

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 2021



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# OKI GROUP VALUES

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

## Corporate Philosophy

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

## Vision

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

\*Mono-zukuri: manufacturing  
\*Koto-zukuri: creation of solutions and services

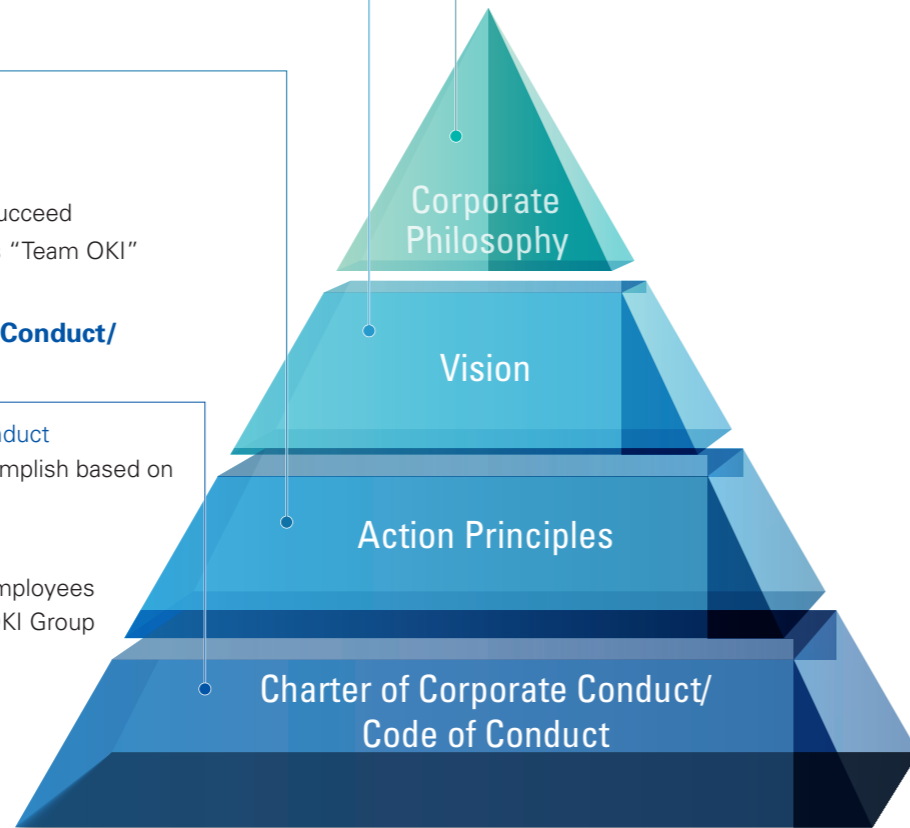
## Action Principles

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

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

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

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



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#### ■ Editorial Policy

OKI Report 2021 has been created with the aim of deepening the understanding of investors and other stakeholders regarding the OKI Group’s efforts aimed at sustainable growth. More detailed information is reported on our website, so please see that as well. Please note that in the editing of this report, we referred to the “International Integrated Reporting Framework” of the International Integrated Reporting Council (IIRC), and “Guidance for Collaborative Value Creation” from the Ministry of Economy, Trade and Industry.

#### ■ Targeted Organizations

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

#### ■ Targeted Period

FY2020 (April 1, 2020 to March 31, 2021)  
Some portions include information pertaining to April 2021 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 140 years ago, OKI has been delivering a succession of advanced products and services underpinned by the Company's "enterprising spirit" to meet the needs of society. We will continue our efforts to realize a comfortable and affluent tomorrow for everyone by creating values that contribute to the resolution of social issues.

## Delivering OK! to your life.

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



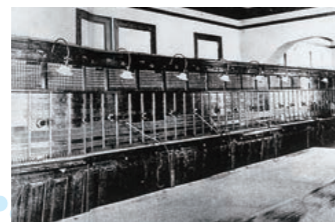
Japan's postal, telegraph, and telephone services all started in the early Meiji era, when Kibatato Oki founded Meikosha, Ltd., and one by one evolved to become our present information communication system. In the early days of telecommunications, Kibatato recognized the future of telegraphs and telephones and worked hard to develop them. Four years after the phone was brought in from the United States, he succeeded in developing Japan's first domestic telephone. The "enterprising spirit" of Kibatato, who paved the way with his own technology and creativity, has been passed down inside the company and makes OKI what it is today.

### 1881~

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



Promotional poster for Meikosha, Ltd.



Magnetic parallel multiple telephone switchboard

### 1950~

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



Teletypewriter



Type-600 telephone

OKITAC-4300

### 1980~

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



LED printer



VoIP system



Cash-recycling ATM

### 2000~

- 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



ATM-Recycler G7

COREFIDO



An early EMS factory

### 2010~

- 2010** "SUKITM™" 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
- 2021** "Innovation Strategy" until 2030 announced. 140th Anniversary of Company Founding



AI Edge Computer AE2100



Hygienic Touch Panel



AI Edge Robot

Values provided by OKI

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

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

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

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

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

Historical background and social issues

Dawn of industrial modernization  
Reconstruction after the Great Kanto earthquake

Post-war reconstruction  
Period of high economic growth

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

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

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

# 140th Anniversary → Towards 2031

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/>

\*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

As we celebrate the 140th anniversary of the founding of the company, the OKI Group is utilizing our three strengths, "technological capabilities", "customer base", and "installed base\*1" of terminals in edge domains, as we engage in efforts to solve social issues with both Mono-zukuri and Koto-zukuri\*2. Moving towards achieving SDGs in 2030 and the 150th anniversary of OKI's founding the following year, the OKI Group aims for sustainable growth and the realization of a sustainable society.

\*1 Installed base: A track record of providing device groups at edge domains, and solutions centered on those device groups  
 \*2 Please see the notes(\*) on page 1 for "Mono-zukuri" and "Koto-zukuri."

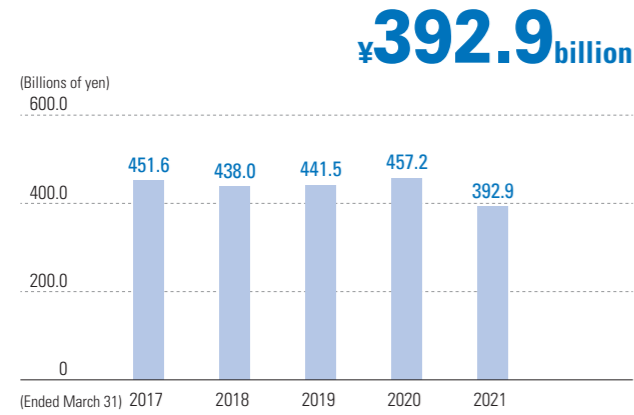


Amounts are either for FY2020 or as of March 31, 2021

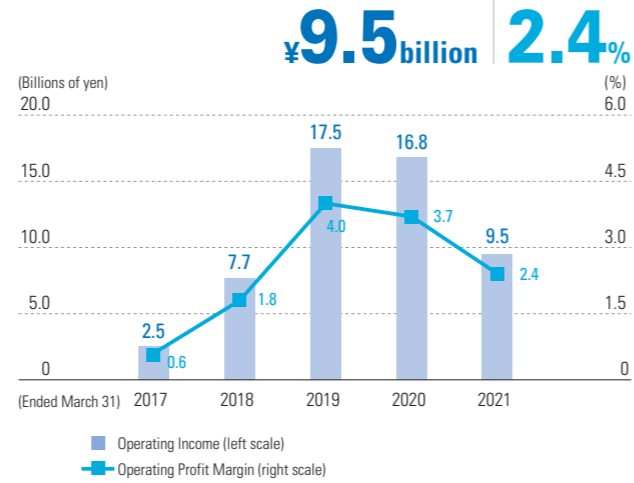
# FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

## Financial Highlights

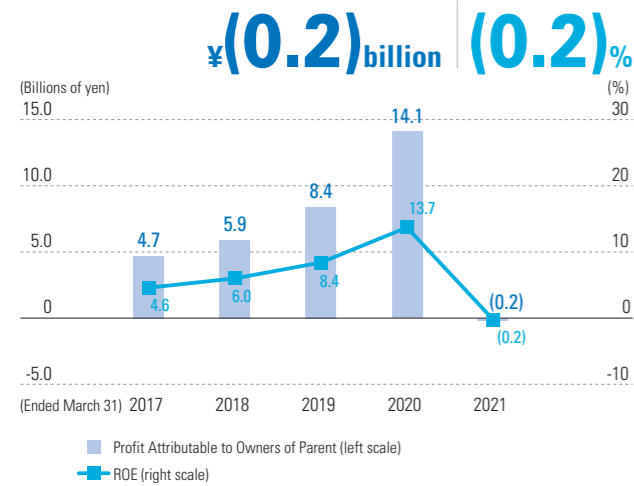
### Net Sales



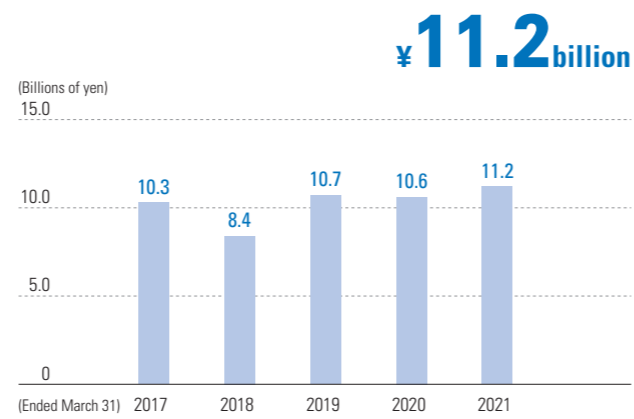
### Operating Income and Operating Profit Margin



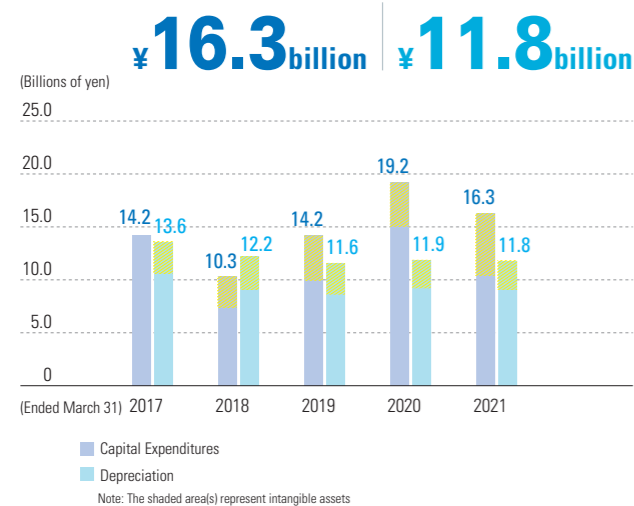
### Profit Attributable to Owners of Parent and Return on Equity (ROE)



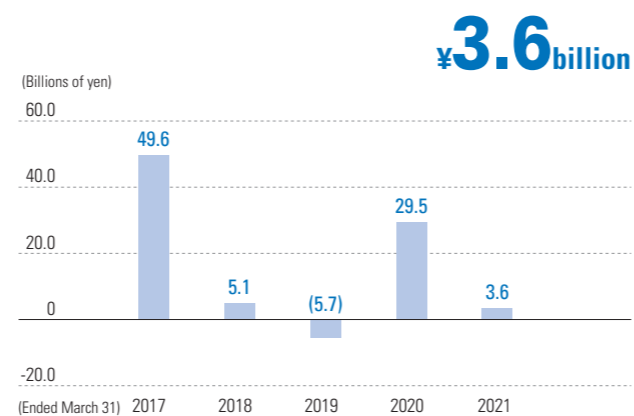
### R&D Expenses



### Capital Expenditures and Depreciation

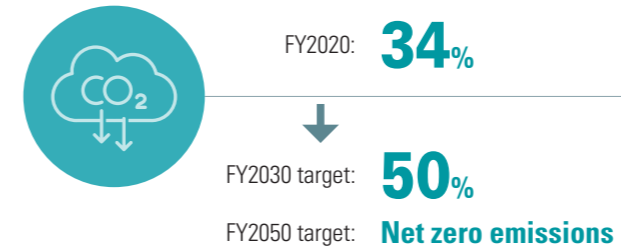


### Free Cash Flow



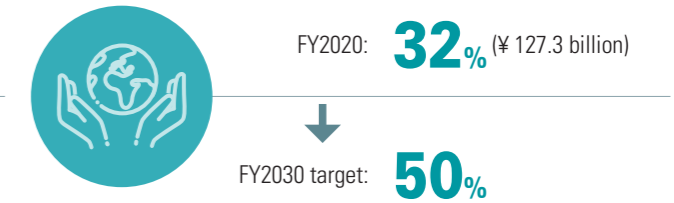
## Non-Financial Highlights

### E Reduction of CO<sub>2</sub> from Sites (Compared to FY2013)



Our business will take initiatives to address environmental issues such as climate change, which is growing worse. We aim to achieve net zero CO<sub>2</sub> emissions from sites by fiscal year 2050.

### E Environmental Contribution Product Sales



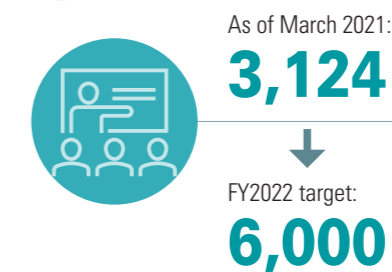
OKI set the new fiscal year 2030 targets as we aim to expand environmental contribution products, including products that address climate change. We are strengthening initiatives for environmental issues through our core business.

### S Employment Rate of Challenged People



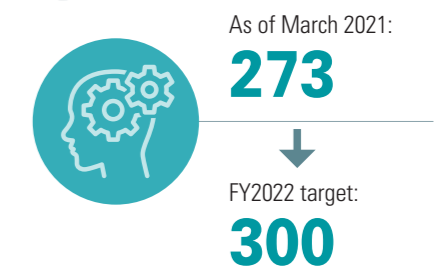
We are taking initiatives such as providing support during hiring and employment and establishing training systems so that challenged employees can be successful in various workplace environments.

### S No. of People Who Completed Innovation Training



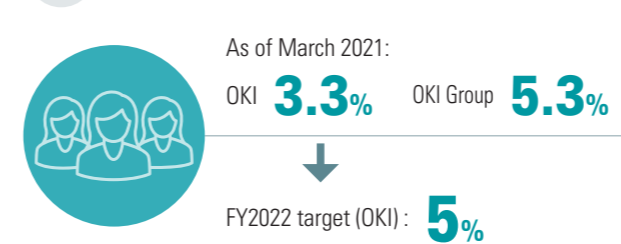
In order to realize full participation innovation, OKI is conducting human resource development through innovation training of all positions as well as building an innovation management system.

### S AI Technician with Practical Skills



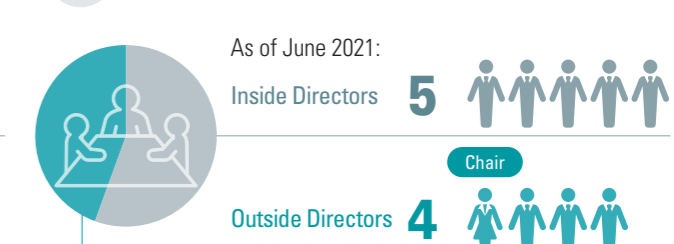
OKI is establishing a training system for AI technicians through education and practical training based on position and level in order to strengthen our capabilities in AI Edge, a technology of focus.

### S Percentage of Female Managers



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

### G Structure of Board of Directors



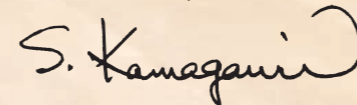
In order to further enhance the independence and objectivity of management, an outside director was selected as Chair of the Board of Directors in June 2021. OKI is engaged in ongoing efforts to enhance governance.



MESSAGE FROM THE PRESIDENT

**“Delivering OK! to your life.”  
—our value of existence and  
future promise**

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



**Vision of the OKI Group**

In 2021 we are celebrating 140 years since the Company’s founding. Over the course of OKI’s history, which began with the development of Japan’s first domestically produced telephone at the dawn of modern Japan, we have always been finely attuned to the needs of real sites in society and therefore leveraged our manufacturing capabilities to resolve such issues. As we continue to inherit this ethos, and with a view to achieving sustainable growth from a long-term perspective, we identified issues we ought to address for 2031—the Company’s 150th anniversary—as a corporation by back-casting from our vision\* and kicked off our Medium-Term Business Plan 2022 in fiscal year 2020. Our key message of “Delivering OK! to your life.” is our promise for the future as we look ahead to the year 2030, the target year of SDGs, and what society might look like even further out, in the year 2050.

Our vision mentions the words “social infrastructure.” In a broad sense, this refers to the infrastructure needed in people’s lives that widely supports infrastructure in the narrow sense of the word, such as roads, tunnels, airports, and ports.

**Materiality-driven Initiatives**

Based on this recognition, as part of the process of “Delivering OK! to your life.” in fiscal year 2020 we identified the

To be more specific, our disaster prevention and mitigation systems to counter natural disasters, our safety and security systems for use in commercial complexes and public facilities, and even our payment systems for the financial sector.

The OKI Group has three key strengths that will help us achieve our vision: (1) the products, systems, and services we have hitherto provided, or in other words, the technological capabilities we have honed over 140 years with our Mono-zukuri and Koto-zukuri know-how; (2) an installed base of numerous device groups; and (3) good relationships with many customers. It is my firm belief that our value of existence is to harness these strengths for the purpose of “Delivering OK! to your life.” by creating products and services that can solve issues in numerous edge domain settings in the real world, as opposed, in some ways, to the virtual world and cloud environments that are currently in the limelight as digitalization continues its onward march.

\*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.”

Company’s issues of materiality. In the course of identifying them, we narrowed down and ordered by priority the issues

we need to address from two points of view: the direction our business lines are heading in; and the expectations and needs of society and stakeholders.

As a result, we broadly placed the issues of materiality into three categories: (1) products and services that help solve social issues; (2) business activities that meet stakeholder expectations; and (3) strengthen the infrastructure that support Mono-zukuri. The first category lends directly to the creation of social value, while the second and third strengthen our

**Medium-Term Business Plan 2022 and Review of FY2020**

The aim of the Medium-Term Business Plan 2022 is to build the foundations for achieving sustainable growth by solving social issues and be ready for steering the Company towards growth during the period of the next medium-term business plan. Concurrently, another major topic is improving profitability in the hardware business—an outstanding task from the previous medium-term business plan.

In fiscal year 2020, the first year of the current plan, earnings were hard hit by the impact of the COVID-19 pandemic. Both net sales and operating income decreased year on year and as head of the management team I feel greatly responsible for net income falling into the red. It has also renewed my determination to achieve the targets we set out in the Medium-Term Business Plan 2022.

As for building the foundations for growth—the main focus

management infrastructure. We have established relevant ESG topics for each item and reflected them in the concrete measures we are currently implementing. In particular, of the social issues we seek to resolve, we are currently formulating and rolling out initiatives geared towards solving the following seven issues that are deeply linked to our business operations: aging infrastructure, natural disasters, transportation issues, environmental issues, labor shortages, labor productivity, and infectious diseases.

of the Medium-Term Business Plan—we were able to steadily take the first step in implementing measures designed to restructure our business portfolio. For instance, overseas we reorganized and restructured our sites in Europe, North America, and Brazil, while in Japan we shifted design resources and consolidated and restructured subsidiaries, among other measures. We are also making steady improvements to the earnings structure of hardware businesses, like ATMs and printers.

Turning to initiatives that we hope will translate into growth up ahead, we are working on expanding the range of digital transformation (DX) solutions that we provide to customers and we are eyeing off fiscal year 2022 as the time to make a considerable leap forward. Right now we are pushing ahead with the demonstration testing of numerous DX solutions,

MESSAGE FROM THE PRESIDENT

including automated driving assistance systems and surveillance and monitoring systems for waterways and infrastructure buildings.

In the Components & Platforms business we are developing and preparing to launch new products that resolve labor shortages and provide non-face-to-face and non-contact solutions. We are also stepping up our foray into not only the financial domains where we have a long-established presence, but also fields such as distribution, retail, and healthcare. We have plans to bring new products to market in these areas in fiscal year 2021. Also, in the business of providing the very concept of OKI's Mono-zukuri capabilities, we are ramping up our expansion into the design stage for upstream processes and broadening the scope of our Mono-zukuri services, from design and manufacturing through to evaluation and maintenance. In doing so, we are working to contribute to the achievement of efficient Mono-zukuri for our customers.

As part of our efforts to promote innovation, which we started in fiscal year 2017, we are currently building an innovation management system (IMS) called Yume Pro with a view to solving social issues. In December 2020 we indicated our intention of having all Group employees participate in sparking innovation—an approach we refer to as “full-participation

innovation”—and we also declared that we would embed the IMS into the systems that form the backbone of the Company's management. As we continue to expand the IMS from the departments promoting innovation and incorporate it into trial projects in business divisions, I get the sense that there are now more employees with a mindset oriented towards taking up the challenge of innovation in all job roles and not just limited to employees tasked with creating new business ideas. We are actually seeing glimpses of our transformation into a partner that no longer simply responds to the requests of customers, but carefully takes their concerns into consideration to provide solutions. We intend to further this transformation so that it becomes part of the business foundation that underpins the future of the OKI Group.

Even though the feedback and inquiries we have received from customers and co-creation partners have been reassuring, our initiatives on business expansion and innovation have unfortunately been impacted by the COVID-19 pandemic dragging on longer than expected. Along with the COVID-19 situation, supply chain issues and other uncertainties are mounting, but the external environment can be no excuse, which is why we intend to hammer out whatever measures necessary as we work towards achieving the targets in our plan.

ESG Initiatives to Support our Management Infrastructure

Hastening measures to address climate change and other environmental problems as “our own issues”

In August the Sixth Assessment Report of the United Nations Intergovernmental Panel on Climate Change (IPCC) was released. According to the report, the pace of global warming has accelerated since the last report in 2018 and in all scenarios presented by the IPCC, the planet is predicted to cross global warming levels roughly 10 years sooner than previously reported unless emissions of CO<sub>2</sub> and other greenhouse gases are drastically reduced. With absolutely no time to waste, measures aimed at preventing global warming are gaining momentum even in Japan, highlighted by the government's unveiling of a roadmap towards achieving a carbon-neutral society.

In the OKI Group too, we have set ourselves the target of reducing life-cycle CO<sub>2</sub> emissions by 40% in 2030 compared to fiscal year 2013 and achieving net-zero CO<sub>2</sub> emissions from energy used at all plants and business sites by fiscal year 2050. To work towards these goals we have set in motion the Medium-Term Environmental Plan 2022.

The main measures called for in the plan are promoting businesses that contribute to the achievement of the SDGs, taking steps towards decarbonization, and bolstering supply chain management. We are also constructing a framework through which we can distribute information to stakeholders about the processes and results of the aforementioned measures, but which also helps us achieve sustainable growth. In particular, we are working to develop products that help resolve environmental problems, lending our resources to the

creation of a circular economy, reducing CO<sub>2</sub> at our business sites, and stepping up our efforts to make the transition to renewable energy.

Accordingly, I believe the most important thing when tackling climate change and pursuing various other environmental measures in order to achieve our targets is to be cognizant of the fact that combatting climate change is not somebody else's, but “our own issue,” which concerns each and every one of us. 2030 is less than 10 years away and even 2050 is no more than 30 years from now. To ensure that our children and their children do not suffer from an adverse legacy, corporations like ours must quicken the pace of measures to address climate change so that the future of society is a sustainable one. Considering this outcome, at OKI we have come to the conclusion that the energy we consume should be equal to the energy we create. And based on a similar point of view, in order to come up with new solutions, we are actively undertaking an initiative to radically change our way of thinking mainly by engaging in dialogue with all OKI division heads concerning ESG topics.

