

(Translation)

This document is an English translation of the notice for the general meeting of shareholders originally written in Japanese. This translation was made for reference purpose only and all warranties, and in particular the accuracy of this translation, are hereby disclaimed.

(Securities Identification Code: 6703)

June 6, 2022

## **NOTICE OF 98TH ORDINARY GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders,

Oki Electric Industry Co., Ltd. (the “Company”) would hereby like to inform you that the 98TH ordinary general meeting of shareholders will be held as follows.

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

Shareholders are kindly requested to review “Reference Documents for the General Meeting of Shareholders” provided hereunder and exercise their voting rights by no later than 5:15 p.m. on June 28 (Tuesday), 2022 (JST).

Yours faithfully,

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

(Translation)

- 1. Date and Time:** Wednesday, June 29, 2022, from 10:00 a.m. (Reception will open at 9:30 a.m.)
- 2. Location:** Nikkei Hall, 3F Nikkei Building, 1-3-7 Otemachi, Chiyoda-ku, Tokyo  
The date and time, and location are subject to change due to the situation regarding the COVID-19 outbreak. Any change that occurs will be announced on our website (<https://www.oki.com/jp/>). Should you intend to attend the meeting, please check the website in advance.

### **3. Meeting Agenda**

#### ***Items to be reported:***

1. Business Report, Consolidated Financial Statements and audit results of the Consolidated Financial Statements by the Accounting Auditor and the Audit & Supervisory Board for the 98th fiscal year (from April 1, 2021 to March 31, 2022)
2. Non-consolidated Financial Statements for the 98th fiscal year (from April 1, 2021 to March 31, 2022)

#### ***Items to be resolved:***

- Agenda Item 1:** Appropriation of Surplus
- Agenda Item 2:** Amendment to the Articles of Incorporation
- Agenda Item 3:** Election of Nine (9) Directors

### **Instructions for the Exercise of Voting Rights**

Exercise of voting rights via postal mail:

Please indicate your approval or disapproval in the space provided on the ballot and return the ballot to the Company no later than 5:15 p.m., June 28 (Tuesday), 2022 (JST).

Exercise of voting rights via the Internet, etc.:

Please read “Instructions for the Exercise of Voting Rights via the Internet, etc.” on page 3, and indicate your approval or disapproval no later than 5:15 p.m., June 28 (Tuesday), 2022 (JST).

Exercise of voting rights via attending the meeting:

Please bring and always wear a face mask. Present the enclosed ballot at the reception desk of the meeting.

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- \* If you exercise your voting rights both in writing and via the Internet, etc., we will regard the vote cast via the Internet, etc. to be effective.
  - \* If you exercise your voting rights more than once via the Internet, etc., we will regard the last vote you cast to be the effective one.
  - \* The Company has provided the Notice of 98th Ordinary General Meeting of Shareholders on its Internet website (<https://www.oki.com/jp/>). Any amendment to the Company’s Reference Documents for the General Meeting of Shareholders, the Business Report, and the Consolidated and Non-consolidated Financial Statements will be announced on the website.

(Translation)

## Instructions for the Exercise of Voting Rights via the Internet

<b>How to scan QR code “Smart Exercise”</b>	<b>How to enter voting rights exercise code and password</b>
<p>You can simply login to the voting site without entering your voting rights exercise code and password.</p> <ol style="list-style-type: none"><li>1. Please scan the QR code provided at the bottom right of the voting rights exercise form. * “QR code” is a registered trademark of Denso Wave Incorporated.</li><li>2. Please input approval or disapproval to each proposal in accordance with the instructions on the screen.</li></ol> <div style="border: 1px solid black; padding: 5px;"><p>Exercising voting rights by “Smart Exercise” is available <b>only once</b>.</p><p>If you need to change your votes after exercising your voting rights, please log in the voting site for a personal computer by using your “voting rights exercise code” and “password” provided on the voting rights exercise form and exercise your voting rights again.</p><p>* If you rescan the QR code, you can access the Exercise of Voting Rights Website for a personal computer.</p></div>	<p>Voting site: <a href="https://soukai.mizuho-tb.co.jp/">https://soukai.mizuho-tb.co.jp/</a></p> <ol style="list-style-type: none"><li>1. Please access the voting site.</li><li>2. Please enter the “voting rights exercise code” printed on the voting rights exercise form.</li><li>3. Please enter the “password” printed on the voting rights exercise form.</li><li>4. Please input approval or disapproval to each proposal in accordance with the instructions on the screen.</li></ol>
<p>If you have any inquiries about the operation of a personal computer, a smartphone or a cellular phone regarding the exercise of voting rights via the Internet, please contact on the right-hand side:</p>	<p>Internet Help Dial, Stock Transfer Agency Department, Mizuho Trust &amp; Banking Co., Ltd. Tel: 0120-768-524 (toll free, only in Japan) (Operating hours: 9:00 a.m. to 9:00 p.m.)</p>

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

(Translation)

## Reference Documents for the General Meeting of Shareholders

### Agenda Items and Reference Matters

#### Agenda Item 1: Appropriation of Surplus

The Company has given consideration to matters including the business performance of the fiscal year under review, business earnings projections for the next fiscal year (FY2022), the Company's financial position, etc., and it proposes to pay year-end dividends for the fiscal year under review as follows.

**1. Type of dividend asset**

Cash

**2. Allocation of dividend assets and total amount of dividends**

Common stock of the Company	¥30 per share
Total dividends	¥2,597,989,950

**3. Effective date of dividend of surplus**

June 30, 2022

**(Reference) Shareholder Return Policy**

OKI's top management priorities are to strengthen its financial position and ensure retained earnings in order to continually improve the OKI Group's corporate value, as well as to increase shareholder returns so that shareholders are encouraged to hold its shares over the medium- to long-term.

OKI will reinforce its management foundations by applying retained earnings to investments in research & development and facilities that are critical to future growth. OKI will determine the amount of dividends, attaching top priority to the continuation of the stable distribution of profits to shareholders and taking its business results and future management measures, etc. comprehensively into consideration.

(Translation)

## Agenda Item 2: Amendment to the Articles of Incorporation

### 1. Reasons for the amendment

Since the revised provisions provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) are to be enforced on September 1, 2022, the Company proposes to make the following changes to its Articles of Incorporation in preparation for the introduction of the system for providing informational materials for the general meeting of shareholders in electronic format.

- (1) Article 15, paragraph 1 in “Proposed amendments” below will stipulate that the Company shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.
- (2) Article 15, paragraph 2 in “Proposed amendments” below will establish the provision to limit the scope of the items to be stated in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents.
- (3) Since the provisions for Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc. (Article 15 of the current Articles of Incorporation) will no longer be required, they will be deleted.
- (4) Accompanying the aforementioned establishment and deletion of provisions, supplementary provisions regarding the effective date, etc. will be established.

### 2. Details of the amendment

The details of the amendment are as follows.

(Underlined portions indicate amendments.)

Current Articles of Incorporation	Proposed amendments
<p><u>Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.)</u></p> <p><u>When the Company convenes a general meeting of shareholders, if it discloses information that is to be stated or presented in the reference documents for the general meeting of shareholders, business report, non-consolidated financial statements and consolidated financial statements through the Internet in accordance with the provisions prescribed by the Ministry of Justice Order, it may be deemed that the Company has provided this information to shareholders.</u></p> <p>(Newly established)</p>	<p>(Deleted)</p> <p><u>Article 15 (Measures, etc. for Providing Information in Electronic Format)</u></p> <p><u>1. When the Company convenes a general meeting of shareholders, it shall take measures for providing information that constitutes the content of reference documents for the general meeting of shareholders, etc. in electronic format.</u></p> <p><u>2. Among items for which the measures for providing information in electronic format will be taken, the Company may exclude all or some of those items stipulated by the Ministry of Justice Order from statements in the paper-based documents to be delivered to shareholders who requested the delivery of paper-based documents by the record date of voting rights.</u></p>

(Translation)

Current Articles of Incorporation	Proposed amendments
(Newly established)	<p><u>(Supplementary Provisions)</u></p> <p><u>1. The amendment of Article 15 of the Articles of Incorporation shall be effective from September 1, 2022, the date of enforcement provided for in the proviso to Article 1 of the Supplementary Provisions of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter referred to as the “Date of Enforcement”).</u></p> <p><u>2. Notwithstanding the provision of the preceding paragraph, Article 15 (Internet Disclosure and Deemed Provision of Reference Documents for the General Meeting of Shareholders, Etc.) shall remain effective regarding any general meeting of shareholders held on a date within six months from the Date of Enforcement.</u></p> <p><u>3. These Supplementary Provisions shall be deleted on the date when six months have elapsed from the Date of Enforcement or three months have elapsed from the date of the general meeting of shareholders in the preceding paragraph, whichever is later.</u></p>


(Translation)

### Agenda Item 3: Election of Nine (9) Directors

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


Candidate number	Name		Current position/ responsibility in the Company	Number of attendance at meetings of the Board of Directors	Number of years in office
1	Shinya Kamagami	Re-election Inside	Representative Director and Chief Executive Officer	100% (14 out of 14 times)	8 years
2	Takahiro Mori	Newly nominated Inside	President and Chief Operating Officer	–% (– out of – times)	– years
3	Masayuki Hoshi	Re-election Inside	Senior Executive Vice President, Representative Director Chief Compliance Officer Chief Financial Officer Chief Human Resource Officer	100% (14 out of 14 times)	6 years
4	Masashi Fuse	Re-election Inside	Senior Vice President and Member of the Board Head of Corporate Group Internal Control Administrator Chief Information Officer	100% (14 out of 14 times)	3 years
5	Masatoshi Saito	Re-election Inside	Senior Vice President and Member of the Board Head of Components & Platforms Business Group	100% (11 out of 11 times)	1 year
6	Shigeru Asaba	Re-election Outside Independent	Independent Outside Director	100% (14 out of 14 times)	5 years
7	Tamotsu Saito	Re-election Outside Independent	Independent Outside Director	100% (14 out of 14 times)	4 years
8	Izumi Kawashima	Re-election Outside Independent Woman	Independent Outside Director	100% (14 out of 14 times)	4 years
9	Makoto Kigawa	Re-election Outside Independent	Independent Outside Director	100% (14 out of 14 times)	3 years

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Re-election] 1	<p style="text-align: center;"><b>Shinya Kamagami</b></p>  <p style="text-align: center;">(February 9, 1959)</p>	<p>Apr. 1981    Joined Oki Electric Industry Co., Ltd.</p> <p>Apr. 2001    Manager, Hardware Development Department No. 2, Terminal Systems Division, Systems Solution Company</p> <p>Apr. 2005    Head of Systems Hardware Development Division, Systems Hardware Company, Systems Networks Business Group</p> <p>Apr. 2011    Executive Officer</p> <p>Apr. 2012    Senior Vice President</p> <p>Jun. 2014    Senior Vice President and Member of the Board</p> <p>Apr. 2016    President, Representative Director</p> <p>Apr. 2022    Representative Director and Chief Executive Officer (incumbent)</p>
	<p>Number of years in office as Director: 8 years (as of the conclusion of this general meeting of shareholders)</p> <p>Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%)</p> <p>Number of Oki shares held: Common stock: 15,000 shares</p>	<p><b>Reason for the selection of candidate for Director</b></p> <p>Based on his past experience serving in business divisions and headquarters divisions, Mr. Shinya Kamagami has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Kamagami assumed the office of Director in June 2014, and has been engaging in management of the Company as President and Representative Director since April 2016, and as Representative Director and Chief Executive Officer since April 2022. He is nominated as a candidate for Director as it is expected that, as a member of the Board of Directors, he will continue to share information with other Directors and strengthen the decision-making function.</p>




