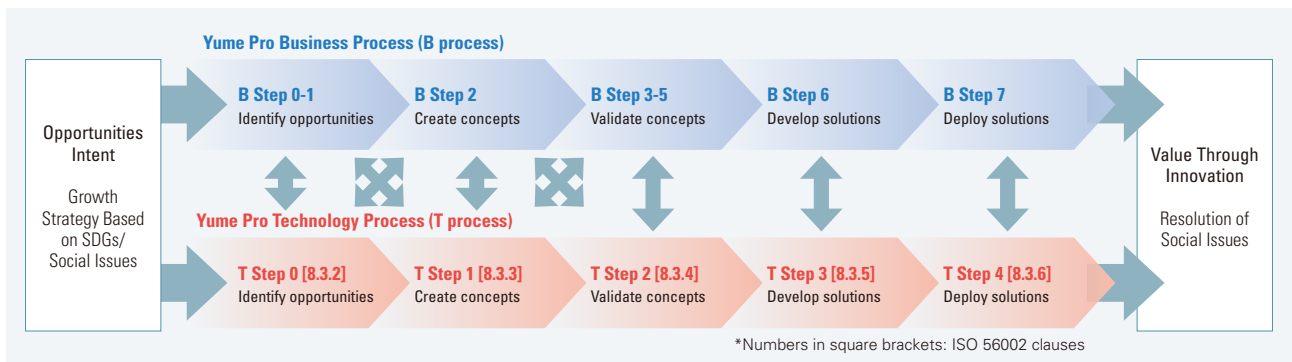
we started in fiscal year 2017, which we plan to provide to around half of the Group employees in Japan (6,000 people) by fiscal year 2022. As of October of 2020, 2,692 employees had already finished this training. In fiscal year 2020, we held the training online to prevent the spread of COVID-19, and 584 employees took part in this format. This online in-house training was among the largest scale of its sort few examples of which there are, and it is also being introduced as a case example at external seminars. In addition, we are actively conducting co-creation activities with customers to search for business opportunities related to the SDGs.

Innovation Creation Activities

Due to the establishment of the IPC, in addition to the conventional Yume Pro process, OKI has formulated the “Yume Pro Technology Process” for research and development. In terms of research and development activities as well, we will listen to our customers at the identify opportunities stage as we build the initial business model.

In addition, we hold the in-house idea contest the “Yume Pro Challenge” every year as a way to dig up specific themes. As an example, we announced our “AI Edge Robot”—a conceptual robot that arose from the contest—at CEATEC in fiscal year 2019, and the idea was highly evaluated by many members of the mass media and customers. OKI is currently working on hypothesis verification aimed at the commercialization of the AI Edge Robot, the “multi-point laser vibrometer” that won the grand prize for the fiscal year 2020 “Yume Pro Challenge”, and other ideas.

OKI’s Innovation Management System
https://www.oki.com/en/yume_pro/










“Yume Pro Technology Process” for promoting innovation in research and development

GROWTH STRATEGY

As is set forth under our materiality details, OKI is using our strengths, namely, the “customer base,” “installed base,” and “technological capabilities” it has cultivated up until now to achieve tangible (“mono”) and intangible (“koto”) results that resolve the social issues set forth by the SDGs through the promotion of co-creation with many partners aimed at ultimately achieving social implementation.

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

Social Issues	Initiatives Up Through FY2022	SDGs
Aging Infrastructure	<ul style="list-style-type: none"> In response to social infrastructure for which there are safety concerns due to aging, we will provide new solutions that utilize sensor technologies and AI to contribute to the maintenance of infrastructure. 	
Natural Disasters <small>▶ For details, see the next page.</small>	<ul style="list-style-type: none"> By increasing the sophistication of disaster prevention and reduction, we will aim to achieve comprehensive disaster prevention solutions geared toward self-help, mutual assistance, and public assistance. By providing real-time information combining river-water-level and video monitoring, we will contribute to the achievement of “sustainable cities that are resilient to disasters.” 	
Transportation Issues	<ul style="list-style-type: none"> By achieving the evolution of ITS systems—for which we have a proven track record—and a V2X network, we will aim to reduce traffic accidents, mitigate traffic congestion, and achieve similar goals through infrastructure-cooperative ITS services. By using OKI’s transportation platform “LocoMobi®2.0” as a core, we will achieve new services utilizing ETC2.0. In fields combining 5G and automated driving, we will participate in experimental trials related to automated driving support from the infrastructure side. 	
Environmental Issues	<ul style="list-style-type: none"> To achieve decarbonization, we will promote labor saving via AI robots, increased business efficiency via telework utilizing area sound enhancement and similar technologies, and environmental-impact reduction via zero-energy gateways and the like. We will promote specific initiatives aimed at contributing to the achievement of a circular economy. 	
Labor Shortages <small>▶ For details, see the next page.</small>	<ul style="list-style-type: none"> In response to sites struggling with labor shortages including security/facility management, medical care, nursing, construction sites, and the distribution field, we will provide products and solutions that utilize our sensing technologies, AI, mechatronic technologies, and 24-hour online maintenance results to ensure the safety and security of work environments while improving work efficiency. 	
Labor Productivity	<ul style="list-style-type: none"> We will utilize know-how stemming from our own factories to support customers attempting to convert to Virtual One Factory or smart factories. Based on our smart-factory know-how, we will provide products and solutions that promote smart manufacturing in the agricultural, fishing, and other industries, thereby contributing to improved labor productivity. 	
Infectious Diseases <small>▶ For details, see the next page.</small>	<ul style="list-style-type: none"> We will achieve on-site non-contact/non-face-to-face solutions for financial institutions and the distribution field by utilizing non-contact terminals, automatic ETC (electronic toll collection) payment, and remotely operated robots. 	

Initiative Case Examples for Resolving Social Issues

The impact of changes in the social environment due to the spread of COVID-19 has been large enough to lead to changes not only in lifestyles but also in the form of business in many industries and necessitate business policy reviews. In Medium-Term Business Plan 2022, OKI has declared the intention to utilize the sensing and network technologies cultivated through its ICT (information and communication technology) business as well as the Mono-zukuri approach cultivated through its hardware business as a strength to resolve social issues—primarily via AI Edge solutions that promptly and suitably resolve on-site issues—and achieve its goal of “Delivering OK! to your life.” Below, of the seven social issues set forth in our materiality details, initiatives pertaining to three issues considered especially urgent in terms of responding to societal needs during and after the COVID-19 pandemic are introduced.

Handling Natural Disasters

Ever since fiscal year 2018—to respond to frequent typhoons considered as serious disasters and flood damage from torrential rain—municipalities throughout the country have been obtaining information from national and prefectural disaster-prevention-information systems to make decisions and provide instructions on how to respond. However, when it comes to providing evacuation instructions to local residents, the most important thing is for the instructions to be prompt and accurate. To achieve this, it is essential to provide real-time, accurate information from the site and promptly share it.

To respond to this issue, OKI is providing risk-management water-level gauges that do not contact the water surface and use acoustic-sensing technologies to local governments. In the future, we will provide systems that collect sensing information combining river-water-level and video monitoring and utilize AI Edge computers set up on-site to promptly notify sites and municipalities of the results of primary treatment/analysis. In addition, by linking this data with weather and other data, we will ensure the security and safety of local residents and visitors, thereby contributing to achieve disaster-resilient cities.



Handling Labor Shortages

Due to Japan’s declining birthrate as well as the aging and decreasing population at the same time, serious labor shortages became chronic in multiple industrial fields starting around 2014. As a result of both this situation and requirements related to societal needs during and after the COVID-19 pandemic, there is an increasing need for “unmanned operation/non-contact/non-face-to-face” solutions, and expectations regarding service robots that can take over on-site work are running high. However, when the cooperative robots currently used at various sites detect people or changes in the surrounding situation, they stop moving to ensure safety, which is an issue hampering the expansion of such usage. OKI is utilizing the

video processing, AI Edge network technologies, and robotics technologies the Company has cultivated until now as well as results in the field of 24-hour online/remote maintenance to promote the development of advanced remotely operated robot solutions that operate 24 hours a day. One major feature of OKI’s robots is that they can be controlled from remote operation centers, so—when the robots are about to encounter difficulties—people can control them remotely to promptly overcome such challenges. In addition, because we have achieved 1:N handling enabling one person to monitor multiple robots, we are simultaneously resolving labor shortages and achieving unmanned/non-contact/non-face-to-face on-site operations.

Escalation AI/Autonomous cooperation

- Real-time site limit estimation by AI
- Autonomous, remote cooperative operations via ultra-visual-field expansion and robust, flexible robot PF



XR utilization
Patrols & inspections
Patrols

Transportation support
Guidance and reception

Digital twin consoles

- Advanced future service robot consoles
- Robot interfaces that maximize the user experience
- Expanding console functions via XR utilization

Edge sensor network/5G networks

- Operation linkage between robots and embedded sensors
- Robust, flexible communications functions provided by remotely operated modules

Equipment/Warehouse management

Office buildings

Advanced remote operations
Robot solutions enabling cooperation with people and the execution of diverse types of operations

Advanced remote operation center

Suspicious object detection
Patrols & inspections

Building management

Shopping centers

Public facilities

Inter-AI cooperation/Compact AI

- Automatic inter-AI arbitration by robots/expanded annealer utilization
- Installing compressed advanced AI model in robot edge
- Generating high-speed, lightweight, high-precision AI models

High-reliability sensing via fusion

- Miniaturization and power-saving that can be installed in robots
- Detecting abnormalities in buildings and people's behavior
- Area sound enhancement that supports dialogue between people and machines

Calling out to and conversing with people
Guidance, customer service, and transportation

XR utilization
Calling out to people
Security support

Handling the Spread of Infectious Diseases

Due to the spread of COVID-19, it is assumed that urban functions will shift from being heavily concentrated at specific locations to being decentralized, and the work styles and lifestyles of people are changing. Both countries and private companies have a new, important role: they are expected to speedily prepare measures and solutions in response to the new normal. OKI will take advantage of its Mono-zukuri strengths—which are based on hardware and robotics technologies cultivated through ATMs and printers—to set up multifunctional self-service terminals equipped with non-contact “Hygienic Touch Panels” wherever people go in their daily life. In addition, the Company is working on expanding

its automatic ETC payment services—for which it has a long track record for expressways—to include general roads, and the Company is also conducting experimental trials aimed at achieving non-contact/non-face-to-face automatic payment for drive-throughs. Furthermore, through “Smart Recommend,” which utilizes AI-based gaze and emotion recognition technologies, we will contribute to the achievement of non-contact/non-face-to-face over-the-counter sales as well as increased store-operation efficiency. Solutions like these are helping to minimize the risk of infection at various finance- and distribution-related stores, medical institutions, etc., thereby contributing to the achievement of safe, convenient cities.

Increased sophistication of real-time AI vision

- High-precision marketing based on “individual” behavior
- Increased sophistication of payment systems



Trying on clothes without contact via XR

Mid-air panels
Unmanned transportation
Non-contact operation
Three-Cs countermeasures/Crowding visualization

5G networks

- Optimal remote consultation system utilizing broadband/low latency/multi-connection

Remote operation centers

Non-contact

Terminal maintenance

Network security

- Digital health and connected environment expansion
- Safety and energy efficiency of increasing IoT devices

Safe, convenient payment/services

Shifting to self/non-face-to-face handling

Escalation AI

- Efficient handling through cooperation between people and AI
- Seamlessly shifting difficult tasks from AI to people

Automation

Labor-saving/Non-face-to-face solutions

Appointments at medical institutions

Inter-AI cooperation/Social optimization

- Last mile logistics optimized and convenient for “individuals”
- Reducing the environmental impact via sharing/on-demand
- Non-face-to-face/Unmanned operation by AI operators
- Avatar/chat/translation etc. multi-contact

Next-generation contact centers
AI operators

ETC CARD
Payment
Multipurpose ETC utilization services

Ticket reservation/Self cash point
Smart recommend

“Individual”-specific interaction

- Service access channels optimized for “individuals” and timing
- Micropayment/dynamic pricing linkage
- Self/non-face-to-face handling and outsourcing of cash processing

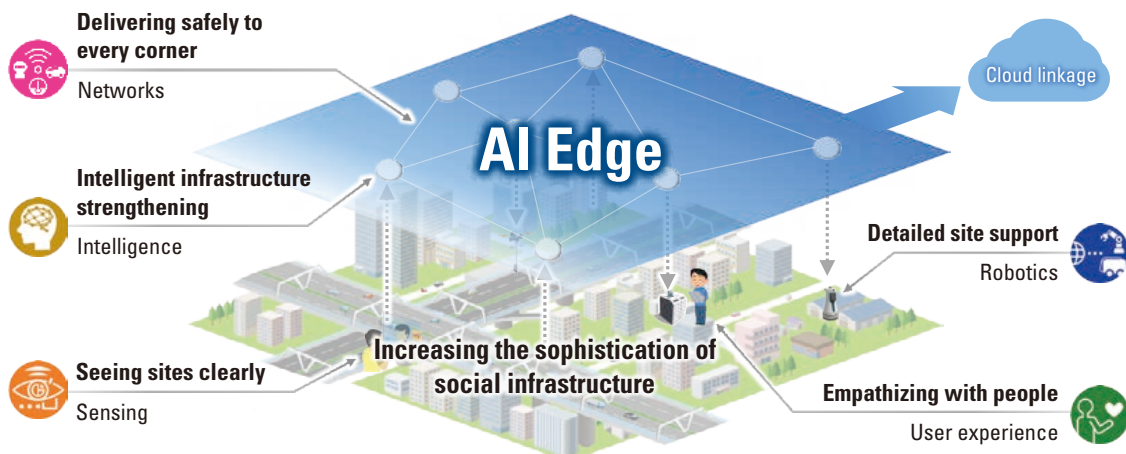
TECHNOLOGY STRATEGY

Due to the effects of the spread of COVID-19, the digital transformation (DX) of society as a whole is accelerating even as structural changes are made in line with the new normal. In response to these changes, OKI is continuing to utilize the technical strengths it has cultivated until now to pursue research and development aimed at resolving social issues and achieving the Company’s growth strategy. To bring about innovation as we flexibly respond to change, we are striving to come up with ideas from the perspective of customer value and to implement a flexible, speedy research and development process based on our Innovation Management System “Yume Pro.”

Focus Technologies

Given the progress of DX, OKI believes that being “connected” will be common sense in the society of the near future, and—in an always-online world where the digital embraces the real—our mature society will shift from heavily concentrated to locally decentralized urban functions while demanding sustainability as opposed to economic efficiency. To achieve this sort of society—in which people can enjoy safe, comfortable lifestyles—we will facilitate strong infrastructure at various sites suitable for individual needs, support cooperation that is not limited by distance, and develop services that cooperate with people and quickly respond to the situation.

OKI is responding to the above social changes and direction of technological innovation by focusing on AI Edge technologies intended to deliver services to every corner of society. AI Edge includes five technical fields: sensing, networks, intelligence, robotics, and the user experience. By enhancing technologies for which we are strong while linking them to each other, we will increase the sophistication of social infrastructure. In addition, by incorporating co-creation with our partners into our research and development process, we will contribute to the achievement of growth strategy.



Sensing

This technical field is evolving from individual detection/measurement technologies—including sound, vibration, optical, radio waves, and visual image—to recognition technologies that fuse diverse sources due to the evolution of AI. To further develop this field, which is the entrance to the digital world, as a set of technologies for clearly seeing the situation of society, we will strive to utilize the photonics technologies we have enhanced in relation to communications, increase the flexibility of AI, and expand functionality via fusion.

Networks

Due to the start of 5G and increased network functionality, the evolution of this technical field as a base for diverse industrial fields is accelerating as large numbers of decentralized

devices cooperate and are linked in real time. In addition to working on this evolution, OKI will safely deliver ICT infrastructure to every corner of society by working on zero-energy IoT technologies, security technologies, blockchains, and other new information distribution systems.

Intelligence

The AI utilization business is making dramatic progress due to deep learning and quantum computers. To intelligently strengthen infrastructure from the edge, we will work on developing technologies ensuring that advanced AI is lightweight, reliable, and easy to use as well as technologies that link different types of AI, and we will fuse these technologies with advanced domain knowledge closely connected to sites in order to resolve issues.

Robotics

Safe robots—including service robots and cooperative robots—are starting to work alongside people, taking on the burden of diverse types of operation. In this field, OKI is working on developing technologies that remotely achieve advanced cooperation between the autonomy of AI and the flexibility of people to ensure that robots can reliably handle operation and that the attentiveness of people can be effectively applied to a wider range of operation.

User Experience

This technical field has been strongly affected by the COVID-19 crisis, and there are strong needs to ensure safety through non-contact/non-face-to-face solutions, maintain efficiency, foster engagement in remote environments, etc. To help achieve advanced teamwork without requiring people to gather in one place, OKI is working on achieving new user experiences to which we apply XR (AR/VR/MR) technologies as well as AI technologies for communication.

R&D Case Study

Area Sound Enhancement Technology that Improves Remote Work Environments

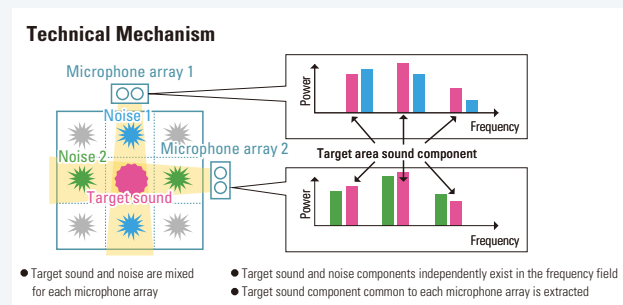
Due to the spread of COVID-19, work styles around the world are dramatically changing, and the range of remote work is rapidly expanding. In addition to working from home at companies, remote lectures by tutoring schools, universities, and other institutions are increasing. In addition, due to labor-saving needs as well, the stores of financial institutions and the like are increasingly providing remote customer service via human operators.

As people are practically forced to rapidly shift to remote operations, there are more and more cases in which the development of suitable environments cannot keep up. For example, in cases where the sounds of other people talking and the sounds of daily life, such as appliances, can be heard by whomever one is talking to, it not only gets in the way of meetings and lectures but also results in real privacy concerns.

OKI has been working hard on sound-related technologies since the Company was founded. To respond to these issues regarding remote work environment, we are working on improvement utilizing “area sound enhancement technology” that can pick up only sounds in a specific area by using a small number of microphones. There are already a wide range of highly directional microphones on the market. However, although these microphones can in fact pick up only the sounds coming from a specific direction, they pick up all the sounds coming from that direction, so they cannot actually remove the sounds of the surrounding environment. However, OKI’s innovative area sound enhancement technology makes it possible to pick up only the sounds in a specific area. This means that the utterances of a specific person can be clearly extracted even in cases where the surrounding environment is noisy.

To achieve this technology, we developed sound-source separation technology involving microphone arrays with strong frontward directivity. Two microphone arrays that use this technology are set up at different locations facing the same specific area, and signal processing focused on the relationship between the two obtained speech signals is performed. In this way, our sound enhancement system extracts and picks up only the sounds of the field where the directions of the two microphone arrays overlap. Each microphone array consists of two microphone elements, so our system can pick up only the speech of a person sitting in front of a computer with nothing but four microphone elements.

Our area sound enhancement technology is assumed to be mainly applicable to the remote work and education fields. OKI is currently promoting PoC* work to improve environments related to remote lectures by tutoring schools, universities, and other institutions, customer service remotely provided at home, etc., and we hope to commercialize this technology as soon as possible.



*PoC (Proof of Concept): A simple test to demonstrate the feasibility of a new concept or theory

Optical Signal Processing Technology with Expanding Applications in the Sensing Field

OKI is developing sensing technologies to which the Company applies advanced optical signal processing technologies cultivated over the years in the optical communications field. In September of 2018, we used an original optical signal processing circuit to detect weak reflected light in optical fiber, thereby creating an optical-fiber temperature/distortion sensor product that achieves over 100 times the speed of conventional sensors.

In addition, in October of 2020, we applied this optical signal processing technology to develop a multi-point laser vibrometer that uses laser light to measure the vibration and speed of the target object without making contact. Conventional laser vibrometers only measure the vibrations at a single point, but our multi-point laser vibrometer can measure the vibrations at multiple points without the need for additional pieces of equipment. Our eventual goal is to combine optical switches, optical

fiber, and multiple sensor heads to measure the vibrations at 100 points up to 600 meters apart using a single optical signal processing unit. By using easily obtainable optical communications components and applying silicon photonics technologies, we will promote the further miniaturization and cost reduction of optical signal processing units in order to achieve high-precision measurement at a low vibrometer price.

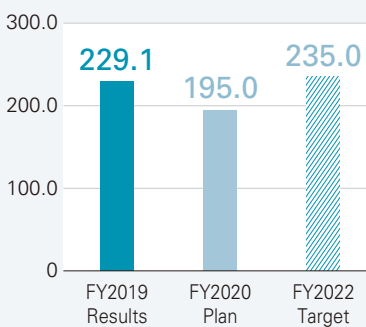
OKI is also applying silicon photonics technologies in order to develop ultra-sensitive optical sensor technologies to detect very small quantity of macromolecules and the like by using light resonance. These technologies offer the possibility of instantly understanding a wide range of health conditions based on human blood, sweat, urine, and other substances in the future. We are committed to continuing to achieve optical signal processing technology innovations that help resolve social issues.

AT A GLANCE

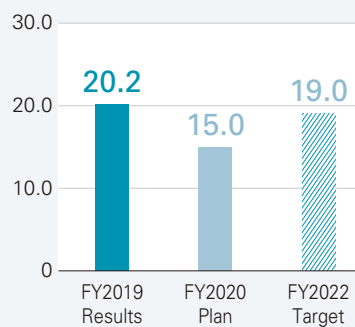
The OKI Group aims to resolve social issues with the dual pillars of **Mono-zukuri** in the real world, and **Koto-zukuri** involving the creation of solutions and services that link devices to the cloud in real-time. Toward the realization of this vision, starting in April of 2020, we reorganized into a two-business structure consisting of the “Solution Systems business” and the “Components & Platforms business,” and are promoting a growth strategy for Team OKI in which we combine our technologies and engage in cooperation and co-creation efforts with our partners.