Meanwhile, rapid changes in the external environment, like climate change, pose risks to corporations, but at the same time, they also present opportunities. I believe we can ultimately achieve sustainable growth in due course if we draw connections between the activities that we are carrying out for achieving our targets with value creation “opportunities” and the “risks” to our management infrastructure, then seizing those opportunities whilst mitigating the risks.

Establishing environments and systems so that every individual can unleash their full potential

In September 2016 we established the following five Action Principles for all Group employees to hold in common and put into practice: (1) act with integrity; (2) challenge and drive change; (3) perform with speed and agility; (4) be passionate, and determined to succeed; and (5) proactively encourage excellence as “Team OKI.” Our objective here is to nurture human resources that can respond flexibly to change, ensure thoroughgoing compliance practices, and foster a corporate culture in which teams work together to boldly take on challenges in the face of major changes in the business environment without being complacent with the status quo. After five years, these action principles are gradually becoming entrenched in the minds of all employees. To further instill them, we are currently developing a performance metric based on the principles to be used as part of our HR performance evaluation system.

Furthermore, so that every individual has the chance to fully demonstrate their capabilities, we draw on the action principles to implement curriculum-based training; for example, rank-based training, business skills, or departmental training. In addition, from the standpoint of diversity and inclusion, we undertake initiatives aimed at empowering women in the workplace and raising awareness about LGBTQ issues, and we also actively encourage the hiring of challenged people. In fiscal year 2020 we took advantage of the COVID-19 pandemic to launch the Smart Work-Life Project with the objectives of streamlining our offices and encouraging teleworking so that we might achieve a flexible working style that improves productivity and efficiency.

Having each and every employee in our diverse workforce

demonstrate their full potential also forms the basis of the OKI Group's notion of having all employees play a part in innovation. As we work towards achieving the vision of the OKI Group, in order to develop and secure the human resources that support Mono-zukuri and businesses in growth fields, we must break down the various stereotypes that have persisted thus far and continue to put in place more suitable workplace environments and systems.

Governance worthy of the trust of all stakeholders

In June 2021, Japan's Corporate Governance Code was revised. The main revisions pertained to ensuring board independence, promoting diversity in core human resources, and attention to sustainability and ESG. Since June 2017, more than 40% of the directors that sit on OKI's Board have hailed from outside of the Company, whilst female director also participate in management. Also, in May 2019 we were quick to announce our support of the recommendations of the TCFD and we also took steps to enhance our corporate governance in anticipation of the recent amendments to the Corporate Governance Code. Moreover, to coincide with the revisions, in June this year female independent outside director Izumi Kawashima was appointed chair of the Board of Directors, a move that we expect will further invigorate the Board.

The OKI Group is working to enhance corporate governance in line with our fundamental policies, i.e., “enhancement of management fairness and transparency,” “timely decision-making processes,” and “full compliance and fortification of risk management.” Going forward, we will aim to earn the trust of various stakeholders, achieve sustainable growth, and improve medium- to long-term corporate value.

In Conclusion

By committing to solving the social issues listed among our items of materiality, we aim to give concrete shape to our promise of “Delivering OK! to your life.” and achieve sustainable growth for society and the Company. To that end, I believe it is important that we appropriately disclose to our stakeholders information about how our numerous initiatives are progressing so that it can be leveraged in co-creation efforts for solving issues. I look forward to your continued guidance and encouragement.

October 2021





# Progress of Medium-Term Business Plan 2022

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

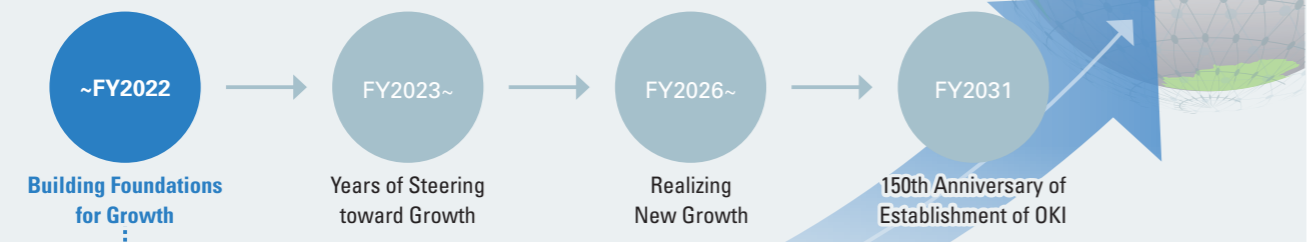
We will introduce the positioning and progress toward the Medium-Term Business Plan 2022 below.

## Positioning of Medium-Term Business Plan 2022

OKI has positioned the three years until fiscal year 2022 as a phase for “building the foundation for future growth” as we head toward sustainable growth through social issue resolution.

While transitioning the business portfolio, we will realize operating income that equals or exceeds that of fiscal year 2019, as well as the building of a stable corporate infrastructure. We will take the following steps: build a foundation for growth in this Medium-Term Business Plan; steer toward growth from fiscal year 2023; and realize new growth from fiscal year 2026. And then we will be growing as we head toward 2031, the 150th anniversary of the Company.

**Our 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.”



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

<p><b>1 Restructuring the Business Portfolio</b></p> <p>Further acceleration of shifting resources to strategic fields</p>	<p>[Major Past Initiatives]</p> <ul style="list-style-type: none"> <li>Built development structure with 700 people through integration of hardware businesses (Mechatronics Systems, Printers, EMS)</li> <li>Narrowed down models of printers to develop and sell</li> <li>Reduced overseas sales sites: Terminated printer hardware sales in North America and reduced overseas sales company personnel by 30% (target 60% reduction by FY2022)</li> <li>HQ integration of printer business subsidiary, design/development structure integration, marketing &amp; sales section integration</li> </ul>
<p><b>2 Strengthening Mono-zukuri Infrastructure</b></p> <p>Timely and consistently providing products customers want Realizing customer value improvement and cost reduction</p>	<p>[Major Past Initiatives]</p> <ul style="list-style-type: none"> <li>Concentrated resources on product development in focal areas (plans to launch new products in FY2021)</li> <li>In China, where cashless transactions are growing, OKI terminated sales and production of ATMs and transferred these functions to factories in Japan (devices for Japanese market) and Vietnam (devices for global market)</li> <li>Integrated two subsidiaries in order to strengthen existing domains in the Design &amp; Manufacturing Services (DMS) business and promote entry into new fields</li> <li>Integrated two printed circuit board (PCB) business subsidiaries to aim for the top share in the Japanese high-value-added PCB market, which is maintaining growth</li> <li>Started construction on smart factory to realize the first Net Zero Energy Building (ZEB) production facility in Japan (plans for full operation in May 2022)</li> <li>Terminated production of printers and multifunction printers in China and transferred resources to Thailand factory</li> </ul>
<p><b>3 Cost Reforms in Shared Group Functions</b></p> <p>Procurement costs ¥10.0 billion reduction Labor costs and business expenses ¥4.0 billion reduction (Both 3-year accumulated total)</p>	<p>[Major Past Initiatives]</p> <ul style="list-style-type: none"> <li>Procurement costs were reduced ¥3.1 billion the first year due to efforts to integrate procurement divisions in the Group and through concentrated purchasing and development purchasing</li> <li>Labor costs and business expenses were reduced ¥700 million the first year mainly through transferring/outsourcing the logistics business, concentrating and reorganizing offices in Shibaura and Toranomon districts, and expanding operations ranges of shared Group companies</li> </ul>

## Progress of Numerical Targets in Medium-Term Business Plan 2022

	Medium-Term Business Plan 2022			
	FY2019 Results	FY2020 Results	FY2021 Plan	FY2022 Targets
Net sales	¥457.2 billion	¥392.9 billion	¥400.0 billion	¥465.0 billion
Operating income	¥16.8 billion	¥9.5 billion	¥12.0 billion	¥20.0 billion
Profit	¥14.1 billion	¥(0.2) billion	¥3.5 billion	¥12.0 billion
Shareholders' equity	¥106.2 billion	¥113.0 billion		¥115.0 billion
Shareholders' equity ratio	28.5%	30.3%		30%
Shareholder returns	¥50 dividend/share	¥20 dividend/share	¥30 dividend/share	30% or higher
ROE	13.7%	(0.2)%		10%

## Growth Strategy

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

Business Segment	Growth Strategy Policy	Past Progress and Future Initiatives
Solution Systems	Use AI Edge to help customers achieve DX	<ul style="list-style-type: none"> <li>Expansion of sales in DX domain</li> <li>Acquiring stable revenue through horizontal deployment of DX solutions and achieving growth</li> <li>Creating new solutions through co-creation with partners and expanding business</li> </ul>
Components & Platforms	Promote partner strategy and strengthen comprehensive Mono-zukuri services	<ul style="list-style-type: none"> <li>Business model shift delayed for one year</li> <li>Currently steadily providing modules to global partners</li> <li>Plans to launch new products for partners in FY2021</li> </ul>

## Innovation

In order to continuously create new businesses and products that contribute to society, OKI is taking efforts to create medium- to long-term businesses that will be our future pillars, under the innovation management systems (IMS) standard outlined in ISO 56002. In December 2020, OKI declared that we would become an “IMS Ready” company in fiscal year 2022 through the promotion of full participation innovation. In January 2021, OKI announced a tangible roadmap and action plan as an “Innovation Strategy” that aims to create businesses in the medium- to long-term until 2030. We are accelerating business creation through full participation.



## Growth Investment

Capital expenditures during the period of the current Medium-Term Business Plan are ¥70.0 to 80.0 billion, while development spending is ¥40.0 billion. In fiscal year 2020, some expenditures were postponed to fiscal year 2021 due to the impact of the COVID-19 pandemic. OKI will continue to strengthen our management infrastructure as the foundation for future growth through transition of our own factories to smart factories and promotion of DX. OKI will also concentrate on developing new products in core fields that lead to future revenue.

	3-year Targets	FY2020 Results	FY2021 Plan	Details
Capital expenditures	¥70.0 billion to ¥80.0 billion	¥16.3 billion	¥31.0 billion	Strengthening of Mono-zukuri infrastructure, transition to smart factories, renewal of ERP, IT consolidation
R&D	¥40.0 billion	¥11.2 billion	¥12.5 billion	Development of new DX solutions/components, investments related to AI Edge, research of cutting-edge technology



## MESSAGE FROM THE CFO

We will continue to implement structural reforms and aggressive investments aimed at sustainable growth.

### Masayuki Hoshi

Senior Executive Vice President,  
Representative Director and Chief Financial Officer



With “Delivering OK! to your life.” as our key message, the OKI Group aims to be a corporate group supporting safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri and Koto-zukuri, and we are promoting various measures in line with Medium-Term Business Plan 2022.

Medium-Term Business Plan 2022 is positioned as a foundation for achieving sustainable growth by providing products and services that respond to changes in social structures and new needs accompanying those changes. In fiscal year 2020, the first fiscal year of the plan, we have worked on structural reforms including a shift in design resources and reorganization of affiliated companies, while aggressively investing in focus areas in both our Solution Systems and Components & Platforms businesses.

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%

As we continue to promote structural reforms, we plan to invest aggressively in order to develop innovative technologies and new fields, while at the same time, it has become even more important to appropriately judge risks in an environment where the end of COVID-19 is unforeseeable. As CFO, I believe that it is my responsibility to maintain our financial policy even if society or our business portfolio changes, and balance offensive (growth investment) and defensive (financial discipline) in order to make steady progress toward 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.

## Analysis of Financial Position and Business Achievement

### FY2020 Business Results

In fiscal year 2020, net sales decreased by ¥64.3 billion to ¥392.9 billion due to temporary factors from the previous fiscal year such as large-scale projects and expanding our scope of applying a “percentage of completion,” as well as multiple overlapping factors including transfers of business for our subsidiary in Brazil and COVID-19. With regard to profits, while the effects of our structural reforms contributed in some areas, operating income decreased ¥7.3 billion year on year to ¥9.5 billion and ordinary income decreased ¥4.4 billion year on year to ¥9.4 billion due to the significant impact of reduced sales caused by COVID-19.

Profit attributable to owners of parent decreased by ¥14.3 billion year over year to a loss of ¥0.2 billion as we tallied ¥4.6 billion in business structure improvement expenses accompanying a review of our business portfolio as well as a partial reversal of deferred tax assets.

As for the effect of COVID-19 on the current period, net

sales and operating income were both negatively impacted, decreasing by approximately ¥27.0 billion and ¥6.5 billion, respectively.

In terms of financial position, total assets increased by ¥0.7 billion from the end of the previous fiscal year, to ¥373.2 billion. While accumulated other comprehensive income increased by ¥11.3 billion, shareholders’ equity increased by ¥6.8 billion from the end of the previous fiscal year to ¥113.0 billion due to the payment of ¥4.3 billion in ordinary dividends and other factors. As a result, the shareholders’ equity ratio stood at 30.3%. As for assets, in terms of main areas, while asset for retirement benefits increased by ¥10.6 billion, notes and accounts receivable have decreased by ¥5.9 billion and inventories by ¥4.8 billion. For liabilities, primarily notes and accounts payable have decreased by ¥5.0 billion. Also note that borrowings saw an increase of ¥0.3 billion from the end of the previous fiscal year, tallying ¥78.0 billion.

### Outlook for FY2021

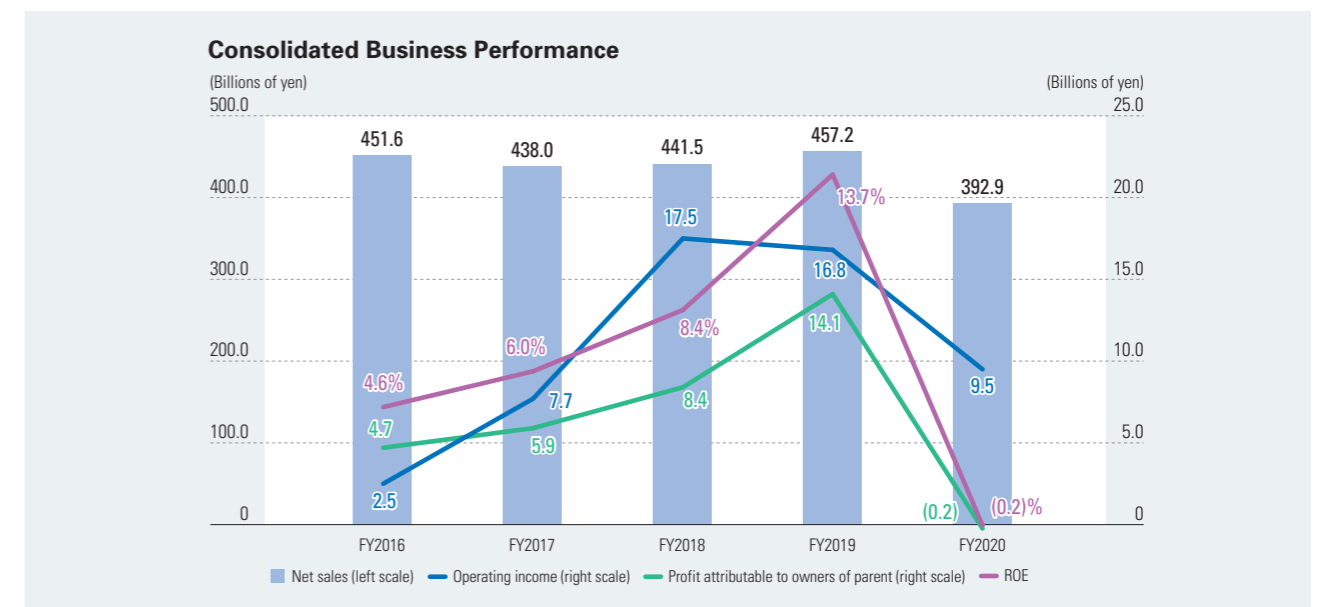
For fiscal year 2021, we expect an increase in sales and profit, with net sales to increase ¥7.1 billion year on year to ¥400.0 billion, operating income to increase ¥2.5 billion to ¥12.0 billion, ordinary income to increase ¥2.6 billion to ¥12.0 billion, and profit attributable to owners of parent to improve by ¥3.7 billion to ¥3.5 billion.

We continue to proceed with structural reforms in fiscal year 2021 to strengthen our revenue structure aimed toward growth. Specifically, as part of our cost reforms in shared group functions, we reduced logistics and other costs by approximately ¥0.7 billion by reviewing and streamlining operations and procurement costs by approximately ¥3.1 billion in

fiscal year 2020, and we continue to engage in these efforts in the current fiscal year.

Additionally, we have reduced the personnel at our overseas sales locations by 30% accompanying a review of our overseas strategy, and we plan to reduce personnel in fiscal year 2021 as well to achieve a 60% reduction by fiscal year 2022. In line with this, we plan to record the same level of business structural reform expenses as fiscal year 2020. We also expect to benefit from fixed cost reductions due to these personnel reductions.

Further, our printer subsidiary OKI Data Corporation was integrated into the main OKI company as part of our business



## MESSAGE FROM THE CFO

portfolio restructuring as of April 1, 2021. In addition to conducting efficient business operations through the integration and rationalization of common functions, we will accelerate the shift of resources to strategic fields in the Components & Platforms business and generate synergies such as by promoting new product development utilizing technologies used in printers.

In Medium-Term Business Plan 2022, we plan to invest between ¥70.0 billion and ¥80.0 billion over three years on capital expenditures and ¥40.0 billion in R&D as growth investments. We plan to spend ¥31.0 billion on capital expenditures in fiscal year 2021, including ¥6.0 billion on a project to construct our own smart factory that considers environmental-impact reduction as our first production facility to achieve

being a net zero energy building (ZEB) and resilient to disaster as an environmental initiative. In addition, we plan to make investments to build a foundation for growth, such as development facilities to expand DX sales in our Solution Systems business and new product development for partners in our Components & Platforms business. We also plan to invest ¥12.5 billion in R&D in fiscal year 2021. Through these investments, we aim to achieve DX sales in our Solution Systems business of over ¥40.0 billion in fiscal year 2021 and ¥70.0 billion in fiscal year 2022 from ¥36.9 billion in fiscal year 2020. We will also accelerate new product development in our Components & Platforms business, aiming to achieve sales of ¥225.0 billion in fiscal year 2022.

## Structural Analysis

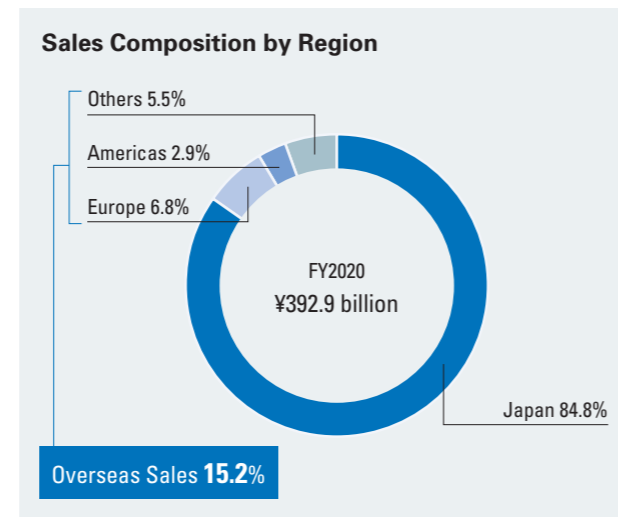
### Sales Composition and Overview

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 2020 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. Our comprehensive Mono-zukuri 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 two-thirds of sales come from overseas. In fact, most of the OKI Group's

overseas sales come from this business.

The ratio of overseas net sales for fiscal year 2020 declined to approximately 15%, impacted by the spread of COVID-19 and due to a fundamental review of our overseas strategy centered on winning products in the Printers business. By region, Europe was 6.8%, the Americas were 2.9%, and others were 5.5%.

\*Research by OKI



### Effect of Exchange Rate Fluctuation on Earnings

Overseas sales account for approximately 15% of the OKI Group's total sales, mainly from the Printers business, and approximately 60% 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

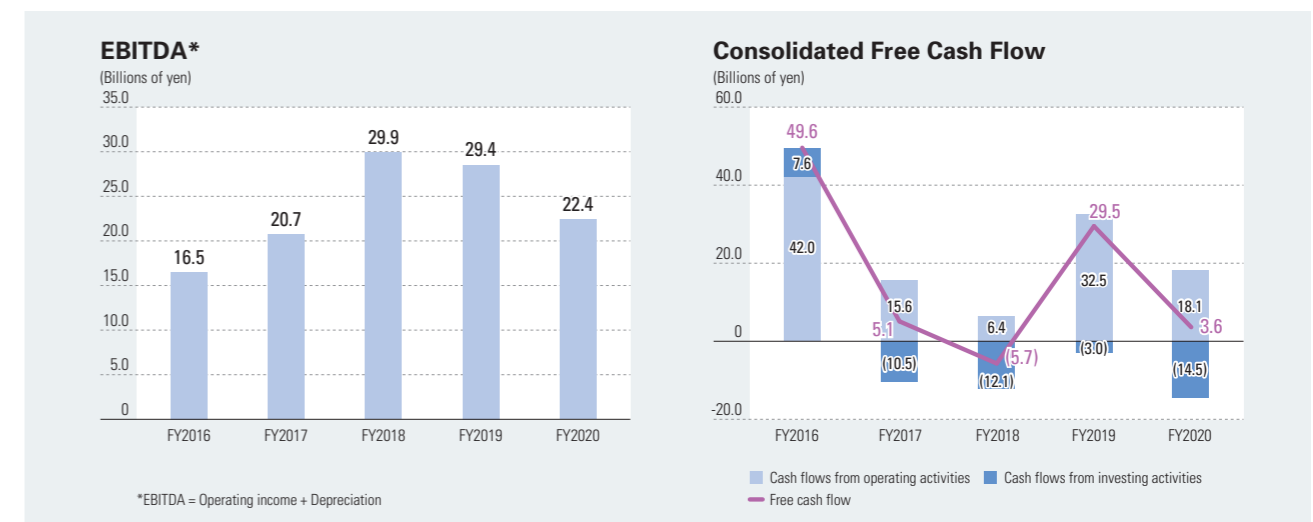
Ayutthaya, Thailand and Haiphong, Vietnam; at these factories, major materials procurements are conducted in U.S. dollars. For transactions denominated in U.S. dollars, purchases exceed sales. For this reason, regarding the amount after offset, the appreciation of the yen against the U.S. dollar causes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

## Cash Flow

As EBITDA shows, fundamentally, OKI's businesses generate stable cash flows. As system integration is the main business activity of the Solution Systems business and the Components & Platforms business' hardware production is mainly an assembly process that does not require installation of expensive equipment, large capital investment is usually not needed, and free cash flow does not go significantly negative.