(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
<p>[Newly nominated] 2</p>	<p>Takahiro Mori</p>	<p>Apr. 1988    Joined Oki Electric Industry Co., Ltd.</p>
		<p>Nov. 2006    General Manager of Partner Business Dept, Domestic Sales Division, Oki Data Corporation</p>
	<p>(August 29, 1964)</p>	<p>Oct. 2017    Director, Deputy Head of Product Development and Business Division, and Head of Office Printing Department, Oki Data Corporation</p>
	<p>Number of years in office as Director: —</p>	<p>Apr. 2019    Managing Executive Officer, Head of Product Development and Business Division, Oki Data Corporation</p>
	<p>(as of the conclusion of this general meeting of shareholders)</p>	<p>Oct. 2019    Managing Executive Officer, Head of Product Development and Business Division, and Head of Domestic Sales Division, Oki Data Corporation</p>
	<p>Number of attendance at meetings of the Board of Directors</p>	<p>Apr. 2020    Representative Director and President, Oki Data Corporation and Executive Officer, Oki Electric Industry Co., Ltd.</p>
	<p>(the year under review): — out of — times (—%)</p>	<p>Apr. 2021    Executive Officer, Head of Business Collaboration Division, Components &amp; Platforms Business Group, Oki Electric Industry Co., Ltd.</p>
	<p>Number of Oki shares held: Common stock: 400 shares</p>	<p>Apr. 2022    President and Chief Operating Officer (incumbent)</p> <p><b>Reason for the selection of candidate for Director</b> Mr. Takahiro Mori has knowledge and experience necessary for deciding important matters for the Company and supervising job execution by Directors and Executive Officers in an appropriate, fair and efficient manner, based on his past experience in marketing divisions and the management of a subsidiary, etc. Mr. Mori assumed the office of Executive Officer at the Company and the office of President at Oki Data Corporation in April 2020. He has taken charge of the Company's management as President and Chief Operating Officer since April 2022. He is nominated as a candidate for Director as it is expected that he will share information with other Directors and strengthen the decision-making function.</p>


(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
<p>[Re-election] 3</p>	<p>Masayuki Hoshi</p>  <p>(March 9, 1960)</p> <p>Number of years in office as Director: 6 years (as of the conclusion of this general meeting of shareholders)</p> <p>Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%)</p> <p>Number of Oki shares held: Common stock: 6,900 shares</p>	<p>Apr. 1982    Joined The Fuji Bank, Limited</p> <p>Apr. 2007    General Manager of Global Trade Finance Division, Mizuho Corporate Bank, Ltd.</p> <p>Apr. 2009    Executive Officer, General Manager of Corporate Banking Division No.17</p> <p>Apr. 2011    Managing Executive Officer, Head of Global Transaction Banking Unit</p> <p>Jun. 2014    Managing Executive Officer, Mizuho Financial Group, Inc.</p> <p>May 2015    Senior Vice President, Oki Electric Industry Co., Ltd.</p> <p>Apr. 2016    Chief Risk Management Officer, Head of Corporate Planning Group</p> <p>Jun. 2016    Senior Vice President and Member of the Board</p> <p>Apr. 2017    Executive Vice President and Member of the Board, Chief Financial Officer (incumbent)</p> <p>Jun. 2018    Chief Compliance Officer (incumbent)</p> <p>Apr. 2019    Senior Executive Vice President, Representative Director (incumbent), Chief Information Officer</p> <p>Apr. 2021    Chief Human Resources Officer (incumbent)</p>
		<p><b>Reason for the selection of candidate for Director</b></p> <p>Mr. Masayuki Hoshi has abundant experience gained as Managing Executive Officer at the Mizuho Financial Group, which the candidate comes from, and has a deep understanding of governance and perspective related to the global business on which the Company focuses. He also has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Hoshi assumed the office of Director in June 2016, and has been playing a core role in management by serving as Senior Executive Vice President and Representative Director since April 2019. He is nominated as a candidate for Director as it is expected that, as a member of the Board of Directors, he will share information with other Directors and strengthen the decision-making function.</p>

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Re-election] 4	<p data-bbox="391 297 574 331"><b>Masashi Fuse</b></p>  <p data-bbox="383 611 582 645">(February 23, 1961)</p> <p data-bbox="391 663 574 745">Number of years in office as Director: 3 years (as of the conclusion of this general meeting of shareholders)</p> <p data-bbox="363 857 601 1021">Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%)</p> <p data-bbox="375 1048 590 1160">Number of Oki shares held: Common stock: 4,100 shares</p>	<p data-bbox="614 297 1117 331">Apr. 1984    Joined Oki Electric Industry Co., Ltd.</p> <p data-bbox="614 342 917 376">Jun. 1994    Oki America Inc.</p> <p data-bbox="614 387 1356 443">Apr. 2015    Head of Accounting &amp; Control Division, Oki Electric Industry Co., Ltd.</p> <p data-bbox="614 454 1133 488">Jun. 2015    Outside Director, SAXA Holdings, Inc.</p> <p data-bbox="614 499 1228 533">Apr. 2016    Executive Officer, Oki Electric Industry Co., Ltd.</p> <p data-bbox="614 544 1356 600">Apr. 2018    Senior Executive Officer and Head of Corporate Management Group</p> <p data-bbox="614 611 1252 645">Jun. 2019    Senior Executive Officer and Member of the Board</p> <p data-bbox="614 656 1348 734">Apr. 2020    Senior Vice President and Member of the Board and Head of Corporate Group (incumbent), Internal Control Administrator (incumbent)</p> <p data-bbox="614 745 1125 779">Apr. 2022    Chief Information Officer (incumbent)</p>
	<p data-bbox="614 790 1125 824"><b>Reason for the selection of candidate for Director</b></p> <p data-bbox="614 824 1364 1070">Based on his past experience serving in headquarters divisions, accounting &amp; control division, and overseas offices, Mr. Masashi Fuse has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Fuse assumed the office of Director in June 2019, and has been playing a core role in corporate management as Senior Vice President and Head of Corporate Group since April 2020. He is nominated as a candidate for Director as it is expected that he will share information with other Directors and strengthen the decision-making function.</p>	


(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Re-election] 5	<p><b>Masatoshi Saito</b></p>  <p>(December 20, 1963)</p> <p>Number of years in office as Director: 1 year (as of the conclusion of this general meeting of shareholders)</p>	<p>Apr. 1986    Joined Oki Electric Industry Co., Ltd.</p> <p>Oct. 2002    Head of Strategy Planning Office, IP Solution Company</p> <p>Apr. 2007    President, Security &amp; Mobility Company, IP System Company, Systems Networks Business Group</p> <p>Oct. 2008    Director, Oki Networks Co., Ltd.</p> <p>Apr. 2016    Head of Corporate Planning Division, Corporate Planning Group, Oki Electric Industry Co., Ltd.</p> <p>Apr. 2017    Executive Officer</p> <p>Apr. 2018    Senior Executive Officer, Head of Corporate Planning Group and Chief Information Officer</p> <p>Apr. 2020    Senior Vice President and Vice President of Components &amp; Platforms Business Group</p> <p>Apr. 2021    Head of Components &amp; Platforms Business Group (incumbent)</p> <p>Jun. 2021    Senior Vice President and Member of the Board (incumbent)</p>
	<p>Number of attendance at meetings of the Board of Directors (the year under review): 11 out of 11 times (100%)</p> <p>Number of Oki shares held: Common stock: 3,900 shares</p>	<p><b>Reason for the selection of candidate for Director</b></p> <p>Based on his past experience serving in the Corporate Planning Division and business divisions, Mr. Masatoshi Saito has the knowledge and experience to decide important matters and supervise the business execution of Directors and Executive Officers in an appropriate, fair, and efficient manner. Mr. Saito has been engaging in core businesses of the Company as Senior Vice President and Member of the Board, Head of Components &amp; Platforms Business Group since 2021. He is nominated as a candidate for Director as it is expected that he will share information with other Directors and strengthen the decision-making function.</p>

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Outside] [Re-election] [Independent] 6	<p style="text-align: center;"><b>Shigeru Asaba</b></p>  <p style="text-align: center;">(May 21, 1961)</p> <p>Number of years in office as Director: 5 years (as of the conclusion of this general meeting of shareholders)</p> <p>Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%)</p> <p>Number of Oki shares held: Common stock: 900 shares</p>	<p>Apr. 1992 Associate Professor, Faculty of Economics, Gakushuin University</p> <p>Mar. 1994 Ph.D., Economics, University of Tokyo</p> <p>Apr. 1997 Professor, Faculty of Economics, Gakushuin University</p> <p>Apr. 2013 Professor, Graduate School of Commerce, Waseda University</p> <p>Apr. 2016 Professor, Waseda Business School (Graduate School of Business and Finance) (incumbent)</p> <p>Jun. 2016 Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (incumbent)</p> <p>Sep. 2016 Dean, Waseda Business School (Graduate School of Business and Finance)</p> <p>Jun. 2017 Outside Director, Oki Electric Industry Co., Ltd. (incumbent)</p> <p>(Significant concurrent positions) Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. *There are no business relationships between Nippon Beet Sugar Manufacturing Co., Ltd. and OKI Group.</p> <p><b>Reason for the selection of candidate for Outside Director and expected role, etc.</b> Mr. Shigeru Asaba is currently a professor of Waseda Business School (Graduate School of Business and Finance). Mr. Asaba has academic expertise in business in general and high ethical standards through his specialist knowledge in the fields of industrial organizations, corporate strategy, competitive strategy, ownership structures, corporate governance and corporate conduct. In addition, he has a high degree of independence from the management team, experience as an outside director of other companies, and serves as the chairman of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on his academic expertise in all aspects of business, including marketing and innovation, Mr. Asaba is nominated as a candidate for Outside Director as it is expected that he will contribute to the deepening of deliberations on the next medium-term management plan at the Board of Directors meetings. Although he has never had experience of being involved in corporate management other than as an outside officer, the Company determined that he will be able to carry out the duties of Outside Director appropriately for the aforementioned reason.</p>


(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
<p>[Outside] [Re-election] [Independent] 7</p>	<p style="text-align: center;"><b>Tamotsu Saito</b></p>  <p style="text-align: center;">(July 13, 1952)</p> <p>Number of years in office as Director: 4 years (as of the conclusion of this general meeting of shareholders)</p> <p>Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%)</p> <p>Number of Oki shares held: Common stock: 3,700 shares</p>	<p>Apr. 1975    Joined Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Jun. 2006    Executive Officer, Vice President of Aero-Engine &amp; Space Operations</p> <p>Apr. 2008    Director, Executive Officer, President of Aero-Engine &amp; Space Operations, IHI Corporation</p> <p>Apr. 2011    Executive Vice President</p> <p>Apr. 2012    President</p> <p>Apr. 2016    Chairman of the Board</p> <p>Jun. 2017    Outside Director, JAPAN POST INSURANCE Co., Ltd. (incumbent)</p> <p>Jun. 2018    Outside Director, Oki Electric Industry Co., Ltd. (incumbent)</p> <p>Apr. 2020    Director, IHI Corporation</p> <p>Jun. 2020    Advisor (incumbent)</p> <p>Jun. 2021    Outside Director, Furukawa Electric Co., Ltd. (incumbent)</p> <p>(Significant concurrent positions)</p> <p>Advisor, IHI Corporation, Outside Director, JAPAN POST INSURANCE Co., Ltd., Outside Director, Furukawa Electric Co., Ltd.</p> <p>He will assume the office of Outside Director of KAJIMA CORPORATION in June 2022.</p> <p>*The volume of transactions between the above companies and OKI Group accounts for less than 1% of each company's net sales.</p> <p><b>Reason for the selection of candidate for Outside Director and expected role, etc.</b></p> <p>As a long-time representative director of IHI Corporation and a business leader not only in the industry but also in Japan, Mr. Tamotsu Saito has a wealth of management experience and high ethical standards in the manufacturing industry. In addition, he has a high degree of independence from the management team, experience as an outside director of other companies, and serves as the member of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on his manufacturing, development and global management experience, he is nominated as a candidate for Outside Director as it is expected that he will contribute to the deepening of deliberations on the next medium-term management plan at the Board of Directors meetings.</p>