Solution Systems

NET SALES (Billions of yen)



OPERATING INCOME (Billions of yen)



SALES COMPOSITION

50.1%



ETC antenna

Multipurpose ETC utilization services enabling payment using ETC



“CounterSmart”
middleware for
self-service
terminals

TOPICS

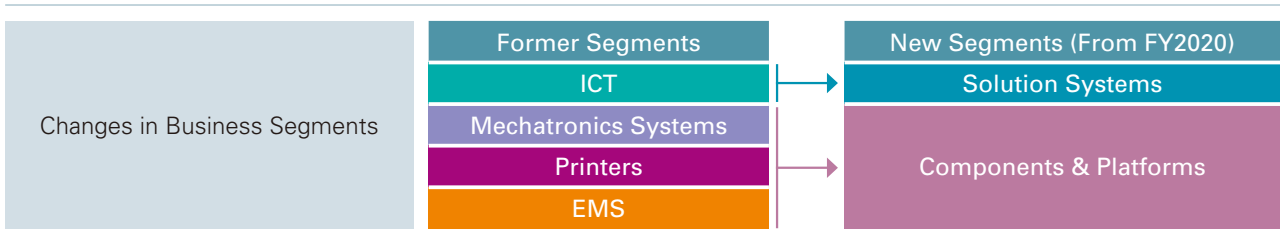
Online Holding of “AI Edge Conference & Solution Contest”

In September 2020, aiming for the popularization and expansion of AI Edge computing, OKI held the “AI Edge Conference & Solution Contest.” In a first for OKI, it was a hybrid event combining an actual venue with online distribution. A total of approximately 3,000 viewers participated through the dedicated contest website and OKI’s official YouTube channel.

OKI’s virtual character “Tsunagu Oki” acted as the overall master of ceremonies. In the first part of the event, a presentation and a panel discussion on the social implementation of AI were held, and in the second part of the event, a contest was held in which 19 AI Edge computer co-creation partner companies participated and their original solutions were judged.



Masashi Tsuboi, Head of the Solution Systems Business Group, giving a presentation about AI Edge strategies.



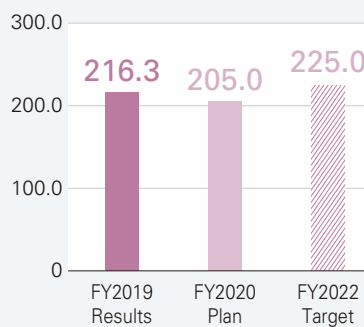
*With the exception of items with explanatory notes, the FY2019 results are based on new segments.

Components & Platforms

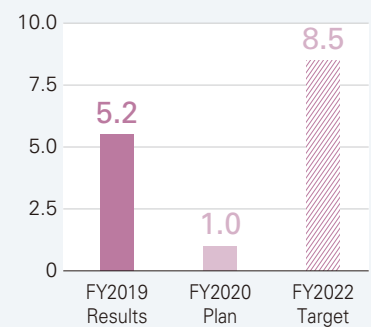
SALES COMPOSITION

47.3%

NET SALES (Billions of yen)



OPERATING INCOME (Billions of yen)



Comprehensive Mono-zukuri services



Coin and bank note retail auto cashier "CR-22"

Narrow-format color LED printer "PLAVI Pro330S"



TOPICS

Development of the "Hygienic Touch Panel," Which Realizes Non-Contact Operation

With the new normal in mind, as a part of infection prevention measures for self-service terminals, we developed the "Hygienic Touch Panel," which can be operated without touching the screen. By means of a touch sensor utilizing OKI's sensing technology which has been installed into the operation screen of the terminal, users can perform operations by holding a finger a few centimeters above the screen. In addition to automatic check-in machines at airports and ATMs for financial institutions, self-service terminals are used in all kinds of industries and fields, such as logistics, retail, dining, and medical care. OKI will continue to strive for expanded utilization of the Hygienic Touch Panel, supporting safe and secure social infrastructures adapted to the current COVID-19 situation.

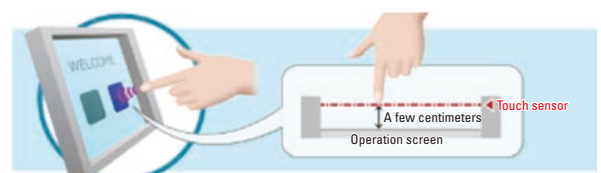


Image of operating the "Hygienic Touch Panel"

Others
2.6%

OVERVIEW OF OPERATIONS

Solution Systems Business

We seek the social implementation and business expansion of digital transformation solutions via co-creation with our partners and aim for the securement of stable earnings and sustainable growth.

Executive Vice President and Member of the Board, Head of Solution Systems Business Group

Masashi Tsuboi



FY2019 Business Results

*Based on segmentation before the changes

Net sales for the ICT business increased ¥44.8 billion or 24.3% year on year to ¥229.1 billion. In addition to contribution from large-scale projects involving network construction for carriers, there was also an increase in demand for social infrastructure-related projects owing to Japan's National Resilience measures and the like. Moreover, there was a large-scale earnings increase due in part to the effect of expanding the scope of applying a percentage-of-completion method due to developing and strengthening our cost management structure, etc.

Operating income improved significantly, increasing ¥6.1 billion year on year to ¥20.8 billion in conjunction with steady sales increases.

Medium-Term Business Plan 2022

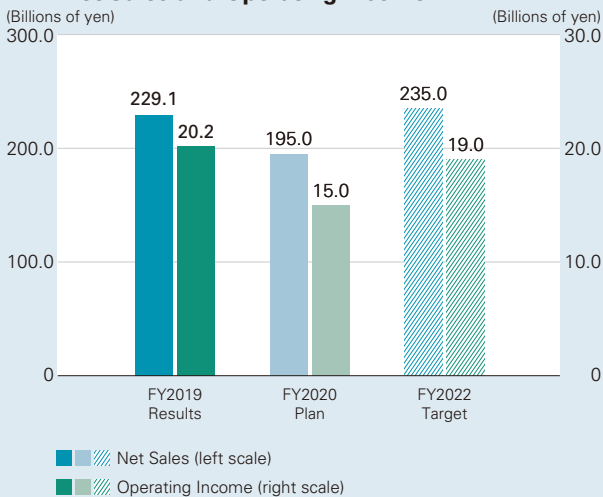
In the three years from fiscal year 2020, we will endeavor toward acceleration of the social implementation of digital transformation solutions aimed at sustainable growth and the solving of social issues through co-creation with our customers and partners, and will aim for the achievement of net sales of ¥235.0 billion and operating income of ¥19.0 billion in fiscal year 2022.

Acceleration of Social Implementation of Digital Transformations Through AI Edge Strategies

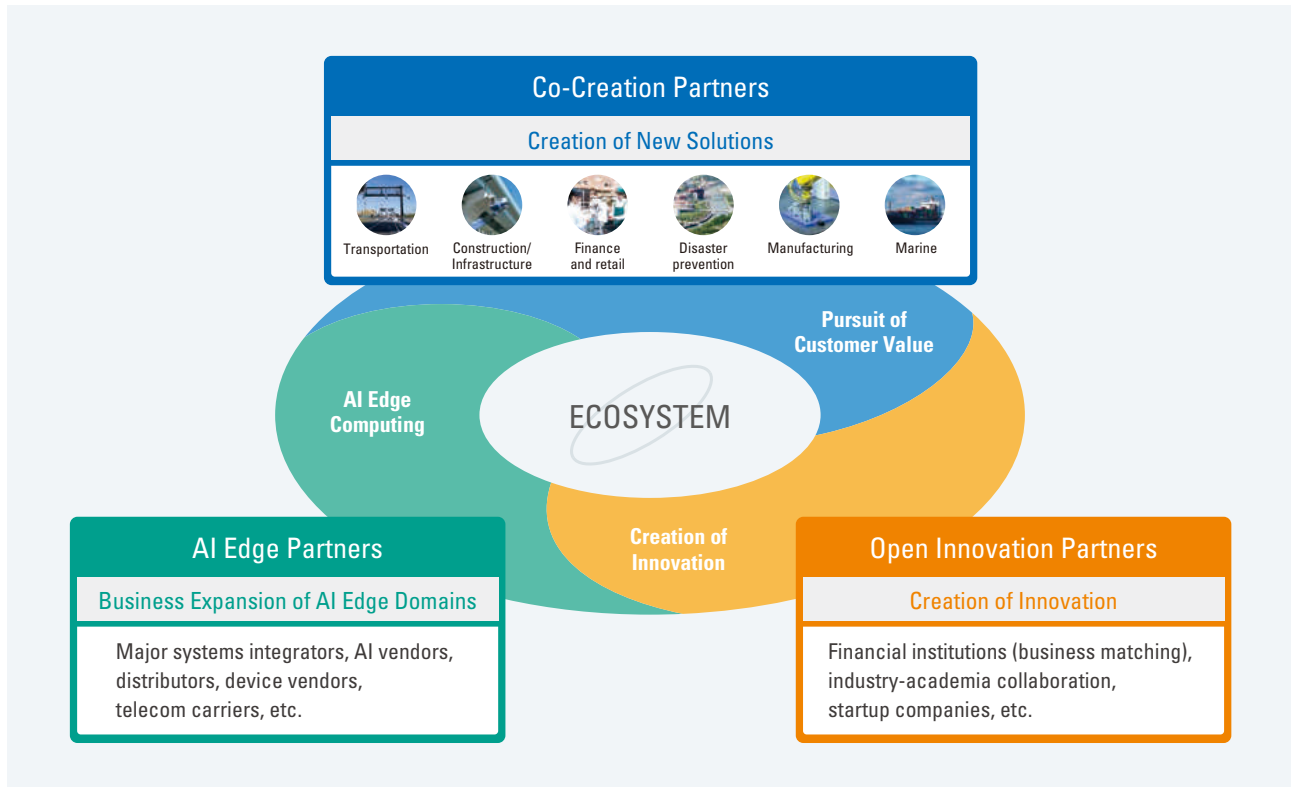
Taking as an opportunity the paradigm shift resulting from the various social issues that have become manifest and the current COVID-19 situation, we predict that digital transformations will accelerate in various fields including those of OKI's current customers. In addition, concurrently with the expansion of solutions due to technological innovations such as 5G and AI, the volume of information to be processed will increase, edge computing (distributed processing) will become even more important, and OKI's business opportunities will expand.

OKI believes that due to the popularization of AI and innovations in device technologies, AI processing which had been conducted in the cloud to this point will move to edge domains (the sites where data emerges); thus, we announced our AI Edge computing (hereinafter, AI Edge) strategy in October 2019, and began sales of "AE2100," our AI Edge computer which serves as the nucleus of AI Edge, at the same time. In the edge domains of our focal areas, being transportation, construction/infrastructure, disaster prevention, finance and retail, manufacturing, marine, and the like, we will combine OKI's strengths, which include superior technologies such as devices and sensors, networks, data processing and operations, and so forth and our abundant use cases, with AI Edge technologies to advance the social implementation of solutions that promote digital transformations through co-creation with our customers.

Net Sales and Operating Income



Ecosystem Aimed at Social Implementation of Digital Transformation Solutions



Due to 5G telecom services which began in 2020, much attention is being paid to the new services of telecom carriers; OKI sees this as a chance for the fusion of 5G/local 5G and AI Edge to accelerate the social implementation of digital transformations. Local 5G allows areas and companies to build and operate 5G networks in specific areas, such as their own buildings or lots. This enables the realization of highly reliable, highly secure network environments. In the future, we will advance the application of this technology in a wide range of use cases such as smart factories, local mobility services, river and infrastructure monitoring, and the like.

In September 2020, OKI proposed a project for the Ministry of Internal Affairs and Communications' public offering "Development Demonstrations for Realizing Local 5G to Solve Local Issues (Factory Field)" in partnership with Gunma Prefecture and TAIYO YUDEN CO., LTD., and the proposal was adopted. We have established a base station at our Honjo Plant and provided a site for development and demonstrations in the factory field, and have started research activities in partnership with Gunma Prefecture and TAIYO YUDEN CO., LTD. with the aim of realizing local 5G. In addition, we have set up local 5G in our ITS test course at the Honjo Plant, and are putting efforts toward demonstration tests regarding the application of local 5G to ITS.

Furthermore, as the introduction of local 5G requires specialized knowledge and know-how with regard to self-operated wireless system construction, we will promote the

fusion of AI Edge and 5G/local 5G in a broad range of areas and work toward solving the issues of local societies by providing support services involving such introductions.

Business Creation Through Co-Creation with Customers and Partners

The solution business which utilizes AI Edge technologies involves a plan to create a new market by forming an ecosystem* through cooperation with our partners. Since October, 2019, we have focused on promotion and support activities such as partner development, monitoring campaigns, and the like with the aim of popularizing AI Edge. As of the end of October 2020, we have reached 80 AI Edge ecosystem partner companies.

Together with these AI Edge partners, our co-creation partners who aim for the social implementation of digital transformation solutions through co-creation, and our open innovation partners who create innovative solutions, we will build an ecosystem, engage in mutual cooperation through the horizontal development of solutions and the like, and aim for the creation of new businesses aimed at growth.

Through such growth strategies as these, the Solution Systems business will increase digital transformation sales to more than double over a period of three years, realize the targets set forth in Medium-Term Business Plan 2022, and deliver OK to your life.

*Ecosystem: A mutually beneficial relationship between partners, including companies and customers, through the division of labor and cooperation.

OVERVIEW OF OPERATIONS

Components & Platforms Business

By providing components and platforms that resolve social issues, we are striving to contribute to society through Mono-zukuri and expand our business.

Executive Vice President,
Head of Components &
Platforms Business Group

Masasuke Kishi



FY2019 Business Results

*Based on segmentation before the changes

The net sales of the Mechatronics Systems business decreased by ¥12.0 billion or 14.5% year on year to ¥70.7 billion. The completion of the large-scale project on cash handling equipment we reported in the previous fiscal year had an effect. Towards the end of the fiscal year, the spread of COVID-19 became more serious, and, in February, we had to temporarily shut down our Shenzhen plant in China. Even after we reopened it, its operation was sluggish, which also affected our sales. In terms of our operating profit and loss, although the business structural reforms we implemented previous fiscal year helped to make up for the reduction in sales, the reduced operations had an effect as well, resulting in a reduction of ¥0.4

billion and a loss of ¥0.3 billion.

The net sales of the Printers business decreased by ¥10.3 billion or 10.0% year on year to ¥92.3 billion. This decrease was caused by reduced sales for offices in the European market as well as the appreciation of the yen against the Euro. As a result, our operating income decreased by ¥2.9 billion to ¥2.8 billion.

The net sales of the EMS business decreased by ¥6.4 billion or 9.7% year on year to ¥59.8 billion due to a decrease in sales related to FA and semiconductors as well as delays in the procurement of certain materials stemming from the effects of Typhoon Hagibis. Our operating income decreased by ¥1.6 billion to ¥2.1 billion.

Regarding our hardware business, we still face issues in terms of how to respond to environmental changes, including rapidly worsening market conditions, foreign exchange effects, and supply chain delays.

Medium-Term Business Plan 2022

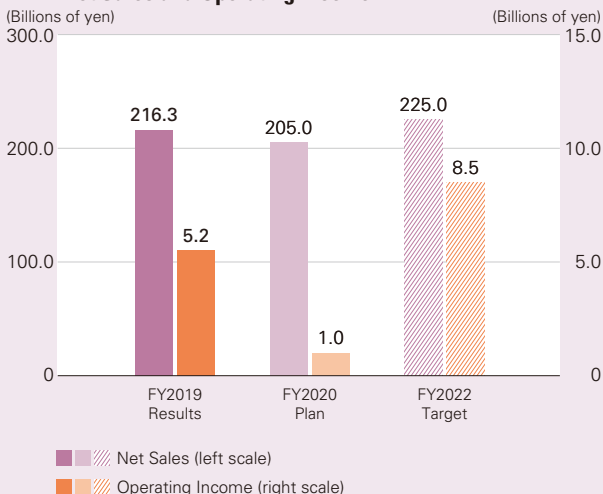
During the three years starting in fiscal year 2020, we will establish a new business model as a foundation for growth with the aim of attaining net sales of ¥225.0 billion and operating income of ¥8.5 billion in fiscal year 2022.

Utilizing OKI's Strengths to Expand Core Fields

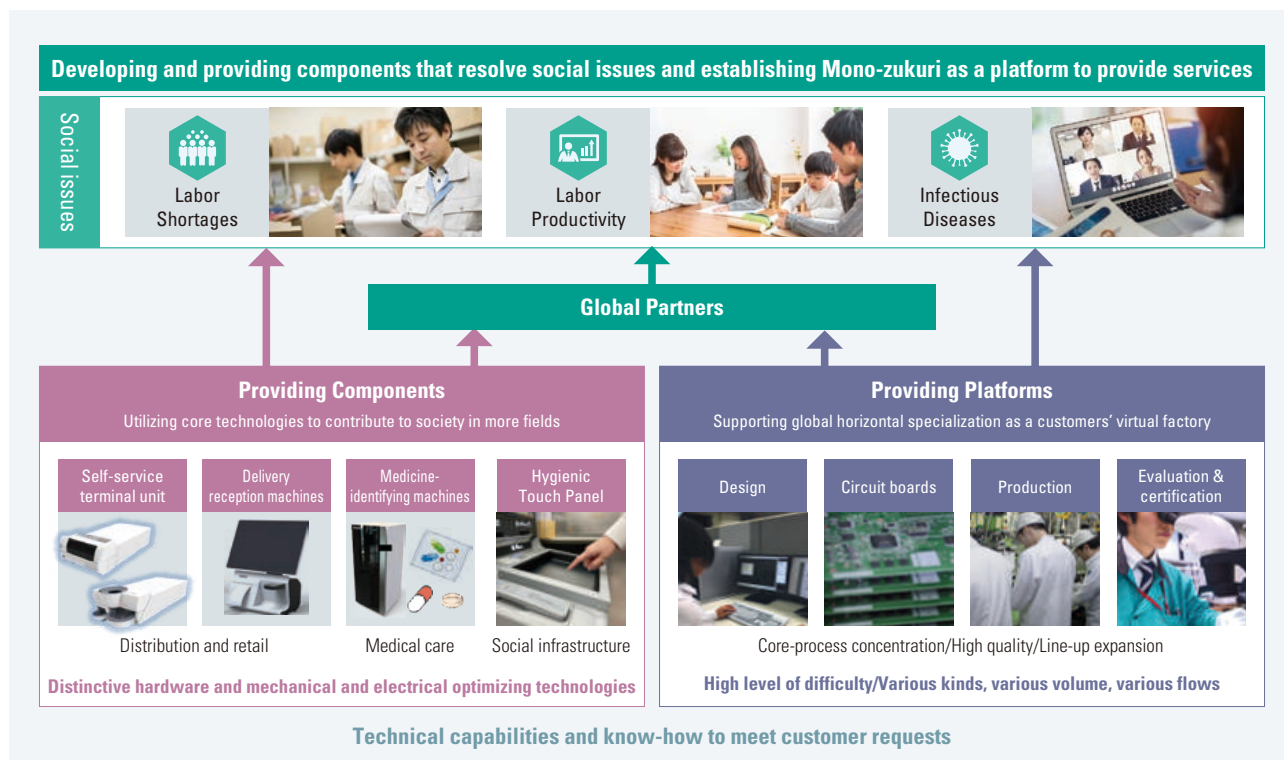
Up until now, OKI has faithfully realized products based on the needs and ideas of various customers providing social infrastructure services while also implementing Mono-zukuri that helps deliver OK to society. For our Components & Platforms business, we utilize the technologies we have cultivated over the course of our long history as a strength to develop and provide components that resolve social issues. In addition, we use our Mono-zukuri strength as a platform to provide services, thereby contributing to society.

Modern society faces a mountain of social issues, and OKI is focused on responding to society's new needs, including unmanned operation, automation, and increased efficiency aimed at resolving problems related to the labor

Net Sales and Operating Income



Contributing to Society Through Mono-zukuri: Our Global Partner Strategy



shortage and work-style reforms as well as non-contact and non-face-to-face solutions required for life given the new normal of our society.

Our Components business will develop and provide products that achieve resolutions of the above issues. For example, in the distribution and retail service field, we will develop and provide delivery reception machines and self-checkout solutions. Meanwhile, in the medical field, we develop and provide components that enable medical personnel to more safely and efficiently do their work, including the identification of medicine that is brought in, drug prescriptions, and supervised administration. In addition, in September of 2020, OKI developed the non-contact "Hygienic Touch Panel," which can be operated in mid-air without any need to touch the device itself, and we are working on promoting the spread of this product as a man-machine interface of social-infrastructure-service terminals suitable for the new normal.

Regarding our Platforms business, we are expanding our Mono-zukuri-related services from electrical to mechanical technologies, our products from circuit boards to equipment as a whole, and our order receiving process from manufacturing to design/manufacturing/evaluation/maintenance. In the current business environment—which demands speed due to the massive changes of our times—different customers want to focus on different fields of expertise and processes, including research and development, marketing, and product planning. In response, we will provide comprehensive Mono-zukuri services to support and solve a variety of issues related to manufacturing, such as design and manufacturing,

achieving high quality, and supplementing product lineup that customers have in mind to solve social issues.

Global Partner Strategy

Through our Components & Platforms business, we are aiming to deliver, to more communities and society at large, products that help deliver OK to society by not focusing too much on our own brands and instead cooperating with global partners to promote business development and help resolve global issues with products from Japan, a developed country where new social issues are emerging.

To achieve this, we are aiming to build or enhance partnerships with customers who are intimately familiar with the markets of various countries to both explore markets and create new products. In particular, we believe developed countries have an increasing need for automation, efficiency boosting/unmanned operation, non-contact, non-face-to-face, and similar solutions, and—in cooperation with partners aiming to resolve social issues—we will develop and provide components capable of winning in a global arena in order to contribute to the resolution of global social issues.

To achieve the above growth strategy for our Components & Platforms business, we collect resources divided into three business categories, build a development structure consisting of around 700 people, and take similar steps to strengthen a foundation enabling us to flexibly respond to diverse customer needs as we contribute to society through our Mono-zukuri strength in order to attain the goals set forth by Medium-Term Business Plan 2022.

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

ESG Initiatives of the OKI Group

Based on its corporate philosophy, the OKI Group is working to advance environment, social, and governance (ESG) initiatives as a company “Delivering OK! to your life.” Through the key Japanese concepts of Mono-zukuri and Koto-zukuri, we will contribute to resolving social issues and help create a safe and convenient infrastructure for customers and society as a whole, and we will also practice corporate activities that encourage customers to feel secure in entrusting us with their projects.

Making Initiatives Concrete Based on Materiality

The OKI Group, as described in its corporate philosophy, underpinned by “enterprising spirit,” has long aimed to contribute to people around the world through its core business, namely the provision of products and services that can serve the development of the information age.

What underlies the Group’s CSR initiatives is our commitment to the pursuit and fulfillment of this idea.