However, over the three years of Medium-Term Business Plan 2022, we plan to invest between ¥70.0 billion and ¥80.0

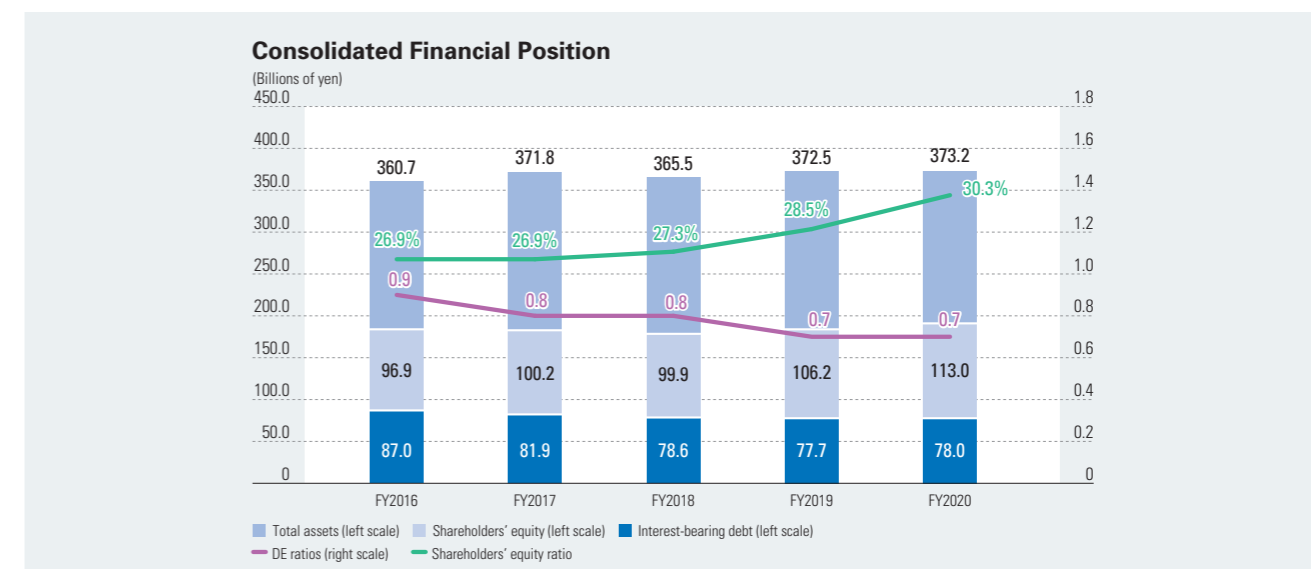
billion in capital expenditures and ¥40.0 billion in R&D as a foundation for growth. Both are significantly higher than the amounts invested during the previous medium-term business plan, and in fiscal year 2020 we spent ¥16.3 billion on capital expenditures and ¥11.2 billion in R&D. In fiscal year 2021, we plan to invest a combined ¥43.5 billion in capital expenditures and R&D, with cash flows from investing activities expected to exceed cash flows from sales.



## 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 introduced the Innovation Management System (IMS) “Yume Pro” in 2017, prior to the publication of international standard ISO 56002, 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 of innovations. “Full participation innovation” that utilizes this system contributes to the resolution of the seven social issues raised in Medium-Term Business Plan 2022.

## ● Aim for Full Participation Innovation

In December 2020, OKI declared that it would promote “full participation innovation” that incorporates IMS “Yume Pro” as the company-wide management system, and that in fiscal year 2022, it would become an “IMS Ready” company that has implemented systems for innovation generation across the entire Group. In April 2021, OKI established a company-wide project to standardize the processes and procedures. We are conducting trials of processes corresponding to ISO 56002’s “Identify opportunities,” “Create concepts,” “Validate concepts,” “Develop solutions,” and “Deploy solutions” and are feeding the results back to the standards. OKI also continued and strengthened innovation education, having held tutorial for 3,124 total people across the Group by fiscal year 2020. OKI plans for 6,000 people, or around half of the total number of Group employees in Japan, to have taken this tutorial by the end of fiscal year 2022. In order to continue producing new businesses based on the IMS process, OKI has held the “Yume Pro Challenge” every year from 2018. This is a business idea contest that aims to craft actual businesses from ideas. In fiscal year 2020, there were 147 entries across the entire Group.

## ● Announcing the Innovation Strategy until 2030

In January 2021, OKI announced its “Innovation Strategy” that aims to generate businesses for the medium- and long-term until 2030. This presented a roadmap for the vision of each business field as the “opportunities intent” in ISO 56002. OKI broke down the specific actions to resolve the seven social issues in Medium-Term Business Plan 2022 as nine areas of focus. It defines these actions as innovation roadmaps aligned with Yume Pro processes. With all of us steadily making progress on initiatives in this strategy while staying attuned to the needs of our customers, OKI will achieve the vision in the Medium-Term Business Plan and realize the goal of “Delivering OKI to your life.”

OKI's Innovation Management System “Yume Pro”  
[https://www.oki.com/en/yume\\_pro/](https://www.oki.com/en/yume_pro/)

Focus Areas	2022	2025	2030	Vision	Social Issues to Resolve (SDGs)
Finance/Retail	Resource optimization	Digital reform of stores	New devices and service reforms	Safe and convenient payment/services	8, 9, 10
Logistics	Increase profits by improving business work efficiency	Construction of efficient supply chains	AI linkage services	Complete automatization of supply chain construction	8, 9, 11
Advanced remote operations	Produce collaborative robots that fuse core technology	Provide services through collaborative robots	Advanced linkage of robot/cloud through AI cooperation	Robot solutions that collaborate with people and perform many tasks	5, 8, 9, 11, 13, 16, 17
Disaster prevention	Disaster prevention information system	Regional communication support	Disaster prevention telematics service	Realize sustainable cities that are strong to disasters	11, 13
Healthcare	Digitization of behavior	Utilization of behavioral data	Realizing behavioral changes	Behavioral change services used daily	3, 8, 10, 17
Manufacturing	Site reform	IT/operation reforms	Management reforms	Smart factories	7, 8, 9, 11
Maritime	Enter new fields through core products	Enhance solutions to gather maritime data	Establish maritime data infrastructure. Realize new solutions	Maritime data infrastructure utilization service	9, 11, 13, 14
Construction/Infrastructure	Increase profits by improving business work efficiency	Construction of efficient supply chains	AI linkage services	Site support services for construction/maintenance	8, 9, 10, 11, 13
Transportation	Utilization of ETC2.0	Realize V2X networks	Automated driving/telematics services	Infrastructure-cooperative ITS services	8, 11, 16, 17

List for innovation roadmaps in areas of focus

# INITIATIVES FOR RESOLVING SOCIAL ISSUES

The following is an introduction to the initiatives for the seven social issues up through fiscal year 2022 and the results of initiatives conducted from fiscal year 2020. OKI is using the strengths of “customer base,” “installed base,” and “technological capabilities” which it has cultivated up until now to achieve tangible (“mono”) and intangible (“koto”) results that resolve the social issues set forth in its materiality details, making progress to realize social implementation by co-creation with many partners.

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

Social Issues	Initiatives up Through FY2022	Results of FY2020 and Initiatives for FY2021	SDGs
<b>Aging Infrastructure</b> ▶ For details, see the next page.	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Realized an infrastructure monitoring system utilizing zero-energy IoT technology that does not require power sources or lines</li> <li>Registered with NETIS* optical fiber sensor system that can measure wide distortions and temperature in real-time</li> </ul>	8, 9, 11
<b>Natural Disasters</b> ▶ For details, see the next page.	<ul style="list-style-type: none"> <li>We will aim to prevent and reduce disasters by realizing comprehensive disaster prevention solutions geared toward self-help, mutual assistance, and public assistance.</li> <li>By providing and sharing real-time information through water level and video monitoring, we will contribute to the achievement of “sustainable cities that are resilient to disasters.”</li> </ul>	<ul style="list-style-type: none"> <li>Supported public assistance management centered around disaster prevention information system “DPS Core”</li> <li>Realized disaster prevention and reduction solutions utilizing sensing devices</li> <li>Secured daily life infrastructure during disasters by providing compact ATMs loaded on vehicles</li> </ul>	9, 11, 13
<b>Transportation Issues</b>	<ul style="list-style-type: none"> <li>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.</li> <li>By using OKI's transportation platform “LocoMobi”2.0” as a core, we will achieve new services utilizing ETC2.0 and resolve social issues related to transportation.</li> <li>In fields combining 5G and automated driving, we will participate in experimental trials related to automated driving support from the infrastructure side.</li> </ul>	<ul style="list-style-type: none"> <li>Supported pleasant automobile driving environments and new business creation utilizing road infrastructure through solutions that utilize DSRC, 5G networks, ETC2.0, and various edge sensors</li> <li>Participated in experimental trials for automated driving merging support services through cooperative intelligent transport systems, in joint research with the National Institute for Land and Infrastructure Management, Ministry of Land, Infrastructure, Transport and Tourism</li> <li>Received request from the Ministry of Internal Affairs and Communications for technological study related to 5.9GHz band V2X communications systems for automated driving</li> </ul>	3, 8, 9, 11
<b>Environmental Issues</b>	<ul style="list-style-type: none"> <li>To achieve decarbonization, we will promote our own environmental-impact reduction by contributing to a circular economy as well as solutions through zero-energy gateways and the like. We will also aim to increase business efficiency via telework utilizing area sound enhancement and similar technologies, and labor saving via AI robots.</li> </ul>	<ul style="list-style-type: none"> <li>Promoted reduction of environmental impact through zero-energy IoT technology that grasps and analyzes the status of infrastructure and environment across a wide range while saving power and not requiring lines</li> <li>Realized edge power-saving inference through compact AI technology and contributed to power cost reduction for servers</li> <li>Currently conducting experimental trials on highly efficient wide-range sensing of infrastructure through optical fiber sensors and multi-point laser vibrometers</li> </ul>	7, 8, 9, 11, 12, 13
<b>Labor Shortages</b> ▶ For details, see the next page.	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Tested value proposition through advanced remote operation of robots and IoT sensors while focusing on security/facility management fields, where labor issues are significant</li> <li>Efficiently automatized in-person services at stores through emotion detection AI technology; began testing smart recommendation solutions for AI to propose options with a high level of interest</li> </ul>	5, 8, 9, 11
<b>Labor Productivity</b>	<ul style="list-style-type: none"> <li>Utilizing know-how from our factories, we will support the digital transformation of the manufacturing industry and the creation of smart factories.</li> <li>We will carry out “Manufacturing DX” in industries other than manufacturing (construction, etc.), support the digital transformation of customers, and contribute to the increase in labor productivity.</li> </ul>	<ul style="list-style-type: none"> <li>Promoted “Manufacturing DX” based on established DX solutions and know-how from own factories; supported realization of smart factories through co-creation with customers</li> </ul>	8, 9, 12, 14
<b>Infectious Diseases</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Promoted “Enterprise DX” solutions, namely, remote help-desk (customer service AI, self-payment, remote guidance services); mitigated crowding and avoided the “3Cs” through crowding/human traffic analysis</li> <li>Provided coin and bank note change machines for indirect/distanced services for the medical (pharmacy) market</li> </ul>	3, 8, 9, 11

\*NETIS: New Technology Information System

## Initiative Case Examples for Resolving Social Issues

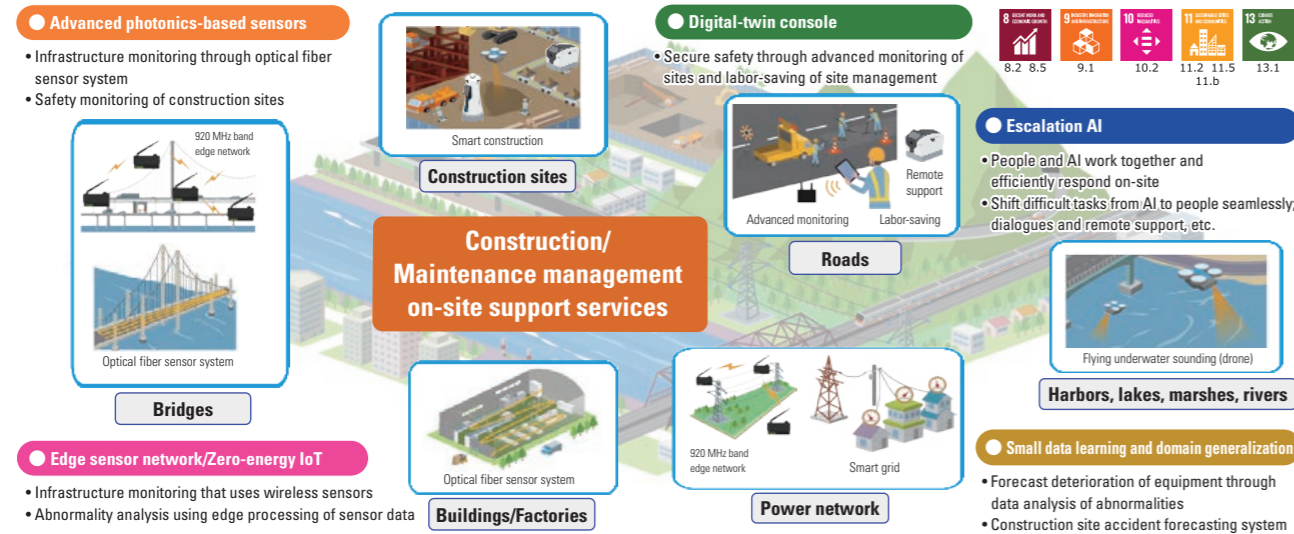
The impact of changes in the social environment due to the spread of COVID-19 has been large enough to lead to changes not only in lifestyles but also in the form of business in many industries and necessitate business policy reviews. In Medium-Term Business Plan 2022, OKI has declared the intention to 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 previously, initiative case examples pertaining to three issues (aging infrastructure, natural disasters, and labor shortages) are introduced.

### Addressing Aging Infrastructure

Repairing and reforming social infrastructure (tunnels, roads, sewage systems) created during the period of high economic growth has become an urgent issue in Japan. There is an urgent need for solutions that can reduce the maintenance and management costs of these systems. For example, of the 720,000 bridges in Japan, over half were constructed at least 50 years ago. In addition, the shortage of civil engineers involved in bridge maintenance work has also become a major social issue.

In order to reduce maintenance and management costs and solve these social issues, OKI is using optical fiber sensor technology that can perform high speed wide distortion and temperature measurements as well as power-reducing IoT technology that does not require laying down

communications/power lines, through a combination of natural energy power supply and close distance wireless technology. OKI is providing the most appropriate solutions by processing data that meets objectives, such as status diagnosis and deterioration forecasting. In the experimental trials so far, OKI measured the unique vibrations and degree of distortion of bridges using high-speed wireless sensors installed on the backside of bridge decks and is conducting remote monitoring for bridge strength decline over the long-term. OKI is also engaged in experimental trials to monitor whether the components of bridges are operating properly, using wireless distortion gauges that monitor the shift in the base supports and wireless salt-air damage sensors that measure the status of corrosion in steel components of bridges.



### Handling Natural Disasters

Ever since fiscal year 2018—in response to frequent typhoons considered as serious disasters and landslide and other damages from torrential rain, etc.—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. To provide evacuation instructions to local residents, it is most important to give instructions promptly and accurately and it is essential to provide real-time, precise information from the site and promptly share them.

To cope with this issue, OKI is supporting fire fighting and

disaster prevention activities that support the safety and security of citizens through solutions that utilize AI Edge sensors, wireless solutions, and the development of management functions. 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 achieving disaster-resilient cities.

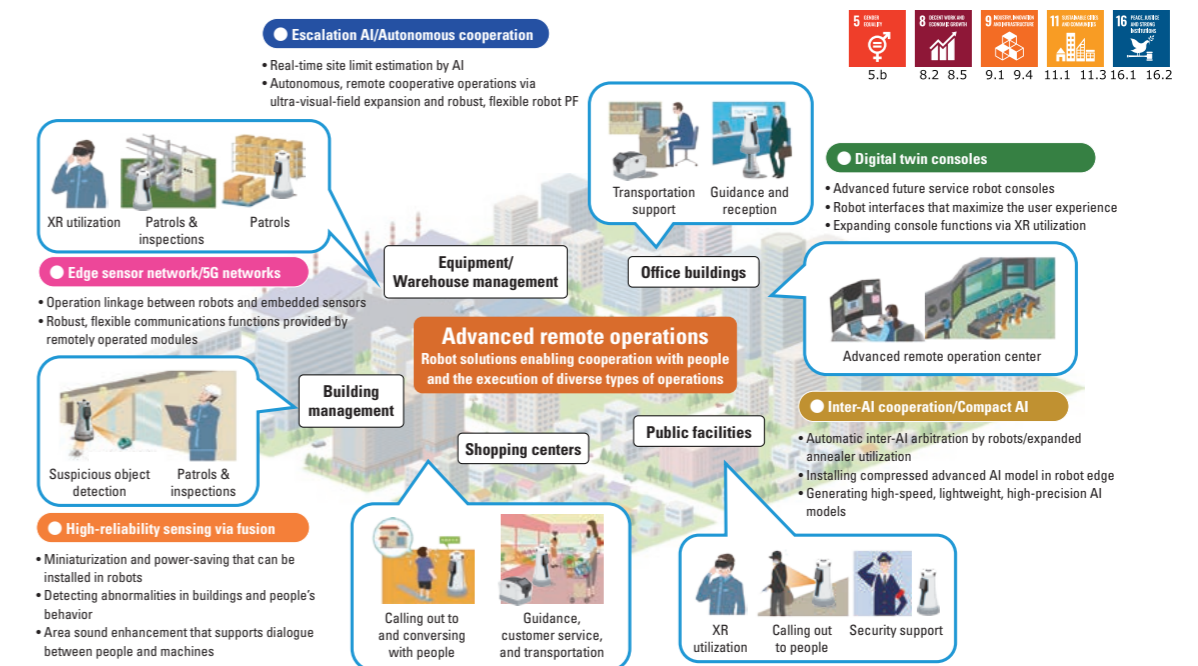


### Handling Labor Shortages

Due to Japan’s declining birthrate as well as the aging and decreasing population at the same time, serious labor shortages have become chronic in multiple industrial fields starting around 2014. Under these circumstances, coupled with societal needs during and after the COVID-19 pandemic, there is an increasing demand for “unmanned operation/non-contact/non-face-to-face” solutions, and there are growing expectations for service robots that can take over on-site work and for managing the operation of such robots. Most service robots perform tasks on-site automatically using AI; however, it is difficult to wholly continue services without people. If the robot malfunctions or the AI cannot respond, the robot will halt and the operating rate of the robot system will decline.

OKI is utilizing the video processing, AI Edge network technologies, and robotics technologies the Company has cultivated as well as results in the field of 24-hour online/remote

maintenance to promote the realization of advanced remotely operated systems. By achieving 1: N handling enabling one person to monitor multiple robots through advanced remote operations, we are simultaneously resolving labor shortages and achieving unmanned/non-contact/non-face-to-face on-site operations. In particular, this technology is expected to be useful in security/facility management and logistics fields that respond intermittently across multiple areas with a large number of people. OKI is focusing on on-site issues facing each field, looking closely at the safety/security of work environments and the cost-effectiveness of work efficiency, and continuing to conduct experimental trials with co-creation partners. Looking toward forming a business around advanced remote operations in fiscal year 2022, OKI is accelerating new technology development as well as site testing and evaluation in order to realize and deploy value propositions that match customer issues.





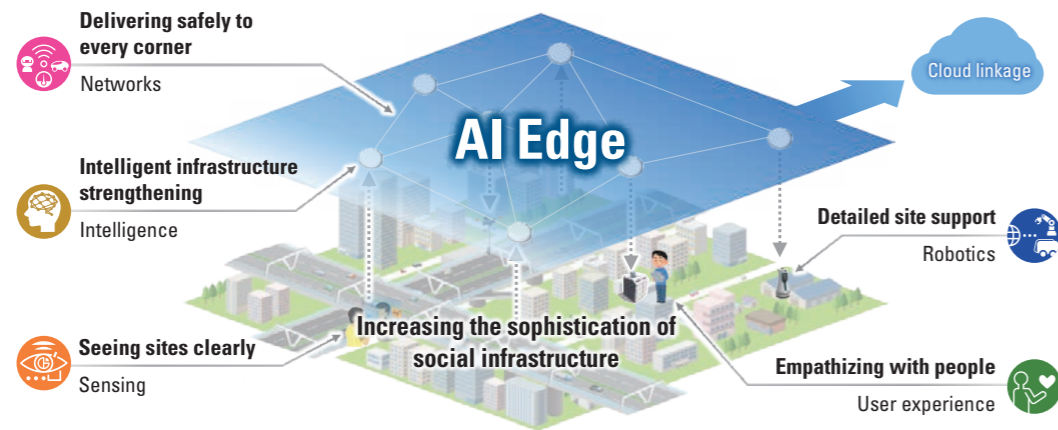
# TECHNOLOGY STRATEGY

Since its founding, OKI has contributed to increasing the sophistication of social infrastructure, drawing on our strengths of automation and manpower reduction, which are built on our network technologies and on our digital technologies for terminal devices. Going forward, we intend to incorporate recent advances in AI technologies into OKI technologies installed in edge i.e. on-site domains, and thereby provide direct value to customers facing diverse social issues. In order to create rapid innovations while still responding flexibly to change, we are also implementing research and development processes based on our “Yume Pro” Innovation Management System.

## Focus Technology: AI Edge

In Medium-Term Business Plan 2022, OKI identified AI Edge as a focus technology and specified five cutting-edge technical fields to strengthen it: sensing, networks, intelligence, robotics and user experience. By providing value via the 17 R&D themes listed below, our aim is to refine, strengthen,

and coordinate technologies in the mid- and long-term. In addition, we are engaged in “improving AI environments,” which refers to the process of improving environments to strengthen AI Edge from a human resources and governance perspective.



### Five Technical Fields to Strengthen AI Edge

Technical Field	Value Provided	Research and Development Themes			
<b>Sensing</b>	Seeing sites clearly • Measuring unseen objects • High environmental resistance • Real-time • Low-power/ultra-compact	Advanced photonics-based sensors Shift optical technologies from communications to sensing	Increased sophistication of real-time AI vision Expanded use of vision sensors in edge domains	High-reliability sensing via fusion Increased sophistication of various sensors, and increased reliability via sensor fusion	
<b>Networks</b>	Delivering safely to every corner • Low-power • Eliminating need for feed lines • High-reliability IoT devices • Reduced management costs	Edge sensor networks Coordination between low-power multi-hop networks and AI	Zero-energy IoT Resolving power supply problems related to growing use of IoT	Network security Improved safety for increasing numbers of IoT devices	5G networks Responding to widespread availability of 5G and local 5G
<b>Intelligence</b>	Intelligent infrastructure strengthening • Explainable and Reliable AI • Increased AI sophistication of edge • Eliminating dependency on large volumes of data • Affinity with people/society	Compact AI Smartification of AI, and shifting AI from the cloud to edge	Explainable AI Shift to high-quality, trustworthy, and high-transparency AI	Small data learning and domain generalization Shift from focusing on data to increasing technical value	Inter-AI cooperation/social optimization Optimization of social infrastructure
<b>Robotics</b>	Detailed site support • High operating quality • Scalability • Advanced remote operation • Mobility	Escalation AI—AI discovers its limits Humans seamlessly fill in for tasks beyond AI capabilities	Cooperative autonomous robotics Increased sophistication of services through hybridization of autonomous and cooperative	Automated processes that support variable-mix variable-volume production Increased automation at variable-mix variable-volume production sites	
<b>User Experience</b>	Empathizing with people • Real-time • Centralized visualization • “Individual”-specific • Optimization of “Individuals” and “Organization”	Digital twin console Remote environments that transmit on-site conditions in real-time	“Individual”-specific interactions Realizing interactions that respect the individual	Understanding and providing support for well-being Data utilization that aims to optimize conditions for humans and organizations	

## Initiatives for Improving AI Foundations

AI technologies present new business issues not seen in previous technologies, mainly in terms of ethics and quality assurance. To ensure that our customers can use AI with peace of mind, in September 2019 we formulated the OKI Group AI Principles, which outlines the principles governing

our development and provision of AI technologies, products, and services. As an “AI-Ready” company that can use AI in an appropriate and sophisticated manner, the entire Group is carrying out necessary foundational improvements based on these principles.