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Outside] [Re-election] [Independent] [Woman] 8	<b>Izumi Kawashima</b>  (June 25, 1955)	Mar. 1985 Left Graduate School of Law, Waseda University after completing a doctoral course Apr. 1989 Associate Professor, Faculty of Economics, Gifu Keizai University Apr. 1996 Professor, School of Law, Senshu University Sep. 2004 Professor, Faculty of Social Sciences, Waseda University (incumbent) Jun. 2016 Outside Director, Oki Electric Cable Co., Ltd. Jun. 2018 Outside Director, Oki Electric Industry Co., Ltd. (incumbent)
	Number of years in office as Director: 4 years (as of the conclusion of this general meeting of shareholders)  Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%)  Number of Oki shares held: Common stock: 700 shares	<b>Reason for the selection of candidate for Outside Director and expected role, etc.</b> Ms. Izumi Kawashima is currently a professor of the Faculty of Social Sciences at Waseda University. She specializes in commercial law (mainly the Companies Act) and the Financial Instruments and Exchange Act, and particularly has academic specialist knowledge relating to the Companies Act and corporate governance as well as high ethical standards. In addition, she has a high degree of independence from the management team, and has devoted her energies to the display of the Board of Directors functions as the chairperson of the Company's Board of Directors since June 2021. Ms. Kawashima also has experience as an outside director of other companies, and serves as a member of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on her knowledge as a legal expert in the Companies Act and the Financial Instruments and Exchange Act, etc., she is nominated as a candidate for Outside Director as it is expected that she will contribute to the deepening of deliberations on the next medium-term management plan at the Board of Directors meetings. Although she has never had experience of being involved in corporate management other than as an outside officer, the Company determined that she will be able to carry out the duties of Outside Director appropriately for the aforementioned reason.

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Outside] [Re-election] [Independent] 9	<p style="text-align: center;"><b>Makoto Kigawa</b></p>  <p style="text-align: center;">(December 31, 1949)</p> <p>Number of years in office as Director: 3 years (as of the conclusion of this general meeting of shareholders)</p> <p>Number of attendance at meetings of the Board of Directors (the year under review): 14 out of 14 times (100%)</p> <p>Number of Oki shares held: Common stock: 500 shares</p>	<p>Apr. 1973    Joined The Fuji Bank, Ltd.</p> <p>Apr. 2004    Managing Director, Mizuho Corporate Bank, Ltd.</p> <p>Mar. 2005    Resigned Mizuho Corporate Bank, Ltd.</p> <p>Nov. 2005    Representative Managing Director, Yamato Holdings, Co., Ltd.</p> <p>Apr. 2011    Representative Director, Executive Officer and President</p> <p>Jun. 2016    Outside Director, Komatsu Ltd. (incumbent)</p> <p>Apr. 2018    Chairperson of the Board of Directors, Yamato Holdings, Co., Ltd.</p> <p>Jun. 2018    Outside Director, Seven Bank, Ltd. (incumbent)</p> <p>Jun. 2019    Outside Director, Oki Electric Industry Co., Ltd. (incumbent), retired as Director, Special Advisor, Yamato Holdings Co., Ltd. (incumbent)</p> <p>Apr. 2020    Outside Corporate Auditor, The Higo Bank, Ltd.</p> <p>Jun. 2021    Outside Director, The Higo Bank, Ltd. (incumbent)</p> <p>(Significant concurrent positions)</p> <p>Special Advisor, Yamato Holdings Co., Ltd., Outside Director, Komatsu Ltd., Outside Director, Seven Bank, Ltd., Outside Director, The Higo Bank, Ltd.</p> <p>He will assume the office of External Board Member of ICMG Co., Ltd. in June 2022.</p> <p>*The volume of transactions between the above companies and OKI Group accounts for less than 1% of each company's net sales.</p> <p><b>Reason for the selection of candidate for Outside Director and expected role, etc.</b></p> <p>After serving as an officer at a financial institution, Mr. Makoto Kigawa served as Representative Director of Yamato Holdings Co., Ltd. for more than ten years, and has extensive management experience and high ethical standards, mainly in the logistics industry, including the transformation of business models using ICT. In addition, he has a high degree of independence from the management team, experience as an outside director of other companies, and serves as the member of the Personnel Affairs and Compensation Advisory Committee. Based on the above, and particularly on his supply chain management and risk management experience, he is nominated as a candidate for Outside Director as it is expected that he will contribute to the deepening of deliberations on the next medium-term management plan at the Board of Directors meetings.</p>

Notes:

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



(Translation)

- Act. However, Mr. Saito fulfilled his duties by continuously making proposals from the viewpoint of legal compliance, and after this case came to light, he made proposals, etc. in order to protect customers and prevent recurrence.
4. Mr. Makoto Kigawa served as a director of Yamato Holdings Co., Ltd. until June 2019. In February 2017, the Yamato Group started to investigate the actual labor hours of employees and found out various problems remained unrecognized, such as no enough breaks for many employees. Because this situation was considered to be serious, the Yamato Group has been promoting work-style reforms, for example, “improve and strictly conduct labor management” and “promote a work-life balance,” and implementing various structural reforms. Yamato Home Convenience Co., Ltd., a consolidated subsidiary of Yamato Holdings Co., Ltd., made payment requests in an inappropriate manner in violation of contract provisions when it provided relocation services to employees of its corporate customers. In January 2019, it became subject to an administrative disposition and received a business improvement order from the Ministry of Land, Infrastructure, Transport and Tourism. Yamato Holdings Co., Ltd. has striven to build the necessary structure to prevent Yamato Home Convenience Co., Ltd. from facing similar situations and to strengthen governance in order to enhance the soundness of group management.
  5. The Company has entered into a liability limitation agreement with Mr. Shigeru Asaba, Mr. Tamotsu Saito, Ms. Izumi Kawashima, and Mr. Makoto Kigawa. The outline of the agreement is provided on page 33 to 34 of the Business Report. If their reappointment is approved, the Company will continue this agreement with them.
  6. The Company has entered into a directors and officers liability insurance policy, naming all Directors as insured, and a summary of it is shown on page 34 in the Business Report. The Company plans to continue and renew this policy, and if the appointment of each candidate is approved and they are appointed as Directors, each candidate will be insured under the policy.
  7. Mr. Shigeru Asaba, Mr. Tamotsu Saito, Ms. Izumi Kawashima, and Mr. Makoto Kigawa are independent officers based on the terms of the Tokyo Stock Exchange. If their reappointment is approved, they will continue to be independent officers. Please refer to the Company’s website for its independence criteria. (<https://www.oki.com/en/ir/corporate/governance/officers.html>)

(Translation)

**(Reference) Table of Members of Board of Directors, Personnel Affairs and Compensation Advisory Committee, and Audit & Supervisory Board Following the Approval of Agenda Item 3 (Plan)**

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

○ Member

◎ Chairperson

△ Persons who are members and have a right and obligation to attend relevant meetings

(Translation)

**(Reference) Skills Matrix for the Board of Directors Following the Approval of Agenda Item 3 (Plan)**

The Company thinks that skills its Board of Directors needs as a whole for performing its roles and fulfilling its responsibilities become satisfied when respective Directors display their abilities by making the most of knowledge and experience expected from them according to the Company’s management philosophy, vision and management plans, etc.

The Company expects the display of skills in the following fields in particular.

- “Corporate management,” such as management strategy, business management and business strategy, for increasing the earning power of businesses and strengthening the governance structure
- “Marketing” for promoting the development of eco-systems in collaboration with customers
- “Technology & innovation” for developing new businesses toward the goals of further business development and growth
- “Human resources management” for securing human resources necessary for sustainable growth, cultivating abilities, giving employees job satisfaction, and enabling them to display abilities
- “Global” viewpoints for globalizing operations indispensable for securing growth opportunities
- “Finance & accounting” and “Legal affairs & risk management” that act as the basis for making decisions related to management and business activities
- “Manufacture & SCM” that act as important management bases in strengthening manufacturing and enhancing competitiveness comprising the Company’s strengths

		Corporate management	Marketing	Technology & innovation	Human resources management	Global	Finance & accounting	Legal affairs & risk management	Manufacture & SCM
Inside	Shinya Kamagami	●	●	●				●	●
	Takahiro Mori	●	●	●	●				
	Masayuki Hoshi				●	●	●	●	
	Masashi Fuse				●		●	●	
	Masatoshi Saito			●		●			●
Outside	Shigeru Asaba		○	○	○				
	Tamotsu Saito	○	○	○	○	○		○	○
	Izumi Kawashima				○			○	
	Makoto Kigawa	○	○		○		○	○	○

The above list does not represent all knowledge and experience respective individuals have.

- Required skills for Directors that have been acquired as a result of business execution experience at the OKI Group (up to five skills)
- Outside experience and specialist knowledge the Company expects in particular

(Translation)

(Attachment)

## **Business Report**

(From April 1, 2021 to March 31, 2022)

### **1. Status of the OKI Group**

#### **(1) Operating progress and results**

##### **Business environment**

With regard to the COVID-19, there's no end in sight to the instability where restrictions are imposed again in some regions due to yet another wave of the pandemic although normalization of economic activities in the Western countries continues thanks to the successful vaccination program. The prospect remains uncertain due to the severe disruption of supply chain such as shortage of semiconductors and other parts and soaring raw material prices, as well as increasing geopolitical risks.

Under such circumstances, OKI aims at perfecting the foundation to achieve sustainable growth through the on-going structural reforms, and is working to realize products and services that resolve seven social issues (aging problems, natural disasters, traffic issues, environmental issues, labor shortages, labor productivity, and the infectious diseases) based on the OKI Group's materiality.

##### **Operating results for the fiscal year under review**

For the business conditions in the fiscal year, net sales were ¥352.1 billion, a year-on-year decrease of 10.4% or ¥40.8 billion. Sales to FA/semiconductor manufacturing equipment, which have been on a recovery trend since the end of the previous fiscal year, sustained its healthy growth and benefited from the foreign exchange earnings. However, production delay continues, with a wider range of parts becoming unavailable due to prolonging parts supply disruption. With the additional impact from the major projects in the previous term, the overall sales fell significantly.

For the profit side, operating income was ¥5.9 billion, a year-on-year decrease of ¥3.0 billion, primarily due to the supply chain crisis mainly of the parts shortages and sharp price rise. The decrease in the fixed costs thanks to the structural reforms and the ¥3.2 billion reversal of the allowance for doubtful accounts on the China bound ATM claims fell short of compensating the decrease. The production delay caused by the parts shortages is deemed to have contributed to a loss of approximately ¥30.0 billion in net sales and approximately ¥8.3 billion in the operating income. Ordinary income decreased by ¥1.1 billion year-on-year to ¥7.7 billion due mainly to the improvement in the foreign exchange gain or loss included in the non-operating section.