Based on this recognition, we enacted the “OKI Group Charter of Corporate Conduct” to ensure the Group as a whole fulfills its social responsibilities precisely in ways that comport with the Group’s corporate philosophy. In addition, in accordance with the Charter, OKI set up the

OKI Group’s Materiality & ESG Initiatives

Materiality		ESG Themes	Initiatives for FY2020 to FY2022	Related pages
Creating Social Value	Products and Services that Help Solve Social Issues Social issues: aging infrastructure, natural disasters, transportation issues, environmental issues, labor shortages, labor productivity, infectious diseases	E <ul style="list-style-type: none"> Creating products that contribute to solving environmental issues Supporting a circular economy 	<ul style="list-style-type: none"> Expansion of environmental contribution products Reduction of life cycle CO₂ Creation of circular economy projects 	Pages 22-24 Pages 39-42
		S <ul style="list-style-type: none"> Creating products that contribute to resolving social issues Promoting value creation in corporate activities 	<ul style="list-style-type: none"> Efforts toward social issues indicated in growth strategy Internal cultural reforms aimed at innovation Development and securement of human resources who will support Mono-zukuri and growth area businesses 	Pages 21-24 Pages 35-38
		G <ul style="list-style-type: none"> Positioning ESG at the core of management 	<ul style="list-style-type: none"> Promotion and evaluation of initiatives based on materiality 	Page 16
Strengthening Management Infrastructure	Business Activities that Meet Stakeholder Expectations Business activities built on integrity (governance, internal controls, disclosure), response to climate change, HR management Strengthen the Infrastructure that Support Mono-zukuri	E <ul style="list-style-type: none"> Mitigation of and adaptation to climate change, pollution prevention, and resource recycling 	<ul style="list-style-type: none"> CO₂ reduction at business sites, strengthening of introduction of renewable energy Strengthening of chemical substance management through standardization of operations Improvement of recycling rate 	Pages 39-42
		S <ul style="list-style-type: none"> Strengthening of Mono-zukuri infrastructure Strengthening of human rights and labor initiatives 	<ul style="list-style-type: none"> Promotion of Virtual One Factory Strengthening of quality initiatives Realization of smart work-life Promotion of diversity and inclusion Strengthening of labor safety and health, and health management initiatives 	Pages 43-44 Pages 35-38
		G <ul style="list-style-type: none"> Strengthening of corporate governance Internal controls/Risk management Accurate information disclosure and strengthening of engagement (dialogue) 	<ul style="list-style-type: none"> Steady improvements based on board effectiveness evaluations Accuracy improvement and entrenchment of risk management Disclosures based on TCFD framework Reliable disclosures regarding materiality initiatives Strengthening of dialogue in IR/SR, etc. 	Pages 45-48 Pages 53-54 Pages 39-42

“OKI Group Code of Conduct,” to be followed by all OKI executives and employees. This Code of Conduct has been adopted across all Group companies and incorporated into OKI’s educational programs in order to be made well known and compulsory. The Charter and the Code are regarded as the basis for OKI Group Values that all Group executives and employees hold in esteem in their pursuit of increasing corporate value (see page 1).

In order to maintain this stance over the long term and “Delivering OK! to your life.” as “a corporate group that helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri and Koto-zukuri,” which is our vision, we will make our environmental, social, and governance initiatives more concrete and promote them based on the materiality specified in Medium-Term Business Plan 2022 (see page 16).

To Promote ESG Initiatives

In fiscal year 2020, OKI established the “Sustainability Promotion Working Group (WG)” as a promotional structure which cuts across related divisions in order to strengthen ESG initiatives based on materiality. In order to further deepen the understanding of ESG initiatives within the Group and to develop a base for each person to make efforts as a matter of personal concern, the WG has begun organizing seminars held by outside lecturers, dialogues on ESG led by the President and the heads of all of OKI’s divisions, and the like. The WG will continue to accurately disclose the progress of initiatives, and, based on this, to advance dialogue with stakeholders, provide feedback for activities, and so forth.

Main Initiatives/Organizations in Which OKI Participates

United Nations Global Compact

In May 2010, OKI signed the “United Nations Global Compact (UNGC)” to declare its support for the Compact. It also became a member of the Global Compact Network Japan, a local network in Japan. The UNGC is a voluntary initiative for participating in the creation of a global framework whereby companies and organizations act as good members of society to realize sustainable growth by demonstrating responsible and creative leadership. Under the commitment of top management, which subscribes to the 10 principles concerning the protection of human rights, the eradication of unfair labor practices, environmental measures, and anti-corruption, signatory companies and organizations to the UNGC are continuing to make efforts toward these goals.

The OKI Group supports the UNGC’s 10 principles 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 aiming for a virtuous cycle between the economy and the environment. TCFD refers to a proposal recommending the necessity to disclose information to investors about the company’s responses to climate change. In the future, OKI will disclose and disseminate information in accordance with TCFD recommendations, and will strengthen its efforts to contribute to the realization of a sustainable society brought about by a virtuous cycle of the environment and the economy.

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. JCI is a network of companies, local governments, NGOs/NPOs, etc. who support the Declaration of “Joining the front line of the global trend for decarbonization from Japan”; its policy is to create a movement that creates changes in Japan as a whole, with the aim of realizing a decarbonized society. By joining the JCI, OKI will leverage co-creation with a broad range of partners to strengthen its measures against climate change, and will contribute to the realization of a decarbonized society.

HUMAN RESOURCE MANAGEMENT

In order for the OKI Group to continuously develop in response to changes in the social environment, it is essential for each and every diverse employee to maximize one’s own capabilities to create innovation. The OKI Group positions human resources as one of its most important management resources and promotes the creation of a rewarding working environment through various initiatives including developing its human resources.

Basic Approach to Human Rights and Human Resources

In accordance with the International Bill of Human Rights and the Declaration of the International Labour Organization, the OKI Group recognizes that the protection of the human rights of each of its employees is the foundation of all corporate activities. Based on the “Respect for Human Rights” in its Charter of Corporate Conduct and Code of Conduct, it rigorously provides human-rights education through new hire trainings, trainings based on job position, and e-learning programs. The Group is also working on a fair employment and selection process and creating a working environment where diverse employees can play an active role. With its human resources vision of “pride, passion, and sincerity,” the Group is working on important management issues where all employees take pride in the Company, themselves and the people who work there, where employees act boldly and passionately towards goals and tackle all things with sincerity, and where employees can work in good physical and mental health.

OKI Group Human Resources Strategy

The OKI Group has an evaluation system that aims to align employee and company direction to achieve business targets so that employee growth leads to the development of the Company. Rather than only assessing results, the system evaluates whether the OKI Group Action Principles have been put into practice when striving for the results, thus encouraging employees to implement each of the Action Principles, including taking a more proactive approach to change. Furthermore, a highly credible system has been made a reality by creating a remuneration system in line with the job’s position and employee evaluation. A working environment that encourages communication among employees and promotes diversity will be created, making it easier and more rewarding to work each day.

In Medium-Term Business Plan 2022, the “development and securement of human resources who will support Mono-zukuri and growth-area businesses” has been newly set forth as a personnel measure aimed at sustainable growth. In addition to developing personnel systems that lead to the further invigoration of sites of Mono-zukuri, such as using skill assessment for the optimal assignment of human resources, we will promote measures such as establishing educational programs to develop the key individuals who will be responsible for the AI Edge domains and securing human resources via cooperation with universities.

Initiatives for Human Resource Development

The OKI Group is carrying out human resource development aimed at fostering autonomous employees who act not

self-righteously, but based on their own values, and who can also create results by involving people around them in the organization according to their roles.

Diverse Training Curriculum

The OKI Group delivers a diverse training curriculum by purpose: training based on job position; training for business skills including marketing, innovation, accounting, and foreign languages; and departmental training to hone professional expertise, such as sales, technical, and production skills. Furthermore, as it is essential for employees to build an image of their own career path for their own growth, the OKI Group is also committed to career design training. In addition to training in which employees can take stock of their own future careers at the ages of 30, 40, and 50, we also provide training which allows employees to consider, at the age of 54, retiring their (managerial) positions and continuing their careers thereafter. In fiscal year 2019, the average number of training days for each OKI employee was 2.75 days. In fiscal year 2020, as a part of measures to prevent the spread of COVID-19, we have rolled out companywide online training.

Developing Executive Talent

In order to gradually develop from a young age management executives and business leaders who will be responsible for the future OKI Group, we are carrying out development training for the next generation of management executives to help selected employees grow through their own hard work by participating in internal training programs and going to external business schools, and implementing tough assignments that require on-site practice. Moreover, for senior management such as executives, seminars with in-house and outside experts as lecturers are regularly held to provide the opportunity to acquire the literacy required for management.

FY2019 Next-Generation Management Executive Candidate Development Training Results [For OKI Group]

External dispatch programs (managers):	10 employees
Internal training programs (general employees):	17 employees

Invigorating the Organization

We believe that amid a drastically changing and increasingly complex world, as a foundation for building a vibrant workplace culture in which employees can take on challenges without fear of failure, it is necessary to cultivate a psychologically safe and secure “say, can say, and listen” culture, where employees can talk openly with each other and constructive criticism beyond personal interests and positions is accepted. To that end, since fiscal year 2018, we have been conducting

“So-Komi,” which is two-way communication training to start a cycle of success from the quality of our relationships, that is, relationships of trust, within the organization. So-Komi is a program consisting of workshops within divisions and a five-month practical workplace program; we plan to have participation in this program from all of our over 500 divisions within the domestic OKI Group by fiscal year 2021.

Initiatives for Diversity and Inclusion

Diversity and inclusion within the OKI Group is a means to strengthen human resources as a management strategy. The goal is to create innovation, improve motivation, and achieve sustainable growth of the organization by accepting and respecting the diverse differences of every person, and utilizing this diversity as something positive. As a first step, we have positioned women’s participation and advancement in the workplace as a matter of the highest priority, and made efforts primarily through our “Diversity Team,” a dedicated organization.

Promoting Women’s Participation and Advancement in the Workplace

Aiming to support women so they can pursue their own growth and develop their careers in ways that allow them to demonstrate their full potential, OKI has drawn up an action plan to promote women’s participation and advancement in the workplace. “Increasing the ratio of women among all new graduate hires to 20% or more,” which was set as a target for 2020, was achieved in fiscal year 2019 with a figure of 26.7%, but “a 4% ratio of female managers” was not achieved, as the result was 3.4%. As a new action plan target based on these results, we have set the following targets to be achieved by fiscal year 2022: (1) achieve a number of overtime hours for full-time employees that is equal to or lower than the fiscal year 2019 monthly average (24 hours); and (2) increase the ratio of female managers to 5%.

The ratio of female employees has improved due to the ratio of hires improving etc.; the next step is giving women more opportunities to demonstrate their abilities to play a more active role in the workplace. From here, talent for leader candidates becomes available, and more women can be appointed as managers.

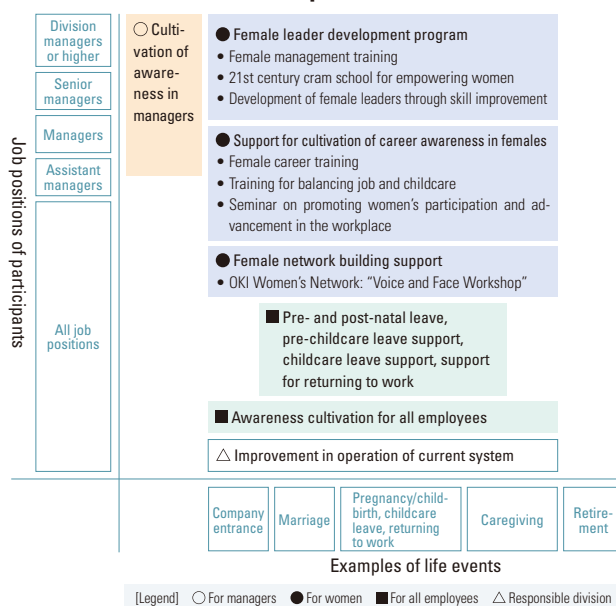
As a part of this initiative, every year since fiscal year 2014,

Female Executives and Employees

		End of FY2017	End of FY2018	End of FY2019
Number of female executives	OKI	2	3	2
	Domestic subsidiaries	2	2	2
Percentage of women in managerial positions	OKI	3.1%	3.3%	3.4%
	Domestic subsidiaries	2.2%	2.1%	2.5%
Percentage of female employees	OKI	12%	12.3%	12.8%
	Domestic subsidiaries	12.6%	13%	13.5%

the OKI Group has been holding seminars on promoting women’s participation and advancement in the workplace, bringing together top management, executives, managers, and female employees in the hundreds. These seminars have become established as opportunities for female employees to gain a better understanding of proactive career development, and for encouraging managers to recognize and practice the importance of managing such diverse talent.

Measures for Promoting Women’s Participation and Advancement in the Workplace (FY2019)



Aiming to Balance Work and Childcare for Both Men and Women

OKI has established a Work-Life Balance Promotion Committee comprised of the labor union and management members. As well as confirming employee work hours and paid leave, the Committee maintains a host of systems to support balancing work with childcare/caregiving, including the flextime system, the teleworking system, systems to provide special work conditions for people caring for children and nursing the elderly, as well as a Special Leave for Particular Purposes system which can be used to participate in volunteer activities, to treat illness and injuries, to nurse family members, to attend children’s school events, and so forth. As a part of these

Number of Employees who Took Childcare Leave (OKI alone)

	FY2017	FY2018	FY2019
Women	17	19	15
Men	1	1	1

Number of Employees who Received “Training for Balancing Job and Childcare” (domestic Group)

	FY2018	FY2019
Women	19	11
Men	23	24

HUMAN RESOURCE MANAGEMENT

efforts, “Returning Employee Meetings,” held with the three parties of employees who have returned from childcare leave, their bosses, and the Human Resources and General Affairs Division, and “Work and Childcare Balance Training” are carried out, and at OKI’s six business sites, consultation counters have been set up to accept a wide range of concerns related to balancing work with childcare, caregiving, etc.

Respect for Diversity

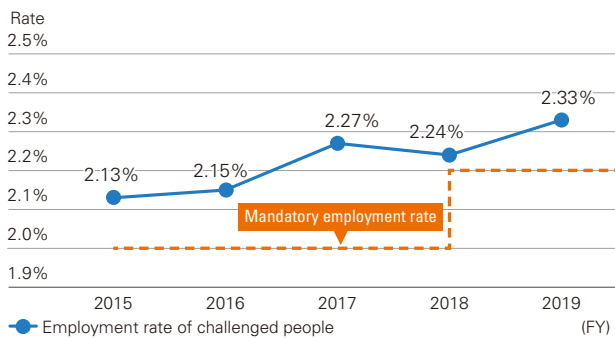
● Initiatives for LGBT

Aiming to become a workplace in which everyone is respected and able to securely demonstrate their abilities, in fiscal year 2019, OKI began providing e-learning materials that allow users to gain basic information about LGBT, which refers to sexual minorities, at any time.

● Promotion of Hiring of Challenged People

The OKI Group is making efforts to promote the hiring of challenged people, centered on OKI WorkWel, a special subsidiary established in 2004 for the employment of challenged people. As of June 2020, 73 out of 86 OKI WorkWel employees have disabilities, and 55 of them with serious physical impairments are working from home in 20 prefectures, utilizing their IT skills for tasks such as building websites. The OKI Group’s employment rate for challenged people* in fiscal year 2019 was 2.33%, exceeding the mandatory employment rate.

Employment Rates of Challenged People



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

The Key Person for Promoting Diversity Is the Manager

Having a diverse group of human resources alone will not improve performance. The OKI Group has been training managers to deal with diversity based on the idea that they can produce results only if they have an inclusive workplace culture and management that accepts and utilizes each person’s diverse differences. In order to improve awareness, in 2019, training was conducted on handling the concepts of unconscious assumptions, unconscious prejudices, and general unconscious biases, which constitute major factors hindering diversity promotion, and a total of 50 managers, including all of OKI’s division managers, participated.

Initiatives for Occupational Health and Safety, Health Management

Occupational Health and Safety Initiatives

OKI established “Safety and Health Committees” in each region, with company members from management and the labor union. These strengthen the safety and health system, create plans to prevent labor injuries and accidents, patrol workplaces, provide safety and health training, etc. The Central Safety and Health Committee shares information on situations and initiatives in each region. OKI’s incidence rate of occupational accidents* in 2019 was 0.00, falling below the electric machinery/equipment manufacturing industry’s average of 0.54 (in Japan).

Incidence Rates of Occupational Accidents

Year	2017	2018	2019
Incidence Rate	0.22	0.24	0.00

*Incidence rate of occupational accidents: Number of casualties due to occupational accidents per million man-hours worked.

Health Promotion Initiatives

The OKI Group considers the ability of employees to endeavor toward their work with both mental and physical health to be an essential point of management. Thus, in order to effectively prevent diseases in employees and their families and carry out both mental healthcare and health promotion, the OKI Group is promoting collaborative health, in which its Group companies and health insurance associations cooperate and carry out initiatives.

Twice each year, OKI holds “Health Management Business Promotion Committee Meetings” with its Group companies, health insurance associations, occupational health staff, and labor union members, where issues are shared based on analysis of various health examination data, medical treatment fee data, etc., and efforts are made toward the improvement of health awareness and lifestyle habits. Further, as initiatives to strengthen self-care, for affiliated companies which enroll in the OKI Electric Industry Health Insurance Association, “MY HEALTH WEB,” a health portal site for individuals, was established in June 2019, and “Health Challenge Campaign” events are held each year.

External Certification for Human Resources

- | | |
|--|--|
| 1 Health Management | Outstanding Health and Productivity Management (OKI) |
| 2 Childcare Support | Kurumin Certification (OKI Software)
Platinum Kurumin Certification (OKI, OKI Circuit Technology) |
| 3 Promoting Women’s Participation and Advancement in the Workplace | Eruboshi Certification (OKI) |



TOPICS

Aiming for Realization for Smart Work-Life



In August 2020, OKI launched the “Smart Work-Life Project.” In order to conduct sustainable business activities as a company that contributes to resolving social issues, OKI has envisioned a highly productive work style and work-life balance that are in line with new lifestyles during and after the COVID-19 pandemic, and until fiscal year 2022, will systematically carry out measures to realize this vision.

Project Targets

1. Promotion of Digital Transformation of Work Styles

We will accelerate the digital transformation of internal work processes which we have been engaged in, and aim for the construction of a work environment where work can be completed online.

2. Pursuit of Well-Being

In pursuit of the well-being of each and every employee by, for example, preparing environments in which employees can continue working even in cases of various life events such as childcare, caregiving, work transfers of spouses, and illness, we are aiming for the creation of rewarding workplaces. In addition to aiming to promote employee retention and the securing of a wide range of capable human resources, we will accelerate our diversity promotion initiatives.

3. BCP

We will build a resilient structure that can respond to various risks such as infectious diseases, natural disasters, and conflicts, maintain and continue business activities, and maintain production activities.

Main Measures

1. Realization of Smart Work Suited to Workplace, Occupation, and Work (Pursuit of Work Styles that Maximize Productivity)

Upon improving IT, network, and office environments and considering the situation regarding COVID-19 measures, we will pursue the most efficient work styles and aim to improve productivity while exploring the optimal arrangements for telework and office work for each occupation and workplace, and conducting fixed-point observation through pulse surveys of all OKI employees.

2. Improvement of Work Style Flexibility

We will review work systems which take office work for granted, and shift to systems in which telework or office work can be flexibly selected in accordance with work objectives (productivity). We will aim to improve diversity by building a structure in which employees can work without time or location constraints by, for example, expanding shared offices, proactively utilizing flextime systems with no core time, and reviewing the approach to transfers.

3. Office Reforms

We will redefine offices as sites for co-creation and cooperation between customers and employees and reorganize our business sites. While cutting our office space in city centers by half, we will expand shared offices.

4. Work Reforms

We will accelerate digital transformations, and with regard to internal procedures, we will comprehensively abolish the practice of using seals on documents and build environments in which work can be completed online. Further, we will take stock of work duties and promote the discontinuation of unnecessary work duties and the simplification of work.



Project logo which symbolizes “society, daily life, and company”

CONSIDERATION FOR THE ENVIRONMENT

The OKI Group considers its mission to be responding to increasingly severe climate change and resolving social issues in order to pass on a better global environment to the next generation. Therefore, we consider environment-related business risks and opportunities from the medium- to long-term perspective to promote environmental management.

Goals for FY2030/FY2050 and Initiatives to Achieve Them: Ensuring Promotion as “Our Own Issues”

As climate change increases in severity—also called the climate crisis—consideration for the environment is becoming increasingly urgent, including the responses of the governments of each country, investors, NGOs, companies, and other players, circular economy and other resource circulation trends, and increasingly complex laws and regulations governing chemical substances.

Based on this understanding, in October of 2020, OKI

set forth a series of environmental-management initiative goals for fiscal year 2030/fiscal year 2050 in Medium-Term Business Plan 2022. By having each of our executives and employees promote activities to attain these goals as “their own issues” as they associate such activities with “opportunities” for value creation and “risks” for management foundation, we will strive to achieve sustainable growth.

1 Prevention of Global Warming

FY2030: Reduce lifecycle CO₂ by 40% compared to FY2013

FY2050: Achieve virtually zero CO₂ emissions from energy at all sites, including plants (Achieve zero emissions with products/site energy saving/renewable energy as well as the contribution of environmentally friendly products)



2 Contribution to the Achievement of the SDGs

- Create and provide products that contribute to the resolution of the environmental issues of customers
- Innovative Mono-zukuri and Koto-zukuri in the supply chain
 - Achieve zero energy buildings (ZEB) for factories



Awareness of Issues

In terms of the corporate activity environment, there is a tendency to be entirely preoccupied with management, including “energy saving for manufacturing sites and products, resource saving, and chemical substance management.” While this is extremely meaningful, it has been pointed out that, in recent years, some parts of OKI have started focusing their activities entirely on maintaining ISO 14001* certification, reducing such efforts to a mere formality. In response, OKI has reorganized environment-related opportunities and risks as described below, and we are increasing opportunities to hold discussions, communicate information within the Group, and obtain education specific to each division and position so that each employee can work on the above issues as “his/her own issues.”

Value Creation Opportunities

OKI’s key message, “Delivering OK! to your life.,” clearly expresses the significance of incorporating environmental issues into business management. Efforts to resolve environmental and other social issues are the starting point for OKI’s value creation, and such efforts can also be viewed as opportunities to ensure our significance as a company and fulfill our mission.

The key to this is the fact that we are already contributing to the resolution of environmental issues—including the “mitigation of and adaptation to climate change”—by providing various types of equipment and systems that help save on labor as well as disaster prevention systems etc. By providing society with more products and solutions that contribute to the resolution of environmental issues, we can work with our customers and partners to contribute greatly to the resolution of environmental problems in ways that our efforts alone never could. Based on this perspective, OKI is currently promoting innovation through co-creation with many partners.

Risks for Management Foundation

At the same time, various problems increasing in severity every year, including climate change as well as waste and chemical substance management, are becoming a serious risk to both OKI’s management foundation and its customers. Based on this understanding, OKI is promoting the enhancement of activities not only at its own business sites but also throughout the supply chain, which includes suppliers.