### Overview of Improving AI Environments



**OKI Group AI Principles**  
Rooted in the OKI Group’s corporate philosophy, these principles make explicit what types of AI technologies and AI products we intend to provide (Established September 30, 2019)

Category	Measure	Outline
Governance	Risk management	Managing risks stemming from the development, provision, and use of AI technologies
	Quality management	Reinforcing quality management systems according to the unique, legal, and ethical risks posed by AI technologies
Development of human resources	Foundational training/practical training	Establishing training programs covering foundational knowledge, risks, and technical aspects of AI according to role and rank
	AI and Data Science Social Implementation Lab	Resolving on-site problems and nurturing practical skills via a joint OKI/Chuo University team
	AI skills tests	Evaluating AI skill levels Providing feedback to human resource development programs

From the perspective of human resource development, we conduct AI training according to job-type and rank, offering a variety of educational programs ranging from group training to online learning. As of the end of fiscal year 2020, more than 7,000 employees have received our AI literacy training, via which employees of all job-types learn foundational AI knowledge.

In August 2020, we partnered with Chuo University to establish the AI and Data Science Social Implementation Lab. Under Chuo University’s guidance, it provides practical training for resolving on-site issues faced by OKI, including proof of concept and actual projects. As of July 2021, the lab is engaged in seven projects, primarily involving our business divisions.

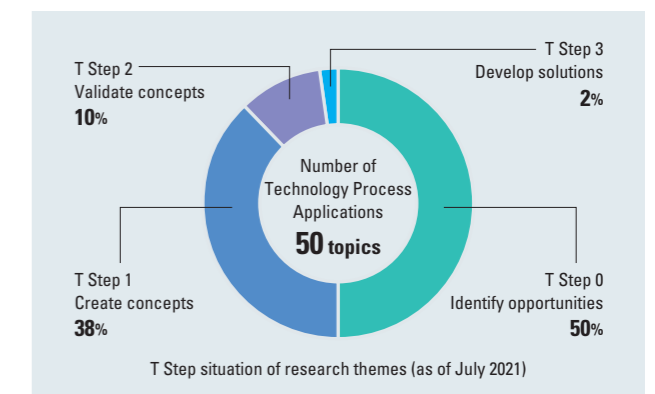
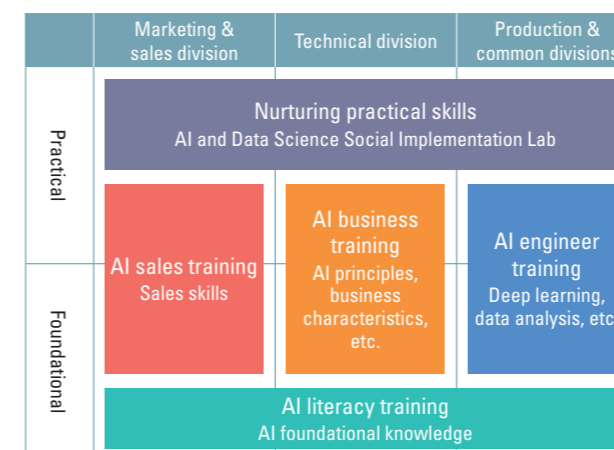
Through these educational activities, we plan to expand the number of AI engineers with practical skills in our workforce to 300 by the end of fiscal year 2022; as of the end of fiscal year 2020, we had successfully trained 273 engineers.

## R&D Process

In fiscal year 2020, OKI formulated the Yume Pro Technology Process for research and development innovations, and started implementing it at its R&D division. We have incorporated the five steps outlined in ISO 56002—namely “Identify opportunities,” “Create concepts,” “Validate concepts,” “Develop solutions,” and “Deploy solutions”—into our research and development process, and assigned each step a name, Technology Step (T Step), with numbers ranging from 0 to 4. We have subdivided the 17 broad R&D themes outlined above into 50 more specific topics (as of July 2021), and manage each topic individually according to its T Steps.

Our R&D division is tasked with overseeing T Steps 0 to 2, while our business section oversees T Steps 3 and 4. From the concept establishment stage, we have strengthened both coordination with the business section and co-creation with our partners, with the goal of realizing efficient development with minimal rework.

### AI Human Resource Development System



## AT A GLANCE

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

### Solution Systems

#### Business Description

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

#### Business Fields

##### Public Solutions

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

##### Enterprise Solutions

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

##### DX Platforms

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

##### Construction and Maintenance Services



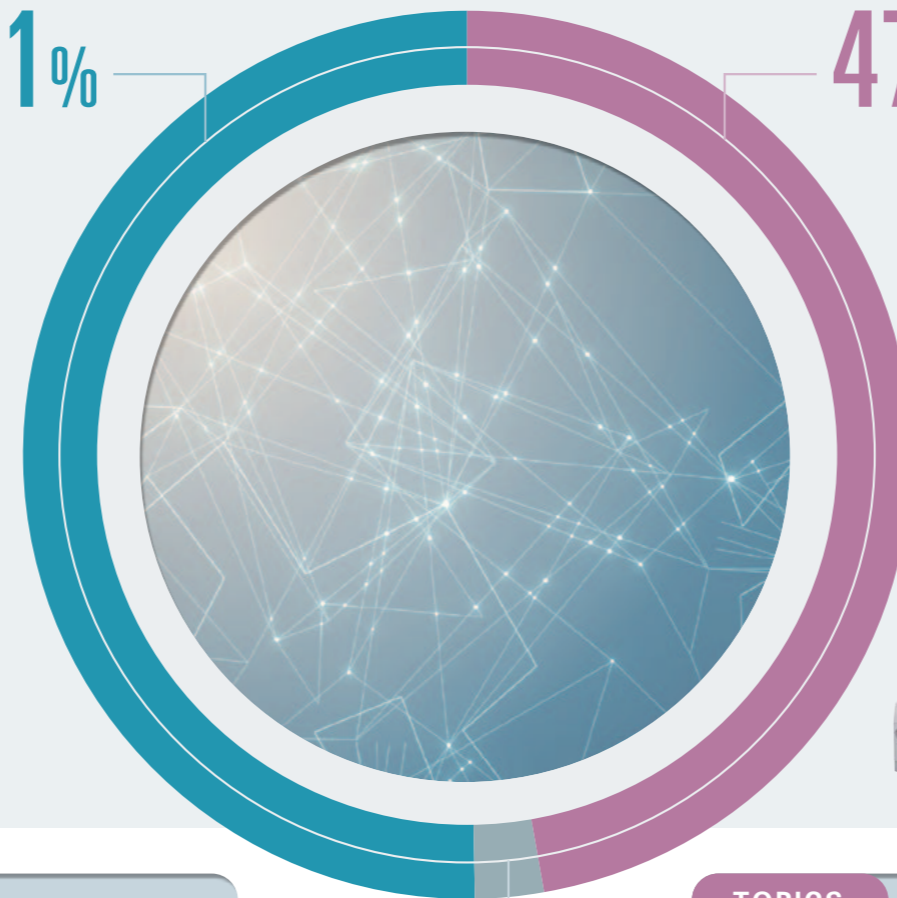
Multipurpose ETC utilization services enabling payment using ETC



A self-service, networked deposit and withdrawal machine “SmartCashStation®”

#### Sales Composition

50.1%



### Components & Platforms

#### Sales Composition

47.3%

#### Business Description

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



Comprehensive Mono-zukuri services



Coin and bank note retail auto cashier “CR-22”



Narrow-format color LED printer “PLAVI Pro330S”

#### Business Fields

##### Components

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

##### Mono-zukuri Platforms

- Consigned designing and manufacturing services
- Printed circuit boards

### TOPICS

#### OKI Selected as “DX-Certified Operator” by Ministry of Economy, Trade and Industry

In July 2021, OKI was certified as a “DX-certified operator” based on the DX Certification system established by the Ministry of Economy, Trade and Industry. The entire group is working together to promote digital transformation, such as the construction of a smart factory in the Honjo area beginning in May 2021 that will realize OKI’s “Manufacturing DX” solution concept. Such management policies, DX promotion initiatives, and appropriate disclosure of information regarding them were highly evaluated and led to OKI’s certification.



In the Solution Systems business, we have raised “expansion of sales in the DX domain” as a growth strategy in our Medium-Term Business Plan and are working to resolve social issues. We will continue to achieve growth by enhancing our provision of DX solutions that deliver OK to your life.

### TOPICS

#### Now Offering “Online Factory Observation” Services to Enhance Comprehensive Mono-zukuri Services

In February 2021, OKI began online factory observation services for customers in the Mono-zukuri Platform business field. Using a high-resolution camera mounted on a moving cart, our design and manufacturing engineers provide live explanations on the factory floor where our customers’ products are manufactured and respond to questions and consultations. Tests and examinations, process audits, inspections, and technical reviews, which have traditionally been done in the customers’ presence, can now be done remotely, not only reducing the risk of infection but also contributing to improved work productivity and work-style reforms by eliminating travel times. Further, OKI is promoting the development of Mono-zukuri systems that can continue to respond to social issues and changing needs, such as by holding online factory tours for new customers and local schools.



Online factory observation



OVERVIEW OF OPERATIONS

# Solution Systems Business

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

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



**Business Policy**

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

Medium-Term Business Plan 2022

**Targets: Net Sales of ¥235.0 billion and Operating Income of ¥19.0 billion in FY2022**

- ▶ Accelerate implementation of DX solutions across society, resolve social issues via co-creation with partners
- ▶ Increase sales in DX domain by 2x or more (compared to FY2019)

**Strengths**

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

**Opportunities and Risks**

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

**FY2020 Results**

The Solution Systems business recorded net sales of ¥192.5 billion, down ¥36.6 billion or 16.0% year on year, and operating income of ¥16.3 billion, down ¥3.9 billion year on year. This fall was due to transitory factors in the previous fiscal year, including our large-scale projects and reviews of some aspects of our basis for recording sales. While our results were impacted by COVID-19, thanks to the strong performance of network-related fields throughout the year, our results were largely in line with expectations.

**Progress of Medium-Term Business Plan 2022 and Future Initiatives**

The Solution Systems business aims to realize sustainable growth by using AI Edge to support customer DX. Based on the Medium-Term Business Plan 2022, our twin goals are to proactively carry out growth investments, and to expand sales in DX domain by at least double the fiscal year 2019 results.

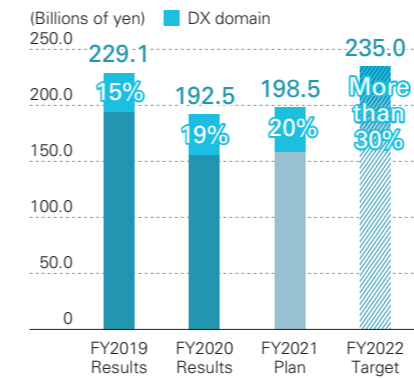
Today, companies are engaging in DX initiatives year by year and investing in the digitization of work processes more aggressively. The reasons are wide-ranging, but include diversifying business models, shifts in consumption from products to solutions or services, and the need to respond to aging facilities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

In response, we are leveraging our terminal technologies

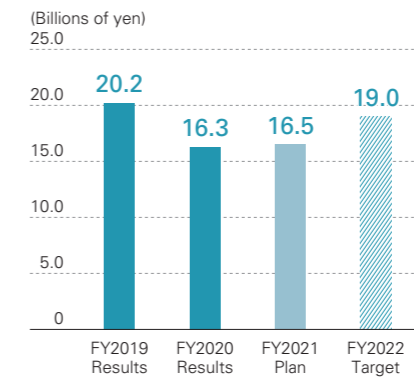
in edge domains, our network technologies, and our rich use cases to promote DX; at the same time, we are working with our partners to build DX ecosystems and create new solutions. Mainly in our focal areas of transportation, construction/infrastructure, disaster prevention, finance and retail, manufacturing, and maritime, we are promoting DX via co-creation with more companies than ever before. As of August 2021, we are working to create new solutions with 85 co-creation partners, have formed technological alliances with 95 AI Edge partners, in addition to which we are collaborating with open innovation partners. In these partnerships, we are in the process of exiting developmental phases and beginning to see results.

Over the three years of the current Medium-Term Business Plan, we are planning to invest a total of ¥36.5 billion, a figure that includes mergers and acquisitions. In addition to developing AI Edge products and local 5G technologies, we are seeking to strengthen development of new technologies in fields that we believe present future growth opportunities, such as firefighting command systems and disaster prevention systems. We have also committed to invest approximately ¥6.0 billion in construction costs to erect a new building at our Honjo Plant in Saitama Prefecture; we expect full-scale operations to commence in May 2022. By building smart factories that coexist in harmony with local communities, that are capable of withstanding disasters, and that have minimal environmental footprints, we intend to ensure our business activities are even more environmentally friendly.

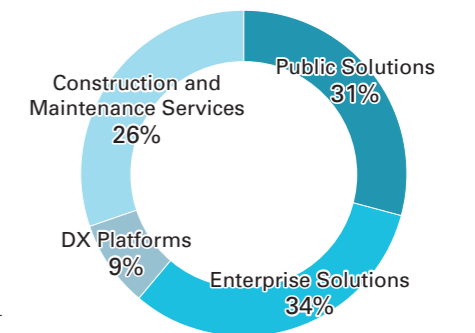
**Net Sales**



**Operating Income**



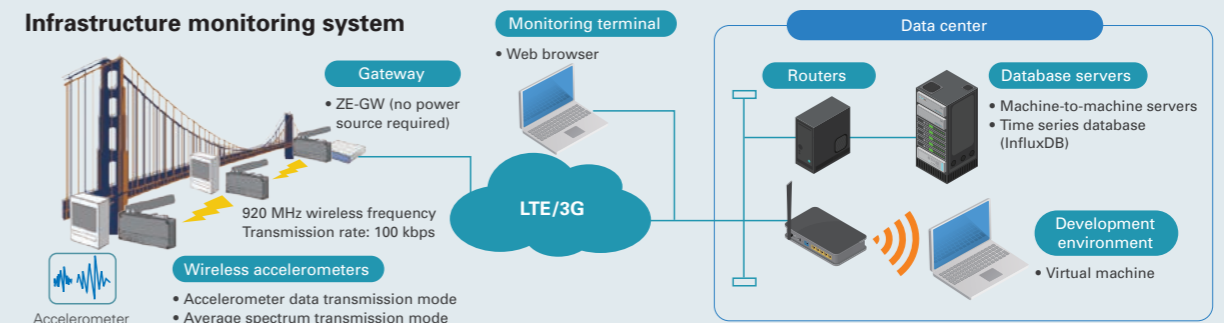
**Sales Composition in FY2020**



Examples of DX in different business fields

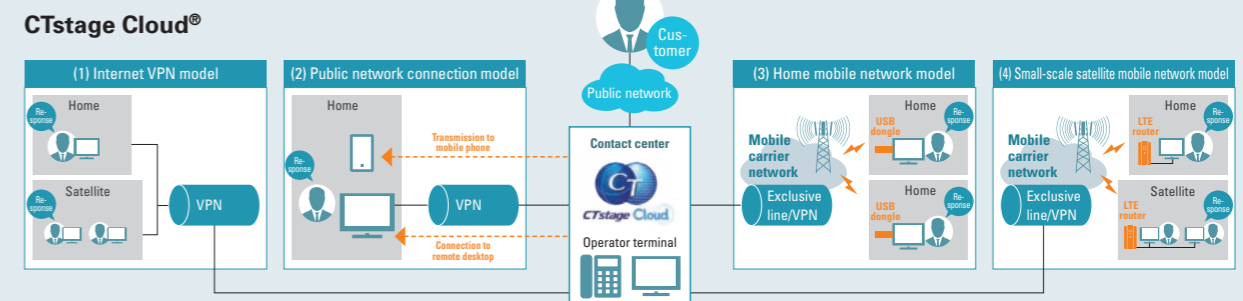
**Public Solutions**

We make it easier to carry out maintenance and management analysis by providing platforms that digitize the state of aging infrastructural structures such as bridges and tunnels. Our solutions are easy to install thanks to the use of highly workable edge sensors.



**DX Platforms**

We are responding to the growing digitization of contact centers—a shift that is being accelerated by COVID-19—by offering CT-stage as a cloud service. This enables rapid establishment of contact centers that possess high degrees of freedom both in terms of their location and the communication methods they use.



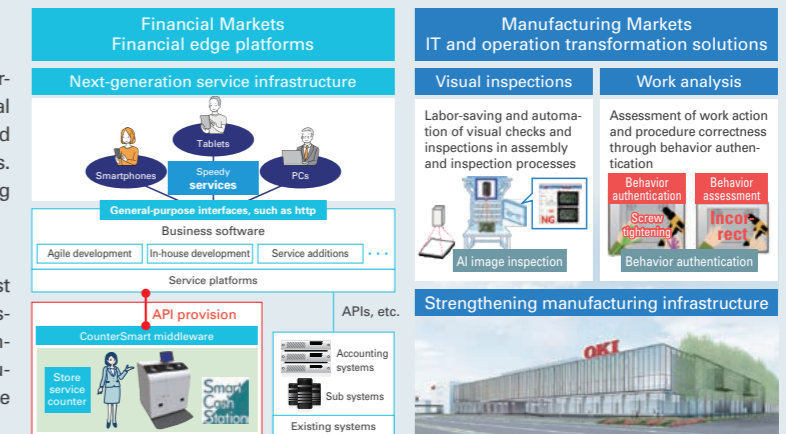
**Enterprise Solutions**

**Financial Markets**

Through the use of "SmartCashStation," a customer-operated network-based deposit and withdrawal machine, we are reducing workloads associated with dealing in cash from over-the-counter services. It is capable of providing timely services by utilizing an API that connects to business software.

**Manufacturing Markets**

Using AI and local 5G, we analyze and digitize vast volumes of information related to expert craftsmanship. We support high-quality on-site manufacturing through the provision of diverse solutions, ranging from demonstrations at in-house plants to visual inspections.



OVERVIEW OF OPERATIONS

# Components & Platforms Business

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

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



Business Policy

Grow sustainably by solving social issues through Mono-zukuri

Medium-Term Business Plan 2022

Targets: Net Sales of ¥225.0 billion and Operating Income of ¥8.5 billion in FY2022

- ▶ Promote partner strategy and strengthen comprehensive Mono-zukuri services
- ▶ Increase sales in focus areas by 1.5x (compared to FY2019)

Strengths

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

Opportunities and Risks

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

FY2020 Results

The Components & Platforms business recorded net sales of ¥196.5 billion, down ¥19.8 billion or 9.1% year on year. COVID-19 had a deep impact on overseas markets centered around printers. In addition, due to the prolonging of the pandemic, markets have stagnated more than anticipated in Asian countries which are growth markets for our Automation Systems business, and the impact has further spread to parts of the EMS business in Japan as well.

Structural reforms of the Peripheral Products business have progressed as planned, and while the effects of the reforms have made a contribution, the significant impact of the decline in overseas sales caused an operating loss of ¥0.1 billion, down ¥5.3 billion year on year.

Progress of Medium-Term Business Plan 2022 and Future Initiatives

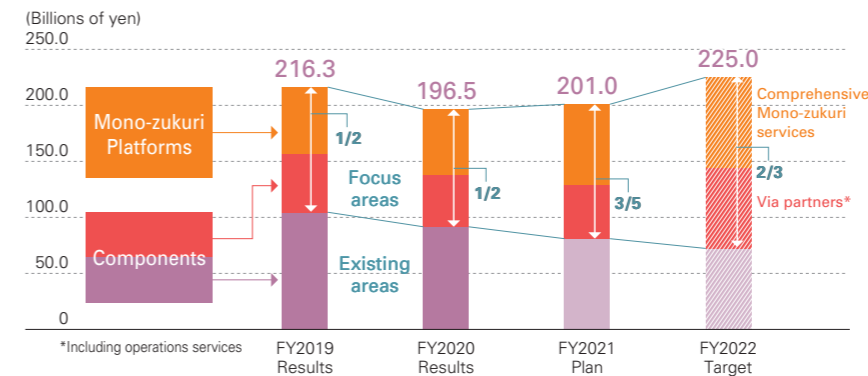
The Components & Platforms business is advancing its shift to a business model that will serve as a foundation for growth based on Medium-Term Business Plan 2022, aiming to achieve sustainable growth by resolving social issues through Mono-zukuri. In terms of focus areas, we aim to expand the ratio of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

one-half in fiscal year 2019 to two-thirds in fiscal year 2022. Our keyword for growth is playing a backstage role in our mission of “Delivering OK! to your life.” OKI will support society and our customers providing social infrastructure in resolving the issues they face through Mono-zukuri and achieve growth.

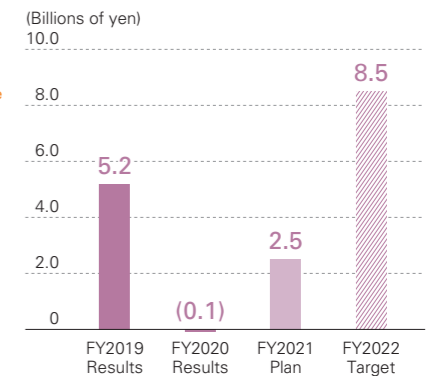
In order to achieve this growth, we are steadily progressing as planned with structural reforms, such as reducing personnel, consolidating sites, and reorganizing production sites in line with our revised overseas sales strategy. The 700-employee development team and global production sites established through the integration of our three former businesses are concentrating on fields of focus, with the majority devoted to the development of new fields such as retail and DMS (Design & Manufacturing Services). In addition, in order for customers to recognize us as a trustworthy partner, we are also working to refine and increase resources for the Business Collaboration Division newly established in fiscal year 2020. In fiscal year 2021, we will continue to optimize our personnel and resource allocations for new product development.

On the other hand, due to the prolonged impact of COVID-19 and other factors, we were unable to achieve sales growth in our focus areas for fiscal year 2020, and as a result, our business model shift has been delayed by a year. Demand recovery from our main customers for comprehensive Mono-zukuri services has been delayed, and in terms of business through our partners, orders for distribution/retail fell short of expectations.