In addition to these, an extraordinary profit of ¥1.1 billion from asset sales, an extraordinary loss of ¥2.8 billion from structural reform costs such as integrating printer factories in China and restructuring European and US sales companies, and corporate tax of ¥2.1 billion were recorded. As a result, profit attributable to owners of parent was ¥2.1 billion, a year-on-year increase of ¥2.9 billion.

Looking at non-consolidated business performance, net sales were ¥222.8 billion, operating loss was ¥13.0 billion, ordinary loss was ¥3.3 billion and loss was ¥3.8 billion.

(Translation)

The following provides a summary of each segment.

**- Net Sales by Segments**

(Unit: Billions of yen)

Segment	FY2020 (reference: previous fiscal year)	FY2021 (Fiscal year under review)	Changes (amount)	Changes (%)
Solution Systems	190.8	162.6	(28.2)	(14.7)
Components & Platforms	201.5	189.0	(12.5)	(6.2)
Others	0.6	0.4	(0.2)	(33.5)
Total	392.9	352.1	(40.8)	(10.4)

Notes:

1. Figures less than ¥100 million for each item are rounded to the nearest ¥100 million. The amounts of “changes (amount)” are calculated on the basis of figures in units of ¥100 million. Accordingly, in some cases the sum of individual figures presented for each item may not equal the respective “total” stated.
2. From the fiscal year ended March 31, 2021, aiming at strengthening manufacturing required in the IoT/5G era, OKI reorganized the Mechatronics Systems business, Printers business, and EMS business, and newly established the Components & Platforms Business Group. The ICT Business Group was renamed the Solution Systems Business Group.
3. Although Oki Micro Engineering Co., Ltd. and its subsidiaries used to be included in “Others,” they have been moved to under the “Components & Platforms” from fiscal 2021 for the purpose of improving earnings by sharing resources and improving efficiency with subsidiaries in the Components & Platforms business.
4. Projects of Oki Data Corporation that provided printer products to external customers via the Company have also been moved from the “Solution Systems” to the “Components & Platforms” from fiscal 2021 as the Company absorbed Oki Data Corporation into its Components & Platforms business by merger.
5. In the fiscal year under review (fiscal 2021), the Company changed its policy for accounting the cost of configuration or the cost of customization in cloud computing contracts. Figures after their retroactive revisions in accordance with the accounting policy change are reflected on related figures for the previous fiscal year (fiscal 2020).
6. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related implementation guidance from the start of fiscal 2021, and the figures for fiscal 2021 are the figures after the application of the standard.

(Translation)

### **Solution Systems**

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

We consider the promotion of "AI edge x local 5G," a combination of 5G/local 5G that entered service in 2020, and AI edge, as a chance to accelerate the social implementation of DX. We are promoting the application to a variety of use cases to resolve apparent social issues such as smart factories, local mobility service and river/infrastructure monitoring.

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

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

Net sales came to ¥162.6 billion, a year-on-year decrease of 14.7% or ¥28.2 billion, and operating income came to ¥9.5 billion, a year-on-year decrease of ¥6.8 billion. Unstable parts supply continued to cause adverse impact on production and sales of overall business in addition to the negative repercussions and cut-off error of major projects in the previous fiscal year, resulting in the fall in income mainly in the Enterprise Solutions business and the Public Solutions business. Effects from the parts supply shortages extends to devices such as servers and network devices as well as the network terminals and PBX in the Enterprise Solutions business and the DX Platforms business.

(Translation)

## Components & Platforms

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

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

The Company announced a contactless-type hygienic touch panel (TM) in 2020 as a man-machine interface of new-normal social infrastructure service terminals, and launched the sale of hygienic touch panel in 2021 by mounting them on ATMs. We will continue our efforts in providing safety and security in new life styles for our customers.

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

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

Net sales came to ¥189.0 billion, a year-on-year decrease of 6.2% or ¥12.5 billion. In the Mono-zukuri Platform business field, while sales to FA/semiconductor manufacturing equipment sustained the healthy growth, the business suffered the parts shortages and its effects on production and sales, resulting in a decrease in sales. For the profit side, however, operating income was ¥3.5 billion, a year-on-year improvement of ¥4.5 billion, thanks to the reduction of fixed costs by the restructuring of information devices and the ¥3.2 billion reversal of the allowance for doubtful accounts on the China bound ATM claims, which offset the decrease in sales.

Net sales of the others business segment came to ¥0.4 billion, a year-on-year decrease of 33.5% or ¥0.2 billion and operating income came to ¥0.3 billion, a year-on-year improvement of ¥0.4 billion.

(Translation)

## (2) Capital expenditure and research and development expenses

Capital expenditures and research and development expenses for the fiscal year under review equaled ¥17.9 billion and ¥11.5 billion, respectively.

Investment by segment were as follows.

(Unit: Billions of yen)

Segment	Amount of capital expenditure (Amount of research and development expenses)		Major capital expenditure
Solution Systems	5.5	(3.3)	Upgrading, etc. of facilities to design/manufacture new products and incidental facilities of plants in business areas (e.g. social infrastructure, IoT, finance, and network systems)
Components & Platforms	7.3	(6.2)	Investment in mold and production line used to manufacture new automation products for the own brand and business partners, and capital expenditures on upgrading aged manufacturing facilities and increasing production capabilities to strengthen comprehensive manufacturing service
Others/Company-wide (shared)	5.1	(2.1)	
Total	17.9	(11.5)	

Notes:

1. “Solution Systems” includes the acquisition of the H1 building at Honjo Plant (¥3.6 billion).
2. “Others/Company-wide (shared)” includes the acquisition of the land of Warabi System Center (¥4.2 billion).

## (3) Financing

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

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

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

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



(Translation)

#### **(4) Future challenges**

Guided by its corporate philosophy of “The people of OKI, true to the company’s “enterprising spirit,” are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age,” the OKI Group aims to be “the enterprise group that helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of Mono-zukuri (the spirit and mind-set to innovate, create and improve products) and Koto-zukuri (working together, proactively seeking opportunities that deliver value to customers)” by 2031 when OKI celebrates its 150th anniversary.

Global issues, such as climate change and spread of COVID-19, are pressing us to take action to achieve sustainable society without delay. Amidst this, the Company issued the key message “Delivering OK! to your life” in the Medium-Term Business Plan 2022 and defined the materiality (described later), and has been steadily working on building the foundation to achieve sustainable growth in addition to implementing structural reforms.

However, regrettably we had to reduce the production being under constraint imposed by parts shortages, especially semiconductors, and logistics chaos while COVID-19 pandemic weighs heavily on the economic outlook. Impact from such changes in the business environment has been immense. The Company expects it will not achieve the target values stated in the Medium-Term Business Plan in fiscal 2022, the final year of the plan. Taking the current circumstances into consideration, the Company intends to work company-wide to prioritize measures against supply chain crisis with utmost urgency in fiscal 2022.

Once this is achieved, the Company will continue to strengthen the manufacturing infrastructure to reinforce OKI’s technical advantages in the areas of AI edge technology, manufacturing, etc. and to execute structural reform including a reform of costs for the functions shared in the Group.

In line with this, towards formulation of the next medium-term business plan, we have identified the issues to be addressed as “steer towards growth,” and “respond to environmental changes.” We recognize that solving these issues will require the creation of organization cross-cutting technologies, products and solutions. Specific strategies and measures, etc., will be formulated during fiscal 2022.

#### **[Materiality and Sustainability]**

OKI is proud of its record of supporting social infrastructure and contributing to society based on its corporate philosophy over many years. In the Medium-Term Business Plan 2022, we identified materiality required to maintain such corporate stance for coming years and achieve the “Delivering OK! to your life” concept. This materiality was identified by extracting tasks, based on both the goals of OKI’s business and expectation and demands of the stakeholders and society, and by prioritizing these tasks from the viewpoints of creating social values and reinforcing the management platform.

Associated environmental, social, and governance (ESG) themes were also set on items in the materiality as shown in the table, and specific approaches will be taken. The activities are promoted by the President and Chief Operating Office as the owner, and members of the

(Translation)

Sustainability Promotion Working Group (WG) that is composed of representatives of the associated corporate divisions, business groups, and sales groups. The objective of the WG is to make everyone in the OKI Group recognize sustainability as “my own issue,” and the WG held internal on-line forums, etc. in fiscal 2021. The Company intends to continue disclosing the progress of activities accurately, having dialogue with the stakeholders, and providing feedback on the activities.

(Translation)

OKI Group's Materiality & ESG Initiatives

Materiality		ESG theme		Initiatives in FY2020-2022
Creating Social Value	<b>Products and Services that Help Solve Social Issues</b> Social issues: aging infrastructure, natural disasters, transportation issues, environmental issues, labor shortages, labor productivity, infectious diseases	E	<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 CO2</li> <li>• Creation of circular economy projects</li> </ul>
		S	<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 <u>growth strategy</u></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>
		G	<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>
Strengthening Management Infrastructure	<b>Business Activities that Meet Stakeholder Expectations</b> Business activities built on integrity (governance, internal controls, disclosure), response to climate change, HR management  <b>Strengthen the Infrastructure that Support Mono-zukuri</b>	E	<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>• CO2 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>
		S	<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>
		G	<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>

(Translation)

**(5) Trends in assets and profit/loss**

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

	<b>95th year (FY2018)</b>	<b>96th year (FY2019)</b>	<b>97th year (FY2020)</b>	<b>98th year (Fiscal year under review, FY2021)</b>
Net sales	441.5 billion yen	457.2 billion yen	392.9 billion yen	352.1 billion yen
Profit attributable to owners of parent	8,405 million yen	14,086 million yen	(819) million yen	2,065 million yen
Basic earnings per share	97.16 yen	162.80 yen	(9.47) yen	23.85 yen
Total assets	365.5 billion yen	372.5 billion yen	371.5 billion yen	369.2 billion yen
Net assets	100.2 billion yen	106.4 billion yen	111.6 billion yen	107.6 billion yen
Net assets per share	1,155.28 yen	1,227.42 yen	1,286.41 yen	1,240.62 yen

Notes:

1. Basic earnings per share is computed based on the average number of shares during the year (weighted average). Net assets per share are computed based on the number of shares outstanding at the year-end. These figures exclude treasury stocks.
2. The accounting policies have been updated for configuration and customization costs in cloud computing agreements in the 98th fiscal year (fiscal 2021); therefore, the associated values in the 97th fiscal year (fiscal 2020) have retrospectively been applied corrections.
3. The Company has applied “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and related implementation guidance from the beginning of the 98th fiscal year (fiscal 2021), and figures for the 98th fiscal year are figures after application of the accounting standard.

**(6) Status of major subsidiaries**

**(i) Status of major subsidiaries**

<b>Name</b>	<b>Capital</b>	<b>Company's voting right ratio (%)</b>	<b>Major business</b>
OKI Crosstech Co., Ltd.	2,001 million yen	100	Maintenance, construction and sales of information processing equipment and telecommunications equipment Design and construction of electronic works and electronic telecommunications works
OKI Circuit Technology Co., Ltd.	480 million yen	100	Development, design, manufacture and sales of printed circuit boards, electronic equipment and electronic parts
OKI Software Co., Ltd.	400 million yen	100	Development and operation of telecommunications system software
Oki Electric Cable Co., Ltd.	4,304 million yen	100	Manufacturer and sales of electrical wire, electronic equipment parts, metal products and synthetic resin material processed goods
OKI Nextech Co., Ltd.	400 million yen	100	Development, design, manufacturer, sales and maintenance of information and communications devices, industrial electronic devices, medical electronic equipment and other electronic devices as well as electronic parts

(Translation)

<b>Name</b>	<b>Capital</b>	<b>Company's voting right ratio (%)</b>	<b>Major business</b>
Oki Data Manufacturing (Thailand) Co., Ltd.	420 million baht	100	Manufacturing of printers, etc.
Oki Europe Ltd.	141 million euro	100	Sales of printers, etc.