*ISO14001: An international standard for environmental management systems

Formulation of Medium-Term Environmental Plan 2022

To spread the above environmental management approach throughout our organization, OKI has formulated a Medium-Term Environmental Management Plan (Medium-Term Environmental Plan) to achieve our goals for fiscal year 2030/fiscal year 2050. The Medium-Term Environmental Plan includes five pillars based on our desire to promote environmental activities as we conduct business—including SDGs and decarbonization—communicate information on the process and results of such activities to stakeholders, use the results to help achieve sustainable growth, and revitalize the environmental activities of individual employees, which provide the support necessary to make all this happen.

The details of this medium-term plan—which have been formulated as the action plan up through fiscal year 2022

necessary to achieve our goals for fiscal year 2030/fiscal year 2050 based on backcasting approach—are shown in the table below.

Overview of Medium-Term Environmental Plan 2022



Action Plan Up Through FY2022 (Overview)

Environmental Theme	Measures	Category	Scope	Action Plan Up Through FY2022
Mitigation of climate change	• Reduction of lifecycle CO ₂	Risk	Overall	<ul style="list-style-type: none"> • Reduction of lifecycle CO₂ by 21% or more (compared to fiscal year 2013) • Purchasing CO₂ emissions trading rights of 1,350 t-CO₂ or more
	• Reduction of CO ₂ from business sites	Risk	Sites	<ul style="list-style-type: none"> • Increasing the improvement rate of basic unit by 3% or more (compared to fiscal year 2019)
Adaptation to climate change	• Countermeasures for abnormal weather: countermeasures for storm and flood damage, high and low temperatures, etc.	Opportunity	Products	<ul style="list-style-type: none"> • Development of solutions that contribute to adaptation to climate change
		Risk	Overall	<ul style="list-style-type: none"> • Enhancement of BCP/BCM*¹ related to sites and important procurement
Prevention of pollution	• Enhancement of the management of chemical substances in products	Risk	Products	<ul style="list-style-type: none"> • Enhancement of chemical substance management via overall Group operation standardization
	• Reduction of chemical substance emissions	Risk	Sites	<ul style="list-style-type: none"> • Monitoring the emission rate*² at least twice per year
Resource circulation	• Circular economy initiatives	Opportunity	Sites	<ul style="list-style-type: none"> • Creation of three circular economy projects
	• Reduction of waste	Risk	Sites	<ul style="list-style-type: none"> • Recycling rate*³ equal to the fiscal year 2014 to 2018 average or more
Overall	• Expansion of products and solutions that contribute to the resolution of environmental issues	Opportunity	Products	<ul style="list-style-type: none"> • Net sales of ¥72.0 billion or more (16% of the overall sales)

*1 Business continuity plan/Business continuity management

*2 Chemical substance emissions in the atmosphere and water system/chemical substance input

*3 Recycling amount/total amount of waste (including the valuable sale amount)

Handling Risks and Opportunities

To promote the handling of opportunities and risks on an organizational level, the OKI Group utilizes integrated certification of ISO 14001, and specialized divisions in charge of the promotion of cross-Group environmental management activities consider the overall supply chain as they lead efforts to enhance compliance with environmental laws and regulations, activities to reduce the environmental impact, the monitoring of environment-related data,

and management activities pertaining to BCP/BCM etc. associated with climate change.

In addition, in fiscal year 2019, we formulated a medium- to long-term environmental vision leading up to fiscal year 2050 and announced our support for the TCFD*.

* TCFD: Task Force on Climate-related Financial Disclosures (a committee and recommendations related to disclosure by companies related to climate change)

CONSIDERATION FOR THE ENVIRONMENT

Scenario Analysis: Direct Dialogue with 30 Organizations in the Group

In fiscal year 2019, OKI applied the TCFD framework not only to climate change but also to resources, chemical substances, and similar characteristics to conduct a scenario analysis (an analysis assuming multiple events). The management at more than 30 of our domestic and overseas organizations, affiliated company presidents, and members of environmental divisions directly and individually discussed the identification of business risks and opportunities assuming these events as well as the specific measures to take in response.

These discussions went on for half a year and involved a confirmation of the climate and business situation surrounding each organization. Each specific discussion lasted around two hours, stimulating quite a few organizations significantly. As a result, many sites enhanced their countermeasures for storm and flood damage as well as high temperatures, and we made progress in terms of redefining our business from the environmental perspective and implementing organizational reforms. The overall results were reported to our top management, and the progress of related measures is being confirmed via internal auditing.

Towards the Expansion of Environmentally Friendly Products

One opportunity for OKI that was shared through the above dialogue is the provision of various products and solutions

that contribute to the resolution of climate change and other environmental issues. OKI will exploit the synergy between its Innovation Management System (see page 21) and environmental management system to generate a virtuous cycle between the environment and our business on an organizational level.

In fiscal year 2019, the net sales of these environmentally friendly products amounted to ¥49.0 billion, which was 11% of the OKI Group's total net sales. We will continue promoting our growth strategy and innovation measures, with the aim of achieving environmental contribution product sales of ¥72.0 billion (16% of the annual total, corresponding to 1.5 times the contribution from sales of these products in fiscal year 2019) by fiscal year 2022—the final fiscal year of our Medium-Term Business Plan—and an ultimate aim of achieving net sales of these products equal to at least 50% of the total by fiscal year 2030.

Net Sales of Products and Services that Contribute to the Resolution of Environmental Issues

FY2019 Result	FY2022 Target	FY2030 Target
¥49.0 billion (11%)	¥72.0 billion (16%)	At least 50% of the overall sales ratio

Examples of Business Activities that Contribute to the Resolution of Environmental Issues



Manufacturing



- Circular economy initiatives
Preventive equipment maintenance via factory IoT control/sensing
- Achievement of zero energy factories
Achievement of zero energy buildings (ZEBs) for factories



Construction and Infrastructure



- Increased efficiency/unmanned handling of on-site work by utilizing robots
Reduction of CO₂ and energy saving at infrastructure construction/maintenance management sites
- Environmental monitoring/patrol support
Reduction of the environmental impact on construction sites and surrounding areas



Transportation



- ITS service expansion
Achievement of optimized and diverse movement of people and things
- Support for automated driving
Achievement of comfortable autonomous cars through infrastructure cooperation



Marine



- Underwater surveys utilizing robots
Strengthening of the infrastructure foundation, including rivers, dams, and harbors
- Promotion of DX in the marine field through acoustic technologies
Increased ship sophistication, marine self-defense, and protection of marine resources

Reducing CO₂ at Business Sites

Reducing CO₂ is an urgent issue for mitigating the devastating effects of climate change—for which the severity is increasing at an accelerating rate. The OKI Group is promoting CO₂ reduction related to its on-site business activities, both by improving efficiency and implementing CO₂ management.

Efficiency Improvement

In terms of efficiency improvement, our objectives are to improve our basic energy unit (energy usage rate) by 1% per year or more and to reduce the amount of energy we use by 1.4% per year or more via two pillars: improving site operations—also called “Muda-tori” (eliminating waste)—and replacing air conditioning and production equipment with more efficient equipment.

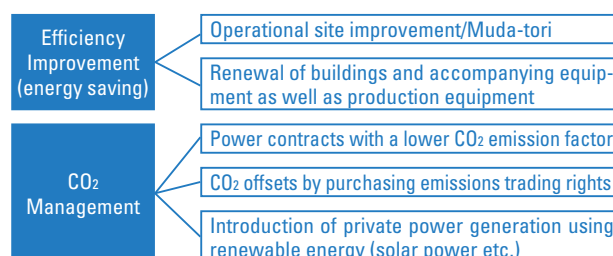
CO₂ Management

In terms of CO₂ management—given that most of the overall OKI Group’s CO₂ derived from energy use is due to the use of electric power—we have long promoted power contracts that consider the CO₂ emission factor. In fiscal year 2020, we formulated new in-house rules related to power contracts to help ensure that our results do not

worsen compared to fiscal year 2019.

In addition, in fiscal year 2019, given the above situation, we promoted discussions that included external experts and were focused on optimal methods for introducing renewable energy. As a result, we devised a plan to purchase at least 1,350 t-CO₂ worth of J-Credit and similar CO₂ emissions trading rights during the three-year period up to fiscal year 2022. In addition, many of OKI’s factories are aging, which means that it will soon be time to renew them. We have therefore decided on a policy of introducing renewable energy suitable for each site when we renew factories or make similar improvements. In this way, we will achieve zero energy buildings (ZEBs) at factories.

Overview of Measures to Reduce CO₂



Results of FY2019 Environmental Activities (Overview)

Category	Activity Content	FY2019 Targets → Outcome
Realization of a low-carbon society		
Products	Achievement of energy-saving hardware products	20% or more of developed products → 20% (energy saving of 23% or more over conventional products)
Business activities	CO ₂ reduction at workplaces (plants and offices)	Reduction of the amount of used energy (kl) of 1.2% or more → 5.6% reduction (compared to the previous fiscal year) Efficiency improvement of 20% or more → 17% improvement (basic unit*1 compared to fiscal year 2012)
Overall	Purchasing Renewable Energy Certificates or emissions trading rights (J-Credit)	Equivalent to 53 t-CO ₂ (110,000 kWh) → Equivalent to 209 t-CO ₂ (430,000 kWh)
Prevention of pollution		
Products	Development of products complying with regulations on chemical substances in products	35 or more products → 20 products
	Ensuring legal compliance by supporting the new standard survey form (chemical substance management system/management procedure manual)	Respond to addition of RoHS prohibited substances → Ongoing survey in order of priority Add IT system functions to support SHERPA → Finished releasing two functions Confirm status of compliance with laws and regulations → No legal violations
Business activities	Monitoring of the emission rate*2 from factories	Two or more times per year throughout the Company → Two times
	Compliance with chemical substance related regulations (atmosphere/water/soil)	Compliance with legal audits, zero legal violations → Achieved
Resource circulation		
Products	Recycling of used products	3,100 tons or more → 2,450 tons
	Development of easily recyclable products	31 or more products → 31 products
Business activities	Maintenance of the recycling rate*3	Rate equal to the average of the last five years (fiscal year 2014 to 2018) or more → Achieved (83%)
	Monitoring of the factory resource input efficiency*4	Two or more times per year throughout the Company → Two times
Common		
Biodiversity conservation	Realization of a low-carbon society/prevention of pollution/resource circulation	Promotion of the above initiatives*5

*1 Total of “improvement in energy usage rate x usage rate for entire Group” for each workplace

*2 “Emissions/input” of chemical substances

*3 Recycling amount/total amount of waste (including the valuable sale amount)

*4 “Disposal amount/input” of primary resources

*5 Efforts for conserving biodiversity

<https://www.oki.com/en/eco/management/biodiversity.html>

For details on initiatives and data, see “Environmental Conservation” on our website. <https://www.oki.com/en/eco/>

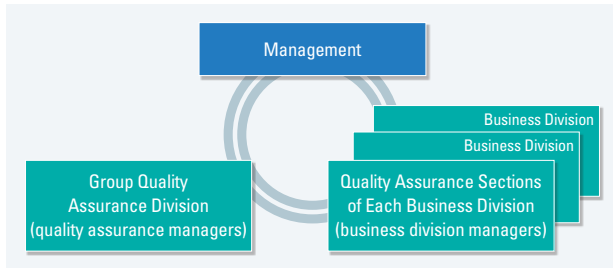
QUALITY- AND PRODUCTION-RELATED INITIATIVES

Under its quality philosophy of “providing products that always make customers happy,” the OKI Group considers its customers to be the center of “Mono-zukuri and Koto-zukuri” and strives to develop, produce and provide products and services with due consideration for safety and user-friendliness.

Quality-Related Initiatives

Product quality assurance in the OKI Group is achieved through the activities of all divisions and employees involved in the product life cycle. We conduct quality assurance through collaboration between the Group Quality Assurance Division, which adopts a Groupwide perspective, and the quality assurance sections of each business division, which have business-specific functions.

Quality Assurance System



Quality Improvement Activities Based on Quality Policies

Based on our quality philosophy, we have established Group Quality Philosophy and engage in quality improvement activities across our organization.

• Quality Fraud Prevention Activities

In addition to previous on-site surveys, in fiscal year 2019 we launched a new activity by conducting a questionnaire-based survey of all OKI employees to raise awareness of the need to prevent quality fraud and check for signs of fraud.

• Improvement Activities

After each project related to product development is completed, we look back on the entire project from upstream to final processes to build improvement mechanisms that reflect the customer’s perspective.

• Disseminating Information and Passing on Experiences

At OKI, people in charge of each production site gather to announce and commend daily improvement activities. We also hold a Groupwide “Production and Quality Reform Awards Presentation,” where we commend and share good efforts and promote cross-lateral development and succession.



Production and Quality Reform Awards Presentation (December 2019)

Enhancing Safety and User-Friendliness

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

Universal Design Initiatives

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

To enable elderly customers to use our products with ease, we have a developer training program in which participants wear “elderly simulation sets” in order to experience the inconveniences felt by aged people. For new employee training as well we have established units for learning the concepts of universal design and user experience.



Training using elderly simulation set

Quality Philosophy (Overview)

Providing products that always make customers happy

FY2020 the OKI Group Quality Policies (Overview)

- 1. Exhaustive quality fraud prevention** Foster a culture of compliance with relevant laws and regulations, standards, promises to customers, and voluntary standards to prevent fraud.
- 2. Ongoing improvement activities** Improve customer satisfaction and product quality by reviewing our work from the customer’s perspective.
- 3. Step up dissemination of information on quality-related activities.** Learn from both our own experiences and those of others in order to pass on our technologies and expertise.

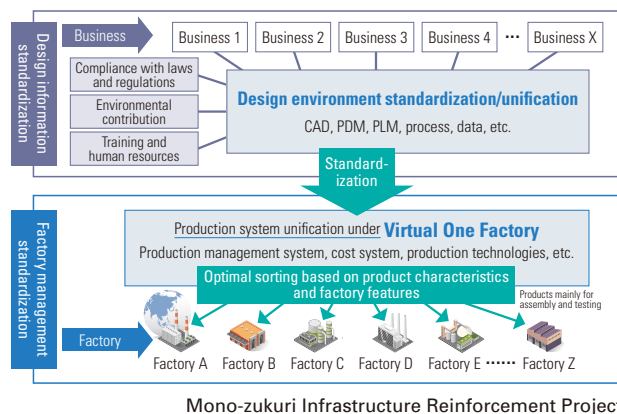
Website “Quality Initiatives”

<https://www.oki.com/en/sustainability/csra/customer/quality.html>

Production Initiatives

Mono-zukuri Infrastructure Reinforcement Project Activities Started

The OKI Group is reviewing its manufacturing practices from the perspective of “what manufacturing means to customers.” With our existing production infrastructure, our production divisions and factories are linked to our business and development divisions, resulting in different development tools and factory systems for each organization and a lack of compatibility. Instead of this “business–factory” framework, we are aiming to build “Virtual One Factory,” which matches the characteristics of each product (prototypes, mass-produced products, small-lot products, large system products, and so forth) with the specialties of each factory, to ensure that manufacturing is done in the most appropriate facility. To achieve this, from fiscal year 2020 we promote unification of various development tools and production management systems.



Mono-zukuri Infrastructure Reinforcement Project

We also launch Mono-zukuri Infrastructure Reinforcement Project, which includes measures for the environment, compliance with various laws and regulations, and the deployment of education and human resources.

SUPPLY CHAIN INITIATIVES

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

Legal Compliance Initiatives

In accordance with the OKI Group Code of Conduct, we emphasize fair, honest, and non-discriminatory selection of suppliers, as well as sincere and fair business transactions. To ensure that our procurement activities are conducted properly, we conduct biannual workshops on purchasing-related laws for persons in charge of materials- and procurement-related divisions, including those of subsidiaries. At the workshops, we provide education and share information on the OKI Group’s policies as well as relevant laws including the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors. In fiscal year 2019, we held the workshops in July and December, with participation by 165 people.

Promoting CSR-Conscious Procurement

As a CSR guideline for our suppliers, we produced OKI Group Supply Chain CSR Deployment Guidebook*, based on which we conduct CSR surveys of our domestic and overseas suppliers using a self-assessment questionnaire. We also visit our domestic suppliers to monitor their CSR initiatives, and we give feedback about the survey results to each supplier with requests to make corrections as necessary. In light of growing stakeholder interest in ESG, we are expanding and reviewing the content of these CSR surveys.

Procurement BCP (Stable Procurement of Materials)

The OKI Group provides many products in businesses that support social infrastructure. To ensure stable procurement of materials in these businesses, we have established a procurement BCP system. We have also produced a Groupwide procedural manual to prepare for typhoons, torrential rains, and other natural disasters that are occurring frequently in recent years. Other disaster-related activities include regularly examining the locations of our suppliers’ manufacturing bases and improving communication protocols for times of emergency.

In fiscal year 2019, we faced various challenges such as Typhoon No. 19 which caused extensive damage and the COVID-19 pandemic. In response, we communicated and coordinated with our suppliers and kept our supply chain in place. We will continue working to improve our systems to address changes in traditional practices and work styles stemming from the COVID-19 crisis.

*Our guidebook conforms to the Supply-Chain CSR Deployment Guidebook published by Japan Electronics and Information Technology Industries Association (JEITA). It covers such areas as human rights and labor, occupational health and safety, the environment, fair trade and ethics, and product quality and safety.

CORPORATE GOVERNANCE

The OKI Group recognizes sustainable growth and increasing corporate value over mid- and long-term as its most important management priorities in earning the trust of its various stakeholders. To this end, we are working to enhance corporate governance based on our fundamental policies, including “enhancement of management fairness and transparency,” “timely decision-making processes,” and “full compliance and fortification of risk management.”

Corporate Governance Structure

OKI maintains a corporate auditor system, with the Board of Directors and the Audit & Supervisory Board. With an executive officer system in place, it strives to promote timely decision making processes by separating business execution and oversight. It endeavors to improve the fairness and transparency of management by nominating outside directors to the Board as well as setting up a voluntary committee on nomination, remuneration, etc. so as to ensure effective supervision from an independent and objective standpoint. By conducting objective audits with Audit & Supervisory Board members and the Audit & Supervisory Board, OKI is making efforts toward full compliance and the fortification of risk management.

Board of Directors

The Board of Directors in principle meets once a month, but can call extraordinary meetings when necessary, and is responsible for deciding fundamental management policies and other important matters and overseeing business execution. The Board of Directors is made up of nine directors, four of whom are outside directors with a high level of independence in order to enhance management fairness and transparency. Furthermore, there is a policy in which the non-executive chairman presides over Board of Directors meetings. To clarify management responsibility for each fiscal year, directors are appointed for single-year terms.

Audit & Supervisory Board

The Audit & Supervisory Board comprises four Audit & Supervisory Board members, two of which are outside Audit & Supervisory Board members with a high level of independence. Based on audit policies, methods, etc. decided at Audit & Supervisory Board meetings, Audit & Supervisory Board members attend Board of Directors’ meetings and other important meetings, verify the content of reports received from directors, etc., and conduct investigations into matters concerning the Company’s operations, financial status, etc. Collaborating closely with outside directors, the Internal Auditing Division, and the accounting auditors, Audit & Supervisory Board members audit the performance of duties by directors. Moreover, Audit & Supervisory Board staff members who are not subject to instructions by the directors are assigned in order to assist the duties of Audit & Supervisory Board members.

Executive Officer System

OKI appoints executive officers to implement operations in accordance with management policies determined by the Board of Directors so as to separate the functions of business execution and oversight of management and promote timely decision-making processes. Moreover, to assist the

President in making decisions, the Company has established the Management Conference.

Utilization of Voluntary Committees

OKI has established the Personnel Affairs and Compensation Advisory Committee as a voluntary body to ensure transparency in the decision-making processes for appointments and dismissals of board members and executive officers, as well as their compensation. The committee includes outside directors as main members, and after deliberating from an objective perspective on appointments and dismissals of board members and executive officers, as well as the structure and level of their compensation etc., it reports its findings to the Board of Directors.

Appointments and Dismissals of Directors and Executive Officers

When nominating and appointing candidates for directors, Audit & Supervisory Board members, and executive officers, OKI will take the followings into consideration as well as legal eligibility:

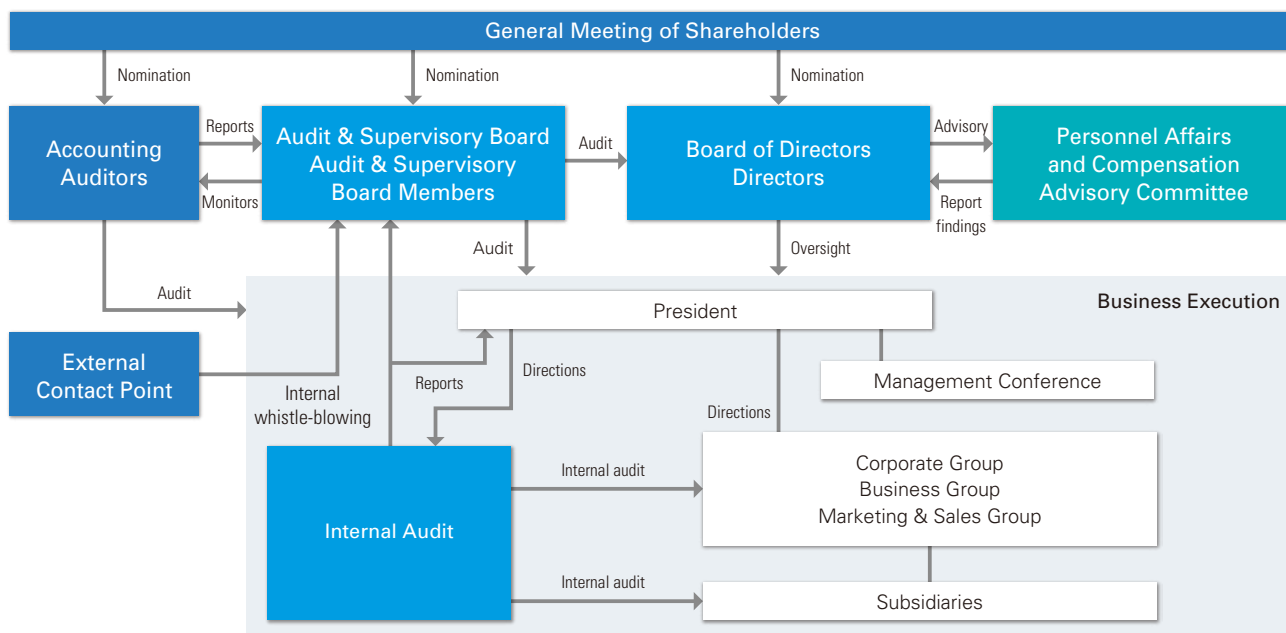
- A person who has a noble character with wisdom, high level of ethics, fairness, honesty, and a law-abiding spirit
- A person who realizes OKI Group’s corporate philosophy and conducts one’s duties to enhance corporate value continuously
- One’s length of tenure
- Audit & Supervisory Board members must have the necessary financial, accounting, and legal knowledge

The criteria for submitting a proposal to dismiss a director, Audit & Supervisory Board member, or executive officer takes into consideration the followings: the person’s act violates or infringes on the Law and the Article of association; reason arises that the person is unable to properly perform one’s duties. Should such an incidence occur it is immediately deliberated by Personnel Affairs and Compensation Advisory Committee, who then submit their proposal to the Board of Directors.