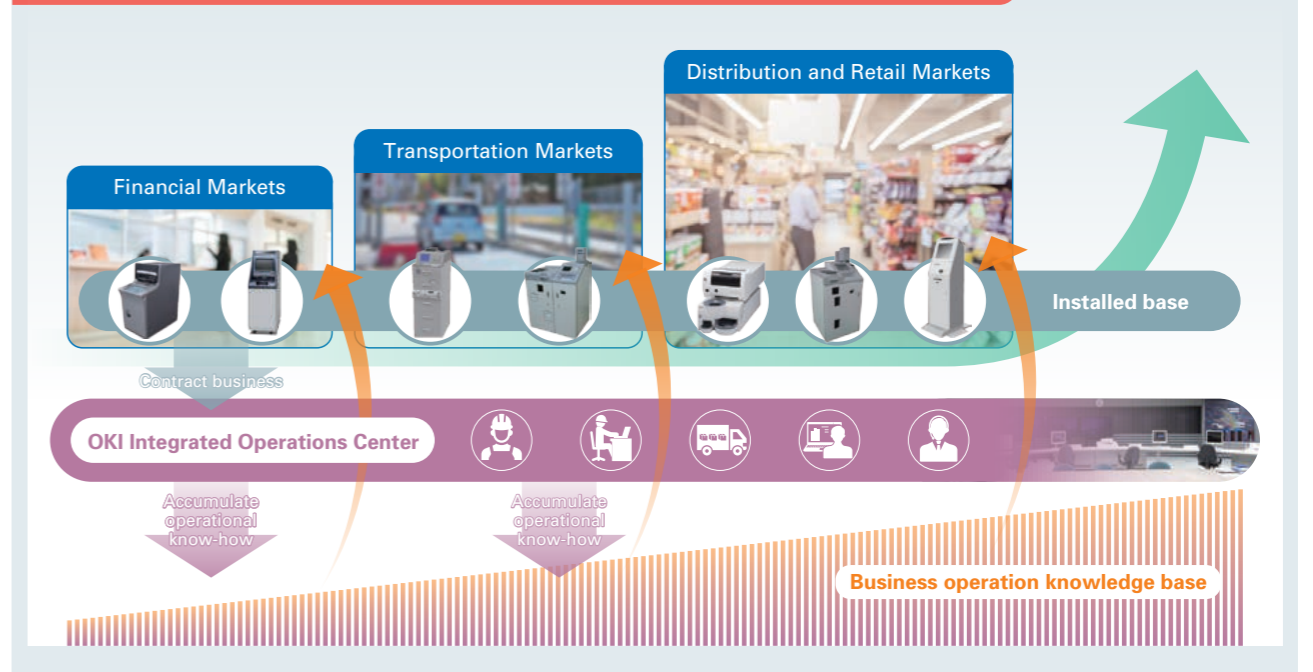
Net Sales



Operating Income



Growth Through Cross-lateral Development of Operations Services Utilizing Installed Base



Components

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

Similarly, we also aim to utilize our installed base of mechatronics products that we provide as social infrastructure mainly to financial markets to expand our maintenance, monitoring, and other operations services into a wide range of operational services for the transportation as well as distribution and retail markets.

Mono-zukuri Platforms

We aim to expand the range of services offered and increase sales through enhanced DMS. By promoting co-creation from the design stage, we can achieve efficient Mono-zukuri for our customers. Due to our proactive approach towards various industries and a high level of customer need, we receive a tremendous amount of inquiries and our business negotiations are growing steadily in number. By further increasing opportunities for business negotiations and enhancing our promotional activities that lead these negotiations to orders, we are working to ensure that customers can select OKI's Mono-zukuri with trust.



# As a Company “Delivering OK! to your life.” Sustainability Initiatives of the OKI Group

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

## ●Promoting Initiatives 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 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 specified the materiality in our Medium-Term Business Plan 2022 from the twin perspectives of creating social value and strengthening management infrastructure. Our environmental, social, and governance (ESG) initiatives embody this materiality, and an overview of our initiatives for fiscal year 2020 can be seen in the table.

## ●To Strengthen Sustainability Initiatives

In fiscal year 2020, OKI established the “Sustainability Promotion Working Group (WG)” as a promotional structure in order to strengthen sustainability initiatives based on materiality. The WG is chaired by the President, and comprises the heads of related corporate sections, the Business Group, and the Marketing & Sales Group. In order to encourage all Group employees to take personal responsibility for sustainability, in fiscal year 2020 the WG hosted a variety of events, including seminars given by outside lecturers, and dialogues on the theme of ESG led by the President and the heads of all of OKI’s divisions. OKI 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.

## OKI Group’s Materiality & ESG Initiatives

Materiality	ESG Themes	Initiatives for FY2020 to FY2022	FY2020 Results	Related Pages
<b>Creating Social Value</b> Social issues: aging infrastructure, natural disasters, transportation issues, environmental issues, labor shortages, labor productivity, infectious diseases	<b>E</b> <ul style="list-style-type: none"> <li>Creating products that contribute to solving environmental issues</li> <li>Supporting a circular economy</li> </ul>	<ul style="list-style-type: none"> <li>Expansion of environmental contribution products</li> <li>Reduction of life cycle CO<sub>2</sub></li> <li>Creation of circular economy projects</li> </ul>	<ul style="list-style-type: none"> <li>Achieved net sales of environmental contribution products of ¥127.3 billion, accounting for 32% of the net sales of the entire Group</li> <li>Reduced life cycle CO<sub>2</sub> by 54% compared to FY2013 levels</li> <li>Established new definitions and categories for environmental contribution products, including circular economy projects</li> </ul>	P37-40 P53-54
	<b>S</b> <ul style="list-style-type: none"> <li>Creating products that contribute to resolving social issues</li> <li>Promoting value creation in corporate activities</li> </ul>	<ul style="list-style-type: none"> <li>Efforts toward social issues indicated in growth strategy</li> <li>Internal cultural reforms aimed at innovation</li> <li>Development and securement of human resources who will support Mono-zukuri and growth area businesses</li> </ul>	<ul style="list-style-type: none"> <li>Promoted product creation aimed at resolving the seven social issues; carried out demonstration tests with co-creation partners in the field of advanced remote operation, as part of measures to combat labor shortages</li> <li>Basic training attended by a total of 3,124 Group employees, with the aim of realizing Group-wide participatory innovation</li> <li>Number of Yume Pro Challenge applications increased to 147</li> <li>Trained 273 AI engineers with practical skills, against a target of 300 engineers by the end of FY2022</li> <li>Promoted standardization of skills assessments for designers</li> </ul>	P20-22 P19 P23-24 P41
	<b>G</b> <ul style="list-style-type: none"> <li>Positioning ESG at the core of management</li> </ul>	<ul style="list-style-type: none"> <li>Promotion and evaluation of initiatives based on materiality</li> </ul>	<ul style="list-style-type: none"> <li>Established the “Sustainability Promotion Working Group” to promote Group-wide materiality initiatives</li> <li>Strengthened internal training activities, such as hosting dialogues on the theme of sustainability led by the President and the heads of all of OKI’s divisions</li> </ul>	P31-32
<b>Strengthening Management Infrastructure</b> 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	<b>E</b> <ul style="list-style-type: none"> <li>Mitigation of and adaptation to climate change, pollution prevention, and resource recycling</li> </ul>	<ul style="list-style-type: none"> <li>CO<sub>2</sub> reduction at business sites, strengthening of introduction of renewable energy</li> <li>Strengthening of chemical substance management through standardization of operations</li> <li>Improvement of recycling rate</li> </ul>	<ul style="list-style-type: none"> <li>Reduced CO<sub>2</sub> emissions from business sites by 34%, against a target of 31%</li> <li>Purchased 400t-CO<sub>2</sub> of renewable energy J-Credits, against a target of 400t-CO<sub>2</sub></li> <li>Strengthened chemical substance management through working group activities</li> <li>Achieved a recycling rate of 79%, against a target of 83%</li> </ul>	P37-40 P53-54
	<b>S</b> <ul style="list-style-type: none"> <li>Strengthening of Mono-zukuri infrastructure</li> <li>Strengthening of human rights and labor initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Promotion of Virtual One Factory</li> <li>Strengthening of quality initiatives</li> <li>Realization of smart work-life</li> <li>Promotion of diversity and inclusion</li> <li>Strengthening of occupational health and safety, health management initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Promoted Mono-zukuri Infrastructure Reinforcement Project activities</li> <li>Continued quality initiatives in line with the OKI Group Quality Policies; continued to carry out surveys for employees at OKI Group design and production sites on the theme of quality control fraud prevention</li> <li>Expanded telework initiatives; paid telework allowances to approximately 3,000 employees designated as “teleworkers”</li> <li>Carried out training programs to support management in telework environments</li> <li>Realized a female management ratio of 3.3% at OKI, and 5.3% across the OKI Group as a whole</li> <li>Continued to implement the selective Female Leader Development Program</li> <li>Promoted various health management initiatives through collaborative health systems; 92.8% of employees received stress checks</li> <li>Revised our Supply Chain CSR Deployment Guidebook, in accordance with JEITA’s “Guidance for Responsible Business Conduct”</li> </ul>	P41 P33-36 P53-54 P42
	<b>G</b> <ul style="list-style-type: none"> <li>Strengthening of corporate governance</li> <li>Internal controls/Risk management</li> <li>Accurate information disclosure and strengthening of engagement (dialogue)</li> </ul>	<ul style="list-style-type: none"> <li>Steady improvements based on board effectiveness evaluations</li> <li>Accuracy improvement and entrenchment of risk management</li> <li>Disclosures based on TCFD framework</li> <li>Reliable disclosures regarding materiality initiatives</li> <li>Strengthening of dialogue in IR/SR, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Carried out board effectiveness evaluations for FY2020</li> <li>Identified business risks at all OKI business groups; established management cycles and systems</li> <li>Provided disclosures through CDP and the TCFD framework</li> <li>Issued the OKI Report, and improved our sustainability website</li> <li>The “Investor Relations” section of our website received high ratings from three leading IR website evaluation organizations</li> </ul>	P43-48 P49-50 P37-40 P53-54

# HUMAN RESOURCE MANAGEMENT

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

## ●Basic Approach to Human 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. It enshrines “Respect for Human Rights” in its Charter of Corporate Conduct and Code of Conduct, and ensures human rights are respected by providing education through new hire trainings, trainings based on job position, and e-learning programs. The Group is also working on a fair employment and selection process and creating a working environment where diverse employees can play an active role.

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

In Medium-Term Business Plan 2022, the “development and securement of human resources who will support Mono-zukuri and growth-area businesses” has been set forth as a personnel measure aimed at sustainable growth. We are developing personnel systems that lead to the further invigoration of sites of Mono-zukuri, such as on-the-job human resource development through target management and

personnel evaluation and using skill assessment for the optimal assignment of human resources. From the perspective of supporting businesses in growth areas, we are working on the development of AI human resources with practical skills, including AI trainings according to occupation and level. In addition, we are promoting diversity and inclusion initiatives to realize “a workplace where all employees thrive at work and demonstrate their full potential.”

## ●Initiatives for Human Resource Development

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

### Thorough Management of Targets

The OKI Group has strengthened its system for thorough management of employee targets, based on the idea that setting high targets and putting them into practice promotes personal growth. The target items are set taking into account the Action Principles in order to ensure that employees always carry out their work while being mindful of the Principles. Furthermore, we have established a system of quarterly one-on-one meetings in which superiors check the progress of their team

members’ activities toward the targets set at the beginning of the fiscal year. In fiscal year 2021, we introduced a system to centrally manage target setting and performance so that superiors can provide timely support for managing the targets.

### TOPIC Innovation Dialogue

In order to make a conscious effort to set targets that consider new business creation and transformation of existing businesses, “Innovation Dialogue” has been held continuously since 2018 as an opportunity for OKI’s president and OKI Group employees to discuss and exchange views regarding on-site issues and other matters. It has been participated by 669 people through the end of fiscal year 2020. The Group’s top executive listens to opinions from the sites and directly conveys his thoughts during the dialogue, which motivates employees to set higher targets while keeping in mind the management’s perspective.

This initiative is part of the activities based on OKI’s Innovation Management System “Yume Pro” (see page 19) and is positioned as a forum for creating new value.

### Evaluation System

OKI takes the following initiatives to perform fair and impartial evaluations of results vis-à-vis the set targets and of the processes leading up to these results.

#### ● Evaluation System that Encourages Implementation of the Action Principles

We introduced an evaluation system in fiscal year 2019 in order to promote the implementation of the Action Principles. As one of the evaluation indicators, the system assesses the extent to which the Action Principles have been implemented with respect to the aforementioned set targets.

#### ● Evaluation Feedback Meeting

Superiors hold meetings with their team members to provide feedback on their evaluation results. The objective is to make the evaluations more convincing, such that they lead to employees’ understanding of their evaluation-based treatment, further growth of employees through knowing their strengths and weaknesses, and improvement of organizational management through mutual understanding between superiors and team members. In addition, we conduct a survey once a year to check the status of the meetings to make continuous improvements.

#### ● Support for Evaluators

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

### Support for Personal Growth

The OKI Group provides all employees with career design

opportunities for their continuous personal growth, and has established a training system to support career development and provide opportunities to acquire specialized knowledge.

#### ● Career Design Meeting

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

#### ● Training System

The OKI Group has established a comprehensive training system that allows employees to receive training regardless of their job position and occupation. The system consists of “common training for business skills” to learn about marketing, innovation, accounting, and foreign languages, “training based on job position” to learn about the roles of each job position, and “specialized and departmental training” to hone professional expertise such as sales, technical, and production skills. These three are group trainings in principle. However, in light of the expansion of telework, we are also making the trainings available as online and e-learning programs so that all employees can receive them autonomously and efficiently. In fiscal year 2020, we offered more than 200 e-learning courses.

In fiscal year 2020, the total number of training hours per OKI employee was 15.6 hours.

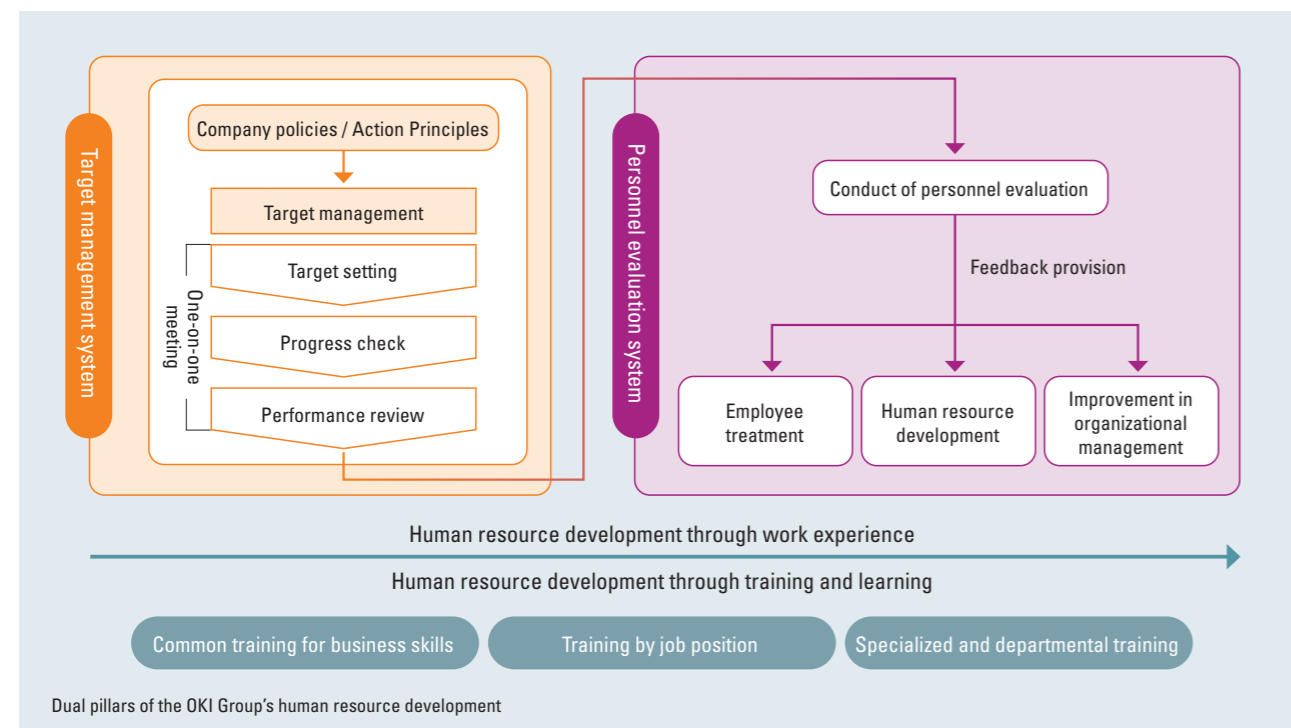
### Developing Executive Talent

Through their work, we develop executive talent and business leaders who will be responsible for the OKI Group in the future. In this gradual process that starts from a young age, we give tough assignments that require on-site practice, assign careers suitable for the next generation of management executives, offer selective internal training programs, and dispatch employees to external business schools. Moreover, for senior management such as executives, seminars with in-house and outside experts as lecturers are regularly held to provide an opportunity to acquire the literacy required for management.

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

### Promotion of Diversity and Inclusion (D&I)

The OKI Group’s D&I is a management strategy for strengthening human resources. It supports respecting and valuing the diversity of employees with the aim of creating innovation, increasing motivation, and achieving sustainable growth for the organization. In order to foster a corporate culture in which diverse human resources respect each other’s differences in gender, age, disability, SOGI (sexual orientation and gender identity), nationality, and personal life, and in which they can engage in their work with a sense of fulfillment and demonstrate their full potential, the Group conducts internal awareness-raising activities, establishes diversity-conscious programs, realizes flexible work styles that increase efficiency, and develops a scheme for appointing individuals based on their evaluation.





## HUMAN RESOURCE MANAGEMENT

### • Learning about D&I Together

To ensure that employees continue to learn to respect each other and make the most of diversity, we hold an annual joint learning event on D&I promotion for executives, managers, and general employees of the OKI Group. In fiscal year 2020, we held an online seminar on the theme of understanding each other's differences through communication amidst expanding telework and of improving organizational capabilities. Approximately 500 employees attended the seminar.

### • To Enable Everyone to Balance Work and Childcare/ Caregiving

At OKI, the labor union and management members confirm employee work hours and paid leave and maintain a host of systems to support balancing work with childcare/caregiving, 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 nurse family members, to attend children's school events, and so forth. In addition to providing OKI Group employees with training on balancing work and childcare, OKI has established a system that enables everyone to balance work and childcare, including holding "Returning Employee Meetings" among the three parties of employees who have returned from childcare leave, their superiors, and the Human Resources and General Affairs Division.

### Number of Employees who Took Childcare Leave (OKI)

	FY2018	FY2019	FY2020
Women	19	13	12
Men	1	1	7

### • Promoting Older Employees' Participation in the Workplace

In order to leverage and smoothly pass on the techniques and skills of experienced employees, OKI supports the workplace participation and diverse work styles of older employees who continue to be hired after retirement. Based on the principle of continued employment in workplaces where the employee can be expected to play the most active role while meeting his/her needs and expertise, we support pre-retirement employees in designing their careers after retirement by holding meetings with them and confirming their career paths. In addition, as with regular employees, we have introduced systems that lead to increasing the participation and motivation of older employees, such as target management and evaluation system. The continuous employment system is for all employees who wish to continue working until they reach the age of 65. Since April 2021, we also have a continuous employment system for those who meet certain criteria for employment until they reach the age of 70.

### • Promotion of Hiring of Challenged People

The OKI Group is making efforts to promote the hiring of challenged people. Albeit variations in the progress of these efforts by all Group companies, we will continue to provide support at the time of hiring and at work, raise awareness at the workplace where challenged people are assigned, and

develop a training system so that challenged employees can play an active role in a variety of workplaces without being limited in their job areas or occupations. In addition, as of June 2021, OKI WorkWel, a special subsidiary established in 2004 with the aim of providing work opportunities for people with serious physical impairments, employs 77 challenged employees. Among them, 59 with serious physical impairments work from home in 22 prefectures using the network, utilizing their IT skills for tasks such as building websites. The OKI Group's employment rate for challenged people\* in fiscal year 2020 was 2.45%.

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

### • Promoting Women's Participation and Advancement in the Workplace

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

The ratio of female managers in fiscal year 2020 was 3.3% for OKI and 5.3% for the OKI Group. We continue to provide training to cultivate female leaders on a selective basis to raise female employees' awareness about becoming managers. We are also engaged in workplace training for appointing female employees as managers.

### Female Executives and Employees

		End of FY2018	End of FY2019	End of FY2020
Number of female executives	OKI	3	2	2
	OKI Group	—	5	5
Percentage of women in managerial positions	OKI	3.3%	3.4%	3.3%
	OKI Group	—	5.9%	5.3%
Percentage of female employees	OKI	12.3%	12.8%	13.1%
	OKI Group	—	22.4%	22.9%

### • Initiatives for Sexual Minorities

Aiming to become a workplace in which everyone is respected and able to securely demonstrate their abilities, since fiscal year 2019, the OKI Group has provided e-learning materials that allow users to gain basic information at any time about LGBTQ, which refers to sexual minorities. In fiscal year 2021, we are offering an e-learning course that all employees of the OKI Group will be required to take in order to help entrench this knowledge.

### Realizing Flexible Work Styles that Increase Productivity and Efficiency

The OKI Group is taking initiatives to enable diverse human resources to demonstrate their full potential, and in anticipation

of lifestyle changes during and after the COVID-19 pandemic. Namely, the OKI Group is reviewing its systems and promoting the digital transformation of work styles in order to derive maximum value out of time and dramatically improve work life quality. To accelerate this movement, we launched the Smart Work-Life Project in August 2020 and are promoting the following initiatives.

### • Greater Flexibility in Work Location and Hours

To enable employees to flexibly choose their work location and hours, we expanded the scope of application of the teleworking system\*<sup>1</sup> and the flexible working system from fiscal year 2020. To make teleworking stress-free, we expanded our satellite offices and enhanced our network environment. At the same time, OKI is digitizing invoices and contracts and systemizing operations.\*<sup>2</sup> In April 2021, OKI introduced the "System of Working Outside the Commuting Area," which allows employees who live outside the commuting area to telework, with the aim of reducing the number of employees who must transfer (move) because they were assigned to an area outside their commuting area or must move without their families (live separately from their families), as well as reducing the number of employees who leave OKI due to their spouse's relocation, childcare, or caregiving.

In order to identify the issues facing the teleworking environment and management, we conducted a pulse survey of approximately 5,000 teleworking employees on three occasions. The results showed that work efficiency increased as the teleworking environment improved. On the other hand, the survey showed that there were communication issues among some employees. In October 2020, we held a seminar for approximately 750 employees to provide management support.

\*<sup>1</sup> Approximately 3,000 employees are designated as "teleworkers" and receive telework allowances. As a ripple effect, commuting expenses decreased by approximately ¥400 million.

\*<sup>2</sup> Coupled with the systemization of operations, we have been reducing the use of seals on internal application documents. In fiscal year 2020, the use of seals decreased by 80% for the documents under consideration.

### • Office Reorganization and Rearrangement

OKI has been reorganizing its offices and reducing office space in the Tokyo metropolitan area since fiscal year 2020, in anticipation of the spread of teleworking and lifestyle changes after the COVID-19 pandemic. We plan to reduce office space by 50% by the end of fiscal year 2021. At the same time, we have been significantly reducing paper documents. In fiscal year 2020, we reduced documents kept at our applicable offices by 70% (through disposal, storage in storage room, and digitization). As part of the reorganization, OKI has defined its head office as a "space for co-creation with customers" and a "space for employee collaboration." Rearrangements have also been made to enhance collaboration within and outside OKI, such as introducing open seating at workspaces and establishing café-style meeting spaces.

### • 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 2020 was 0.00, falling below the electric machinery/equipment manufacturing industry's average of 0.52 (in Japan).

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

### Initiatives for Health Management

The OKI Group considers it important for management to ensure that each and every employee can work healthily, both mentally and physically, while finding job satisfaction. Thus, we are taking steps to prevent diseases and promote mental healthcare and the health of employees and their families. The OKI Group has identified priority health issues to be addressed from the three perspectives of "body," "mind," and "awareness," and is carrying out measures under a collaborative health system in which Group companies, including occupational health staff, and the health insurance associations work together. Affiliated companies that are members of the Oki Electric Industry Health Insurance Association are working to strengthen self-care by establishing a health portal site for individuals and holding "Health Challenge Campaign" events every year, among other initiatives. To prevent mental health problems, OKI is also focusing its efforts on conducting stress checks to help employees know their own state of stress. In fiscal year 2020, the implementation ratio of stress checks was 92.8%.