(ii) Major partners

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

(Translation)

**(7) Major offices**

Our major offices are as follows.

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

**(8) Employees**

(i) Employees by segment

Segment	Number of employees	
	OKI Group	Oki Electric Industry
Solution Systems	6,703	2,436
Components & Platforms	6,982	1,668
Others	509	—
Company-wide (shared)	656	656
Total	14,850	4,760

(ii) Employees of Oki Electric Industry

Number of employees	Average age	Average years of service	Average annual wage (yen)
4,760 (increased by 365 from the end of the previous fiscal year)	44.7	20.7	7,403,656

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**(9) Major creditors**

**Major creditors of the OKI Group are as follows:**

(Unit: Billions of yen)

<b>Creditor</b>	<b>Loan balance</b>
Mizuho Bank, Ltd.	25.3
Sumitomo Mitsui Banking Corporation	18.0
Mizuho Trust & Banking Co., Ltd.	4.8
The Norinchukin Bank	3.3
The Hachijuni Bank, Ltd.	3.1

**(10) Corporate governance**

**(i) Basic policy**

Guided by the corporate philosophy of “The people of OKI, true to the company’s “enterprising spirit,” are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age,” the OKI Group recognizes sustainable growth and increases corporate value over medium- to long-term as its most important management priorities in earning the trust of its various stakeholders. To this end, we are working to enhance corporate governance based on our fundamental policies of “enhancement of management fairness and transparency,” “timely decision-making processes,” and “full compliance and fortification of risk management.”

**(ii) Corporate governance structure**

**(a) Outline of the structure**

As a company with the Audit & Supervisory Board, the Company establishes the Board of Directors and Audit & Supervisory Board and adopts an executive officer system, aiming to promote “timely decision-making processes” by separating business execution and supervision. In addition, the positions of Chief Executive Officer (CEO) and Chief Operating Officer (COO) have been established since April 2022. The new system is designed to further reinforce the management force and speed up the decision-making process, where the CEO has the ultimate responsibility for the management strategies of the whole Group and the COO is responsible for the execution of the operations. The Company also works on the “enhancement of management fairness and transparency” by nominating Outside Directors as well as setting up a voluntary committee concerned with personnel affairs and compensation, so as to ensure effective supervision from an independent and objective standpoint. In addition to audits by the Audit & Supervisory Board and its members, OKI seeks to ensure “full compliance and fortification of risk management,” such as by establishing the Risk Management Committee.

During the fiscal year under review, as stated on pages 40 to 41, the Company was operated by nine Directors, including four Outside Directors (including one female

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Director); five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members; and 13 Executive Officers not serving concurrently as Directors. All the Outside Directors and Outside Audit & Supervisory Board Members are independent officers who are neutral and independent of the management. Furthermore, there is no system to receive consulting and advice, etc., from former representative directors and presidents, etc.

(b) Reason for selecting the current structure

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

(iii) **General Meeting of Shareholders**

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

(a) Organization to determine the acquisition of treasury stock

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

(b) Organization to determine interim dividend

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

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

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



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(iv) **Board of Directors**

(a) Duties, Composition, Operations, etc.

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

To secure the functions of the Board of Directors, the Company selects candidates for Directors in consideration of diversities, such as expertise, career and gender, based on the skills matrix on page 19, and includes four Independent Outside Directors (including one female Director) to improve the fairness and transparency of management, thinking that the roughly equal numbers of internal Executive Directors and highly independent Outside Directors create an appropriate balance.

The Board of Directors is chaired by a Director who is mutually appointed, but was chaired by an Outside Director during the fiscal year under review.

The Board of Directors held a total of 14 meetings including special meetings during the fiscal year under review, and the attendance rates of the Outside Directors and Outside Audit & Supervisory Board Members are shown on page 46. To contribute to in-depth discussions at the Board of Directors meetings, outside officers are given materials and explanations in advance by the secretariat of the Board of Directors, etc.

(b) Matters concerning Directors

i. Number of Directors

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

ii. Requirements for resolution of election of Directors

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

iii. Tenure of office

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

(c) Outline of liability limitation agreements

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

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

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

(d) Outline of liability insurance agreement for Directors

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

(v) **Voluntary committee**

The Company has established the Personnel Affairs and Compensation Advisory Committee as a voluntary committee to secure transparency and objectiveness in the decision-making processes concerning appointment and dismissal of Directors and determination of compensation for officers. The Committee is consulted prior to resolutions at a Board of Directors meeting on appointment and dismissal of Directors, Executive Officers, etc. and the structure and level of their compensation, deliberates on these issues from an objective viewpoint, and reports the results to the Board of Directors. In addition, the Committee delivers its opinion on nomination of candidates for Audit & Supervisory Board Members to Audit & Supervisory Board Members. The Committee consists of four members, all of whom are Outside Directors. The Chairperson of the Committee is appointed through a resolution at a meeting of the Board of Directors and the post was held by an Outside Director in the fiscal year under review. The Committee held 13 meetings in the fiscal year under review.

Deliberations in fiscal 2021 have been mainly on skill matrix of the Board of Directors, the system implementation with Chief Executive Officer (CEO) and Chief Operating Officer (COO), and appointment criteria and assessment process of the President and COO, and nomination of the new President and COO.

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

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

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

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

**(vii) Matters related to stocks owned by the Company (As of March 31, 2022)**

**(a) Policy on cross-shareholdings**

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

**(b) Outline of consideration-related cross-shareholdings**

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

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

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

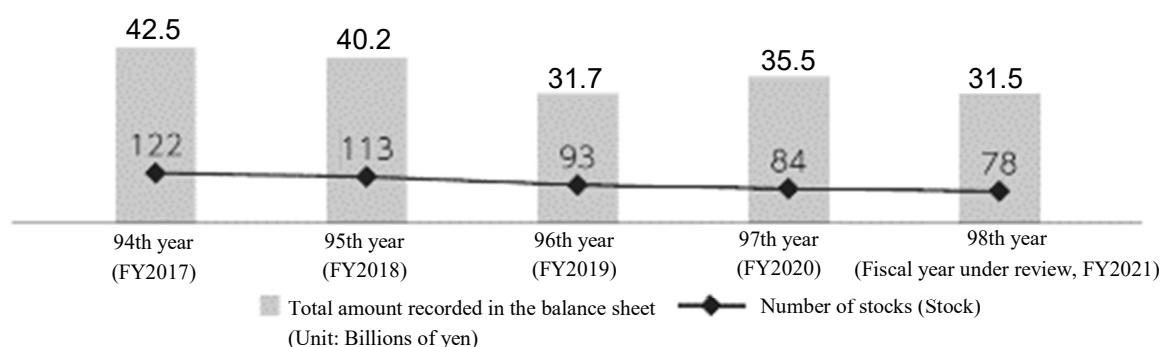
- In case of a proposal to elect an officer, the total number, ratio of independent officers, etc.
- In case of a proposal related to remuneration for officers, performance, asset status, etc.
- In case of a proposal for appropriation of surplus, performance, condition of retained earnings, etc.
- We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

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measures, M&A or third-party allocation of shares.

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

		94th year (FY2017)	95th year (FY2018)	96th year (FY2019)	97th year (FY2020)	98th year (Fiscal year under review, FY2021)
Number of stocks (Stock)	Unlisted stock	76	75	66	59	52
	Stocks other than unlisted stock	46	38	27	25	26
	Total	122	113	93	84	78
Total amount recorded in the balance sheet (Unit: Billions of yen)	Unlisted stock	5.4	6.3	6.3	6.3	6.2
	Stocks other than unlisted stock	37.2	33.8	25.4	29.2	25.3
	Total	42.5	40.2	31.7	35.5	31.5



### (11) Other significant events of the OKI Group

Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter referred to as “OBSZ”), a subsidiary of the Company, has demanded Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter referred to as “Yihua Industrial”) to pay RMB1, 115,463 thousand (approx. ¥21.5 billion if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review), which includes the proceeds from sale of ATM, and damages. On December 16, 2020, the South China International Economic and Trade Arbitration Commission ordered Yihua Industrial to pay OBSZ RMB1,096,866 thousand (approx. ¥21.1 billion if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) for the unpaid proceeds from product sale, interest for arrears, legal fees, etc. With the order, arbitration for the case requested by OBSZ became final and conclusive.

In parallel with the arbitration request, OBSZ has filed a lawsuit against Shenzhen Yihua Computer Co., Ltd. (hereinafter referred to as “Yihua Computer”), the parent company of Yihua Industrial, and other parties, seeking joint and collective liability, and made an application for asset protection in the Guangzhou Higher People’s Court. The High People’s Court of Guangdong Province sentenced Yihua Computer and affiliates to take the

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collective liability for the payment on December 23, 2021; however, Yihua Computer and affiliates lodged an appeal to the Supreme People's Court on January 5, 2022. The case is currently being tried. The OKI Group is making every effort to collect the full amount awarded.

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## 2. Shareholders' Equity

- (1) Number of shares authorized to be issued by the Company: 240,000,000 shares
- (2) Number of outstanding shares: 87,217,602 shares  
(including 617,937 shares of treasury stock)
- (3) Number of shareholders: 67,841
- (4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	14,871,700	17.17
Custody Bank of Japan, Ltd. (trust account)	5,125,500	5.92
Oki Denki Group Employees' Shareholdings Committee	2,103,461	2.43
Custody Bank of Japan, Ltd. (trust account 4)	1,772,000	2.05
Mizuho Bank, Ltd.	1,419,648	1.64
Meiji Yasuda Life Insurance Company	1,400,097	1.62
BNYMSANV AS AGENT/CLIENTS LUX UCITS NON TREATY 1	1,283,400	1.48
State Street Bank West Client-Treaty 505234	1,220,393	1.41
JP Morgan Chase Bank 385781	1,041,048	1.20
JUNIPER	1,022,790	1.18

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

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### 3. Equity Warrants

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

(i) Number of equity warrants

1,047

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

104,700 shares of the Company's common stock (100 shares per equity warrant)

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

Issued Number (Exercise Price)	Exercise period	Directors (excluding Outside Directors)	
		Number of equity warrants	Number of holders
FY2016 equity warrant (1 yen) (Issued on August 16, 2016)	August 17, 2016 to August 16, 2041	152	4
FY2017 equity warrant (1 yen) (Issued on August 15, 2017)	August 16, 2017 to August 15, 2042	207	5
FY2018 equity warrant (1 yen) (Issued on August 14, 2018)	August 15, 2018 to August 14, 2043	217	5
FY2019 equity warrant (1 yen) (Issued on August 14, 2019)	August 15, 2019 to August 14, 2044	229	5
FY2020 equity warrant (1 yen) (Issued on August 18, 2020)	August 19, 2020 to August 18, 2045	242	5

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

No notes since no equity warrant was issued in this fiscal year.