Internal Auditing

OKI has established the Group Internal Auditing Division tasked with internal auditing. The division is comprised of 25 members, including one certified internal auditor and one certified fraud examiner, and, in accordance with internal audit regulations, conducts internal audits for the purpose of accurately perceiving the actual state of compliance risk management across businesses and functions in OKI’s various divisions and subsidiaries, along with identifying and preventing mistakes and errors as well as corruption in the operation of internal control systems, thereby supporting operational improvements.

Corporate Governance Structure



Structure of Board of Directors, Personnel Affairs and Compensation Advisory Committee, and Audit & Supervisory Board

●:Chair △:Advisory role

Name	Responsible Duties	Number of Years in Office	Notes	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board
Hideichi Kawasaki	Chairman of the Board	15		●	○	
Shinya Kamagami	President, Representative Director	6		○		
Masayuki Hoshi	Senior Executive Vice President, Representative Director	4		○		
Masashi Tsuboi	Executive Vice President, Member of the Board	1		○		
Masashi Fuse	Senior Vice President, Member of the Board	1		○		
Shigeru Asaba	Outside Director	3	Independent	○	●	
Tamotsu Saito	Outside Director	2	Independent	○	○	
Izumi Kawashima	Outside Director	2	Independent and Female	○	○	
Makoto Kigawa	Outside Director	1	Independent	○	○	
Sei Yano	Standing Audit & Supervisory Board Member	3		△		●
Toshiya Hatakeyama	Standing Audit & Supervisory Board Member	1		△		○
Hideo Shiwa	Outside Audit & Supervisory Board Member	Newly-nominated	Independent	△		○
Ryuichi Makino	Outside Audit & Supervisory Board Member	Newly-nominated	Independent	△		○

Areas in Which Directors (Non-Executive Directors) Are Expected to Contribute in Particular

Name		Corporate Management	Legal/Risk Management	HR Development	Finance/M&A	International Experience	Logistics Management	Technology/Research	Sales
Hideichi Kawasaki	Non-executive	○		○					○
Shigeru Asaba	Outside			○	○	○			
Tamotsu Saito	Outside	○	○			○		○	
Izumi Kawashima	Outside		○		○				
Makoto Kigawa	Outside	○		○			○		

CORPORATE GOVERNANCE

Compensation for the Board Members and Executive Directors

OKI's basic policy on compensation for directors and executive officers is to serve as incentives for the performance improvement with the aim of the continuous enhancement of the corporate value and the corporate competitiveness while being the compensation structure that can attract excellent human resources.

The compensation system consists of basic compensation, annual incentive compensation linked to the performance of each fiscal year, and medium- to long-term incentive compensation in the form of stock-based compensation linked to medium- to long-term performance.

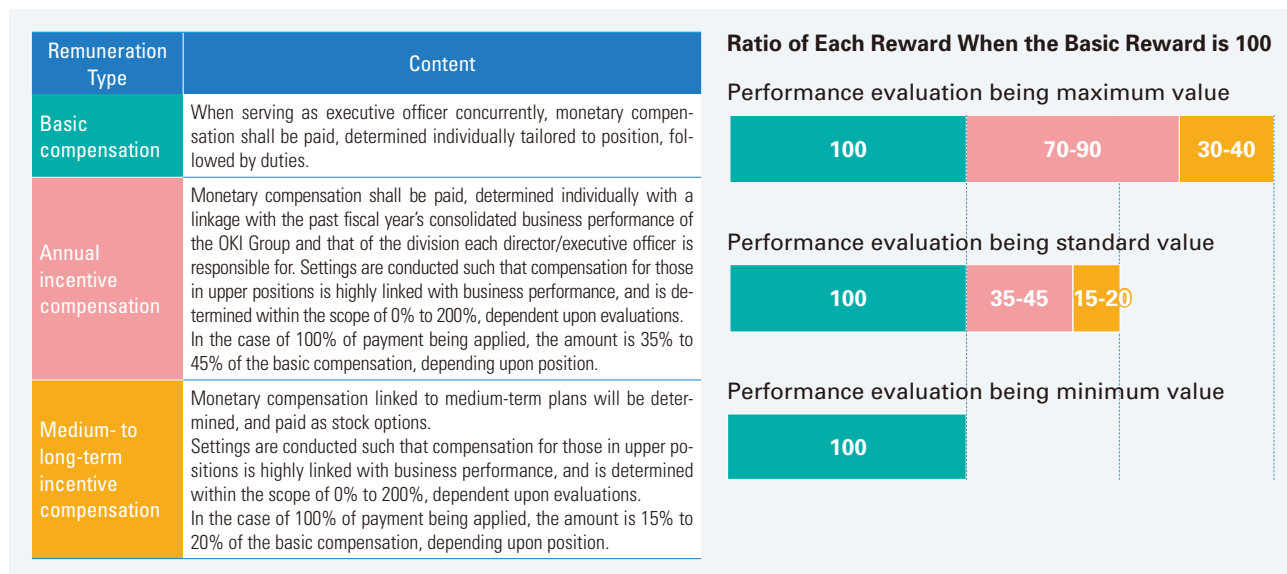
This has been implemented as a part of efforts to develop an environment for a shift to management which supports aggressive management of the OKI Group and

achieves our medium-term business plans.

Compensation for outside directors consists only of basic compensation. In addition, the appropriateness of the structure and level of compensation is validated utilizing objective evaluation data from external organizations and others.

At the 82nd Ordinary General Meeting of Shareholders held on June 29, 2006, a resolution was passed on the remuneration for directors not to exceed ¥600 million a year (which does not include salary for employee post.) Separately, stock options as stock-based compensation for directors (excluding outside directors) was passed at the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016, limiting the amount to within ¥100 million a year.

Remuneration Type and Ratio Image



Board Effectiveness Evaluation

Each year, OKI evaluates and analyzes the effectiveness of the Board of Directors by recognizing, sharing and improving the direction that the Board of Directors must aim for and issues related to that undertaking for the purpose of enhancing the Board's effectiveness.

Board Effectiveness Evaluation Method

At the Board of Directors meeting in November 2019, a discussion was held regarding the effectiveness evaluation for fiscal year 2019, and it was decided that, similar to the preceding fiscal year, the Secretariat of the Board of Directors would serve as the secretariat, carrying out the three stages of evaluation: questionnaires conducted among all directors and Audit & Supervisory Board members, individual interviews, and deliberations by the Board

of Directors. The introduction of third-party evaluations was considered in the discussions, but it was concluded that in order to conduct investigations and evaluations suited to the circumstances of the Company, self-evaluation was appropriate. However, as third-party evaluations as well have useful points such as enabling comparisons of evaluation processes etc. with other companies, it was decided that the introduction of third-party evaluations once every few years would also be considered the following fiscal year and thereafter.

For the questionnaires, the material used in the previous fiscal year, which was created based upon "Corporate Governance Code" and "Practical Guidelines for Corporate Governance Systems" (Ministry of Economy, Trade and Industry), was used as a base, with

the addition of items relating to “Practical Guidelines for Group Governance Systems” (Ministry of Economy, Trade and Industry). As a result, questions regarding “the approach to the Board of Directors,” “the approach to utilizing outside directors,” “the approach to nominating and compensating management,” and “the approach to Group governance” were posed.

Results of Effectiveness Evaluation of the Board of Directors

With regard to the results of the evaluations for fiscal year 2019, the effectiveness of OKI’s Board of Directors improved on the whole, but it was confirmed that there were points that should be further improved. The details are as described below.

(1) Improvement Situation in FY2019 Regarding FY2018 Issues

The situation regarding the issues recognized in fiscal year 2018 was organized as described below.

● Implemented Items

“Reviewing the structure of internal and external directors” and “increasing the effectiveness of internal controls at the subsidiaries” have been implemented.

● Items Currently Being Implemented

“Deepening discussions regarding management strategy,” “introducing segment-specific management indicators including cost of capital,” and “quantitatively assessing the business portfolio” are being advanced in the creation of the next medium-term business plan.

● Items that Should be Further Promoted

Based on the next medium-term business plan, more focus should be placed on “strengthening dialogue to help investors understand OKI’s growth policy.” Furthermore, “formulating and overseeing the development of a medium-term training curriculum for the successor of the President and candidates for directors” should be further promoted.

(2) Newly Recognized Issues for FY2019

As new issues, the below items have been recognized.

● Verification of Effectiveness of Measures

Advancing, at subsidiaries and particularly overseas subsidiaries, verifications of whether improvement measures for internal controls are sufficiently functioning.

● Further Functional Improvements of Board of Directors

Streamlining the operations of the Board of Directors and increasing the time for discussions. Increasing the opportunities to provide site information to outside directors, such as increasing the opportunities for outside directors to come in contact with mid-level employees.

OKI will strive to improve the effectiveness of the Board of Directors continuously with the goal to increase corporate value.

Training Successors

In order to groom future successors for the position of president and other executive posts, the President is preparing a training program from the viewpoint of planning, executing and accomplishing OKI’s business strategies and business plans to realize our corporate philosophy and vision for its sustainable growth and enhancing its medium- to long-term corporate value. The proposed plan is being deliberated by Personnel Affairs and Compensation Advisory Committee, with the necessary advice and recommendations being made to the President, as well as the progress being overseen.

In terms of training, we conduct a curriculum amongst some young management candidates, who are able to gain valuable experience by systematically being assigned and appointed to important positions such as a head of a division or as president of a subsidiary. In addition, we actively utilize occasions of business report, review report of business strategy at Board of Directors meetings as opportunities for outside directors to evaluate successor candidates’ personality, insight and abilities.

Cross Shareholdings

OKI’s policy is to reduce the number of cross shareholdings in stages, verifying medium- to long-term corporate value enhancement of the Company and share-issuing company and other circumstances comprehensively. The number of cross shareholdings is verified annually by the Board of Directors, who determines whether or not it is appropriate to hold for each individual issue, by taking into account quantitative and qualitative factors comprehensively. Further verification will be made in the future regarding the benefits and risks associated with its cross shareholdings if they are commensurate with the cost of capital.

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

- In the case of appointing executives, we consider total number, ratio of independent directors, etc.
- In the case of executive compensation, we look at business performance, status of assets, etc.
- In the case of the appropriation of surplus, we consider business performance, retained earnings, etc.
- Special consideration will be given to anti-takeover measures, M&A and third-party share allocation.

CORPORATE GOVERNANCE



Questions to Outside Directors

Outside Director
Tamotsu Saito

Senior Counselor of IHI Corporation
Outside Director of JAPAN POST INSURANCE Co., Ltd.



Outside Director
Makoto Kigawa

Special Advisor to Yamato Holdings Co., Ltd.
Outside Director of Komatsu Ltd.
Outside Director of Seven Bank, Ltd.
Outside Audit & Supervisory Board Member of The Higo Bank, Ltd.

Comprehensively building a foundation, and achieving growth as a company “Delivering OK! to your life.”

OKI has started “Medium-Term Business Plan 2022,” which has its final fiscal year in 2022. At this juncture, we sought the opinions of Mr. Tamotsu Saito and Mr. Makoto Kigawa, both of whom have led rich careers as corporate leaders, with regard to such topics as the roles they have played as outside directors up until the drafting of the medium-term business plan, and the Company’s vision for the future.

Please tell us your thoughts about your roles as outside directors.

Saito It is often said that the role of an outside director is to monitor management from the viewpoint of a shareholder, and to increase the transparency of management through checks as an outside pair of eyes, to strengthen governance, and so forth. In the drafting of a medium-term business plan such as the one on this occasion, I believe that in terms of the role of an outside director who has the purpose of supporting the decisions of management, providing advice that can draw out company strengths that are difficult to see from the inside and assist with future strategies is also important.

Kigawa Speaking not as an outside director in general, but from the perspective of the roles I myself aim to achieve, I was originally a banker, moved into the transportation industry after that, then became a member of

upper management, and further have served as an outsider director for a number of manufacturers. Based on those experiences, I believe that essentially, I am able to provide advice from a viewpoint that the manufacturers themselves do not have—namely, the viewpoint of the end users or the customers.

In terms of internal analysis, OKI’s strengths seem to be organized into the synergy of its “customer base,” “installed base,” and “technological capabilities.” From the perspective of someone like me, looking at OKI from the outside, I have the impression that OKI performs well when working with customers who are strong in B2B, but I felt that it did not sufficiently conduct marketing with the end users beyond those customers in mind. I believe this is related in part to the fact that OKI has been blessed with wonderful customers, and has a history including an extended period in which it was sufficient to manufacture hardware just as those wonderful customers requested.

However, with the great social changes of the current time, it is no exaggeration to say that marketing is the most important aspect of all. Of the various types, marketing with an awareness of the C of B2B2C is particularly important, as there are many cases in which the business partners who are the direct customers of OKI have not grasped their true needs—that is to say, the needs of the customers of those business partners. In that sense, I am advising OKI to respond to risks and opportunities of which it has not been aware to this point.

How were you involved in the process of formulating “Medium-Term Business Plan 2022,” which was announced in October 2020? Also, please tell us about your opinions regarding the contents.

Saito Planning of the upcoming “Medium-Term Business Plan 2022” began in January 2019. In drafting this medium-term business plan, I advised OKI to reflect on the previous medium-term business plan, and to carefully conduct a 5C analysis, including its absolute and relative superiority with respect to benchmark companies. Further, I gave advice for OKI to envision its medium- to long-term social contributions, its growth as a company, and its vision for the future. In addition, I suggested appointing young members at the consideration stages in order to look at matters from a medium- to long-term perspective.

During the consideration process aimed at the formulation of the medium-term business plan, the current key message, “Delivering OK! to your life.,” was created due to the directors recognizing anew that while OKI is not visible to consumers, it is contributing to the social infrastructure as a stagehand behind the scenes. In addition to Mono-zukuri, which involves the creation of products, there is also Koto-zukuri, which includes providing solutions. With these two pillars, OKI aims to solve social issues.

Kigawa I was appointed as an outside director in June 2019, so my participation began when the planning was already underway. At the time of my appointment, the overview of the plan had already largely taken shape, and with regard to that, I candidly provided several of my opinions from an outside perspective.

For instance, I expressed that the wide-ranging social paradigm shifts currently taking place did not newly occur due to the COVID-19 situation, but were merely accelerated, and that in the future, companies would have to respond with a sense of speed that would allow them to catch up with social reforms, or they would not be positively evaluated by society. With such things in mind, as a result of analyzing the external environment, it was reaffirmed that the crucial keywords for the paradigm shifts are “unmanned operations,” “non-contact,” and “non-face-to-face,” and that OKI is already in possession of the technologies to handle such concepts. With regard to an approach to responding to the paradigm shifts currently underway, it seems there are many companies emphasizing the cloud, but I believe that actual sites are important

as well. On that point, I believe that OKI’s judgment to locate its area of competition in the intersection between the cloud and actual sites is a valid one.

Further, I believe this medium-term business plan’s approach of not competing for areas where the burden of investment is large and competition is fierce, such as the backbone networks of telecom carriers, but doing business in areas where the faces of customers can be seen, such as local 5G and edge computing, is excellent.

Saito With regard to Mono-zukuri and Koto-zukuri, in making plans concrete, I provided advice with regard to what should be done in order to improve the sites of Mono-zukuri and what should be done to advance Koto-zukuri a bit more based on my experience to this point of advancing plans at IHI.

For instance, concerning Mono-zukuri, when planning new products in OKI’s areas of strength, I suggested conducting analysis by breaking the products down into their core elements, such as their functions, materials, technologies, and so forth. Speaking with regard to manufacturing, the manufacturing functions of OKI Data and the Mechatronics Systems business were recently integrated, so I think we could anticipate the development of a new product that leverages the development capabilities of OKI Data or a new product that exceeds the conventional concept of printers “printing ink onto a paper medium.” In this sense, I am hoping for a result in which, both inside and outside of the company, specific accomplishments can be demonstrated, even if they are only small victories. By doing so, I think Mono-zukuri will gain traction in the future.

Furthermore, I feel that in Mono-zukuri, the accumulation of daily improvement activities is important. When I observed sites such as plants, I found several instances in which the equipment at sites had deteriorated, daily improvement activities were not sufficiently functioning, and the like. According to President Kamagami, this is an area in which OKI has not been attentive enough in recent years, and OKI is reflecting on this issue.

As daily improvements do not only improve quality, but also lead to reductions in costs, it is necessary to make steady advancements one step at a time, and with regard to cost reduction activities, I believe OKI should take cost analyses one stage further. Moreover, as I witnessed many pieces of equipment that were deteriorating, I felt the situation was not at the level of conducting repairs, but of necessitating drastic investment. As such, I suggested making efforts toward investments related to this in the medium-term business plan.

Kigawa Factories that are built with new investments will become smart factories, so it is my hope that OKI will invest with the aim of building model factories and demo factories which they can have customers view on tours.

Saito Concerning R&D expenses as well, it seems that in the past, some business divisions were sometimes doing such things as creating profits by limiting their development expenses. Sacrificing future profits to generate

CORPORATE GOVERNANCE

profits does not lead to sustainable growth. I offered the advice to do away with such trends, and further, that as preparation for the future, it would be necessary to do what needed to be done, even in difficult environments. In the upcoming plan, investments such as R&D expenses and the like have increased, and I believe in that respect, we can expect great things.

Kigawa While Director Saito offered advice regarding development and manufacturing, I have provided advice concerning human resources. I feel that OKI is at an extremely high level when it comes to technical areas and engineers, but I get the impression that as a whole, the members have rather tame attitudes. In order to advance new initiatives, it is necessary to shift OKI's human resources into members who take on challenges, so I made the suggestion that it would be necessary to strengthen the human resource development programs, to increase the opportunities for members to gain experience competing with other approaches, and to further utilize human resources from external sources. The human resource management in the plan has actually incorporated this kind of content.

Saito Strengthening the sites of Mono-zukuri is another important theme, but in the process of achieving the vision of "Delivering OK! to your life." in the future, there will be times in which resources the company does not possess come into play. Since the principle of self-sufficiency is no

longer followed these days, I feel that when it comes to resources the company needs more of in order to achieve targets, it is necessary to actively conduct such activities as M&A and compensatory actions through partnerships with other companies. With regard to the future, this will take the form of not being particular about the sales of company-brand products, even in overseas businesses, but instead adopting a strategy of cooperating with partners and providing components.

I hope that in the future, OKI finds good partners, and I am able to provide advice on how to advance partnership strategies, too.

In "Medium-Term Business Plan 2022," specific mention is made of ESG initiatives as well. How do you feel about initiatives aimed at a variety of social issues?

Kigawa Out of all of the ESG initiatives, initiatives aimed at the environment are a major challenge for manufacturers, and while doing what must be done is a given, I additionally expect OKI to demonstrate its stance concerning how society will improve through the company's products, services, and solutions.

I believe that OKI has the mobility to optimally set the current social changes in a positive direction by means of its edge computing and the like, which utilize, for instance, the technologies it has cultivated to this point. I would like OKI to leverage such things in advancing the solution of social issues through its businesses. From my perspective as someone who has long seen OKI from the outside, including during my time as a banker, I believe this is a company that can achieve such things.

Saito I believe that, when a company makes efforts toward social issues such as those the SDGs seek to address, if that company seeks to make exceptional efforts toward special issues and everyday corporate activities do not lead to the resolution of social issues in some way, efforts toward social issues cannot be sustainably carried out and it will not be possible to realize growth, either.

In other words, I believe that even if extraordinary preparations are not made, if solutions are steadily provided in response to the problems the businesses are currently facing, this will naturally lead to solving social issues such as the those set forth in the SDGs.

In terms of the general way things go in society, every company states that solutions are crucial, but it is difficult to actualize businesses, and these become issues that are never solved. OKI's strength is that in addition to providing intangible solutions such as consulting and software development, it is also able to manufacture hardware and to carry out high-quality manufacturing. Thus, I think by incorporating development into EMS and evolving it into DMS, substantial solutions will take shape.



One of the duties of the Board of Directors, as set forth in the Corporate Governance Code, is preparing an environment that supports appropriate risk taking. Please share with us your opinions about risk management.

Kigawa Risk is something that inevitably comes with business. I believe that business is a matter of “planning timidly and acting boldly.” In other words, it is my stance that when planning, companies should conservatively consider risks based on the size and likelihood of those risks, and that in the execution stages, companies should pursue activities with resolution and courage. In this context, I believe it is our role as outside directors to create and support the premises under which the company president and the other directors can take risks.

Saito On the subject of risk management, at the time of revising the Financial Report, I had OKI review its business risks not from the general perspective it had taken to that point, but from a perspective unique to OKI. As a result, I think the materiality of the risks was largely able to be organized, but since such things must always be carried out in response to changes in the times, constant reviews are necessary.

As an example of how to think about risk using a previous case, upon conducting the transfer of the Brazilian ATM business, the directors of OKI are summarizing the proceedings of the event. Overseas businesses often fail, so it is crucial to learn from such failures and carry those lessons into the future. I was able to give advice for OKI to use this summary as an opportunity to organize investment procedures.

With regard to all investments, not limited to this project, it is vital to have a line to cut losses when risks have emerged. If such an amount is not made clear when planning an investment and a milestone for assessment is not established, the investment will continue on and on, leading into a quagmire. Unanticipated circumstances occur as well, so it is also essential to be equipped with flexibility for such times. I feel these things should be kept in mind when considering future investments.

Kigawa Concerning investments that are currently proceeding as well, I believe it is important to clarify, in the future, when directors will conduct assessments and when assessments will be conducted at meetings of the Board of Directors, and to clarify how risks will be confronted.

To conclude, please tell us about your expectations for the future of OKI.

Kigawa The current medium-term business plan has a target of fiscal year 2022, and the final fiscal year of that plan will be upon us before we know it. Considering the current situation, I believe that fiscal year 2022 is just a prelude with the purpose of providing a boost for future growth. On the basis of this positioning, I feel that the medium-term business plan, as a phase for building the foundation for future growth, has been able to firmly provide



directionality and create a structure. The target values are a bit conservative, but if OKI does what must be done during this period and properly carries out the necessary preparations, I anticipate that we will be able to expect significant growth in the future.

While I believe that things will be fine as long as the plans themselves are steadily advanced, I also feel that there are too few explanations regarding specific products and technologies. It seems that compelling businesses are appearing through co-creation activities with partners, PoC (Proof of Concept), and the like, so without delay, I would like OKI to indicate specific products and technologies, and to present its expectations for the future to various stakeholders, including investors.