In March 2021, following on from 2020, OKI was certified as a "2021 Health and Productivity Management Outstanding Organization" in the large enterprise category as a company that takes proactive initiatives for health promotion.

### • Aiming to Increase Work Engagement

The OKI Group conducts an awareness survey of all employees once a year to see whether the measures described above are contributing to a positive workplace and to job satisfaction for each employee. We will continue to promote our measures with the goal of achieving a 70% positive response rate\* for the item "rewarding workplace (the workplace is positive and work is rewarding)" in fiscal year 2022, the final year of Medium-Term Business Plan 2022.

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

	Employees who gave a positive response	
	FY2019	FY2020
The workplace is positive and work is rewarding	60%	63%

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

# CONSIDERATION FOR THE ENVIRONMENT

The OKI Group considers its mission to be responding to increasingly severe climate change and resolving social issues in order to pass on a better global environment to the next generation. Therefore, we consider environment-related business risks and opportunities from the medium- to long-term perspective to promote environmental management. The OKI Group is taking efforts to mitigate environmental impact, such as reducing CO<sub>2</sub> emissions during the production process, as well as provide products and services that contribute to the resolution of environmental issues.

## Information Disclosed According to the Task Force on Climate-related Financial Disclosures (TCFD\*1)

OKI announced its support for the TCFD in May 2019 from a perspective of a positive economic and environmental cycle. Along with systemically managing climate-related risks, opportunities, and countermeasures for them, OKI aims to enhance information disclosure about these efforts.

<b>Governance</b>	<p><b>Roles of managers and director monitoring system for climate-related risks</b></p> <ul style="list-style-type: none"> <li>The President is the chief officer for promoting environmental management, including climate-related risk management. Important matters related to environment are decided at the Management Committee, etc.</li> <li>The Sustainability Promotion Working Group considers issues related to sustainability, including climate change, and reports to the Management Committee.</li> <li>Matters that may significantly impact business are reported to the Board of Directors.</li> </ul>	
<b>Strategy</b>	<p><b>Scenario analysis</b></p> <ul style="list-style-type: none"> <li>OKI identifies physical and transition risks based on reports related to climate change issued by international institutions and performs scenario analysis that considers the intensification of climate change if temperatures rise 4°C and social changes needed to limit this increase to 2°C or 1.5°C.</li> <li>Perspectives of climate change, resource circulation, and prevention of pollution are included in scenario analysis. OKI identifies risks and opportunities based on these scenarios and has established the countermeasures on the following page.</li> </ul>	
<b>Risk Management</b>	<p><b>Risk selection/evaluation process</b></p> <ul style="list-style-type: none"> <li>At least once a year, OKI identifies climate change or other recent phenomena to evaluate the impact, frequency, and period of the risks and opportunities that emerge from them in order to determine their importance.</li> </ul> <p><b>Risk management process</b></p> <ul style="list-style-type: none"> <li>OKI considers countermeasures for the above risks and opportunities, developed a Group-wide plan for environmental management, and is implementing this into environmental action plans at each organization and site. The execution status of these plans is checked through internal auditing and revised as needed.</li> </ul> <p><b>Method of integrating comprehensive risk management</b></p> <ul style="list-style-type: none"> <li>Comprehensive risk is managed centrally by the environmental management system of the entire OKI Group under the responsibility of the President. Each business group and the corporate group work together to plan, execute, monitor, and revise this system. OKI has deployed countermeasures in the Group to prevent "common risks" as established by the Risk Management Committee, which manages risks across the entire Group.</li> </ul>	
<b>Indicators/Targets</b>	<p><b>Indicators used</b></p> <ul style="list-style-type: none"> <li>CO<sub>2</sub> emission volume</li> <li>Environmental contribution net sales</li> </ul> <p><b>SCOPE1, 2, 3</b></p> <ul style="list-style-type: none"> <li>Entered on ESG data section (see p.53-54) of this report and on the table published on website.</li> </ul> <p><b>Targets/results</b></p> <p>&lt;CO<sub>2</sub> emission volume&gt;</p> <ul style="list-style-type: none"> <li>Lifecycle CO<sub>2</sub>*2: Targets of 40% reduction by 2030, 80% reduction by 2050 (compared to 2013). In FY 2020, we achieved a 54% reduction.</li> <li>CO<sub>2</sub> emissions from energy source on site: Targets of 50% reduction by FY2030 (compared to 2013), zero actual emissions by FY2050. In FY2020, we achieved a 34% reduction.</li> </ul> <p>&lt;Environmental contribution sales&gt;</p> <ul style="list-style-type: none"> <li>Target of 50% of net sales of the entire Group by FY2030. In FY2020, this figure was 32%. (We are enhancing categories and definitions. Please see P39.)</li> </ul>	

\*1 TCFD (Task Force on Climate-related Financial Disclosures): Proposal that suggest the need for companies to disclose information to investors on their response toward climate change  
 \*2 Lifecycle CO<sub>2</sub>: CO<sub>2</sub> emissions by the entire Group for each process in the product lifecycle (procurement → workplace location → distribution → product use by the customer\* → disposal of end-of-life product)  
 \*Product use by customer = expected years of customer use x annual consumed power x number of units sold x emission units

## Strategy Based on Scenario Analysis

As societal changes to limit the increase in temperatures below 2°C progress, there will be changes in laws for decarbonization, technological progress, and market needs. We expect that there will be rising demand for OKI's decarbonization solutions. If temperatures rise 3 to 4°C, there will be

increased physical risks from intense disasters due to the impact of climate change. It is possible that severe impact will hit the supply chain, including OKI's own sites. Needs are also expected to rise for disaster information systems that serve to prevent severe damage.

Scenario Analysis				Strategy/Initiatives
Category	Expected Phenomena	Risk/ Opportunity	Impact on Future Finances	
2°C climate change scenario (transitional risks)  Referencing IEA sustainable development scenario (SDS) and IPCC's RCP2.6	Need for decarbonization increases further and spreads	Risk	<ul style="list-style-type: none"> <li>Loss of sales opportunities due to not meeting energy-saving standards on hardware products and customer demands</li> <li>Response to customer demands for renewable energy usage in the manufacturing process</li> <li>Higher costs stemming from strengthening decarbonization at business sites</li> </ul>	<ul style="list-style-type: none"> <li>Product: Energy-saving for hardware                             <ul style="list-style-type: none"> <li>Set development targets that anticipate stronger regulations</li> <li>Strengthen R&amp;D</li> </ul> </li> <li>Site: Promote through effective combination of CO<sub>2</sub> emission reduction initiatives                             <ul style="list-style-type: none"> <li>Improve production equipment efficiency; improve efficiency and reform production processes</li> <li>Introduction of ZEB (Zero Energy Building) at factories</li> <li>Implementation of renewable energies</li> </ul> </li> </ul>
		Opportunity	<ul style="list-style-type: none"> <li>Expansion of demand for decarbonization/energy-saving solutions</li> <li>Expansion of needs of technologies that support the spread of renewable energy</li> <li>Expansion of demand for hardware products that operate on renewable energy</li> </ul>	<ul style="list-style-type: none"> <li>Product: Expansion and creation of environmentally friendly products                             <ul style="list-style-type: none"> <li>Visualize and seek out environmental contribution net sales</li> <li>Creation of decarbonization/energy-saving solutions that utilize IoT and AI                                     <ul style="list-style-type: none"> <li>E.g. Transportation, construction/infrastructure, finance/logistics, maritime, business communications, building energy management</li> </ul> </li> </ul> </li> <li>Support to improve efficiency of customer operations through operations outsourcing                             <ul style="list-style-type: none"> <li>E.g. ATM full outsourcing services</li> </ul> </li> <li>Expansion of hardware products that operate on renewable energy                             <ul style="list-style-type: none"> <li>E.g. Zero Energy Gateway</li> </ul> </li> <li>Strengthening of R&amp;D (AI weight reduction, etc.)</li> </ul>
4°C climate change scenario (physical risks)  Referencing RCP8.5	Abnormal weather becomes more frequent and intensifies (increased typhoons/flooding, extreme heat and cold, increased lightning)	Risk	<ul style="list-style-type: none"> <li>Sites/suppliers: Loss of business assets due to disasters at factories and suppliers/suspension of operations/severance of supply chain</li> <li>Site: Equipment breaks due to higher temperatures</li> </ul>	<ul style="list-style-type: none"> <li>Site: Strengthen climate change BCP/BCM                             <ul style="list-style-type: none"> <li>Install water stop boards; lift height of equipment</li> <li>Devices to stop manufacturing equipment during lightning storms</li> <li>Redundant air conditioning units for inspection devices</li> </ul> </li> <li>Suppliers: Strengthen procurement BCP</li> <li>Strengthen surveys of climate change risks for suppliers</li> </ul>
		Opportunity	<ul style="list-style-type: none"> <li>Product: Expansion of demand for advanced disaster prevention/mitigation solutions (disaster prevention field, maritime field)</li> </ul>	<ul style="list-style-type: none"> <li>Product: Strengthen business deployment through disaster information systems, etc.</li> </ul>
Prevention of pollution through chemicals	Expansion and complication of laws and regulations for substances	Risk	<ul style="list-style-type: none"> <li>Product: Standards violations for chemicals contained in products</li> <li>Site: Emissions standards violations due to deterioration of facility</li> </ul>	<ul style="list-style-type: none"> <li>Product: Strengthen sharing of operations across the entire Group</li> <li>Site: Review inspection/exchange standards</li> </ul>
		Opportunity	<ul style="list-style-type: none"> <li>Product: Expansion of demand for efficiency improvement in chemical substance management (manufacturing field)</li> </ul>	<ul style="list-style-type: none"> <li>Product: Deployment of survey systems and analysis services for chemicals in products</li> </ul>
Resource circulation	Strengthening of laws and regulations for oceanic plastics and microplastics	Risk	<ul style="list-style-type: none"> <li>Site: Inflation of waste product disposal costs; refusal to accept from waste disposal companies</li> <li>Product: Risks of resource deprivation; risks of materials supply shortage</li> </ul>	<ul style="list-style-type: none"> <li>Site: Waste reduction                             <ul style="list-style-type: none"> <li>Reuse of plastic packaging</li> <li>Reduction of percentage of disposed items through improved efficiency in extracting metal materials</li> </ul> </li> <li>Product: Recovery and reuse of parts from used products utilizing the wide area certification system for industrial waste</li> </ul>
		Opportunity	<ul style="list-style-type: none"> <li>Product: Expansion of demand for resource-saving products and recycling services</li> </ul>	<ul style="list-style-type: none"> <li>Product: Reduce burden on customers by recovering used products utilizing the wide area certification system for industrial waste</li> </ul>










## CONSIDERATION FOR THE ENVIRONMENT

### ●Expansion of Environmentally Contributing Products

OKI began tallying net sales in fiscal year 2019 and is continuing to take efforts to formulate definitions and categories in order to expand environmentally friendly products, including those that address climate change. The net sales of environmentally contributing products in fiscal year 2020 was ¥127.3 billion according to the tallying of categories in the chart below. This represents 32% of the net sales of the

entire Group. In addition to products focused on IT solutions that support operational efficiency improvements, OKI is also contributing to decarbonization by utilizing our strength in “Mono-koto-zukuri,” which combines Mono-zukuri and Koto-zukuri to provide support that improves efficiency of customer operations through outsourcing operations of hardware products.

Environmental Themes	Examples of Environmentally-focused Initiatives	Examples of Products/Solutions
<b>Mitigation of climate change (decarbonization)</b>  	<b>CO<sub>2</sub> reduction of products</b> <ul style="list-style-type: none"> <li>Reduce power consumption of products, reduce power/energy consumption across entire system (less than past products)</li> <li>Comply with the International ENERGY STAR Program</li> </ul>	Business telephones, PBX, Zero Energy Gateway, 920MHz band wireless multi-hop, ATMs, cash handling equipment, printers
	<b>Solutions that contribute to CO<sub>2</sub> reduction</b> <ul style="list-style-type: none"> <li>Mitigation of traffic congestion</li> <li>Reduction of traffic and required space of people and objects</li> <li>Reduction of network data communications volume</li> <li>Support the implementation of energy-saving systems</li> <li>Work outsourcing services</li> </ul>	SaaS ITS services, ETC toll systems, VICS systems, store digital transformation solutions, IoT solutions linked production equipment, multi-carrier audio IoT gateway, 920MHz band wireless multi-hop, ATM full outsourcing services
<b>Adaptation to climate change</b>  	<b>Response to severe damage</b> <ul style="list-style-type: none"> <li>Mitigate damage during disasters</li> <li>Establish infrastructure to prevent flooding of rivers from heavy rains, flooding of sewage systems (internal water flooding), and inundation damage</li> <li>Strengthening warning and evacuation system (infrastructure equipment monitoring)</li> </ul>	Disaster information systems, river monitoring systems, fire prevention systems, disaster prevention administrative radio systems for municipalities, VoIP notification broadcast systems, crisis management water gauges, Zero Energy Gateway
	<ul style="list-style-type: none"> <li>Monitor and measure the status of social infrastructure equipment to repair before malfunctions occur</li> </ul>	Transportable boat multi-beam depth finder, optical fiber sensor system
<b>Resource circulation</b> 	<b>Resource-saving</b> <ul style="list-style-type: none"> <li>Reducing size, weight, and number of parts (less than previous products)</li> <li>Circular economy related (Products as a Service, reuse of modules and parts, common use of products)</li> <li>Circular economy related (systems that support resource-saving during customer use, resource circulation, and lengthening of equipment life span)</li> <li>Determine the life span of consumable products so that products can be used longer without being discarded (circular economy)</li> </ul>	Business telephones, PBX, Zero Energy Gateway, multi-carrier audio IoT gateway, ATMs, cash handling equipment, printers  IoT solutions linked production equipment, maintenance inspection IoT, AI wave analysis software for equipment maintenance
	<b>Simplification of recycling</b> <ul style="list-style-type: none"> <li>Design considering separation, disassembly, and disposal</li> </ul>	Business telephones, ATMs, cash handling equipment, printers
	<b>Conducting recovery/recycling</b> <ul style="list-style-type: none"> <li>Recovery system for used products and consumables</li> </ul>	Business telephones, ATMs, cash handling equipment, printers
	<b>Lengthening life span/upgrades</b> <ul style="list-style-type: none"> <li>Design that lengthens the life span of products</li> <li>Can upgrade version by downloads</li> <li>Commonality in housing units and parts</li> </ul>	Business telephones, PBX, AI edge computer, ATMs, cash handling equipment, printers, tunnel emergency systems, video monitoring systems
<b>Prevention of pollution</b>  	<ul style="list-style-type: none"> <li>Comply with regulations for chemicals in products</li> <li>Manage chemicals based on management standards</li> </ul>	Business telephones, ATMs, cash handling equipment, printers
	<ul style="list-style-type: none"> <li>Environmental pollution prevention/mitigation system</li> </ul>	Databases for the management of chemicals in products and component information

Please see “OKI Eco Products” and “OKI Eco Solutions” on our website for details about environmentally friendly products.

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

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

### ●R&D for an Environment that “Looks toward the Future”

The OKI Group is conducting R&D that is strongly aware of contributions to the environment, starting with the initiatives on the chart below. Of the themes addressed in the R&D department, there are ten technological themes that directly contribute to the environment, such as power-saving and

resource-saving in ICT equipment like servers, as well as 35 technological themes that indirectly contribute to reducing environmental impact through the use of digital technology. OKI is also conducting activities to search for new business opportunities that address environmental issues.

Themes	Direct/Indirect	Outline
“Deep learning” weight reduction technology	Direct	Technology that contributes to power-saving through improved calculation efficiency of deep neural networks. Improve power efficiency in advanced AI processing with a massive number of edges
All silicon photonic integrated module technology	Direct	By installing signal processing circuits that process optical signals as is on silicon boards using a semiconductor manufacturing process, this contributes to power-saving on optical communications technology and sensing technology that uses photo-electronic integration technology optical fiber and lasers with high functionality, low energy consumption, and ultra compact size
Next-generation access technology for 5G/IoT	Direct	Technology that significantly reduces optical lines between base stations and housing stations, improves power-saving and reduces size of equipment at housing stations, and improves efficiency of space usage
Zero-energy IoT technology	Direct	Power-saving IoT technology that does not require communications/power lines through the combination of natural energy supply and close-distance wireless technology contributes to disaster prevention/mitigation, such as monitoring of structures in mountains and monitoring of embankment slopes and check dams, through highly-efficient energy charge/discharge technology and multi-hop communications between sensors
Delivery route optimization technology	Indirect	Technology that shrinks travel distance of deliveries and reduces CO <sub>2</sub> emitted from delivery vehicles by optimizing delivery routes in logistics

### ●Acquired “ZEB” Certification, First in Japan, as a Large-Scale Production Facility

In order to mitigate the issue of climate change, which is growing acceleratingly worse, the reduction of CO<sub>2</sub> is a pressing issue. Each site of the OKI Group is taking efforts to reduce CO<sub>2</sub> by both improving the efficiency of business activities and CO<sub>2</sub> management.

As one such initiative, OKI broke ground on a new factory in Honjo City, Saitama Prefecture in May 2021. Since OKI established a manufacturing factory for telephones in Honjo in 1962, it has been used for manufacturing related to ICT business and EMS business in the same district for many years as one of the core factories. In December 2020, OKI established a local 5G experimentation and testing station in Honjo district to conduct testing for energy-saving and automation with AI in manufacturing sites, and had developed an environment for performing Manufacturing DX\*1. OKI aims to build a flexible smart factory in this district that could continue to meet the demands of changing customer needs and evolving technology.

This new factory is part of the efforts to “strengthen Mono-zukuri infrastructure” as included in the Medium-Term Business Plan 2022. Approximately ¥6.0 billion is expected to be invested in this project. The new factory is part of initiatives to realize decarbonized society. In August 2021, the factory acquired “ZEB” certification\*2, the first in Japan as a large-scale production facility. In addition to reducing environmental impact, OKI

is also considering the safety of workers and harmony with local regions, such as the use of local materials (Chichibu-sugi lumber). The construction of the factory is selected for the 2020 Sustainable Building Leading Project (Wooden Leading Type)\*3 by the Ministry of Land, Infrastructure, Transport and Tourism as a building resilient to earthquakes that utilizes a vibration-resistant structure and cross-laminated timber. New wings are planned to begin full operation in May 2022.

\*1 Manufacturing DX: OKI’s solutions concept that aims to realize smart factories. It is comprised of three transformations: “site transformation,” which visualizes manufacturing sites, “IT/operations transformation,” which links sites and management in an advanced and bi-directional manner, and “management transformation,” which supports various management decisions related to factors such as environmental changes, laws and regulations, and small quantity production of added value items.

\*2 “ZEB” certification: Net zero energy buildings are buildings that aim to consume zero net primary energy through energy-saving technology, such as sensors and highly heat-insulated structures, as well as energy-producing technology through renewable energy, all while realizing a pleasant indoor environment. Buildings are classified by the following four categories based on their energy reduction percentages (energy consumed by production equipment and OA equipment are excluded from ZEB calculation).

“ZEB”: 100% or higher; Nearly ZEB: 75% or higher; ZEB Ready: 50% or higher; ZEB Oriented: 40% or 30% or higher

\*3 Sustainable Building Leading Project (Wooden Leading Type): Japanese government selects and supports the building costs of leading building projects that contribute to raising awareness about cutting edge technologies. “Wooden Leading Type” is for examples of leading wooden buildings that use a significant amount of wood materials that are part of renewable and circulative resources. The aim is to contribute to the realization of low-carbon societies and spread of leading design and construction technology in structural, fire prevention, and production system factors.



Conceptual image of new factory

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

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

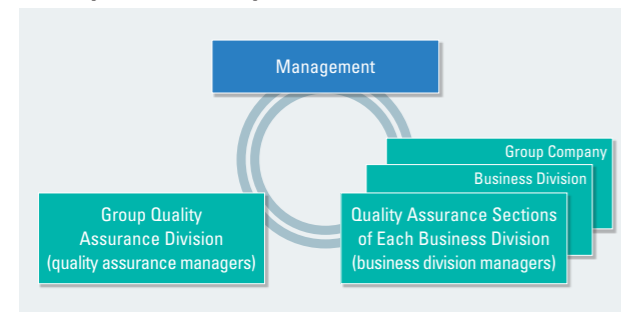
## QUALITY- AND PRODUCTION-RELATED INITIATIVES

Under its quality philosophy of “we will constantly provide products able to satisfy customers,” the OKI Group considers its customers to be the center of “Mono-zukuri and Koto-zukuri” and strives to develop, produce and provide products and services with due consideration for safety and user-friendliness.

### ●Quality-Related Initiatives

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

#### Quality Assurance System



#### Quality Improvement Activities Based on Quality Policies

Based on our quality philosophy, we have established Group Quality Policies and engaged in quality improvement activities across our organization. In our ongoing efforts to prevent quality fraud, we conducted on-site surveys in fiscal year 2020, primarily at production bases to check whether there were any signs or potential sources of fraud. These surveys were based on the results of questionnaires filled out by all employees of OKI and manufacturing subsidiaries the previous fiscal year. We share activities from each site for fraud risk mitigation and quality improvement through means such as Groupwide quality liaison meeting, as we aim for cross-lateral development of these activities.

#### Quality Philosophy (Overview)

We will constantly provide products able to satisfy customers

#### FY2021 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** Aim to improve customer satisfaction and product quality through continued steady improvements and actions focused on customer perspective.
- 3. Succession of know-how/technology** Learn not only from one's own experience, but also from others' experiences to pass know-how and technology on to the next generation of OKI.

Website "Quality Initiatives"  
<https://www.oki.com/en/sustainability/csact/customer/quality.html>

### ●Succession of Know-how/Technology

OKI conducts group activities in which production base supervisors announce and award everyday improvement activities. A Groupwide “Production and Quality Reform Awards Presentation” is also held once a year to award and share effective initiatives and to promote cross-lateral development and succession.



Production and Quality Reform Awards Presentation held remotely (December 2020)

### ●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.

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

### ●Mono-zukuri Infrastructure Reinforcement Project Activities

Within the OKI Group, asking the question of “what Mono-zukuri means to customers,” we have begun a review of our Mono-zukuri infrastructure as a foundation for growth. The development environment that has been optimized for each specific business is now seeing standardization across development tools, such as electronic CAD, mechanical CAD, component technology information systems, and PDM. The production environment is also seeing progress in standardization of operational processes through IT integration of production management systems. In addition to standardizing measures for the environment and compliance with various laws and regulations, we are committed to the development and effective use of human resources by standardizing the skill assessments of designers.

## 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 2020, we held the workshops on purchasing-related laws online in September and March. A total of 241 people participated.

### ●Promoting CSR-Conscious Procurement

As a CSR guideline for suppliers and business partners, OKI established the OKI Group Supply Chain CSR Deployment Guidebook, based on which OKI is conducting CSR surveys through self-assessment questionnaires given to domestic and overseas suppliers and business partners. OKI is also monitoring CSR initiatives of domestic suppliers and business partners through visits.

In December 2020, this guidebook was revised to comply with the Responsible Business Conduct Guidelines published in March 2020 by JEITA (Japan Electronics and Information Technology Industries Association). These guidelines cover areas such as human rights and labor, occupational health and safety, environment, fair trade and ethics, product quality and safety, information security, business continuity plans, and the construction of a management system. At the same time, OKI also revised the self-assessment questionnaire given to suppliers and business partners and uses the current questionnaire to conduct surveys. OKI provides feedback about the survey results to each company and requests to make corrections as necessary. In the future, OKI will expand and revise the details of CSR surveys in light of the growing interest of stakeholders in ESG.