(Translation)

#### 4. Company Officers

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

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

Notes:

1. X indicates Executive Officer.
2. Directors Shigeru Asaba, Tamotsu Saito, Izumi Kawashima, and Makoto Kigawa are Outside Directors.
3. Audit & Supervisory Board Members Hideo Shiwa, Ryuichi Makino, and Yoshihiro Tsuda are Outside Audit & Supervisory Board Members.
4. Directors Shigeru Asaba, Tamotsu Saito, Izumi Kawashima, and Makoto Kigawa and Audit & Supervisory Board Members Hideo Shiwa, Ryuichi Makino, and Yoshihiro Tsuda have been reported as independent



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officers to Tokyo Stock Exchange.

5. Audit & Supervisory Board Member Toshiya Hatakeyama has served in positions such as Officer in charge of the Accounting & Control Division and Chief Financial Officer, and has extensive knowledge in finance and accounting.
6. Audit & Supervisory Board Member Hideo Shiwa headed the finance & accounting and planning divisions and presided over a business company and unit of the head office of a manufacturing company, and has extensive knowledge in finance and accounting.
7. Audit & Supervisory Board Members Ryuichi Makino and Yoshihiro Tsuda are certified public accountants, and have extensive knowledge in finance and accounting.
8. Executive officers as of March 31, 2022 are as follows (excluding those who concurrently serve as Directors).  
Mr. Takahiro Mori assumed the President and COO on April 1, 2022.

<b>Position</b>	<b>Name</b>	<b>Principal duty</b>
Senior Vice President	Toru Miyazawa	Head of Marketing & Sales Group
Senior Vice President	Teiji Teramoto	In charge of Special Missions, Deputy Head of Components & Platforms Business Group and Deputy Head of Marketing & Sales Group
Senior Executive Officer	Yuichiro Katagiri	Deputy Head of Solution Systems Business Group
Senior Executive Officer	Keizou Ikeda	General Manager of Automation Systems Division, Components & Platforms Business Group
Senior Executive Officer	Hiroshi Tomizawa	Deputy Head of Corporate Group and General Manager of Legal Affairs & Intellectual Property Division, Chief Quality Officer, Chief Information Officer
Executive Officer	Hajime Maruo	Deputy Head of Marketing & Sales Group and Head of Marketing & Sales Division-2, Marketing & Sales Group
Executive Officer	Shinichi Tanaka	Deputy Head of Solution Systems Business Group and General Manager of Financial & Enterprise Solutions Division
Executive Officer	Shutaro Otahara	General Manager of Corporate Planning Division, Corporate Group
Executive Officer	Takahiro Mori	Head of Business Collaboration Division, Components & Platforms Business Group
Executive Officer	Hiroshi Nishimura	Head of Electronics Manufacturing Services Division, Components & Platforms Business Group
Executive Officer	Tetsuya Takimoto	Deputy Head of Marketing & Sales Group and Head of Marketing & Sales Division-1, Marketing & Sales Group
Executive Officer	Yoichi Kato	Head of TOKKI Systems Division, Solution Systems Business Group
Executive Officer	Yuhiko Fujiwara	Chief Innovation Officer, Chief Technology Officer

(Translation)

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

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

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

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

The business performance indexes selected as the basis of calculating the amount of annual incentive compensation are sales, operating income and working capital. These business performance indexes were selected because the Company judged that these indexes were appropriate to achieve the OKI Group's sustainable growth. As for the calculation method, 70% of the total amount is the standard compensation amount which has been set for each position in advance multiplied by a performance evaluation factor, and 30% of the total amount is determined by the qualitative evaluation stated in (2) (c). The target amounts related to performance-linked compensation for the fiscal year under review were ¥400.0 billion for net sales, ¥12.0 billion for operating income, and ¥92.7 billion for working capital. In the actual results, ¥352.1 billion was recorded for net sales, ¥5.9 billion for operating income, and ¥87.3 billion for working capital.

The business performance index selected as the basis of calculating the amount (or quantity) of the medium- to long-term incentive compensation is ROE. This business performance index was chosen because the Company evaluated that this index was adequate to aim for improving corporate and shareholders' value over the medium and long term and share value with shareholders. To calculate the amount, the Company sets the standard compensation amount for each position in advance, then multiplies it by a performance evaluation factor. The target related to performance-linked compensation for the fiscal year under review was to achieve ROE of 10%. In the actual results, ROE was 1.9%.

As for how to determine the policy on determining individual compensation, etc. for Directors, as described on page 34\* in order to secure transparency and objectiveness in the decision-making processes concerning compensation for officers, the Company has established the Personnel Affairs and Compensation Advisory

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Committee. It deliberates, prior to resolutions at a Board of Directors meeting, on the structure and level of compensation for directors and executive officers, and reports the results to the Board of Directors. In addition, the appropriateness of the structure and level of compensation is validated mainly utilizing objective evaluation data from external organizations. The Personnel Affairs and Compensation Advisory Committee held a total of 13 meetings during the fiscal year under review, discussed the compensation structure for officers in three of these meetings, and reported the results three times (concerning annual incentive compensation, medium- to long-term incentive compensation, and the policy on determining individual compensation, etc.).

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

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

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

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

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Separately from the monetary compensation, at the 92nd ordinary general meeting of shareholders held on June 24, 2016 and the 97th ordinary general meeting of shareholders held on June 29, 2021, it was resolved that the compensation-type stock option for Directors excluding outside directors would be ¥100 million or less per year. The number of Directors at the end of the ordinary general meetings of shareholders was five (excluding outside director), respectively.

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

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

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

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

Note: The posts of Director concurrently serving as the Chief Executive Officer (CEO) and the Chief Operating Officer (COO) have newly been established from fiscal 2022. The same conditions for commissioned person and commissioned authorities as the Director concurrently serving as the President and Executive Officer are set for these posts. The reason for the authority commission to the Directors is to secure the transparency of the process and the objectivity of decision-making.

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

Officer Title	Amount of payment	Amount of payment by type of compensation			Number of applicable officers
		Fixed compensation	Performance-linked compensation		
		Monetary compensation		Non-monetary compensation	
		Basic compensation	Annual incentive	Medium- to long-term incentive	
Directors (excluding Outside Directors)	¥234 million	¥198 million	¥36 million	—	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	¥46 million	¥46 million	—	—	3
Outside officers					
Outside Directors	¥53 million	¥53 million	—	—	4
Outside Audit & Supervisory Board Members	¥24 million	¥24 million	—	—	3

Notes:

1. The medium- to long-term incentive compensation is non-monetary compensation, etc. Its content is stated on page 43.
2. The numbers of Directors (excluding Outside Directors) and Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) as of the end of the fiscal year under review are different from the number shown above, and the above numbers include those who retired at the conclusion of the 97th Ordinary General Meeting of Shareholders held on June 29, 2021.

**(3) Outside Directors and Audit & Supervisory Board Members**

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

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

Director Tamotsu Saito concurrently serves as Advisor of IHI Corporation, Outside Director of JAPAN POST INSURANCE Co., Ltd. and Outside Director of Furukawa Electric Co., Ltd. He will also assume the office of Outside Director of KAJIMA CORPORATION in June 2022. The volume of transactions between the companies and the Company accounts for less than 1% of the OKI Group's net sales and accounts for less than 1% of each company's net sales.

Director Makoto Kigawa concurrently serves as Outside Director of Komatsu Ltd. and Outside Director, The Higo Bank, Ltd. The volume of transactions between the companies and the Company accounts for less than 1% of the OKI Group's net sales and accounts for less than 1% of each company's net sales. Although he serves as Special Adviser of Yamato Holdings, Co., Ltd. and Outside Director of Seven Bank, Ltd. and he will assume the office of External Board Member of ICMG Co., Ltd. in

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June 2022, there are no business relationships between the companies and the Company.

Audit & Supervisory Board Member Hideo Shiwa serves as External Director (Audit and Supervisory Committee Member) of OUTSOURCING Inc. The volume of transactions between that company and the Company accounts for less than 1% of the OKI Group's net sales and accounts for less than 1% of that company's net sales.

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

Audit & Supervisory Board Member Yoshihiro Tsuda serves as Outside Audit & Supervisory Board Member of PRONEXUS Inc. The volume of transactions between that company and the Company accounts for less than 1% of the OKI Group's net sales and accounts for less than 1% of that company's net sales. Although he serves as Outside Standing Audit & Supervisory Board Member of Tribeck Inc., there are no business relationships between the company and the OKI Group.

(ii) Major activities in the fiscal year under review

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

	Board of Directors meeting (number of meetings in parenthesis)		Audit & Supervisory Board meeting (number of meetings in parenthesis)	
	Attendance frequency	Attendance rate	Attendance frequency	Attendance rate
Shigeru Asaba, Director	14 (14)	100%	–	–
Tamotsu Saito, Director	14 (14)	100%	–	–
Izumi Kawashima, Director	14 (14)	100%	–	–
Makoto Kigawa, Director	14 (14)	100%	–	–
Hideo Shiwa, Audit & Supervisory Board Member	14 (14)	100%	17 (17)	100%
Ryuichi Makino, Audit & Supervisory Board Member	14 (14)	100%	17 (17)	100%
Yoshihiro Tsuda Audit & Supervisory Board Member	11 (11)	100%	11 (11)	100%

Note: The number of meetings for Audit & Supervisory Board Member Yoshihiro Tsuda represents the number of meetings held since he took office in June 2021.

(Translation)

(b) Major activities

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

(Translation)

Member	operating globally as a certified public accountant to make statements aimed at achieving sustainable growth and establishing high-quality corporate governance systems for the Company.
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## 5. Status of Accounting Auditor

### (1) Name: PricewaterhouseCoopers Aarata LLC

### (2) Policy and reason for the appointment

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

### (3) Policy regarding decision to dismiss or not reappoint

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

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

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

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

#### (i) Compensation, etc.

Category	Previous fiscal year		Fiscal year under review	
	Compensation for audit attestation services (millions of yen)	Compensation for non-auditing services (millions of yen)	Compensation for audit attestation services (millions of yen)	Compensation for non-auditing services (millions of yen)
Oki Electric Industry	200	47	253	–
Consolidated subsidiaries	110	–	82	–
Total	310	47	335	–

Notes:

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

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**(ii) Content of non-auditing services**

(Previous fiscal year)

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

(Fiscal year under review)

Not applicable.

**(iii) Policy regarding determination of compensation for auditing services**

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

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

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

(Translation)

## 6. Policies and procedures of the Company

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

- (i) Procedures to ensure that Directors and employees comply with applicable laws, regulations and the Articles of Incorporation in conducting their business
  - (a) As the foundation for ensuring compliance, the Company has established the “OKI Group Charter of Corporate Conduct” and “OKI Group Code of Conduct.” In addition, officers take the initiative in compliance activities in conformance with the “Compliance Commitment.”
  - (b) The Company has established a Compliance Committee chaired by the Chief Compliance Officer to decide on and examine basic policies regarding compliance programs.
  - (c) In accordance with the basic policies formulated by the Compliance Committee, the division responsible for compliance plans, draws up, and promotes specific measures such as education and training for Directors and employees. In education and training, we aim to raise employee awareness about compliance by utilizing means such as e-learning.
  - (d) The Company establishes whistle-blowing regulations which enable reporting to Outside Directors and Audit & Supervisory Board Members and provides a contact point for reporting and consultation, aiming to detect any misconduct at its earliest stages and make improvements.
  - (e) The Company stands firmly against antisocial groups that threaten the order and safety of civil society in cooperation with the police and related organizations, and refuses to have any relationship with them as a whole.
- (ii) Procedures to retain and manage information relating to Directors’ conduct of business  
The Company retains and stores information relating to the conduct of business by Directors as appropriate in accordance with applicable laws, regulations and internal rules.
- (iii) Rules concerning risk management and other procedures
  - (a) The Company has established a Risk Management Committee and promotes measures for appropriately grasping risks that may occur in relation to business activities of the Company and Group companies, and preventing such risks from emerging.
  - (b) Pursuant to risk management rules, each section of the Company manages risks that may occur in relation to its main duties. At the same time, the Company has established a supervisory section to deal with risks needing company-wide management. This section assesses risks, draws up policies for risk countermeasures and develops appropriate structures based on such policies.
  - (c) If any risk occurs, the Company will set up an emergency countermeasure headquarters to handle the risk.