Saito I agree with this. From an outside perspective, the settings for the targets of this medium-term business plan appear to be in a stage of development, but they are simply a foundation for great strides to follow. If OKI is able to thoroughly do what must be done, I believe after that, it will be able to achieve great growth. For such purposes, it is my intent to monitor and provide advice for the execution of this medium-term business plan. I think it will be necessary to clarify KPIs and manage progress for such things as how to achieve a synergistic effect between business portfolio management and business reorganizations.

OKI has its own strengths, and has the technologies, products, and resources to maintain the social infrastructure and contribute to solving social issues. By deftly utilizing these assets, I expect that it will become a company “Delivering OK! to your life.”

RISK MANAGEMENT/COMPLIANCE

The OKI Group is working to reinforce risk management under the Risk Management Committee. In accordance with our “Compliance Commitment” and, in order to perform corporate activities fairly, we are focusing on the enhancement of training, and we have established consultation and reporting contacts.

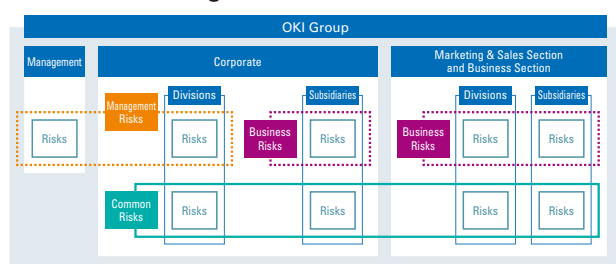
Risk Management Initiatives

OKI has established the Risk Management Committee, chaired by the President, to ensure that risks related to the OKI Group’s business activities are managed properly. The Committee deliberates and decides on basic policies for risk management and identifies risks to be managed based on such policies. It also deliberates and decides on policies for preventing the materialization of risk and policies to address crisis scenarios.

Risks to be managed are defined and classified into three categories: “management risks” that should be considered at the management level, “business risks” that should be recognized and identified by each division, and “common risks” that are common to each company and division and should be managed cross-laterally. Of these risks, common risks are registered by the control division and preventive measures are deployed within the Group, while the Compliance Committee (see next section) regularly checks the implementation status. In these ways, we are putting in place a sound risk management cycle.

To identify and resolve problems swiftly, we also established the OKI Group Crisis Communication System, which ensures that potential risk events and crises are promptly reported to the Risk Management Committee Secretariat.

Risks to Be Managed



Related information: Website “Business and Other Risks”
<https://www.oki.com/en/ir/corporate/risk.html>

Initiatives to Promote Compliance

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

we implement compliance awareness surveys on an ongoing basis.

In order to discover and rectify improper activities at an early stage, we have established consultation and reporting channels (in-house contact point, Group-wide contact point, and external contact point) to enable anonymous reports, as well as reports to outside directors and Audit & Supervisory Board members at every Group company, and stipulated whistle-blowing regulations such as those about the protection of whistle-blowers. In fiscal year 2019, 42 reports and consultations were received at the OKI Group in Japan.

Ongoing Compliance Training

The OKI Group has appointed compliance managers and promoters (around 360 in total) who play a key role promoting compliance in the workplace at each company and division in Japan. We also hold regular training sessions for these compliance managers and promoters. In 2017, the Japan Fair Trade Commission issued OKI with a cease-and-desist order and surcharge payment order in accordance with the Anti-Monopoly Act. To ensure this never happens again, we have continued to conduct antitrust-related training, centering on our marketing and sales section.

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

In fiscal year 2018, we started a unified e-learning compliance training program for some overseas Group companies, and we added subsidiaries in China and India to the program in fiscal year 2019.

Main Compliance Training Programs (for the OKI Group in Japan) in FY2019

Training Overview	Target	Attendance Rate, Number of Participants, etc.
Compliance manager training (group training) July–August 2019 Theme: Risk management to ensure appropriate labor management and quality fraud prevention	Domestic Group managers/promoters	99.7%
Anti-monopoly Act training (group training) November–December 2019	Domestic Group employees of related divisions	Approx. 1,000 people
Personal information protection and information security (e-learning) August–September 2019	All domestic Group employees	100%
Workplace compliance (e-learning) December 2019–January 2020 Theme: 10 case studies focusing on common risks	All domestic Group employees	99.9%

Approaches to Anti-Corruption

The OKI Group is promoting initiatives to prevent corruption, which is a global issue, based on the “OKI Group Anti-Corruption and Anti-Bribery Policy” that we established in fiscal year 2013.

The “OKI Group Anti-Corruption and Anti-Bribery Policy” complies with anti-corruption laws and regulations that apply in each country and region where the OKI Group operates, such as the Japanese Unfair Competition Prevention Act, the US Foreign Corrupt Practices Act, and the UK Bribery Act. The policy defines the basic requirements for complying with laws and regulations and conducting business appropriately. As company bylaws, we established specific rules for recording the exchange of the gifts and receiving/offering entertainment, and compliance with these rules at each Group company is monitored annually by OKI’s control division.

In fiscal year 2019, there were no issues related to bribery or corruption in the OKI Group.

Emergency and Disaster Response

The OKI Group has established Safety Countermeasure Committees at its domestic and overseas sites, as well as at subsidiaries, in order to ensure “protect people’s lives,” “prevent secondary accidents,” “contribute to local communities and foster good relationships with them,” and “continuity of business operations” in the event of disasters. For “continuity of business operations,” each business and corporate (headquarter) division develops Business Continuity Management (BCM) and a Business Continuity Plan (BCP), based on BCM Development Guidelines.

In January 2020, we set up a task force to address the COVID-19 pandemic that struck in December 2019. We have since established basic policies (see page 10) and are continuing efforts to prevent the spread of the virus and ensure business continuity.

INFORMATION SECURITY

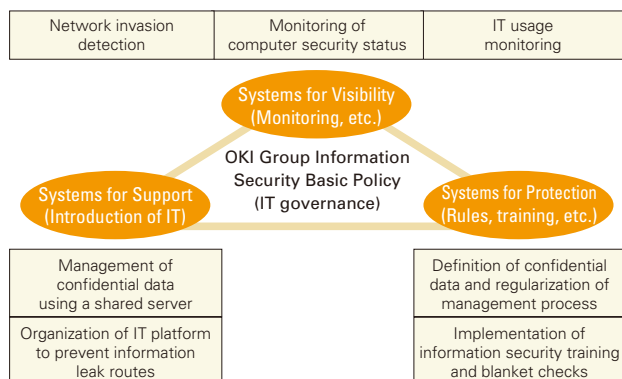
Based on the OKI Group Security Basic Policy, the OKI Group has established a system to ensure information security and works to properly manage and protect company and customer information.

Policy on Information Security Initiatives

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

We are also promoting a wide range of measures based on the three mechanisms shown in the figure below. In addition, we established OKI-CSIRT* as a specialized security incident response organization tasked with strengthening our ability to prevent and respond to incidents.

*CSIRT: Computer Security Incident Response Team



Strengthening Information Security Measures

The OKI Group constantly monitors global trends and promotes information security measures in Japan and overseas. We also establish information security guidelines in each country and region, appoint security managers at each site, and introduce various risk management tools.

In fiscal year 2019, we strengthened our information security system by acquiring ISMS certification for 15 new divisions in Japan. Overseas, in order to further strengthen IT governance, we are developing communication systems and rules, deploying countermeasure tools, and improving the monitoring environment.

Enhancing Protection of Personal Information

We in the OKI Group have enhanced protection of personal information, based on the Privacy Policy. We have committed to the protection of personal information under the leadership of our Chief Privacy Officer. Privacy managers have been appointed in all divisions and subsidiaries. The Group’s response to the EU General Data Protection Regulation (GDPR) was compiled as a policy document, and measures have been taken based on this.

OKI and seven Group companies have acquired PrivacyMark certification in Japan as of June 2020.



MANAGEMENT

(As of June 26, 2020)

Directors



Chairman of the Board
Hideichi Kawasaki

Apr. 1970 Joined the Company
Apr. 2001 Executive Officer
Apr. 2004 Senior Vice President
Jun. 2005 Managing Director
Apr. 2009 Senior Executive Vice President, Representative Director
Jun. 2009 President, Representative Director
Apr. 2016 Chairman of the Board, Representative Director
Jun. 2018 Chairman of the Board (current)
Jun. 2020 Outside Director, Japan Petroleum Exploration Co., Ltd. (current)



President,
Representative Director
Shinya Kamagami

Apr. 1981 Joined the Company
Apr. 2005 General Manager of Systems Hardware Development Division, Systems Hardware Company
Apr. 2010 Senior Manager of Automated Business Department, Systems Hardware Business Division
Apr. 2011 Executive Officer, Head of Systems Hardware Business Division
Apr. 2012 Senior Vice President
Jun. 2014 Senior Vice President and Member of the Board
Apr. 2016 President, Representative Director (current)



Senior Executive Vice President,
Representative Director
Masayuki Hoshi

Apr. 1982 Joined The Fuji Bank, Ltd.
Apr. 2009 Executive Officer, Mizuho Corporate Bank, Ltd.
Apr. 2011 Managing Executive Officer, Mizuho Corporate Bank, Ltd.
Jun. 2014 Managing Executive Officer, Mizuho Financial Group, Inc.
May 2015 Senior Vice President of the Company
Apr. 2016 Head of Corporate Planning Group
Jun. 2016 Senior Vice President and Member of the Board
Apr. 2017 Executive Vice President and Member of the Board, Chief Financial Officer (current)
Jun. 2018 Internal Control Administrator, Chief Compliance Officer (current)
Apr. 2019 Senior Executive Vice President, Representative Director (current), Chief Information Officer (current)
Apr. 2020 Assistant to the President (current)



Executive Vice President and
Member of the Board
Masashi Tsuboi

Apr. 1983 Joined the Company
Apr. 2002 President of Multimedia Messaging Company
Apr. 2011 Head of Enterprise Network System Division, Telecom Systems Business Division
Apr. 2014 Head of Information Systems Division, IT Solution & Services Business Division
Apr. 2015 Executive Officer
Apr. 2016 Deputy Head of ICT Business Group
Apr. 2017 Senior Vice President, Head of ICT Business Group
Jun. 2019 Senior Vice President and Member of the Board
Apr. 2020 Executive Vice President and Member of the Board (current), Head of Solution Systems Business Group (current)



Senior Vice President and
Member of the Board
Masashi Fuse

Apr. 1984 Joined the Company
Jun. 1994 Oki America Inc.
Apr. 2015 Head of Accounting & Control Division of the Company
Jun. 2015 Outside Director of SAXA Holdings, Inc.
Apr. 2016 Executive Officer of the Company
Apr. 2018 Senior Executive Officer, Head of Corporate Management Group
Apr. 2019 Head of Legal Affairs & Intellectual Property Division
Jun. 2019 Senior Executive Officer and Member of the Board
Apr. 2020 Senior Vice President and Member of the Board (current), Head of Corporate Group (current), Internal Control Administrator (current)



Director*1
Shigeru Asaba

Apr. 1992 Associate Professor, Faculty of Economics, Gakushuin University
Mar. 1994 Received Ph.D., Economics from University of Tokyo
Apr. 1997 Professor, Faculty of Economics, Gakushuin University
Apr. 2013 Professor, Graduate School of Commerce, Waseda University
Apr. 2016 Professor, Graduate School of Business and Finance, Waseda University
Jun. 2016 Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (current)
Sep. 2016 Dean, Graduate School of Business and Finance, Waseda University (current)
Jun. 2017 Outside Director of the Company (current)



Director*1
Tamotsu Saito

Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation)
Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations, Ishikawajima-Harima Heavy Industries Co., Ltd.
Apr. 2008 Director, Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation
Apr. 2011 Executive Vice President, IHI Corporation
Apr. 2012 President, Chief Executive Officer, IHI Corporation
Apr. 2016 Chairman of the Board, IHI Corporation
Jun. 2017 Outside Director, JAPAN POST INSURANCE Co., Ltd. (current)
Jun. 2018 Outside Director of the Company (current)
Jun. 2020 Senior Counselor, IHI Corporation (current)



Director*1
Izumi Kawashima

Mar. 1985 Completed Ph. D program without dissertation, Graduate School of Law, Waseda University
Apr. 1989 Assistant Professor, Faculty of Economics, Gifu Keizai University
Apr. 1996 Professor, Faculty of Law, Senshu University
Sep. 2004 Professor, Faculty of Social Sciences, Waseda University (current)
Jun. 2016 Outside Director, Oki Electric Cable Co., Ltd.
Jun. 2018 Outside Director of the Company (current)



Director*1
Makoto Kigawa

Apr. 1973 Joined the Fuji Bank, Ltd.
Apr. 2004 Managing Director of Mizuho Corporate Bank, Ltd.
Jun. 2005 Managing Director of Yamato Transport Co., Ltd.
Apr. 2011 Representative Director, President and Executive Officer of Yamato Holdings Co., Ltd.
Jun. 2016 Outside Director of Komatsu Ltd. (current)
Apr. 2018 Chairperson of the Board of Directors of Yamato Holdings Co., Ltd.
Jun. 2018 Outside Director of Seven Bank, Ltd. (current)
Apr. 2019 Director of Yamato Holdings Co., Ltd.
Jun. 2019 Outside Director of the Company (current)
Apr. 2020 Outside Audit & Supervisory Board Member, The Higo Bank Ltd. (current)

*1 Outside Directors

Audit & Supervisory Board Members



Apr. 1978 Joined the Company
 Apr. 2007 Executive Officer
 Apr. 2009 Senior Vice President
 Jun. 2010 Senior Vice President and Member of the Board
 Apr. 2012 Executive Vice President and Member of the Board
 Apr. 2014 President, Representative Director, Oki Customer Adtech Co., Ltd.
 Jun. 2017 Audit & Supervisory Board Member of the Company (current)

Standing Audit & Supervisory Board Member
Sei Yano



Apr. 1980 Joined the Company
 Oct. 2007 Head of Accounting & Control Division
 Apr. 2008 Executive Officer
 Apr. 2015 Senior Vice President
 Jun. 2015 Senior Vice President and Member of the Board
 Jul. 2015 Chief Financial Officer
 Apr. 2016 Chief Compliance Officer, Head of Corporate Management Group
 Apr. 2017 President, Representative Director of Oki Wintech Co., Ltd.
 Jun. 2019 Audit & Supervisory Board Member of the Company (current)

Standing Audit & Supervisory Board Member
Toshiya Hatakeyama



Apr. 1978 Joined Fujikura Electric Wire Corporation (currently Fujikura Ltd.)
 Apr. 2004 General Manager of Finance & Accounting Division, Fujikura Ltd.
 Apr. 2007 Executive Officer, General Manager of Electronics & Automotive Product Planning Division
 Apr. 2011 Managing Executive Officer, Deputy Chief of Electronics Business Segment
 Jun. 2014 Director, Managing Executive Officer, Chief of Real Estate Business Company, Deputy Chief of Corporate Staff Unit
 Apr. 2016 Director, Senior Managing Executive Officer President, Fujikura (China) Co., Ltd.
 Apr. 2018 Full-time Advisor, Fujikura Ltd.
 Mar. 2020 Outside Director (Audit & Supervisory Committee Member), OUTSOURCING Inc. (current)
 Jun. 2020 Outside Audit & Supervisory Board Member of the Company (current)

Audit & Supervisory Board Member*2
Hideo Shiwa



Apr. 1980 Joined Asahi & Co. (currently KPMG AZSA LLC)
 Feb. 1983 Registered as Certified Public Accountant
 Jun. 2006 Representative Partner, KPMG AZSA LLC
 Jul. 2018 Assumed the Office of Member of Compliance Committee
 Jun. 2019 Retired from KPMG AZSA LLC
 Jul. 2019 Head of Ryuichi Makino CPA Office (current)
 Jun. 2020 Audit & Supervisory Board Member, Synchro Food Co., Ltd. (current), Outside Audit & Supervisory Board Member of the Company (current)

Audit & Supervisory Board Member*2
Ryuichi Makino

*2 Outside Audit & Supervisory Board Members

Executive Officers



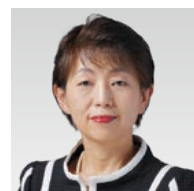
Executive Vice President
Masasuke Kishi



Senior Vice President
Toru Miyazawa



Senior Vice President
Masatoshi Saito



Senior Vice President
Yuka Miyagawa



Senior Executive Officer
Yuichiro Katagiri



Senior Executive Officer
Keizou Ikeda



Executive Officer
Hiroshi Tomizawa



Executive Officer
Toshiyuki Yokota



Executive Officer
Hajime Maruo



Executive Officer
Masahito Nozue



Executive Officer
Shinichi Tanaka



Executive Officer
Shutaro Otahara



Executive Officer
Takahiro Mori

CONSOLIDATED BALANCE SHEETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2020

ASSETS	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current assets:			
Cash and deposits	¥ 49,227	¥ 29,730	\$ 455,805
Notes and accounts receivable	111,314	106,672	1,030,685
Lease receivables and investments in leases	14,150	11,513	131,018
Finished goods	15,901	18,823	147,231
Work in process	14,332	25,007	132,703
Raw materials and supplies	21,978	20,777	203,500
Other current assets	10,202	10,940	94,462
Allowance for doubtful receivables	(382)	(257)	(3,537)
Total current assets	236,726	223,206	2,191,907
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	21,357	19,656	197,750
Machinery, equipment and vehicle	9,421	8,166	87,231
Tools, furniture and fixtures	8,719	8,464	80,731
Land	11,611	12,829	107,509
Construction in progress	318	277	2,944
Total property, plant and equipment (Note 5)	51,428	49,393	476,185
Intangible assets	11,288	10,457	104,518
Investments and other assets:			
Investments in securities (Note 5)	34,694	43,621	321,240
Asset for retirement benefits	20,007	18,339	185,250
Long-term trade receivables	20,549	21,940	190,268
Other investments and other assets (Note 5)	15,765	17,921	145,972
Allowance for doubtful receivables	(17,989)	(19,376)	(166,564)
Total investments and other assets	73,027	82,446	676,175
Total non-current assets	135,744	142,296	1,256,888
Total assets	¥ 372,471	¥ 365,503	\$ 3,448,805

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current liabilities:			
Notes and accounts payable	¥ 61,714	¥ 67,465	\$ 571,425
Short-term borrowings (Note 5)	35,415	48,880	327,916
Lease obligations	4,539	2,918	42,027
Other accrued expenses	21,590	21,764	199,907
Other current liabilities	36,681	35,165	339,638
Total current liabilities	159,940	176,194	1,480,925
Long-term liabilities:			
Long-term borrowings	42,310	29,673	391,759
Lease obligations	15,417	11,926	142,750
Deferred tax liabilities	9,784	9,945	90,592
Provision for directors' retirement benefits	372	463	3,444
Liability for retirement benefits	32,129	30,158	297,490
Other long-term liabilities	6,075	6,941	56,250
Total long-term liabilities	106,090	89,108	982,314
Total liabilities	266,030	265,302	2,463,240
NET ASSETS			
Shareholders' equity:			
Capital stock	44,000	44,000	407,407
Additional paid-in capital	19,047	19,057	176,361
Retained earnings	60,847	51,785	563,398
Treasury stock, at cost	(971)	(997)	(8,990)
Total shareholders' equity	122,923	113,845	1,138,175
Accumulated other comprehensive income:			
Net unrealized holding gain (loss) on other securities	(218)	2,816	(2,018)
Gain (loss) on deferred hedges	112	169	1,037
Translation adjustments	(9,029)	(10,884)	(83,601)
Retirement benefits liability adjustments	(7,583)	(6,006)	(70,212)
Total accumulated other comprehensive income	(16,718)	(13,904)	(154,796)
Subscription rights to shares	171	133	1,583
Non-controlling interests	64	126	592
Total net assets	106,440	100,200	985,555
Total liabilities and net assets	¥ 372,471	¥ 365,503	\$ 3,448,805

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, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net sales	¥ 457,223	¥ 441,452	\$ 4,233,546
Cost of sales	339,415	322,624	3,142,731
Gross profit	117,807	118,827	1,090,805
Selling, general and administrative expenses (Note 6)	100,978	101,305	934,981
Operating income	16,829	17,522	155,824
Non-operating income			
Interest income	87	97	805
Dividend income	1,430	1,302	13,240
Dividend income of insurance	363	391	3,361
Receipt on litigation	438	—	4,055
Other	790	627	7,314
Total non-operating income	3,109	2,419	28,787
Non-operating expenses			
Interest expense	1,721	1,633	15,935
Foreign exchange loss	3,274	1,280	30,314
Other	1,138	1,550	10,537
Total non-operating expenses	6,135	4,464	56,805
Ordinary income	13,804	15,477	127,814
Extraordinary income			
Gain on sale of fixed assets	4,842	1,426	44,833
Gain on sale of investments in securities	4,682	969	43,351
Gain on sales of shares of subsidiaries and associates	165	—	1,527
Insurance claim income	617	—	5,712
Compensation for damage income	202	—	1,870
Total extraordinary income	10,510	2,396	97,314
Extraordinary loss			
Loss on sale and disposition of fixed assets	560	475	5,185
Loss on impairment of fixed assets (Note 6)	846	2,890	7,833
Loss on sales of shares of subsidiaries and associates	192	—	1,777
Loss on valuation of investment securities	234	—	2,166
Loss on disaster (Note 6)	411	—	3,805
Business structure improvement expenses (Note 6)	2,418	3,489	22,388
Total extraordinary loss	4,663	6,855	43,175
Profit before income taxes	19,651	11,018	181,953
Income taxes			
Current	4,267	2,476	39,509
Deferred	1,262	108	11,685
Total income taxes	5,529	2,585	51,194
Profit	14,122	8,432	130,759
Profit attributable to non-controlling interests	35	27	324
Profit attributable to owners of parent	¥ 14,086	¥ 8,405	\$ 130,425

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, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Profit	¥ 14,122	¥ 8,432	\$ 130,759
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	(3,036)	(3,762)	(28,111)
Gain (loss) on deferred hedges	(56)	134	(518)
Translation adjustments	1,852	1,321	17,148
Retirement benefits liability adjustments	(1,576)	(2,551)	(14,592)
Share of other comprehensive income of entities accounted for using equity method	0	0	0
Total other comprehensive income (Note 7)	(2,815)	(4,856)	(26,064)
Comprehensive income	¥ 11,306	¥ 3,576	\$ 104,685
Comprehensive income attributable to:			
Owners of the parent	¥ 11,273	¥ 3,546	\$ 104,379
Non-controlling interests	¥ 33	¥ 30	\$ 305

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, 2020

	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, 2018	¥ 44,000	¥ 19,795	¥ 45,983	¥ (563)	¥ 109,215	¥ 6,578	¥ 34	¥ (12,203)	¥ (3,455)	¥ (9,045)	¥ 101	¥ 1,873	¥ 102,144
Dividends from surplus			(2,603)		(2,603)								(2,603)
Profit attributable to owners of parent			8,405		8,405								8,405
Purchases of treasury stock				(448)	(448)								(448)
Disposition of treasury stock		(9)		30	21								21
Change in ownership interest of parent due to transactions with non-controlling interests		(728)		(15)	(744)								(744)
Net changes in items other than shareholders' equity during the term						(3,761)	134	1,318	(2,551)	(4,858)	31	(1,746)	(6,574)
Net changes during the term	—	(737)	5,801	(433)	4,630	(3,761)	134	1,318	(2,551)	(4,858)	31	(1,746)	(1,943)
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