### ●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 produced a Groupwide procedural manual to prepare for typhoons, torrential rains, and other natural disasters that are occurring frequently in recent years, in which regularly examining the locations of our suppliers' manufacturing bases and improving communication protocols for times of emergency are included.

In fiscal year 2020, facing the spread of COVID-19, the torrential rains of July 2020 that caused tremendous damage, and the earthquake off the coast of Fukushima prefecture in February 2021, we were able to maintain our supply chain by keeping in contact with suppliers and business partners across the OKI Group and making necessary adjustments. As a countermeasure against the impact of COVID-19, OKI undertook supply chain verifications such as checking the operational status of factories and impacts on delivery timelines at approximately 2,000 companies, including not only suppliers and business partners, but also secondary and lower materials manufacturers. At the same time, we are also committed to improving systems in order to respond to changes in daily habits and work-style due to the COVID-19 pandemic.

From the second half of fiscal year 2020, a global materials shortage has emerged, including for semiconductors, as demand rapidly recovered for automobiles and increased for computers and servers due to the spread of telework and lifestyle changes. OKI will continue to work with suppliers and business partners and strive to secure materials.

### ●Constructing a Relationship of Trust with Suppliers and Business Partners

In July 2020, OKI prepared and announced a “Declaration of Partnership Building” following the encouragement of the Ministry of Economy, Trade and Industry of Japan. In addition to seeking improved added value across supply chains, OKI endorsed the framework implemented by the Council on Promoting Partnership Building for Cultivating the Future, which is made up of representatives from the business circles and the labor organizations, as well as related ministers, in order to prevent small and medium enterprises from bearing burdens caused by trade conditions under the influence of the COVID-19 pandemic. By forming new collaborations with suppliers, OKI aims to increase mutual added value to benefit parties across all supply chains.

The OKI Group has built relationships of trust as a partner in the supply chain and strengthened collaboration with suppliers for the promotion of ESG initiatives, including compliance with laws, regulations and societal norms, and environmental conservation. The framework of the Declaration of Partnership Building is based on these initiatives. This declaration once again states OKI's intention toward initiatives that increase mutual and collaborative added value through the sharing of purchasing plans and measures to improve operational efficiency by sharing and visualizing information across the entire supply chain. By training employees to make judgments and act based on the OKI Group Procurement Policies, OKI is striving to further strengthen partnerships.

OKI Declaration of Partnership Building (in Japanese): <https://www.biz-partnership.jp/declaration/68-05-22-tokyo.pdf>



# 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 (one of these four outside directors is a woman) in order to enhance management fairness and transparency; furthermore, one of the independent outside directors (a woman) is Chair of the Board of Directors. To clarify management responsibility for each fiscal year, directors are appointed for single-year terms.

### Audit & Supervisory Board

The Audit & Supervisory Board comprises five Audit & Supervisory Board members, three of which are outside Audit & Supervisory Board members with a high level of independence. Based on audit policies, methods, etc. decided at Audit & Supervisory Board meetings, Audit & Supervisory Board members attend Board of Directors’ meetings and other important meetings, verify the content of reports received from directors, etc., and conduct investigations into matters concerning the Company’s operations, financial status, etc. Collaborating closely with outside directors, the Internal Auditing Division, and the accounting 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 is made up of four outside directors, 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:

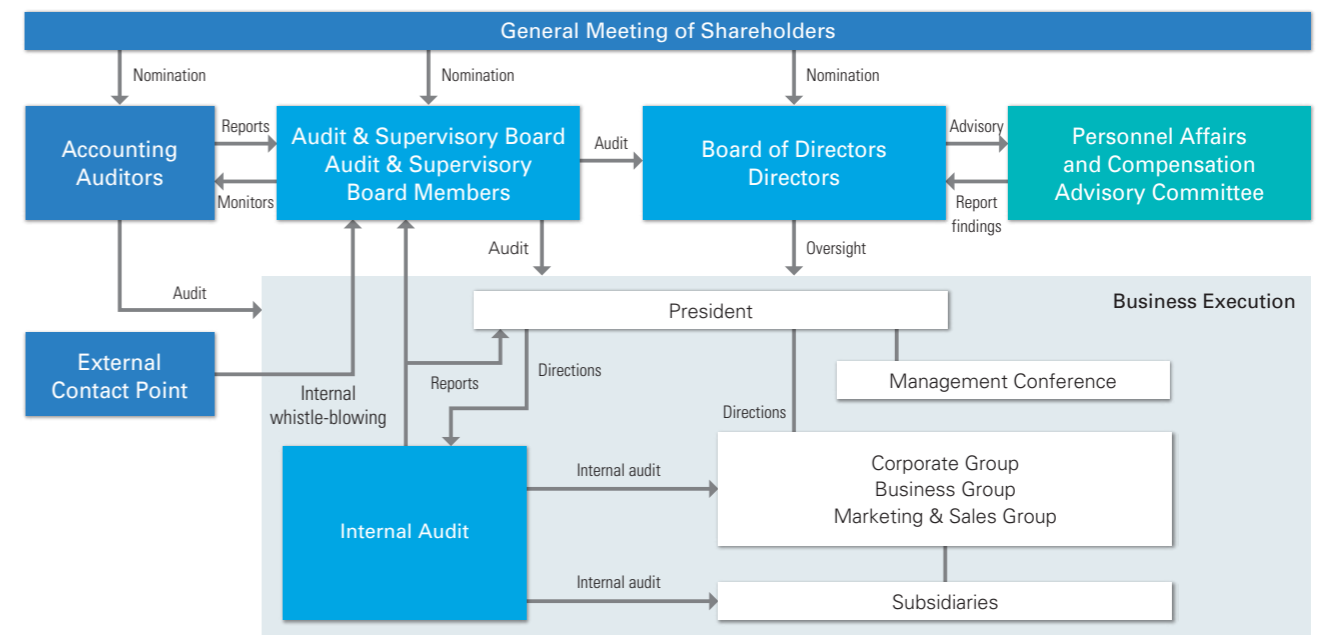
- A person who has a noble character with wisdom, high level of ethics, fairness, honesty, and a law-abiding spirit
- A person who realizes OKI Group’s corporate philosophy and conducts one’s duties to enhance corporate value continuously
- One’s length of tenure
- Audit & Supervisory Board members must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

The criteria for submitting a proposal to dismiss a director, Audit & Supervisory Board member, or executive officer takes into consideration the followings: the person’s act violates or infringes on the Law and the 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 26 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

	Name	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board	Position
Directors	Shinya Kamagami	○			President, Representative Director
	Masayuki Hoshi	○			Senior Executive Vice President, Representative Director
	Masashi Tsuboi	○			Executive Vice President, Member of the Board
	Masashi Fuse	○			Senior Vice President, Member of the Board
	Masatoshi Saito	○			Senior Vice President, Member of the Board
	Shigeru Asaba	○	● Chair		Independent Outside Director
	Tamotsu Saito	○	○		Independent Outside Director
	Izumi Kawashima	● Chair	○		Independent Outside Director
	Makoto Kigawa	○	○		Independent Outside Director
Audit & Supervisory Board Members	Toshiya Hatakeyama	△		● Chair	Standing Audit & Supervisory Board Member
	Toshiyuki Yokota	△		○	Standing Audit & Supervisory Board Member
	Hideo Shiwa	△		○	Independent Outside Audit & Supervisory Board Member
	Ryuichi Makino	△		○	Independent Outside Audit & Supervisory Board Member
	Yoshihiro Tsuda	△		○	Independent Outside Audit & Supervisory Board Member

○: Member ●:Chair △: Non-member who holds right and obligation to attend

## Changes in Corporate Governance Structure

As of June of each year

	2014	2015	2016	2017	2018	2019	2020	2021
Director	Total Number	7	8	7	7	7	9	9
	of which, Independent Outside Directors	1	2	3	3	4	4	4
	Chair	President		Chairman				Independent Outside Director
	Term	2 years		1 year				
Audit & Supervisory Board Member	Total Number	4			5			
	of which, Independent Outside Audit & Supervisory Board Members	2			3			
	Term	4 years						
Voluntary Committees	Compensation Committee		Personnel Affairs and Compensation Advisory Committee					

Information regarding corporate governance is available on our website. <https://www.oki.com/en/ir/corporate/governance/>

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 Plan 2022."

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.

Further details regarding the type and content of compensation for the Board members and executive directors, as well as the total value of compensation paid, are available on our website.

<https://www.oki.com/en/ir/corporate/governance/officers.html>

● Board Effectiveness Evaluation

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

Board Effectiveness Evaluation Method

The Board of Directors discussed methods for evaluating the effectiveness of the Board for fiscal year 2020, and came to the conclusions outlined below:

1. We judged that self-evaluation is appropriate for conducting research and evaluation in line with our company's circumstances. On the other hand, in order to verify the objectivity and validity of the evaluation process, we judged that a third-party evaluation should be introduced at least once every few years, and entrusted a trust bank with the verification of the evaluation process and the contents of the questionnaire.
2. As in the previous year, the assessment was conducted in three stages: a questionnaire survey, individual hearings, and deliberations at the Board of Directors. This applied to all Directors and Audit & Supervisory Board members. The Secretariat of the Board of Directors served as the secretariat.
3. The questionnaire was the same as the previous year. It was based on "Corporate Governance Code" and related materials.

The Company received advice from the above trust bank that it should explain the "Practical Guidelines for Independent Directors" (Ministry of Economy, Trade and Industry 2020) to its directors, and conducted the explanation.

Results of Effectiveness Evaluation of the Board of Directors

With regard to the results of the evaluations for fiscal year 2020, 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.

As a result of discussions on "Medium-Term Business Plan 2022" both before and after the outbreak of the COVID-19, both inside and outside directors strongly shared recognition on our company's existence value, management strategy, and other issues. We will improve the accuracy of the segment-specific management indicators and the quantitative evaluation of the business portfolio and supervise the progress of the plan.

"Successor Development Plan for the President" made progress in deliberations at the Personnel and Remuneration Advisory Committee, whose members are mainly outside directors. In FY 2021, the Board of Directors will deliberate and supervise its implementation.

Operation of the board has become more efficient and the time for discussion has increased. Further operational improvements will be made so that more useful discussions can be held.

Progress in the issues recognized in the previous year, such as "increasing opportunities to provide field information to outside directors" and "increasing opportunities for communication between outside directors and the middle level" was not enough. The Company will rebuild the implementation method according to COVID-19's situation.

● 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.

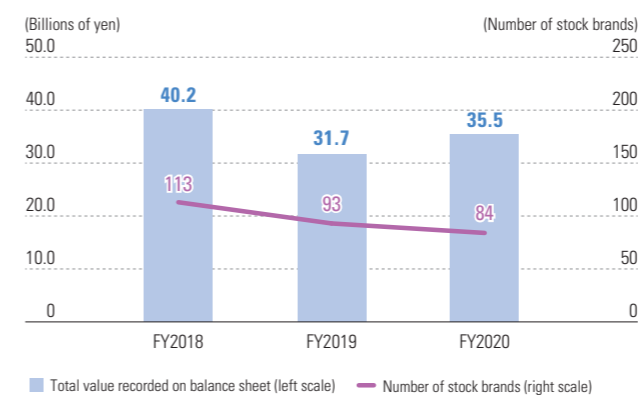
● Cross Shareholdings

OKI will reduce the number of cross shareholdings in stages, verifying medium- to long-term corporate value enhancement of the Company and share-issuing company and other circumstances comprehensively. The number of cross shareholdings is verified annually by the Board of Directors, who determines whether or not it is appropriate to hold for each individual issue, by taking into account quantitative and qualitative factors comprehensively.

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

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

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



● Group Governance

The OKI Group carries out continual reviews of its Group governance systems, in accordance with the section on "Business Portfolio Management" contained within the Ministry of Economy, Trade and Industry's "Practical Guidelines for Group Governance Systems." Specifically, we are restructuring our subsidiaries by first identifying the number of subsidiaries that is appropriate to the scale of our business, then transferring subsidiaries which generate no synergies, or by integrating Group companies with similar or duplicate functions and improving their management efficiency. As a result of this restructuring, we reduced the number of OKI Group subsidiaries from 94 at the end of March 2017 to 66 at the end of March 2021.

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

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

Since fiscal year 2020, we have been standardizing and optimizing our rules. We are seeking to ensure the entire OKI Group abides by a shared set of regulations; in addition, we are formulating regulations for strengthening the management of poorly performing subsidiaries.

Alongside such initiatives, we are also working to develop human resources with the skillsets to undertake Group management. From fiscal year 2019, we have expanded training programs for new directors and executive officers at our subsidiaries and made improvements to our personnel rotation systems. As well as optimizing the number of subsidiaries we possess, we are thereby seeking to raise the level of our Group governance systems.

\*Basic Policy on Establishing Internal Control Systems

<https://www.oki.com/en/ir/corporate/governance/policy.html>

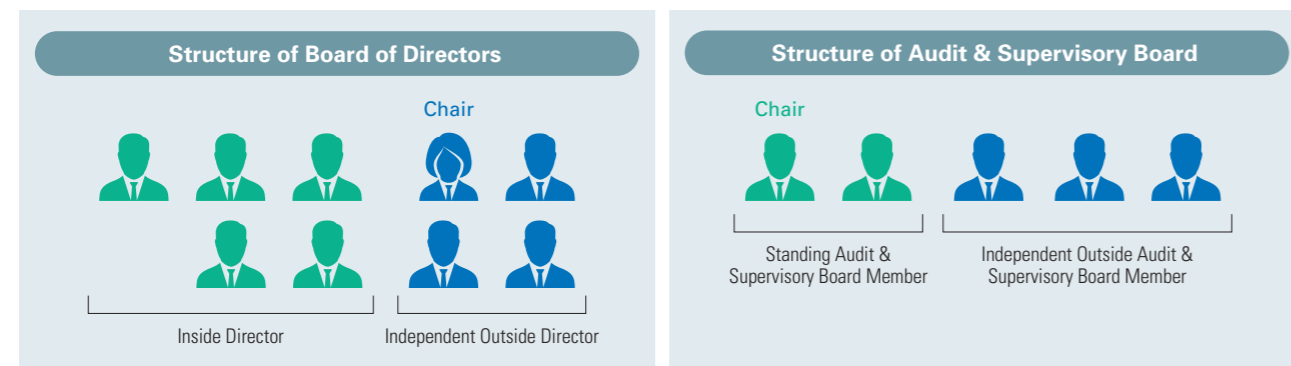


CORPORATE GOVERNANCE

●Activities of Independent Outside Members of the Board of Directors and Audit & Supervisory Board

OKI operates a governance system with both a Board of Directors and an Audit & Supervisory Board. With regard to the Board of Directors, we have increased both its independence and its objectivity by appointing a minority of independent outside directors; we also appointed a female independent outside director as Chair at a Board of Directors meeting held in June 2021. With regard to the Audit & Supervisory Board,

we increased the number of board members at the General Meeting of Shareholders held in June 2021; the majority of the Audit & Supervisory Board now comprises independent outside Audit & Supervisory Board members. Both the Audit & Supervisory Board and its constituent members are endeavoring to evolve governance at the OKI Group, with the twin goals of improving the quality of their auditing activities and of strengthening the measures laid out in the Medium-Term Business Plan 2022, entitled “Building Foundations to Realize Sustainable Growth by Solving Social Issues.”



**Message from New Chair of Board of Directors**

As the new Chair, I aim to operate the Board of Directors to realize sustainable growth.

**Izumi Kawashima**  
Outside Director  
Chair of the Board of Directors

In June 2018, the Japanese Corporate Governance Code, which originally began in the United Kingdom, was revised for the first time, three years after its introduction in Japan. This was when I became an outside director of OKI. During that period, Japanese companies were seriously looking at strengthening governance, starting to take initiatives to consolidate it. I originally was a researcher specializing in the areas of the Companies Act and the Financial Instruments and Exchange Law. In particular, I had studied the history of the Corporate Governance Code in the U.K., so I think that I was expected to use this knowledge in the management of OKI. Unlike the U.K., there are detailed rules about governance in the Companies Act of Japan. Properly aligning the framework of the Companies Act with the soft law of the Corporate Governance Code was an unknown area. The question was about how to actually implement these standards as a company.

directors worked together in detail from the stage of developing the Medium-Term Business Plan. In the future, we will need to supervise the progress of the Medium-Term Business Plan and form the next medium-term business plan based on its status.

Looking at the revision of the Corporate Governance Code in June 2021, the role and responsibilities of outside directors are likely to grow even more. At OKI, there are managers with experience in other companies. By becoming Chair, I intend to strike a balance in taking the opinions of outside directors so that we can strengthen OKI’s governance.

After several years involved in the management of OKI, I assumed the role of Chair of the Board of Directors in June of this year. Former Chair Kawasaki was very conscious of the role of the Board of Directors and operated it to encourage a lively exchange of ideas. In the development of the current Medium-Term Business Plan, he held off-site meetings outside of the Board of Directors meetings. By the time I became an outside director of OKI, the percentage of outside directors had already exceeded 40%, showing how OKI has emphasized the role of outside directors. In the Board of Directors, an environment has already been built for outside directors to freely and actively express their thoughts. In that sense, I feel that OKI is achieving the goals of the Corporate Governance Code.

I believe that one of the important themes we will discuss in the Board of Directors is developing the next generation of managers. We are discussing the succession plan in the Personnel Affairs and Compensation Advisory Committee as well as the current situation. However, it is best for candidates to have a career that doesn’t take the common shape of climbing one ladder to reach the next stage. Instead, I believe management candidates should first go to various places and have a variety of experiences and skills. We need to spend more time discussing how to develop the next generation of candidates starting from people about a decade younger than whom we can think of as the next possible candidates. The same can be said for female managers. It is good to promote extremely talented female employees to executive officer at an early stage, but we will be unable to maintain diversity without creating a system to produce the next such human resource.

The merits of making an outside director such as myself Chair is that I am not aware of any sense of impossibility that may be felt inside the company. I believe that can be a strength. On the other hand, I must be careful not to become too close with the executive side.

My aspiration as the new Chair is to simply refine the general direction of past leadership. What I found especially good in my past experiences, was that all of the outside

Message from a Newly Appointed Outside Audit & Supervisory Board Member

I worked at an auditing firm for 34 years, where I largely worked on financial audits. I was posted overseas to the U.S. and to the U.K., I worked on both human affairs and human resources developed at auditing firms and, as an executive board member at the Japanese Institute of Certified Public Accountants, I was also tasked with developing future generations of certified public accountants. My first involvement with corporate governance at the OKI Group came in 2019, when I was appointed an Audit & Supervisory Board member of the subsidiary, at the then Oki Data Corporation; then in June 2021, I was appointed an Audit & Supervisory Board member here at OKI.

**Yoshihiro Tsuda**  
Outside Audit & Supervisory Board Member

information. It is worth noting that both auditors and members of various audit & supervisory boards were closely involved in these revisions.

Evidently, significant changes are taking place both inside and outside the OKI Group. In my role as an Audit & Supervisory Board member and as an independent outside officer, I intend to utilize the experience and expertise I have gained through financial auditing to ensure that I maintain an appropriate distance from executive matters, that I am thorough in my communications, and that I work together with my fellow outside directors. By improving OKI’s governance in this way, I hope to be of benefit to all OKI stakeholders.

Corporate governance in Japan continues to progress and evolve, as exemplified by the second revision to the Corporate Governance Code, and the restructuring of the Tokyo Stock Exchange into three market segments.

Changes are also afoot in the field of financial auditing, in which I worked for many years. Audit reports will be required to communicate key audit matters (KAM) from this year, while from next year, a new section entitled “Other Information” will also be required. These ongoing revisions to auditing standards aim to ensure that shareholders and investors are provided with useful

## 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.

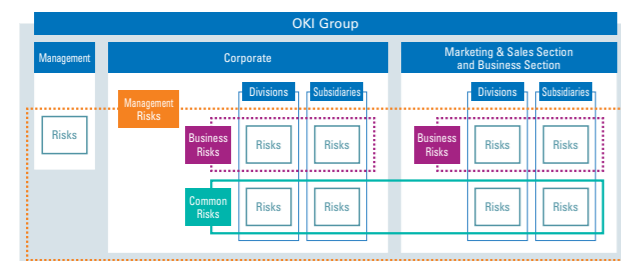
### ●Risk Management Initiatives

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

Risks 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 in relation to business activities, and “common risks” that are common to each company and division and should be managed across the Group. Of these risks, the responsible control division deploys preventive measures for common risks within the Group, while the Compliance Committee (see next section) regularly checks the implementation status. In this way, we are putting in place a sound risk management cycle. In fiscal year 2020, OKI identified the business risks for each of its business groups in order to strengthen the management of these risks. OKI is making progress in creating the management cycle and developing its framework.

To swiftly identify and resolve problems, we also established the OKI Group Risk Incidents Reporting System, which ensures that potential risk events, crises, and situations that may lead to such events are promptly reported to the Risk Management Committee.

### Risks to Be Managed



Management risks are risks that should be managed at the management level.

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 whistle-blowing system (in-house contact point, Group-wide contact point, and external contact point) to enable anonymous reports, as well as reports to outside directors and Audit & Supervisory Board members at every Group company, and stipulated whistle-blowing regulations such as those about the protection of whistle-blowers. In fiscal year 2020, 41 reports and consultations were received at the OKI Group in Japan.

### ●Ongoing Compliance Training

The OKI Group has appointed compliance managers and promoters (around 350 in total) who play a key role promoting compliance in the workplace at each company and division in Japan. We also hold regular training sessions for these compliance managers and promoters. We are holding ongoing anti-monopoly law training centered on the marketing & sales section. In fiscal year 2020, the group training was held via video conference in order to prevent the spread of COVID-19.

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

In fiscal year 2018, we started a unified e-learning compliance training program for some overseas Group companies, and we added a subsidiary in Vietnam to the program in fiscal year 2020.

### Main Compliance Training Programs (for the OKI Group in Japan) in FY2020

Training Overview	Subject Employees	Attendance Rate
<b>Compliance manager training</b> September–December 2020 (video) Theme: Introduction of OKI group risk management system, contracting/sub-contracting, client asset management, and risk management at workplace	Domestic Group managers/promoters	100% (approx. 350 persons)
<b>Anti-monopoly Act training</b> December 2020 to March 2021 (video)	Domestic Group employees of related divisions (sales, etc.)	100% (approx. 2,500 persons)
<b>Personal information protection and information security</b> e-learning (regular and start anytime sessions) Regular session (simultaneous training) held August to September 2020	All domestic Group employees	Simultaneous training: 99.9%
<b>Workplace compliance</b> e-learning (regular and start anytime sessions) Regular session (simultaneous training) held December 2020 to January 2021	All domestic Group employees	Simultaneous training: 100%

### ●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 responsible division.

In fiscal year 2020, there were no issues related to bribery or corruption in the OKI Group.

### ●Emergency and Disaster Response

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

In fiscal year 2020, the COVID-19 Task Force that was established in January 2020 conducted initiatives to prevent the spread of the virus and maintain business continuity, such as transmitting information about the status of the virus in Japan as well as identifying and handling those infected inside the Group. OKI is also striving to respond quickly and appropriately by continuously reviewing initial countermeasures for natural disasters, such as earthquakes, typhoons, and floods.