(Translation)

- (iv) Procedures to secure efficient business performance by Directors
  - (a) The Company holds regular meetings of the Board of Directors once a month in principle to decide important matters including basic management policies and supervise the business execution of Directors.
  - (b) The Company appoints Executive Officers to execute business based on basic management policies determined by the Board of Directors so as to separate the functions of business execution and supervision, and promote timely decision-making processes. In addition, the Company holds meetings of the Management Committee consisting of Executive Officers, etc. to assist the President in making decisions.
  - (c) The Company assigns Directors responsibilities and authority pursuant to rules on division of duties and authorities.
- (v) Procedures to secure appropriate Group (Company and subsidiaries) operations
  - (a) To ensure that the Company and subsidiaries run their operations properly, the Company has established the “OKI Group Charter of Corporate Conduct” which sets out the values for the entire Group. In addition, the Company has established the “OKI Group Code of Conduct” as the code of conduct which all officers and employees should comply with, and is striving to make the code known to all of them.
  - (b) The division responsible for compliance implements various measures for promoting compliance common to the Group through each subsidiary’s compliance officer. The Division also determines, through regular monitoring, the implementation status of such measures by each Group company and reports to the Compliance Committee on the results.
  - (c) Each subsidiary establishes whistle-blowing regulations that enable reporting to their Outside Directors and Audit & Supervisory Board Members, provides a contact point for reporting and consultation, and aims to detect any misconduct at its earliest stages and make improvements after reporting to the Company.
  - (d) The Company, in accordance with Subsidiaries and Affiliates Management Rules, determines the status of each subsidiary’s management activities through receiving reports regularly from each subsidiary and provides necessary advice and guidance including organization designing, rules and regulations, and business plannings.
  - (e) To secure the reliability of financial reporting, the Company and each subsidiary establish an internal control system for financial reporting in accordance with related laws and regulations, and strive to maintain and improve that system.
- (vi) Procedures for employees who assist Audit & Supervisory Board Members
  - (a) The Company assigns employees as staff to assist Audit & Supervisory Board Members.
  - (b) The Company assigns employees, who are not subject to Directors’ instructions and orders, as staff to assist Audit & Supervisory Board Members, and any reassignment and evaluation of such employees requires the prior consent of the

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Audit & Supervisory Board.

- (vii) Procedures for Directors and employees to report to Audit & Supervisory Board Members; procedures for Audit & Supervisory Board Members to receive other reports
  - (a) If Directors discover anything that may cause significant damage to the Company, they are required to report the matter immediately to the Audit & Supervisory Board Members pursuant to applicable laws and regulations.
  - (b) Standing Audit & Supervisory Board Members attend meetings of the Management Committee and meetings of the Board of Directors in order to understand important decision-making processes and the status of business operations, as well as to inspect important documentation.
  - (c) Audit & Supervisory Board Members attend the Risk Management Committee as advisors and receive necessary reports.
  - (d) Audit & Supervisory Board Members receive whistle-blowing reports based on whistle-blowing regulations, and receive reports biannually on the status of operation of the regulations from relevant divisions.
  - (e) Audit & Supervisory Board Members receive reports on the status of establishing internal control systems and their operations from Directors and employees on a regular basis, and may request Directors and employees to report on matters deemed necessary.
  - (f) The Company ensures that a person who made a whistle-blowing report to Audit & Supervisory Board Members will not be treated unfavorably on account of making such report.
- (viii) Other procedures to secure effective audits by Audit & Supervisory Board Members
  - (a) In conducting inspections on the Company's operations and assets and performing other audit duties, Audit & Supervisory Board Members shall conduct audits efficiently and effectively in close cooperation with the internal audit section.
  - (b) Audit & Supervisory Board Members implement efficient audits by closely cooperating with the accounting auditor. To this end, Audit & Supervisory Board Members hold meetings with the accounting auditor on a regular basis, attend on-site audits by the accounting auditor, and request reports from the accounting auditor on the progress of audits when necessary.
  - (c) The Company pays all the expenses necessary for the execution of the duties of Audit & Supervisory Board Members.

**(2) Overview of Status of Operations**

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

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

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

- (b) The President and Executive Officer has issued a video message via the intranet to stress the importance of compliance to all companies in the OKI Group.
  - (c) The Company held group training such as training sessions for compliance managers, in which some 310 compliance managers and promoters of the OKI Group participated, and training sessions on the Anti-Monopoly Act for officers and employees chiefly in the Market & Sales Section. It also conducted e-learning on personal information protection, information security, internal control and general compliance-related topics for all employees in Japan. The Company also regularly presents case studies on compliance on the intranet and internal publications.
  - (d) In the fiscal year under review, the Compliance Committee held meetings, where it summarized activities in the previous fiscal year, formulated education plans, and reviewed the status of implementation of various measures in individual sections.
  - (e) The Company clearly has defined that in case of non-compliance, the Company takes disciplinary action in accordance with the workplace regulations, etc., and has the Group Disciplinary Action Committee, which is chaired by the President and Executive Officer, to consider said action.
  - (f) The Company has a Group whistle-blower hotline, which provides access to external lawyers, to ensure quick discovery and effective correction of improper conduct, and disseminates information about the whistle-blower system to employees as well.
- (ii) Procedures relating to risk management
- (a) The Company has established a Risk Management Committee chaired by the President and Executive Officer and advised by Audit & Supervisory Board Members, to stipulate fundamental matters relating to measures to prevent risks from emerging, and preparation in case risks arise. In the fiscal year under review, the Risk Management Committee held two meetings to deliberate on basic policies for FY2021, individual measures, and the rebuilding of risk management systems.
  - (b) The Company has established risk management departments, which deal with group-wide risks that are common to the Group, and each of these management departments assist individual departments and subsidiaries to manage their risks, instruct them to take necessary measures, and confirm the status of implementation

(Translation)

of these measures.

- (c) If any risk materializes, the department in which it arises takes the necessary steps for the risk, and promptly reports the details of the event to the Risk Management Committee according to the OKI Group Emergency Response System. This Committee manages crisis information in a unified manner, determines a response system and manager promptly, giving consideration to the severity and urgency of the said crisis, implements necessary measures, and gives support to the said department.
- (iii) Procedures relating to subsidiary management
- (a) In the Subsidiaries and Affiliates Management Rules, an administrative division is designated for each subsidiary, and the head of said administrative division manages it with the authority and responsibilities stipulated by the authority regulations. Appointment and dismissal of chief officers of subsidiaries is determined by the President and Executive Officer of the Company, and appointment and dismissal of other officers is determined by the head of the administrative division.
  - (b) Heads of administrative divisions clearly state the missions of subsidiaries which they supervise, and when developing business plans, they provide support, instruction, and periodic monitoring, and evaluate the performance of officers. Heads of administrative divisions also monitor the operational status of the general meeting of shareholders and the Board of Directors and compliance of Directors of subsidiaries.
  - (c) At the accounting division of each subsidiary, the Company has appointed staff with the necessary knowledge and experience. The Company works to conduct the maintenance and improvement of an internal control system for financial reporting conducted in accordance with related laws and regulations.
  - (d) To prevent losses from violations, misconduct, scandals, or accidents related to any laws, rules or ethics, or loss from failing to appropriately perform risk management, the Company holds regular training seminars for directors and audit & supervisory board members of subsidiaries. Seminar topics include responsibilities and obligations as a subsidiaries' officer, compliance, and internal controls.
- (iv) Procedures relating to audits by Audit & Supervisory Board Members
- (a) The Standing Audit & Supervisory Board Members assess important decision-making processes and the status of business operations by attending meetings of the Board of Directors and the Management Committee in addition to reading resolution approval documents.
  - (b) The Audit & Supervisory Board Members have received whistle-blowing reports based on whistle-blowing regulations, and received reports on the status of operation biannually or as needed.
  - (c) In addition to receiving reports on the development and operational status of the internal control system at the meetings of the Board of Directors, the Audit & Supervisory Board Members exchange opinions with the President, executive officers, general managers of divisions and representatives of the subsidiaries, confirming the development and operation of the internal control system in the

(Translation)

process.

- (d) The Audit & Supervisory Board Members hold discussions and exchanges of opinion with the Internal Auditing Division by taking part in site visits and meetings to report on the results of audits held by the Internal Auditing Division, and utilize the results of audits in audits by Audit & Supervisory Board Members.
- (e) The Audit & Supervisory Board Members have maintained close cooperation with the Accounting Auditor including meeting and exchanging opinions with the Accounting Auditor and attending site visits by the Accounting Auditor, to implement effective audits.

Note: indication of amounts

Figures in this business report are indicated as follows.

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



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## Consolidated Balance Sheet

(as of March 31, 2022)

(Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets	211,837	Current liabilities	157,958
Cash and deposits	36,691	Notes and accounts payable	56,691
Notes and accounts receivable, and contract assets	94,469	Short-term borrowings	43,337
Lease receivables and lease investment assets	10,355	Lease obligations	3,912
Finished goods:	17,425	Other accrued expenses	19,138
Work in process:	14,713	Others	34,878
Raw materials and supplies:	26,023	Long-term liabilities	103,576
Others	12,216	Long-term debt	43,838
Allowance for doubtful receivables	(57)	Lease obligations	9,740
Non-current assets	157,333	Deferred tax liabilities	12,961
Property, plant and equipment	57,653	Provision for Directors' retirement benefits	195
Buildings and structures	19,793	Liability for retirement benefits	31,320
Machinery, equipment and vehicles	8,801	Others	5,520
Tools, furniture and fixtures	6,914	Total liabilities	261,535
Land	15,996	(Net Assets)	
Construction in progress	6,147	Shareholders' equity	117,241
Intangible assets	14,027	Capital stock	44,000
Investments and other assets	85,652	Additional paid-in capital	19,006
Investments in securities	34,495	Retained earnings	55,103
Asset for retirement benefits	30,447	Treasury stock, at cost	(869)
Long-term trade receivables	25,047	Other accumulated comprehensive income	(9,804)
Others	13,909	Net unrealized holding gain/loss on other securities	1,030
Allowance for doubtful receivables	(18,246)	Loss on deferred hedges	22
		Translation adjustments	(9,069)
		Accumulated retirement benefits liability adjustments	(1,788)
		Subscription rights to shares	138
		Non-controlling interests	60
		Total net assets	107,635
Total assets	369,170	Total liabilities and net assets	369,170

(Translation)

## Consolidated Statement of Operations

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account title	Amount	
Net sales		352,064
Cost of sales		261,948
Gross profit		90,116
Selling, general and administrative expenses		84,252
Operating income		5,864
Non-operating income		
Interest income	118	
Dividend income	1,177	
Foreign exchange gain	1,897	
Other	1,472	4,665
Non-operating expenses		
Interest expense	1,340	
Other	1,496	2,837
Ordinary income		7,691
Extraordinary profit		
Gain on sale of property, plant and equipment	550	
Gain on sale of investments in securities	502	1,053
Extraordinary loss		
Loss on sale and disposition of property, plant and equipment	629	
Loss on impairment of fixed assets	1,144	
Business structure improvement expenses	2,798	4,571
Profit before income taxes		4,173
Income taxes	2,398	
Income taxes deferred	(303)	2,094
Profit		2,078
Loss attributable to non-controlling interests		12
Profit attributable to owners of parent		2,065