	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, 2019	\$ 407,407	\$ 176,453	\$ 479,490	\$ (9,231)	\$ 1,054,120	\$ 26,074	\$ 1,564	\$ (100,777)	\$ (55,611)	\$ (128,740)	\$ 1,231	\$ 1,166	\$ 927,777
Cumulative effects of changes in accounting policies			(6,462)		(6,462)								(6,462)
Restated balance	407,407	176,453	473,018	(9,231)	1,047,648	26,074	1,564	(100,777)	(55,611)	(128,740)	1,231	1,166	921,314
Dividends from surplus			(40,046)		(40,046)								(40,046)
Profit attributable to owners of parent			130,425		130,425								130,425
Purchases of treasury stock				(46)	(46)								(46)
Disposition of treasury stock		(92)		296	194								194
Net changes in items other than shareholders' equity during the term						(28,101)	(518)	17,175	(14,592)	(26,046)	351	(574)	(26,277)
Net changes during the term	—	(92)	90,379	240	90,518	(28,101)	(518)	17,175	(14,592)	(26,046)	351	(574)	64,240
Balance at March 31, 2020	\$ 407,407	\$ 176,361	\$ 563,398	\$ (8,990)	\$ 1,138,175	\$ (2,018)	\$ 1,037	\$ (83,601)	\$ (70,212)	\$ (154,796)	\$ 1,583	\$ 592	\$ 985,555

CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2020

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cash flows from operating activities:			
Profit before income taxes	¥ 19,651	¥ 11,018	\$ 181,953
Depreciation and amortization	12,574	12,367	116,425
Impairment loss	846	2,890	7,833
Increase (decrease) in provisions	1,841	1,443	17,046
Interest and dividend income	(1,517)	(1,400)	(14,046)
Interest expense	1,722	1,633	15,944
Gain on sales of investment securities	(4,682)	(925)	(43,351)
Gain on disposition of fixed assets	(4,282)	(933)	(39,648)
(Increase) decrease in notes and accounts receivable	(6,629)	(6,823)	(61,379)
(Increase) decrease in inventories	11,098	(4,529)	102,759
(Decrease) increase in notes and accounts payable	(2,999)	(418)	(27,768)
Other, net	8,593	(4,867)	79,564
Subtotal	36,215	9,452	335,324
Interest and dividend income received	1,518	1,400	14,055
Interest expense paid	(1,716)	(1,551)	(15,888)
Income taxes paid	(3,469)	(2,937)	(32,120)
Net cash provided by (used in) operating activities	32,547	6,364	301,361
Cash flows from investing activities:			
Purchase of property, plant and equipment	(11,840)	(9,486)	(109,629)
Proceeds from sales of property, plant and equipment	6,123	2,186	56,694
Purchase of intangible assets	(4,441)	(3,908)	(41,120)
Proceeds from sales of investment securities	8,941	1,726	82,787
Payments for sales of shares of subsidiaries resulting in change in scope of consolidation	(0)	—	(0)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	27	—	250
Purchase of long-term prepaid expenses	(2,067)	(1,224)	(19,138)
Other payments	(766)	(1,872)	(7,092)
Other proceeds	1,052	479	9,740
Net cash (used in) provided by investing activities	(2,972)	(12,099)	(27,518)
Cash flows from financing activities:			
Decrease in short-term borrowings	(8,734)	(6,896)	(80,870)
Proceeds from long-term borrowings	26,660	24,970	246,851
Repayments of long-term borrowings	(18,296)	(22,071)	(169,407)
Dividends paid	(4,307)	(2,601)	(39,879)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	(2,502)	—
Repayments of lease obligations	(4,476)	(3,416)	(41,444)
Other, net	(69)	(452)	(638)
Net cash provided by (used in) financing activities	(9,224)	(12,971)	(85,407)
Effect of exchange rate changes on cash and cash equivalents	(658)	48	(6,092)
Net increase (decrease) in cash and cash equivalents	19,693	(18,657)	182,342
Cash and cash equivalents at beginning of the year	26,823	45,481	248,361
Cash and cash equivalents at end of the year (Note 9)	¥ 46,517	¥ 26,823	\$ 430,712

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, 2020

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 ¥108 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2020. 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 73 subsidiaries are included in the scope of consolidation.

The following companies have been newly established and included in the scope of consolidation from the fiscal year under review: OKI VIET NAM COMPANY LIMITED; OKI DATA EUROPE B.V.; ORIGAMI BRASIL TECNOLOGIA E SERVIÇOS EM AUTOMAÇÃO LTDA.

The following companies have been excluded from the scope of consolidation: Oki Customer Adtech Co., Ltd., which merged with Oki Wintech Co., Ltd., a consolidated subsidiary; TIE Co., Ltd. and Takasaki Precision Products Co., Ltd., which merged with TOMIOKA ELECTRONICS CO., LTD., a consolidated subsidiary; ML Supply Co., Ltd., which merged with OKI Data Manufacturing and Engineering Service Corporation, a consolidated subsidiary; Oki Electric Cable Service Co., Ltd., which merged with Oki Electric Cable Co., Ltd., a consolidated subsidiary; BIOLOGICA SISTEMAS S.A., OKI BR PORTUGAL S.A., and OKI BR PARAGUAY S.A., due to transfer of all shares; OKI DATA SERVICE (AUSTRALIA) PTY. LTD., due to liquidation. In addition, Oki Wintech Co., Ltd. has changed its company name to OKI Crosstech Co., Ltd., and TOMIOKA ELECTRONICS CO., LTD. has changed its company name to OKI TOMIOKA Manufacturing 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.

(3) Changes in scope of application of the equity method
Marubeni OKI Network Solutions Inc. has been excluded from the scope of application of the equity method due to transfer of all shares.

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

2. NOTES ON CHANGES IN ACCOUNTING POLICIES

Overseas consolidated subsidiaries, excluding those in the U.S., began applying IFRS 16 Leases effective from the beginning of the fiscal year under review. As a result of applying these accounting standards, property, plant and equipment increased ¥2,285 million (\$21,157 thousand), lease obligations under current liabilities increased ¥1,010 million (\$9,351 thousand), lease

obligations under long-term liabilities increased ¥1,635 million (\$15,138 thousand) and retained earnings decreased ¥533 million (\$4,935 thousand) in the consolidated balance sheet for the fiscal year under review. The impact of this change on profit and loss for the fiscal year under review is immaterial.

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 31, 2020)

"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 currently being evaluated.

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.

3) Accounting standard for disclosure of accounting estimates
“Accounting Standard for Disclosure of Accounting Estimates”
(ASBJ Statement No. 31 March 31, 2020)

(1) Summary

The IASB requires disclosure in paragraph 125 of International Accounting Standard (IAS) No. 1 “Presentation of financial statements” (hereinafter “IAS No. 1”) published in 2003. Regarding the “Cause of uncertainty in estimation”, there was a request to consider requesting disclosure as note information even under Japanese GAAP as information that is highly useful to users of financial statements, and the accounting standard for disclosure of the above estimate (hereinafter referred to as “the accounting standard”) has been developed and published by the ASBJ. As a basic policy for the development of this accounting standard by the ASBJ, rather than expanding each note, the principle (disclosure purpose) is shown and the specific disclosure content is disclosed by the company. It was decided to make a decision in light of the above, and in the development, it was decided to refer to the provisions of paragraph 125 of IAS No. 1.

(2) Expected date to apply

It will be applied from the fiscal year ending March 2021.

4) Accounting standard for accounting policy disclosures, accounting changes and error corrections

“Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No. 24 March 31, 2020)

(1) Summary

In response to the proposal to consider the enhancement of the information regarding the notes relating to “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear, the ASBJ made necessary revisions. It was published as an accounting standard for disclosure of accounting policies, accounting changes and correction of errors.

In addition, when attempting to enhance the note information pertaining to “Principles and procedures of accounting treatment adopted when the provisions of related accounting standards, etc. are not clear,” when the provisions of related accounting standards, etc. In order not to affect the practice, the provisions of the Note on Corporate Accounting Principles (Note 1-2) will be taken over.

(2) Expected date to apply

It will be applied from the fiscal year ending March 2021.

4. ADDITIONAL INFORMATION

1) Arbitration request for consolidated subsidiary

Oki Banking Systems (Shenzhen) Co., Ltd., a consolidated subsidiary, has filed a request for arbitration against Shenzhen Yihua Computer Industrial Co., Ltd. on October 10, 2015, demanding payment of accounts receivable of RMB 1,115,463 thousand or ¥17,066 million (\$158,018 thousand) and compensation of damages. Currently, the South China International Economic and Trade Arbitration Commission continues to review the matter.

In consideration of the status of litigation, since the period for collecting the receivables is expected to lengthen, an allowance for doubtful receivables of ¥10,279 million (\$95,175 thousand) was recorded at the end of the fiscal year.

2) Expanded application of the percentage-of-completion method

Previously, the percentage-of-completion method was applied for the work whose outcome from the completed portion was deemed definite and the completed-contract method was applied

for other work. In conjunction with the measures to develop and enhance the cost management system, since the fiscal year under review, the percentage-of-completion method has also been applied to some of this other work because it became possible to reliably estimate the work.

As a result, for the fiscal year under review, net sales increased ¥10,487 million (\$97,101 thousand), and operating income, ordinary income and profit before income taxes decreased ¥85 million (\$787 thousand) each.

3) Impact of COVID-19

The OKI Group (the Company and its consolidated subsidiaries) has made an accounting estimate (recoverability of deferred tax assets, indication of impairment of fixed assets) under the assumption that the impact of COVID-19 expansion will continue for a certain period in the next consolidated fiscal year. However, the impact of COVID-19 expansion has many uncertainties, and future results may differ from these estimates and assumptions.

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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Accumulated depreciation	¥ 158,259	¥ 157,470	\$ 1,465,361

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

Assets pledged as collateral at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in securities	¥ 7,654	¥ 14,609	\$ 70,870

Liabilities collateralized by the above assets at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Short-term borrowings	¥ 1,000	¥ 4,500	\$ 9,259

Other than the above, assets pledged as collateral for bank guarantees at March 31, 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments and other assets	—	¥ 2,606	—

3) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in securities	¥ 1,667	¥ 2,041	\$ 15,435

4) Liabilities for guarantee

Guarantee for borrowings by employees at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Guarantee for borrowings by employees	¥ 110	¥ 141	\$ 1,018

5) Contingent liabilities

OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. (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 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

The OKI Group has concluded an overdraft agreement with transaction banks etc. for efficient procurement of working capital.

The unexecuted balance of overdraft at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total overdraft amount	¥ 45,078	¥ 59,795	\$ 417,388
Amount of borrowing execution balance	12,837	17,245	118,861
Net	¥ 32,241	¥ 42,550	\$ 298,527

6. CONSOLIDATED STATEMENT OF INCOMES

1) Research and development expenses

Research and development expenses for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Selling, general and administrative expenses	¥ 10,558	¥ 10,700	\$ 97,759

2) Loss on impairment of fixed assets

The OKI Group recorded impairment losses of ¥3,127 million for the year ended March 31, 2019 of which ¥2,890 million were presented as impairment losses in the extraordinary loss category and ¥237 million were included in business structure improvement expenses in the same category.

Major impairment losses were as follows:

Business	Purpose of use	Location	Type of assets	Millions of yen
Mechatronics Systems	Business assets	Japan	Buildings and structures	¥ 1,102
			Machinery, equipment and vehicle	397
			Tools, furniture and fixtures	627
			Intangible assets	86
			Other assets	30
		China, and other countries	Machinery, equipment and vehicle	43
			Tools, furniture and fixtures	112
			Intangible assets	448
			Other assets	3

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.

Because the OKI Group could not expect to receive the initially anticipated earnings from Mechatronics Systems business assets, it reduced their book values to recoverable amounts, which were calculated using net realizable value based on real estate appraisals, etc.

The OKI Group recorded impairment losses of ¥846 million (\$7,833 thousand) for the year ended March 31, 2020.

Major impairment losses were as follows:

Purpose of use	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Company-owned house	Saitama, Saitama Pref.	Land	¥ 730	\$ 6,759
		Other assets	93	861

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.

3) Loss on disaster

The OKI Group recorded loss on disaster of ¥411 million (\$3,805 thousand) for the years ended March 31, 2020 of which ¥293 million (\$2,712 thousand) is due to fire on September 2019 and ¥116 million (\$1,074 thousand) is a fixed cost incurred during the period when the operation was stopped to prevent the spread of COVID-19.

4) Business structure improvement expenses

For the years ended March 31, 2020 and 2019, 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
	2020	2019	2020
Special retirement expenses	¥ 481	¥ 1,784	\$ 4,453
Loss on sale of subsidiary	1,908	—	17,666
Reversal of foreign currency translation adjustment	—	753	—
Loss on disposal of inventories	—	475	—
Impairment loss	—	237	—
Other	28	239	259
Total	¥ 2,418	¥ 3,489	\$ 22,388

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
	2020	2019	2020
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ (690)	¥ (4,786)	\$ (6,388)
Reclassification adjustments	(3,380)	(673)	(31,296)
Before tax effect	(4,070)	(5,460)	(37,685)
Tax effect	1,034	1,698	9,574
Net unrealized holding gain (loss) on other securities	(3,036)	(3,762)	(28,111)
Gain (loss) on deferred hedges:			
Amount arising during the year	(81)	194	(750)
Asset acquisition cost adjustments	—	—	—
Before tax effect	(81)	194	(750)
Tax effect	25	(59)	231
Gain (loss) on deferred hedges	(56)	134	(518)
Translation adjustments:			
Amount arising during the year	1,925	567	17,824
Reclassification adjustments	(72)	753	(666)
Translation adjustments	1,852	1,321	17,148
Retirement benefits liability adjustments:			
Amount arising during the year	(3,116)	(3,106)	(28,851)
Reclassification adjustments	840	(383)	7,777
Before tax effect	(2,275)	(3,489)	(21,064)
Tax effect	698	938	6,462
Retirement benefits liability adjustments	(1,576)	(2,551)	(14,592)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	0	0	0
Reclassification adjustments	0	—	0
Share of other comprehensive income of entities accounted for using equity method	0	0	0
Total other comprehensive income	¥ (2,815)	¥ (4,856)	\$ (26,064)

8. SHAREHOLDERS' EQUITY

Matters concerning class and total number of shares outstanding during the years ended March 31, 2020 and 2019 were as follows:

	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.

	Thousands of shares			
	2019			
	March 31, 2018	Increase in the year	Decrease in the year	March 31, 2019
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	417	379	88	709
Total	417	379	88	709

*1 The increases of treasury stock were due to the acquisition of treasury stock held by consolidated subsidiaries and purchase of shares less than one trading unit.

*2 The decreases of treasury stock were due to the decrease in treasury stock held by consolidated subsidiaries and the exercise of stock options.

9. CONSOLIDATED STATEMENTS OF CASH FLOWS

1) 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
	2020	2019	2020
Cash and deposits	¥ 49,227	¥ 29,730	\$ 455,805
Deposits with restrictions on withdrawals	(2,710)	(2,906)	(25,092)
Cash and cash equivalents	¥ 46,517	¥ 26,823	\$ 430,712

2) The content of important non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
The amount of non-cash transactions on assets and liabilities under finance lease	¥ 9,903	¥ 6,557	\$ 91,694

10. LEASES

(Lessee)

Operating lease transactions

The minimum rental commitments under non-cancellable operating leases at March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Due within one year	¥ 1,413	¥ 2,244	\$ 13,083
Due after one year	4,607	7,330	42,657
Total	¥ 6,021	¥ 9,575	\$ 55,750

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

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, 2020 (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		
	2020			2019			2020		
	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	¥ 49,227	¥ 49,227	¥ —	¥ 29,730	¥ 29,730	¥ —	\$ 455,805	\$ 455,805	\$ —
(2) Notes and accounts receivable	111,314	111,314	—	106,672	106,672	—	1,030,685	1,030,685	—
(3) Investments in securities	26,409	26,417	7	34,895	34,903	8	244,527	244,601	64
(4) Long-term trade receivables	20,549			21,940			190,268		
Allowance for doubtful receivables ^(*1)	(13,289)			(14,490)			(123,046)		
	7,260	7,260	—	7,450	7,450	—	67,222	67,222	—
Total assets	194,213	194,220	7	178,748	178,756	8	1,798,268	1,798,333	64
(1) Notes and accounts payable	61,714	61,714	—	67,465	67,465	—	571,425	571,425	—
(2) Short-term borrowings ^(*2)	21,400	21,400	—	30,570	30,570	—	198,148	198,148	—
(3) Other accrued expenses	21,590	21,590	—	21,764	21,764	—	199,907	199,907	—
(4) Long-term borrowings ^(*2)	56,324	56,634	310	47,983	48,377	394	521,518	524,388	2,870
Total liabilities	161,029	161,340	310	167,783	168,177	394	1,491,009	1,493,888	2,870
Derivative transactions ^(*3)	¥ 375	¥ 375	¥ —	¥ 559	¥ 559	¥ —	\$ 3,472	\$ 3,472	\$ —

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

*2 As of March 31, 2020 and 2019, Long-term borrowing (¥14,014 million (\$129,759 thousand) and ¥18,310 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 at of March 31, 2020 and 2019, 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
	2020	2019	2020
Unlisted equity securities	¥ 8,284	¥ 8,725	\$ 76,703

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2020 and 2019:

	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	¥ —	¥ —

	Millions of yen			
	2019			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 29,730	¥ —	¥ —	¥ —
Notes and accounts receivable	105,317	1,355	—	—
Total	¥ 135,047	¥ 1,355	¥ —	¥ —

	Thousands of U.S. dollars			
	2020			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	\$ 455,805	\$ —	\$ —	\$ —
Notes and accounts receivable	1,017,175	13,509	—	—
Total	\$ 1,472,990	\$ 13,509	\$ —	\$ —

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

4. Repayment schedule for long-term borrowings and other interest-bearing debt at of March 31, 2020 and 2019:

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	¥ —

Millions of yen						
2019						
	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	¥ 30,570	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term borrowings	18,310	8,691	7,994	7,994	4,994	—
Total	¥ 48,880	¥ 8,691	¥ 7,994	¥ 7,994	¥ 4,994	¥ —

Thousands of U.S. dollars						
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	\$ 198,148	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term borrowings	129,759	123,388	123,388	95,611	49,370	—
Total	\$ 327,916	\$ 123,388	\$ 123,388	\$ 95,611	\$ 49,370	\$ —

12. SECURITIES

1) Trading securities

Not applicable

2) Bonds held to maturity

Not applicable

3) Other securities

Securities at March 31, 2020 and 2019 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		
	2020			2019			2020		
	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	¥ 3,829	¥ 2,699	¥ 1,129	¥ 14,271	¥ 9,217	¥ 5,054	\$ 35,453	\$ 24,990	\$ 10,453
Subtotal	3,829	2,699	1,129	14,271	9,217	5,054	35,453	24,990	10,453
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	22,580	23,742	(1,161)	20,623	21,480	(856)	209,074	219,833	(10,750)
Subtotal	22,580	23,742	(1,161)	20,623	21,480	(856)	209,074	219,833	(10,750)
Total	¥ 26,409	¥ 26,442	¥ (32)	¥ 34,895	¥ 30,698	¥ 4,197	\$ 244,527	\$ 244,833	\$ (296)

4) Sales of other securities for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2020			2019			2020		
	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	¥ 7,810	¥3,637	¥ 52	¥1,466	¥ 717	¥ 44	\$ 72,314	\$33,675	\$ 481
Total	¥ 7,810	¥3,637	¥ 52	¥1,466	¥ 717	¥ 44	\$ 72,314	\$33,675	\$ 481

5) Impairment losses on securities

Year ended March 31, 2019

Not applicable

Year ended March 31, 2020

¥224 million (\$2,074 thousand)

13. DERIVATIVES

Derivative transactions at March 31, 2020 and 2019 were as follows:

1) Derivative transactions which do not qualify for hedge accounting

(i) Currency related

	Millions of yen				Thousands of U.S. dollars			
	2020				2020			
	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	¥ 815	¥ —	¥ (6)	¥ (6)	\$ 7,546	\$ —	\$ (55)	\$ (55)
Euro	¥ 4,451	—	¥ 191	¥ 191	\$ 41,212	—	\$ 1,768	\$ 1,768
Chinese yuan	¥ 43	—	¥ (2)	¥ (2)	\$ 398	—	\$ (18)	\$ (18)
A. dollars	¥ 144	—	¥ 11	¥ 11	\$ 1,333	—	\$ 101	\$ 101
Buy:								
U.S. dollars	2,049	—	18	18	18,972	—	166	166
Total	¥ 7,503	¥ —	¥ 212	¥ 212	\$ 69,472	\$ —	\$ 1,962	\$ 1,962

	Millions of yen			
	2019			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:				
Sell:				
Euro	¥ 8,239	¥ —	¥ 268	¥ 268
Buy:				
U.S. dollars	1,840	—	46	46
Total	¥ 10,079	¥ —	¥ 315	¥ 315

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

		Millions of yen			Thousands of U.S. dollars		
		2020			2020		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):							
Sell:							
Euro	Accounts receivable	¥ 6,157	¥ —	¥ 113	\$ 57,009	\$ —	\$ 1,046
Buy:							
U.S. dollars	Accounts payable	5,405	—	48	50,046	—	444
Total		¥ 11,562	¥ —	¥ 162	\$ 107,055	\$ —	\$ 1,500

		Millions of yen		
		2019		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):				
Sell:				
Euro	Accounts receivable	¥ 14,924	¥ 1,899	¥ 206
A. dollars	Accounts receivable	¥ 310	¥ —	¥ (0)
Buy:				
U.S. dollars	Accounts payable	12,488	1,081	38
Total		¥ 27,723	¥ 2,981	¥ 244

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

(ii) Interest rate related

		Millions of yen			Thousands of U.S. dollars		
		2020			2020		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):							
Pay fixed/receive floating	Long-term borrowings	¥ 48,899	¥ 37,152	*	\$ 452,768	\$ 344,000	*

		Millions of yen		
		2019		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):				
Pay fixed/receive floating	Long-term borrowings	¥ 39,811	¥ 24,749	*

* 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, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligation at April 1, 2019 and 2018	¥ 109,248	¥ 111,428	\$ 1,011,555
Service cost	3,024	3,068	28,000
Interest cost	1,182	1,241	10,944
Actuarial gain / loss	1,615	355	14,953
Retirement benefit paid	(6,493)	(6,554)	(60,120)
Other	(64)	(291)	(592)
Retirement benefit obligation at March 31, 2020 and 2019	¥ 108,511	¥ 109,248	\$ 1,004,731

(2) The changes in plan assets during the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Plan assets at April 1, 2019 and 2018	¥ 97,429	¥ 98,971	\$ 902,120
Expected return on plan assets	1,008	1,641	9,333
Actuarial gain / loss	(1,502)	(2,751)	(13,907)
Contributions by the Company and subsidiaries	4,324	4,631	40,037
Retirement benefits paid	(4,871)	(5,063)	(45,101)
Plan assets at March 31, 2020 and 2019	¥ 96,389	¥ 97,429	\$ 892,490

(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, 2020 and 2019 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligation	¥ 90,649	¥ 92,296	\$ 839,342
Plan assets at fair value	(96,389)	(97,429)	(892,490)
	(5,739)	(5,133)	(53,138)
Unfunded retirement benefit obligation	17,861	16,952	165,379
Net liability for retirement benefits in the balance sheet	¥ 12,122	¥ 11,819	\$ 112,240
Liability for retirement benefits	32,129	30,158	297,490
Asset for retirement benefits	(20,007)	(18,339)	(185,250)
Net asset for retirement benefits in the balance sheet	¥ 12,122	¥ 11,819	\$ 112,240

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

(4) The components of retirement benefit expense for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 3,024	¥ 3,068	\$ 28,000
Interest cost	1,182	1,241	10,944
Expected return on plan assets	(1,008)	(1,641)	(9,333)
Amortization of actuarial gain / loss	959	(265)	8,879
Amortization of prior service cost	(118)	(118)	(1,092)
Other	188	195	1,740
Retirement benefit expense	¥ 4,226	¥ 2,480	\$ 39,129

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥ (118)	¥ (118)	\$ (1,092)
Actuarial gain / loss	(2,157)	(3,371)	(19,972)
Total	¥ (2,275)	¥ (3,489)	\$ (21,064)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	¥ (339)	¥ (457)	\$ (3,138)
Unrecognized actuarial gain / loss	5,494	3,337	50,870
Total	¥ 5,155	¥ 2,879	\$ 47,731

(7) Plan assets

(i) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2020 and 2019 were as follows:

	2020	2019
Bonds	38%	38%
Stocks	29	30
Alternative	17	17
Other	16	15
Total*	100%	100%

* The retirement benefit trust consists of 16% of the total plan assets for the year ended March 31, 2020 and 15% of the total plan assets for the year ended March 31, 2019, 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:

	2020	2019
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	1.07%	1.7%

3) Defined contribution plan

The Company and domestic consolidated subsidiaries made required contributions to the defined contribution plans of ¥2,226 million (\$20,611 thousand) and ¥2,184 million for the years ended March 31, 2020 and 2019, respectively.