## INFORMATION SECURITY

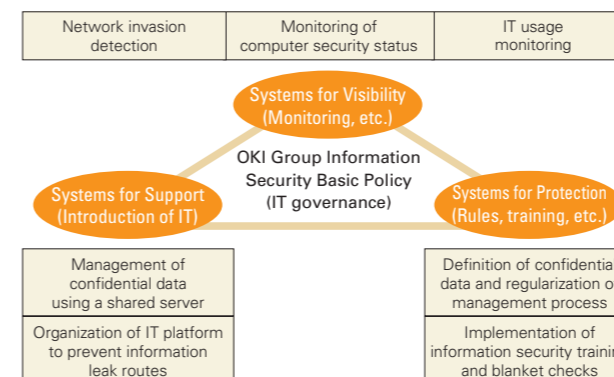
Based on the OKI Group Information Security Basic Policy, the OKI Group has established a system to ensure information security to properly manage and protect company and customer information.

### ●Policy on Information Security Initiatives

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

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 2020, all divisions of OKI in Japan, excluding certain parts of the Corporate Group, as well as three subsidiaries newly acquired ISMS certification. In this way, OKI aims to strengthen information security system. In order to further strengthen IT governance overseas, OKI is proceeding with establishing communications systems and rules, deploying countermeasure tools, and aligning the monitoring environment. In fiscal year 2020, OKI deployed various tools, including EDR\*.

### ●Enhancing Protection of Personal Information

We in the OKI Group have enhanced protection of personal information, based on the Privacy Policy. We have committed to the protection of personal information under the leadership of our Chief Privacy Officer. Privacy managers have been appointed in all divisions and subsidiaries. OKI is taking measures based on regulations for the personal information protection laws in the EU, Brazil, and Thailand (EU: GDPR, Brazil: LGPD, Thailand: PDPA), where Group companies are located.

As of June 2021, seven companies of the OKI Group have received PrivacyMark certification in Japan.

\*EDR (Endpoint Detection and Response): Technology that constantly monitors and responds to threats at endpoints of computer systems



# MANAGEMENT

(As of July 1, 2021)

## Directors



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

President,  
Representative Director  
**Shinya Kamagami**



Apr. 1982 Joined The Fuji Bank, Ltd.  
Apr. 2009 Executive Officer, Mizuho Corporate Bank, Ltd.  
Apr. 2011 Managing Executive Officer, Mizuho Corporate Bank, Ltd.  
Jun. 2014 Managing Executive Officer, Mizuho Financial Group, Inc.  
May 2015 Senior Vice President of the Company  
Apr. 2016 Chief Risk Management Officer, Head of Corporate Planning Group  
Jun. 2016 Senior Vice President and Member of the Board  
Apr. 2017 Executive Vice President and Member of the Board, Chief Financial Officer (current)  
Jun. 2018 Internal Control Administrator, Chief Compliance Officer (current)  
Apr. 2019 Senior Executive Vice President, Representative Director (current), Chief Information Officer Assistant to the President (current)  
Apr. 2020 Chief Human Resources Officer (current)  
Apr. 2021 Chief Human Resources Officer (current)

Senior Executive Vice President,  
Representative Director  
**Masayuki Hoshi**



Apr. 1983 Joined the Company  
Apr. 2002 President of Multimedia Messaging Company  
Apr. 2011 Head of Enterprise Network System Division, Telecom Systems Business Division  
Jul. 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)

Executive Vice President and  
Member of the Board  
**Masashi Tsuboi**



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)

Senior Vice President and  
Member of the Board  
**Masashi Fuse**



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

Senior Vice President and  
Member of the Board  
**Masatoshi Saito**



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

Director  
**Shigeru Asaba**

Outside Independent



Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation)  
Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations, Ishikawajima-Harima Heavy Industries Co., Ltd.  
Apr. 2008 Director, Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation  
Apr. 2011 Executive Vice President, IHI Corporation  
Apr. 2012 President, Chief Executive Officer, IHI Corporation  
Apr. 2016 Chairman of the Board, IHI Corporation  
Jun. 2017 Outside Director, JAPAN POST INSURANCE Co., Ltd. (current)  
Jun. 2018 Outside Director of the Company (current)  
Jun. 2020 Senior Counselor, IHI Corporation (current)  
Jun. 2021 Outside Director of Furukawa Electric Co., Ltd. (current)

Director  
**Tamotsu Saito**

Outside Independent



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

Director  
**Izumi Kawashima**

Outside Independent



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

Director  
**Makoto Kigawa**

Outside Independent

## Audit & Supervisory Board Members



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

Standing Audit &  
Supervisory Board Member  
**Toshiya Hatakeyama**



Jul. 2008 Director for The Small and Medium Enterprise Agency of Ministry of Economy, Trade and Industry  
Jul. 2009 Senior Manager for general affairs of Japan Oil, Gas and Metals National Corporation  
Jul. 2010 Deputy Commissioner for Global ICT Strategy Bureau of Ministry of Internal Affairs and Communications  
Aug. 2012 Deputy Director-General for Policy Coordination, the Ministry of Economy, Trade and Industry  
Jul. 2013 Director-General for The Small and Medium Enterprise Agency of Ministry of Economy, Trade and Industry  
Jul. 2014 President of JETRO New York  
Nov. 2016 Advisor of the Company  
Apr. 2017 Associate Director  
Apr. 2018 Executive Officer  
Jun. 2019 Outside Director of JECC corporation  
Apr. 2021 Advisor of the Company  
Jun. 2021 Audit & Supervisory Board Member (current)

Standing Audit &  
Supervisory Board Member  
**Toshiyuki Yokota**



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

Audit & Supervisory Board Member  
**Hideo Shiwa**

Outside Independent



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

Audit & Supervisory Board Member  
**Ryuichi Makino**

Outside Independent



Mar. 1985 Joined Tohatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)  
Mar. 1988 Registered as Certified Public Accountant  
Jul. 1993 Detroit Office, Deloitte & Touche (US)  
Jun. 1998 Appointed as Employee (currently Partner) of Deloitte Touche Tohmatsu  
Sep. 2002 London Office, Deloitte & Touche (UK)  
Jun. 2007 Representative Partner of Deloitte Touche Tohmatsu  
Jul. 2019 Resigned from Deloitte Touche Tohmatsu LLC  
Aug. 2019 Representative of Yoshihiro Tsuda CPA Office (current)  
Sep. 2019 Audit & Supervisory Board Member of Oki Data Corporation  
Feb. 2020 Standing Audit & Supervisory Board Member of Tribek Strategies Inc. (currently Tribek Inc.) (current)  
Jun. 2021 Outside Audit & Supervisory Board Member of PRONEXUS Inc. (current), Outside Audit & Supervisory Board Member of the Company (current)

Audit & Supervisory Board Member  
**Yoshihiro Tsuda**

Outside Independent

## Executive Officers



Senior Vice President  
**Toru Miyazawa**



Senior Vice President  
**Teiji Teramoto**



Senior Executive Officer  
**Yuichiro Katagiri**



Senior Executive Officer  
**Keizo Ikeda**



Senior Executive Officer  
**Hiroshi Tomizawa**



Executive Officer  
**Hajime Maruo**



Executive Officer  
**Shinichi Tanaka**



Executive Officer  
**Shutaro Otahara**



Executive Officer  
**Takahiro Mori**



Executive Officer  
**Hiroshi Nishimura**



Executive Officer  
**Tetsuya Takimoto**



Executive Officer  
**Yoichi Kato**



Executive Officer  
**Yuhiko Fujiwara**

ESG DATA

Environment

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

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

For details of the data, refer to "Environment Data" on the website.  
[https://www.oki.com/en/eco/env\\_data/material\\_balance.html](https://www.oki.com/en/eco/env_data/material_balance.html)

Governance

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

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

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

Main Initiatives/Organizations in Which OKI Participates

United Nations Global Compact

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

Task Force on Climate-related Financial Disclosures (TCFD)

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

Japan Climate Initiative (JCI)

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

Challenge Zero

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

External Evaluations, etc.

Health & Productivity Management Outstanding Organization (OKI)



Platinum Kurumin Certification (OKI, OKI Circuit Technology)



Kurumin Certification (OKI Software)



Eruboshi Certification (OKI)



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

Gómez IR Site Ranking 2020 Silver



Daiwa Investor Relations Internet IR Excellence Award



Digital Transformation Certification (OKI)



Social

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

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



# CONSOLIDATED BALANCE SHEETS [UNAUDITED]

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

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

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

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF INCOME [UNAUDITED]

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

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

The accompanying notes are an integral part of these statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME [UNAUDITED]

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

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

The accompanying notes are an integral part of these statements.



## CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS [UNAUDITED]

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

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

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]

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

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

The accompanying notes are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 1) Basis of preparing consolidated financial statements

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

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

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

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

### 2) Scope of consolidation

All 66 subsidiaries are included in the scope of consolidation.

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

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

### 3) Application of equity method

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

(2) Name of affiliated company to which the equity method is not applied: TOWN NETWORK SERVICE Corporation

Reason for not applying the equity method:

The company has little influence and has no significance on profit or loss and retained earnings.

### 4) Accounting standards

(1) Valuation standards and methods for significant assets

(i) Securities

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

Other securities:

Marketable securities:

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

Non-marketable securities:

Stated at cost based on the moving average method.

(ii) Inventories

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

Finished goods:

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

Work in process:

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

Raw materials and supplies:

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

(iii) Derivatives

Stated at fair value.

(2) Depreciation and amortization

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

The Company and its domestic consolidated subsidiaries apply the declining-balance method; overseas consolidated subsidiaries primarily apply the straight-line method.

(ii) Intangible assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries apply the straight-line method.

For software sold in the market, amortization is based on the estimated amounts of sales in the estimated number of years for sales (3 years). For software for internal use, the straight-line method, based on the estimated useful life (mainly 5 years), is used.

Overseas consolidated subsidiaries apply the straight-line method.

(iii) Lease assets

Lease assets relating to finance lease transactions that do not transfer ownership are depreciated over the lease contract's lifetime by the straight-line method, assuming the residual value is zero.

(3) Basis of provision

(i) Allowance for doubtful receivables

To prepare for any losses of accounts receivable and loans, the Company and its domestic consolidated subsidiaries calculate the amount of potential loss by using the historical loss ratio for non-classified loans/receivables and individual assessment for classified loans/receivables. Overseas consolidated subsidiaries calculate the amount of potential losses by individually assessing the possibility of collection for specific loans/receivables.

(ii) Provision for directors' retirement benefits

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

(4) Method of accounting for retirement benefits

(i) Attributing expected retirement benefits to a period

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

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

Prior service costs are amortized by the straight-line method over a set number of years (10 to 13 years) determined by the average remaining years of service of employees.

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

(5) Recognition of revenue and costs

Recognition of revenue relating to contract work and software development contracts

(i) Revenue from those with results in progress before the end of the fiscal year

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

(ii) Other revenue

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

(6) Hedge accounting methods

(i) Method of hedge accounting

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

(ii) Hedging instruments and hedged items

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

(iii) Hedging policy

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

(iv) Assessment method of the effectiveness of hedges

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

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

(7) Amortization of goodwill and amortization period

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

(8) Cash equivalents

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

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

(i) Accounting processing of consumption tax

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

(ii) Application of consolidated tax payment

The consolidated tax payment is applied.

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

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

## 2. ACCOUNTING ESTIMATES

### 1) Estimate of recoverability of claims for which litigation is currently pending

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

Allowance for doubtful receivables: ¥11,271 million (\$102,463 thousand)

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

(i) Overview

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

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

Subsequently, Case A which had been under review was adjudicated by the South China International Economic and Trade Arbitration Commission on December 16, 2020, and it ruled that Yihua Industrial pay OBSZ the unpaid amount for merchandise of RMB1,096.866 million or ¥18,493 million (\$168,118 thousand) as well as interest for arrears, legal costs, and others.



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

However, Yihua Industrial does not have an ability to pay and, in order for OBSZ to recover the claims finalized as a result of the arbitration of Case A, it needs to be recovered from the property of Yihua Computer. It is thus essential for the appeal of OBSZ to be recognized in Case B. Case B is currently under review and, given that it is expected to take a considerable amount of time before Yihua Industrial fulfills the arbitration result of Case A, OBSZ has allowance for doubtful receivables recorded from the past year.

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

For OBSZ, as a result of discounting cash flows that are considered recoverable when the probability of OBSZ's appeal being recognized in Case B is taken into account for a period that is considered to be required for recovery, RMB668.545 million or ¥11,271 million (\$102,463 thousand) is estimated to be irrecoverable and added to allowance for doubtful receivables.

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

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

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

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

The aggregate construction revenue to which the percentage-of-completion method is applied for the fiscal year is ¥48,720 million (\$442,909 thousand). Of which, an amount recognized for the fiscal year in relation to construction projects that were work-in-progress at the end of the fiscal year is ¥21,223 million (\$192,936 thousand).

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

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

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

In addition, a reliably estimated amount for total construction cost is obtained based on judgment of construction supervisors and the management. For example, we review the execution budget in a timely and appropriate way and it has been developed by collecting sufficient and detailed information relating to changes in the work scope based on customers' requests.

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

Contract manufacturing and construction for social infrastructure performed by the Group are highly individualized in nature given they are designed based on instructions of customers. Accordingly, changes in work scope at the request of a customer, unexpected defects during the manufacturing process of software, and other factors may result in a considerable increase in work-hours required for manufacturing. On the other hand, cost to be incurred in the future may be reduced as a result of our own efforts.

If total construction cost changes due to those impacts and other factors, net sales may change in conjunction with a change in the degree of progress of construction.

## 3) Estimate of recoverability of deferred tax assets

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

Deferred tax assets: ¥7,796 million (\$70,872 thousand)

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

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

The Group evaluates the recoverability of deferred tax assets by taking into account the possibility of being able to use deductible temporary difference and part of loss carry forwards in the estimation of future taxable income. We believe deferred tax assets recognized for the fiscal year are highly recoverable based on the projection of future taxable income over a period during which deferred tax assets are deductible.

An estimate of future taxable income used in evaluating the recoverability of deferred tax assets is based on the future business plans. In developing the business plans, we have estimated growth in sales revenue under an assumption that the impact of COVID-19 will last for a certain period of time in the future. Other major assumptions include an estimated improvement in operating income margin through cost reforms. Moreover, the other major assumptions are an expected improvement in the operating profit margin as a result of cost related reforms, which are expected to reduce procurement costs, personnel costs, and miscellaneous expenses.

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

The management judges the abovementioned major assumptions reasonable. However, if actual future taxable income differs from the estimate as a result of deterioration in the management environment due to the future spread of COVID-19 and other factors, the recoverability of deferred tax assets may be evaluated differently.

## 3. UNAPPLIED ACCOUNTING STANDARDS

### 1) Accounting standard for revenue recognition

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

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

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

- (1) Summary

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

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

- (2) Expected date to apply

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

- (3) Impact of application of accounting standard

The impact on the consolidated financial statements is insignificant.

### 2) Accounting standard for fair value measurement

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

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

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

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

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

- (1) Summary

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

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

- (2) Expected date to apply

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

- (3) Impact of application of accounting standard

The impact on the consolidated financial statements is still decided.

## 4. ADDITIONAL INFORMATION

### Impact of COVID-19

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

on the assumption that the impact of COVID-19 will continue for a certain period of time in the next consolidated fiscal year as in the previous consolidated fiscal year.

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

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

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

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

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

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

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

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

**3) Investments in unconsolidated subsidiaries and affiliates**

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

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

**4) Liabilities for guarantee**

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

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

**5) Contingent liabilities**

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

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

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

**6) The unexecuted balance of overdraft and commitment line**

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

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

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

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

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

**2) Loss on impairment of fixed assets**

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

Major impairment losses were as follows.

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

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

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

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

Major impairment losses were as follows.

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

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

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

**3) Business structure improvement expenses**

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

The nature of the losses were as follows:

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**7. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

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

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

**8. SHAREHOLDERS' EQUITY**

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

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

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

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

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

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

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

**9. CONSOLIDATED STATEMENTS OF CASH FLOWS**

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

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

**10. LEASES**

(Lessee)

Operating lease transactions

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

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

## 11. FINANCIAL INSTRUMENTS

## 1) Matters concerning the status of financial instruments

## (1) Policy on financial instruments

The OKI Group mainly uses short-term deposits and highly safe marketable securities for fund management, and raises its funds primarily through borrowings from financial institutions and issuance of corporate bonds. The OKI Group uses derivatives to hedge risk as described below, and does not engage in speculative transactions.

## (2) Description of financial instruments, related risks, and risk management system

The OKI Group strives to mitigate its customers' credit risks associated with notes and accounts receivable, which are operating receivables, by carrying out customer credit investigations in accordance with regulations for the management of accounts receivable of individual companies.

For borrowings, the OKI Group raises short-term funds mainly for working capital and long-term funds for working capital and capital investment. For borrowings exposed to the interest rate risk, the OKI Group applies derivative instruments (interest rate swap transactions) to hedge its risk.

Derivative transactions consist of forward foreign exchange contracts which aim to hedge exchange rate fluctuation risks related to foreign currency-denominated receivables and payables and interest rate swap transactions, which aim to hedge interest rate fluctuation risks related to the payment of borrowings. The Company assesses the validity of hedges with interest rate swaps by comparing the accumulated fair value changes of hedged items and those of hedging instruments, but does not perform such assessment if they are subject to special treatment.

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

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

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

## 2) Disclosure concerning fair value of financial instruments

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

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

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

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

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

Notes:

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

Assets

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

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is determined to be equal to their book value.

(3) Investments in securities

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

(4) Long-term trade receivables

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

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, and (3) Other accrued expenses

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is determined to be equal to their book value.

(4) Long-term borrowings

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

Derivative transactions

Described in Note13

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

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

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

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

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

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

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



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

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

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

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

12. SECURITIES

1) Trading securities

Not applicable

2) Bonds held to maturity

Not applicable

3) Other securities

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

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

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

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

5) Impairment losses on securities

Year ended March 31, 2020

¥224 million

Year ended March 31, 2021

Not applicable

13. DERIVATIVES

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

1) Derivative transactions which do not qualify for hedge accounting

(i) Currency related

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

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

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

(ii) Interest rate related  
Not applicable

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

## 2) Derivative transactions which qualify for hedge accounting

## (i) Currency related

		Millions of yen			Thousands of U.S. dollars		
		2021			2021		
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	¥ 4,937	¥ —	¥ (133)	\$ 44,881	\$ —	\$ (1,209)
Buy:							
U.S. dollars	Accounts payable	4,080	—	231	37,090	—	2,100
Total		¥ 9,017	¥ —	¥ 98	\$ 81,972	\$ —	\$ 890

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

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

## (ii) Interest rate related

		Millions of yen			Thousands of U.S. dollars		
		2021			2021		
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	¥ 49,462	¥ 35,336	*	\$ 449,654	\$ 321,236	*

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

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

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

## 14. RETIREMENT BENEFITS

## 1) Overview of the retirement benefit system adopted

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

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

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

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

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

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

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

## 2) Defined benefit plan

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

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

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

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

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

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

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

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

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

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

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

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

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

(7) Plan assets

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

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

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

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

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

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

### 3) Defined contribution plan

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

## 15. STOCK OPTION PLAN

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

### 1) The amount in relation to the stock options.

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

### 2) The size of stock option and its circumstances.

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

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**3) The evaluation of fair value of stock option**

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

**17. BUSINESS COMBINATION, ETC.****Business Separation**

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

**1) Overview of business separation**

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

(2) Business separated

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

(3) Major reason for the business separation

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

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

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

(4) Business separation date

April 9, 2020

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

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

**2) Outline of accounting procedures applied**

(1) Amount of transferred gain/loss

(69) million reais

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

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

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

(3) Accounting processing

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

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

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

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

Not applicable.

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

(1) Overview of reporting segments

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

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

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

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

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

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

(2) Change in reportable segment classification

From the fiscal year ended March 31, 2021, aiming at strengthening manufacturing required in the IoT /5G era, OKI reorganized the Mechatronics Systems business, Printers business, and EMS business to "Components & Platforms business". The ICT business was renamed "Solution Systems business". In addition, OKI BRASILINDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA. and its subsidiaries, which were previously disclosed as the Mechatronics Systems business of the reportable segment, are now preparing for liquidation procedures. Therefore, they have been removed from the reportable segment and replaced with the "Others".

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

(3) Change in the measurement method

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

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

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

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

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

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

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

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

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

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

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

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

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

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

## 2) Related information

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

### (1) Products and service information

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

### (2) Geographic information

#### (i) Sales

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

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

#### (ii) Tangible fixed assets

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

## 3) Information on impairment loss by each reporting segment

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

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

Year ended March 31, 2020

The disclosure is omitted due to immateriality.

Year ended March 31, 2021

The disclosure is omitted due to immateriality.

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

Year ended March 31, 2020

Not applicable

Year ended March 31, 2021

Not applicable

**19. AMOUNTS PER SHARE**

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

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

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

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

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

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

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

Not applicable

**2) Schedule of borrowings, etc**

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

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

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

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

**3) Schedule of asset retirement obligations**

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

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



## INVESTOR INFORMATION

### Number of Shares (As of March 31, 2021)

Authorized: 240,000,000  
 Issued: 87,217,602  
 (Including 653,801 treasury stock)

### Number of Shareholders (As of March 31, 2021)

66,032

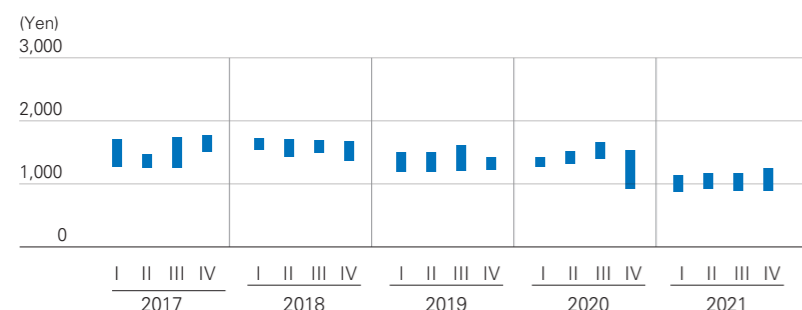
### Major Shareholders (As of March 31, 2021)

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

\* The shareholding ratio is calculated after excluding 653,801 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.

- 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.

### Stock Exchange Listing

First Section of the Tokyo Stock Exchange

### Administrative Agent for the Company's Shareholder Register

Mizuho Trust & Banking Co., Ltd.

## COMPANY PROFILE

### Profile (As of March 31, 2021)

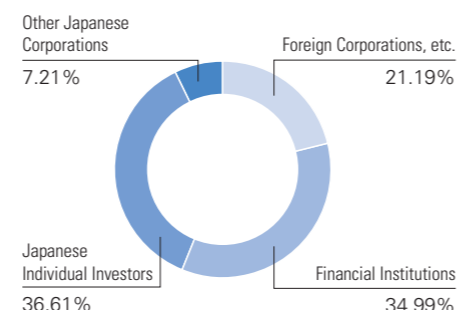
Company Name: Oki Electric Industry Co., Ltd.  
 Founded: 1881  
 Company Established: November 1, 1949  
 Common Stock: 44,000 million yen  
 Employees: 15,639 (Consolidated)  
 4,395 (Non-consolidated)  
 President,  
 Representative Director: Shinya Kamagami  
 Head Office: 1-7-12 Toranomom, Minato-ku,  
 Tokyo 105-8460, Japan  
 Tel +81-3-3501-3111  
 URL <https://www.oki.com>

### Contact for Further Information

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

### Distribution of Shareholders

(As of March 31, 2021)



**OKI**

Oki Electric Industry Co., Ltd.