15. STOCK OPTION PLAN

The stock options outstanding as of March 31, 2020 are as follows:

1) The amount and the accounting subject in relation to the stock options existing for the year ended March 31, 2020.

Selling, general and administrative expenses for the years ended March 31, 2020 and 2019 is ¥59 million (\$546 thousand) and ¥53 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	July 26, 2019
Grantees	4 directors and 13 executive officers	3 directors and 15 executive officers	2 directors and 16 executive officers	4 directors and 14 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	61,600 shares of Common stock
After the resolution				
End of the preceding term	35,500 shares	49,800 shares	60,400 shares	—
Vested	—	—	—	61,600 shares
Exercised	5,400 shares	8,800 shares	8,800 shares	—
Cancelled	—	—	—	—
Outstanding	30,100 shares	41,000 shares	51,600 shares	61,600 shares
Date of issuance	August 16, 2016	August 15, 2017	August 14, 2018	August 14, 2019
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.	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	April 1, 2019 – March 31, 2020
Exercise price	¥1 (\$0.00)	¥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	August 15, 2019 – August 14, 2044
Official price at the date of offered	¥860 (\$7.96)	¥1,000 (\$9.25)	¥878 (\$8.12)	¥961 (\$8.89)

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

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 26, 2019
Stock market volatility (Note 1)	41.66%
Estimated residual period (Note 2)	12.5 years
Estimated dividends (Note 3)	¥50 (\$0.46) per share
Risk-free rate (Note 4)	(0.15) %

Notes: 1. The figure is calculated from the actual stock prices for the period of 12.5 years (from February, 2007 to August, 2019).

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

16. INCOME TAXES

1) Deferred tax assets and liabilities at March 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Liability for retirement benefits	¥ 13,809	¥ 13,134	\$ 127,861
Loss carryforwards (Note)	10,361	14,320	95,935
Excess of allowance for doubtful receivables and bad debts expenses	4,467	4,804	41,361
Accrued bonuses	4,017	4,023	37,194
Write-downs of inventories	2,481	2,395	22,972
Write-downs of investments in securities	1,868	1,641	17,296
Impairment loss	1,190	941	11,018
Provision for loss on construction contracts	842	830	7,796
Asset retirement obligations	841	861	7,787
Other	6,516	6,144	60,333
Gross deferred tax assets	46,397	49,098	429,601
Valuation allowance for tax loss carryforwards (Note)	(10,011)	(13,290)	(92,694)
Valuation allowance for deductible temporary differences	(25,921)	(25,152)	(240,009)
Less: Valuation allowance	(35,933)	(38,443)	(332,712)
Total deferred tax assets	10,464	10,655	96,888
Deferred tax liabilities:			
Asset for retirement benefits	(7,100)	(6,365)	(65,740)
Write-ups of investments in securities	(5,723)	(5,723)	(52,990)
Taxable unrealized gain on contribution of securities to a pension trust	(1,957)	(1,957)	(18,120)
Fair-value accounting for associated with the acquisition of a subsidiary	(1,708)	(1,836)	(15,814)
Other	(1,230)	(2,496)	(11,388)
Total deferred tax liabilities	(17,719)	(18,379)	(164,064)
Net deferred tax liabilities	¥ (7,255)	¥ (7,724)	\$ (67,175)

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

	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

	Millions of yen						
	2019						
	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	¥ 2,565	¥ 665	¥ 165	¥ 103	¥ 320	¥ 10,499	¥ 14,320
Less: Valuation allowance	(1,944)	(646)	(143)	(96)	(318)	(10,141)	(13,290)
Deferred tax assets	¥ 620	¥ 19	¥ 22	¥ 6	¥ 2	¥ 358	¥ 1,029

	Thousands of U.S. dollars						
	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	\$ 5,620	\$ 1,305	\$ 759	\$ 2,740	\$ 1,777	\$ 83,712	\$ 95,935
Less: Valuation allowance	(5,462)	(1,111)	(731)	(2,731)	(1,703)	(80,935)	(92,694)
Deferred tax assets	\$ 157	\$ 194	\$ 18	\$ 9	\$ 64	\$ 2,768	\$ 3,231

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, 2020 and 2019, 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, 2020 and 2019 are summarized as follows:

	2020	2019
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	(0.9)	(1.5)
Permanent nondeductible differences such as entertainment expenses	2.7	7.8
Increase (decrease) in valuation allowance for deferred tax assets	(5.9)	(10.1)
Per capita portion of inhabitants' taxes	1.5	2.8
Other, net	0.0	(6.1)
Effective tax rates	28.1%	23.5%

17. BUSINESS COMBINATION

Business combinations for the year ended March 31, 2020 consisted of the following:

(Transaction under Common Control)

Oki Wintech Co., Ltd. and Oki Customer Adtech Co., Ltd., both of which were consolidated subsidiaries of the Company, resolved to conduct an absorption-type merger at the Board of Directors meetings of the companies held on October 31, 2018, whereby the former would become the surviving entity and the latter the extinguished entity by absorption. The companies signed a merger agreement on the same day.

1) Outline of transactions

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

	Surviving company	Extinguished company
Name of the company	Oki Wintech Co., Ltd.	Oki Customer Adtech Co., Ltd.
Content of business	Engineering work for electrical and energy facilities, sales of ICT systems for businesses, and sales of traffic-relayed systems	Repair, maintenance, engineering work, remote supervision, operations management, manufacturing and sales of information processing, telecommunications, control, measurement, broadcasting, and medical equipment and systems; and development and sales of related software

(2) Date of business combination

April 1, 2019

(3) Legal forms of business combination

Absorption-type merger, whereby Oki Wintech Co., Ltd. becomes the surviving entity and Oki Customer Adtech Co., Ltd. becomes the extinguished entity

(4) Name of the company after combination

OKI Crosstech Co., Ltd. (the company name changed from Oki Wintech Co., Ltd. on April 1, 2019)

(5) Other items regarding outline of transaction

Oki Wintech Co., Ltd. with a long, good track record as an engineering company in the fields of construction and maintenance of voice networks, electrical works, and social infrastructure works has been merged with Oki Customer Adtech Co., Ltd. with an excellent track record in maintenance and operations of high-availability equipment such as ATMs, financial systems and servers. A new company capable of providing strong service solutions has been established, and it will enhance the recurring business platform and ensure sustainable growth of the OKI Group.

2) Outline of accounting procedures applied

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

18. SEGMENT INFORMATION

1) Segment information

(1) Overview of reporting segments

In our reportable segments, the separated financial information of the Company’s constituent units is available, and the Board of Directors periodically reviews the information in order to determine the allocation of management resources and evaluate performance of the reportable segments.

The Company conducts the “ICT business”, the “Mechatronics Systems business” and the “EMS business”. And it has an Oki Data Group (Oki Data Corporation and its group companies) as an independent management unit and conducts the “Printers business”.

As the Company develops comprehensive domestic and overseas strategies for product instruments handled by each of the above businesses and develops business activities, it treats the above four business as reporting segments.

“ICT business” conducts business to provide solutions that realize optimization and efficiency of solutions and business processes utilizing IoT.

“Mechatronics Systems business” conducts business to provide products and services such as ATM and cash handling machines based on mechatronics technology.

“Printers business” conducts business to provide printers that make full use of the characteristics of LED technology.

“EMS business” conducts outsourcing business based on abundant achievements of social infrastructure equipment.

Major products and services belonging to each reporting segment are as follows:

Reporting segments	Major products and services
ICT	Transport infrastructure system, disaster prevention related system, defense related system, communication equipment for telecommunication carriers, financial branch office system, administrative centralized system, reservation ticketing system, IP-PBX, business phone, contact center, 920 MHz multihop wireless system etc.
Mechatronics Systems	ATM, cash handling machine, branch office terminal, reservation ticket issuing terminal, check-in terminal, foreign currency exchange machine, ATM monitoring and operation service etc.
Printers	Color / monochrome LED printer, color / monochrome LED multifunction printer, large format inkjet printer, dot impact printer, etc.
EMS	Consigned design & manufacturing services, printed wiring board, etc.

From the current consolidated fiscal year, the EMS business has been reorganized with the aim of further strengthening the one-stop service from sales to design/manufacturing and evaluation, as in the previous year.

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The account policies of the reporting segments are the same as those described in “Note1. Summary of Significant Accounting Policies” and intersegment sales and transfers are calculated at the prevailing market prices.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment
Reporting segment information as of March 31, 2020 and 2019 and for the years then ended were as follows:

For the year ended March 31	Millions of yen								
	2020								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	¥ 229,065	¥ 70,728	¥ 92,285	¥ 59,788	¥ 451,868	¥ 5,355	¥ 457,223	—	¥ 457,223
Inter-segment sales and transfers	3,689	1,272	5,328	1,172	11,463	15,889	27,352	(27,352)	—
Net sales	232,755	72,001	97,614	60,961	463,332	21,244	484,576	(27,352)	457,223
Operating income (loss)	20,835	(296)	2,774	2,074	25,387	389	25,776	(8,946)	16,829
Total assets	128,043	66,404	61,886	54,736	311,071	44,042	355,113	17,357	372,471
Depreciation and amortization	2,944	2,083	3,304	2,103	10,436	437	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	¥ 4,537	¥ 5,587	¥ 3,074	¥ 17,681	¥ 221	¥ 17,903	¥ 1,270	¥ 19,174

For the year ended March 31	Millions of yen								
	2019								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	¥ 184,286	¥ 82,731	¥ 102,554	¥ 66,246	¥ 435,819	¥ 5,632	¥ 441,452	—	¥ 441,452
Inter-segment sales and transfers	4,306	1,888	5,228	1,187	12,610	14,939	27,550	(27,550)	—
Net sales	188,592	84,620	107,782	67,434	448,430	20,572	469,003	(27,550)	441,452
Operating income (loss)	14,668	82	5,740	3,727	24,219	855	25,074	(7,552)	17,522
Total assets	125,322	63,231	64,791	56,995	310,340	11,605	321,946	43,557	365,503
Depreciation and amortization	2,856	2,501	2,691	2,109	10,159	425	10,584	993	11,577
Investments in equity-method affiliates	2,041	—	—	—	2,041	—	2,041	—	2,041
Increase in property, plant, equipment and intangible assets	¥ 3,576	¥ 2,529	¥ 3,818	¥ 3,146	¥ 13,071	¥ 269	¥ 13,340	¥ 890	¥ 14,230

For the year ended March 31	Thousands of U.S. dollars								
	2020								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	\$ 2,120,972	\$ 654,888	\$ 854,490	\$ 553,592	\$ 4,183,962	\$ 49,583	\$ 4,233,546	—	\$ 4,233,546
Inter-segment sales and transfers	34,157	11,777	49,333	10,851	106,138	147,120	253,259	(253,259)	—
Net sales	2,155,138	666,675	903,833	564,453	4,290,111	196,703	4,486,814	(253,259)	4,233,546
Operating income (loss)	192,916	(2,740)	25,685	19,203	235,064	3,601	238,666	(82,833)	155,824
Total assets	1,185,583	614,851	573,018	506,814	2,880,287	407,796	3,288,083	160,712	3,448,805
Depreciation and amortization	27,259	19,287	30,592	19,472	96,629	4,046	100,675	9,388	110,074
Investments in equity-method affiliates	15,435	—	—	—	15,435	—	15,435	—	15,435
Increase in property, plant, equipment and intangible assets	\$ 41,500	\$ 42,009	\$ 51,731	\$ 28,462	\$ 163,712	\$ 2,046	\$ 165,768	\$ 11,759	\$ 177,537

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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Operating income (loss)			
Elimination of intersegment transactions	¥ 15	¥ 69	\$ 138
Corporate expense*	(8,786)	(7,530)	(81,351)
Fixed asset adjustment	(175)	(91)	(1,620)
Total	¥ (8,946)	¥ (7,552)	\$ (82,833)

* 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
	2020	2019	2020
Total assets			
Elimination of intersegment transactions	¥ (119,644)	¥ (112,155)	\$ (1,107,814)
Corporate assets*	138,249	156,282	1,280,083
Fixed asset adjustment	(1,247)	(569)	(11,546)
Total	¥ 17,357	¥ 43,557	\$ 160,712

* 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
	2020	2019	2020
Depreciation and amortization			
Depreciation expense for corporate assets	¥ 1,248	¥ 1,247	\$ 11,555
Fixed asset adjustment	(233)	(253)	(2,157)
Total	¥ 1,014	¥ 993	\$ 9,388

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Increase in property, plant, equipment and intangible assets			
Corporate assets	¥ 1,674	¥ 1,231	\$ 15,500
Fixed asset adjustment	(403)	(340)	(3,731)
Total	¥ 1,270	¥ 890	\$ 11,759

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, 2020 and 2019 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
	2020	2019	2020
Japan	¥ 367,128	¥ 341,857	\$ 3,399,333
North America	13,281	14,733	122,972
Latin America	11,060	13,587	102,407
Europe	36,177	40,944	334,972
China	10,084	13,327	93,370
Other	19,491	17,002	180,472
Total	¥ 457,223	¥ 441,452	\$ 4,233,546

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
	2020	2019	2020
Japan	¥ 44,250	* ¥ —	\$ 409,722
Asia	5,156	—	47,740
Other	2,020	—	18,703
Total	¥ 51,428	¥ —	\$ 476,185

* Since the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on the consolidated balance sheet, the disclosure is omitted.

3) Information on impairment loss by each reporting segment

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
ICT	¥ 6	¥ —	\$ 55
Mechatronics Systems	(7)	3,019	(64)
Printers	23	107	212
Company-wide	824	—	7,629
Total	¥ 846	¥ 3,127	\$ 7,833

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

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

Year ended March 31, 2019

The disclosure is omitted due to immateriality.

Year ended March 31, 2020

The disclosure is omitted due to immateriality.

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

Year ended March 31, 2019

Not applicable

Year ended March 31, 2020

Not applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

19. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2020	2019	2020
Net assets per share	¥ 1,227.42	¥ 1,155.28	\$ 11.36
Basic earnings per share	¥ 162.80	¥ 97.16	\$ 1.50
Diluted earnings per share	¥ 162.51	¥ 97.03	\$ 1.50

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Basic earnings per share			
Profit attributable to owners of parent	¥ 14,086	¥ 8,405	\$ 130,425
Amounts not attributable to common stock	—	—	—
Profit attributable to owners of parent related to common stock	¥ 14,086	¥ 8,405	\$ 130,425
Weighted-average number of shares of common stock during the period (thousand shares)	86,529	86,508	
Diluted earnings per share			
Profit attributable adjustment to owners of parent	—	—	—
Increase in number of common stocks (thousand shares)	155	120	
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects	—	—	

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

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥ 106,440	¥ 100,200	\$ 985,555
Amounts deducted from total net assets	¥ 235	¥ 259	\$ 2,175
(Subscription rights to shares)	¥ (171)	¥ (133)	\$ (1,583)
(Non-controlling interests)	¥ (64)	¥ (126)	\$ (592)
Net assets at the year end to common stock	¥ 106,205	¥ 99,941	\$ 983,379
Common stock at the year end used to calculated of the net assets per share (thousand shares)	86,527	86,508	

20. CONSOLIDATED SUPPLEMENTARY SCHEDULES

1) Schedule of company bonds

Not applicable

2) Schedule of borrowings, etc.

	Millions of yen				Thousands of U.S. dollars	
	2020				2020	
	Balance at March 31, 2019	Balance at March 31, 2020	Average interest rate	Term of payment	Balance at March 31, 2019	Balance at March 31, 2020
Short-term borrowings	¥ 30,570	¥ 21,400	2.2%	—	\$ 283,055	\$ 198,148
Long-term borrowings (Within 1 year)	18,310	14,014	1.3	—	169,537	129,759
Lease obligations (Within 1 year)	2,918	4,539	—	—	27,018	42,027
Long-term borrowings (Over 1 year)	29,673	42,310	1.2	2021~2025	274,750	391,759
Lease obligations (Over 1 year)	11,926	15,417	—	2021~2030	110,425	142,750
Total	¥ 93,399	¥ 97,682	—	—	\$ 864,805	\$ 904,462

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			
	2020				2020			
	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	¥ 13,326	¥ 13,326	¥ 10,326	¥ 5,332	\$ 123,388	\$ 123,388	\$ 95,611	\$ 49,370
Lease obligations	4,173	3,501	3,095	2,438	38,638	32,416	28,657	22,574

3) Schedule of asset retirement obligations

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

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

INVESTOR INFORMATION

Number of Shares (As of March 31, 2020)

Authorized:	240,000 thousand
Issued:	87,217 thousand
	(including 690 thousand treasury stock)

Number of Shareholders (As of March 31, 2020)

66,981

Stock Exchange Listing

First Section of the Tokyo Stock Exchange

Administrative Agent for the Company's Shareholder Register

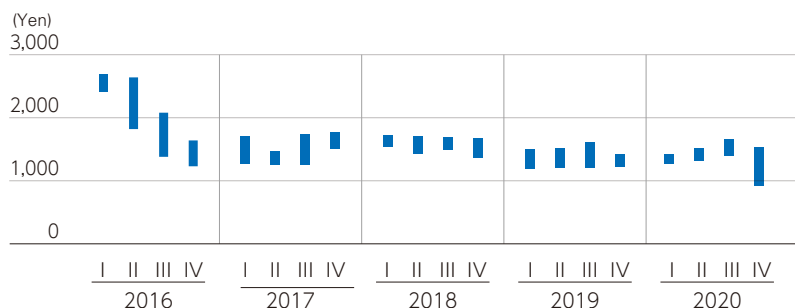
Mizuho Trust & Banking Co., Ltd.

Major Shareholders (As of March 31, 2020)

Name of Shareholders	Number of Shares Held (thousands of shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,460	8.62
Japan Trustee Services Bank, Ltd. (trust account)	5,984	6.92
Japan Trustee Services Bank, Ltd. (trust account 9)	2,070	2.39
Oki Denki Group Employees' Shareholdings Committee	1,959	2.26
Japan Trustee Services Bank, Ltd. (trust account 5)	1,658	1.92
JP Morgan Chase Bank 385151	1,610	1.86
Mizuho Bank, LTD.	1,419	1.64
Hulic Co., Ltd.	1,407	1.63
Meiji Yasuda Life Insurance Company	1,400	1.62
Trust & Custody Services Bank, Ltd. (securities investment trust account)	1,333	1.54

*The shareholding ratio is calculated after excluding 690 thousand shares of treasury stock.

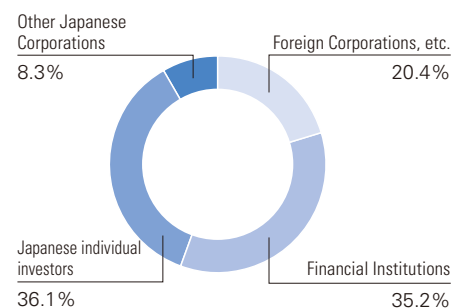
Common Stock Price Range on the Tokyo Stock Exchange (Fiscal Years ended March 31)



*With an effective date of October 1, 2016, a one-for-ten stock consolidation was implemented. Attendant with this, the stock price before October 1, 2016 has been calculated on the assumption that this stock consolidation was carried out.

Distribution of Shareholders (As of March 31, 2020)

(As of March 31, 2020)



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

COMPANY PROFILE

Profile (As of March 31, 2020)

Company Name: Oki Electric Industry Co., Ltd.

Founded: 1881

Company Established: November 1, 1949

Common Stock: 44,000 million yen

Employees: 17,751 (Consolidated)
4,203 (Non-consolidated)

President,

Representative Director: Shinya Kamagami

Head Office: 1-7-12 Toranomom, Minato-Ku,
Tokyo 105-8460, Japan
Tel +81-3-3501-3111
URL <https://www.oki.com>

Contact for Further Information

Oki Electric Industry Co., Ltd.

Investor Relations, Corporate Planning Division, Corporate Group

1-7-12 Toranomom, Minato-ku, Tokyo 105-8460, Japan

Tel: +81-3-3501-3836

E-mail: ir-info@oki.com

IR website: <https://www.oki.com/en/ir/>

Sustainability website: <https://www.oki.com/en/sustainability/>



OKI

Oki Electric Industry Co., Ltd.