(Translation)

## Consolidated Statement of Changes in Net Assets

(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2021	44,000	19,029	56,315	(919)	118,425
Cumulative effects of changes in accounting policies			(1,546)		(1,546)
Restated balance	44,000	19,029	54,769	(919)	116,878
Changes during the term under review					
Dividends from surplus			(1,731)		(1,731)
Profit attributable to owners of parent			2,065		2,065
Purchases of treasury stock				(1)	(1)
Disposition of treasury stock		(22)		52	29
Net changes in items other than shareholders' equity during the term under review					
Net changes during the term under review	-	(22)	334	50	362
Balance at March 31, 2022	44,000	19,006	55,103	(869)	117,241

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gain/loss on other securities	Loss on deferred hedges	Translation adjustments	Accumulated retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at April 1, 2021	3,570	82	(8,655)	(399)	(5,401)	168	74	113,265
Cumulative effects of changes in accounting policies			(119)		(119)			(1,665)
Restated balance	3,570	82	(8,774)	(399)	(5,520)	168	74	111,600
Changes during the term under review								
Dividends from surplus								(1,731)
Profit attributable to owners of parent								2,065
Purchases of treasury stock								(1)
Disposition of treasury stock								29
Net changes in items other than shareholders' equity during the term under review	(2,540)	(59)	(294)	(1,388)	(4,283)	(29)	(13)	(4,327)
Net changes during the term under review	(2,540)	(59)	(294)	(1,388)	(4,283)	(29)	(13)	(3,964)
Balance at March 31, 2022	1,030	22	(9,069)	(1,788)	(9,804)	138	60	107,635

(Translation)

## **Notes to Consolidated Financial Statements**

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

#### **1. Scope of consolidation**

(1) Number of consolidated subsidiaries: 62

Names of major consolidated subsidiaries:

OKI Crosstech Co., Ltd.; OKI Circuit Technology Co., Ltd.; OKI Software Co., Ltd.; OKI Electric Cable Co., Ltd.; OKI Nextech Co., Ltd.; Oki Data Manufacturing (Thailand) Co., Ltd.; Oki Europe Ltd.

(2) Changes in scope of consolidation:

The newly established OKI Trading (Kunshan) Co., Ltd. is included in the consolidated account from this fiscal year. OKI Data Corporation is not included in the consolidated account since it has been absorbed by the Company. Likewise, Nagano Oki Electric Co., Ltd. is not included because of its merger with a consolidated subsidiary Oki Communication Systems Co., Ltd., Oki Printed Circuits Co., Ltd. is not included due to its merger with a consolidated subsidiary OKI Circuit Technology Co., Ltd., and JNO Co., Ltd. is not included because of its merger with a consolidated subsidiary OKI Crosstech Co., Ltd., while OKI BR Argentina S.A. is not included due to its liquidation. Note that Oki Communication Systems Co., Ltd. changed its name to OKI Nextech Co., Ltd.

#### **2. Application of equity method**

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

BANKING CHANNEL SOLUTIONS LIMITED and one other company

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

TOWN NETWORK SERVICE Corporation

(Reason for not applying the equity method):

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

(Translation)

### 3. Accounting standards

#### (1) Valuation standards and methods for significant assets

##### (i) Negotiable securities

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

Other negotiable securities:

Those other than shares without market value:

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

Shares without market value:

Mainly stated at cost based on the moving average method

##### (ii) Inventories

The Company and its domestic consolidated subsidiaries value inventories as below. Overseas consolidated subsidiaries primarily apply the lower of cost or fair value.

Products:

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

Work in process:

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

Raw materials and supplies:

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

##### (iii) Derivatives:

Stated at fair value

#### (2) Depreciation and amortization of important assets

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

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

##### (ii) Intangible assets (excluding lease assets)

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

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

Overseas consolidated subsidiaries primarily apply the straight-line method.

(Translation)

(iii) Lease assets

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

(3) Basis for provision of reserves

(i) Allowance for doubtful receivables

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

(ii) Provision for Directors' retirement benefits

Some consolidated subsidiaries register the necessary amount at the end of the year in accordance with internal rules to prepare for the payment of Directors' retirement allowance.

(4) Basis for provision of income and expense

(i) Sales of products

Revenue from product sales in the Solution Systems business and the Components & Platforms business is recognized when the customer's acceptance inspection is complete if the acceptance inspection is carried out, or when the delivery is made in the case where the acceptance inspection is not carried out, depending on the agreement, etc. with the given customer.

(ii) Provision of services

Revenue from provision of services in the Solution Systems business and the Components & Platforms business is recognized accordance to the provision of services. In the case that the provision of services is made over the agreed duration, such as regular maintenance contracts, revenue is recognized based on the elapsed time period.

For contract productions and engineering work of social infrastructure mainly in the Solution Systems business, revenue is recognized based on the progress of the performance obligation, on the assumption that the obligation is satisfied over a certain period. In such a case, the progress is measured by the ratio of the costs incurred by the end of the term to the estimated total costs.

(5) Important hedge accounting methods

(i) Hedge accounting methods

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

(ii) Means of hedging and hedged item

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

(iii) Hedging policy

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

(iv) Assessment method of the effectiveness of hedges

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

(6) Amortization of goodwill and amortization period

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

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

(i) Method of accounting for retirement benefits

a. Attributing expected retirement benefits to a period

When calculating retirement benefit obligations, the Company applies the benefit formula basis to attribute expected retirement benefits to the period until the end of the fiscal year under review.

b. Accounting for actuarial gains and losses, and prior service costs

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

Actuarial gains and losses are amortized by the straight-line method over a set number of years (10 to 13 years) within the average remaining years of service of employees.

(ii) Accounting processing of consumption tax, etc.

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

(iii) Application of consolidated tax payments

Consolidated tax payments are applied.

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

The Company and consolidated subsidiaries in Japan will make the transition from the consolidated taxation system to the group tax sharing system from the next fiscal year. However, as for items regarding the transition to the group tax sharing system introduced in the “Act Partially Amending the Income Tax Act” (Act No. 8 of 2020) and items revised on non-consolidated taxation system in connection with the transition to the group tax sharing system, the Company has not applied the provisions of Paragraph 44 of the “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018) as allowed by the provisions of Paragraph 3 of the “Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group

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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.

The Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42, August 12, 2021), which prescribes handling of the accounting process and disclosure of the corporate tax, local corporate tax and the tax effect accounting for the group tax sharing system, from the beginning of the next fiscal year.

### **Changes in Accounting Policies**

#### **1. Application of Accounting Standard for Revenue Recognition, Etc.**

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

This means that the Company now recognizes revenue over a period as it satisfies the performance obligation for the agreed work for contract production or engineering work except for very short-term projects, whereas the Company previously applied the percentage-of-completion method for such work when the effects of progress can be assured, or the completed contract method for other projects. As for the method of estimating progress towards satisfaction of performance obligations, the degree of progress is calculated at the proportion of actual cost to estimated total costs (input method). Furthermore, revenue is recognized only for the scope of actual costs incurred when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

With regard to buy-sell transactions, where the Company purchases the raw materials from the customer and sells the processed products back to the customer, revenue is now recognized on the net processing fee only excluding the raw material purchase costs, whereas previously revenue was recognized with the total sales price including the raw material purchase costs.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of



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retained earnings of the fiscal year under review.

As a result, operating income increased by ¥406 million for this fiscal year due to decreases of ¥598 million in net sales, ¥269 million in cost of sales, and ¥735 million in selling, general and administrative expenses. Also, with a decrease of ¥18 million in non-operating expenses, both the ordinary income and profit before income taxes increased by ¥424 million. The effects on the retained earnings at the beginning of this fiscal year was negligible.

Due to the application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations, “Notes and accounts receivable” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in “Notes and accounts receivable, and contract assets” under current assets from the consolidated balance sheet as of the end of the fiscal year under review.

## 2. Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019).

These changes have no impact on the consolidated financial statements.

Matters concerning components of fair value of financial instruments by appropriate category, etc. are described under “Notes on Financial Instruments.”

## 3. Cloud Computing Agreement-related Implementation Costs

Some overseas consolidated subsidiaries have adopted the International Financial Reporting Standards (IFRS) and recognized the configuration and customization costs in the cloud computing agreements as intangible assets by applying “intangible assets” (IAS No.38); however, starting from the fiscal year under review, these costs are recognized as expenses when configuration and customization services are received, based on the agenda decision of the IFRS Interpretations Committee released in April 2021.

This change of accounting policies has been retrospectively applied, and accumulated amount is reflected on the net assets at the beginning of this fiscal year. As a result, the beginning balance of retained earnings in the Consolidated Statement of Changes in Net Assets decreased by ¥1,548 million, and translation adjustments after retrospective application decreased by ¥119 million.

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## Notes on Accounting Estimates

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

(1) Amount recognized on the consolidated financial statements for the fiscal year  
Allowance for doubtful receivables: ¥9,408 million

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

(i) Overview

Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter “OBSZ”), a consolidated subsidiary of the Company in China, includes accounts receivable of RMB1,115.463 million (¥21,483 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) from Shenzhen Yihua Computer Industrial Co., Ltd. (hereinafter “Yihua Industrial”) in long-term trade receivables. OBSZ filed a request for arbitration with the South China International Economic and Trade Arbitration Commission, on October 10, 2015, demanding payment of such accounts receivable and compensation of damages (Case A). Further, OBSZ filed litigation to commingle property beyond legal personality with the High People’s Court of Guangdong Province against Shenzhen Yihua Computer Co., Ltd. (“Yihua Computer”), the parent of Yihua Industrial, and others as defendants, claiming that they are jointly and severally responsible for payment of the above claims against Yihua Industrial which had been unpaid, to request protection of property (Case B).

Subsequently, Case A 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 (¥21,125 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) as well as interest for arrears, legal costs, and others, and this is being settled by arbitration. Regarding Case B, on December 23, 2021, the High People’s Court of Guangdong Province sentenced Yihua Computer and affiliates to take the collective liability for the payment to be made by Yihua Industrial to OBSZ. In response to this, Yihua Computer and affiliates lodged an appeal to the Supreme People’s Court on January 5, 2022. The case is currently being tried.

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 the ruling being upheld and the law suit being settled in Case B is taken into account for a period that is considered to be required for recovery, RMB488.507 million (¥9,408 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) is estimated to be irrecoverable and added to allowance for doubtful receivables, and a reversal of doubtful receivables of ¥3,198 million was accounted for as a reversal of selling, general and administrative expenses.

(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

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significantly depending on the outcome of the lawsuit of Case B.

## **2. Estimate of total costs used to measure the progress of the performance obligation in the recognition of revenue**

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

Among the revenue associated with the performance obligation satisfied over a certain period, revenue recorded based on the progress calculated by the ratio of the incurred costs to the estimated total costs was ¥49,520 million (including revenue for projects completed before the end of the fiscal year). 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 ¥22,108 million.

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

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

As for the method of estimating progress towards satisfaction of performance obligations, the degree of progress is calculated at the proportion of actual cost to estimated total costs (input method).

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

## **3. Estimate of recoverability of deferred tax assets**

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

Deferred tax assets: ¥8,265 million

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

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

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

An estimate of future taxable income used in evaluating the recoverability of

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deferred tax assets is based on the future business plans. In developing the business plans, the assumption that the disruption of supply chain, such as parts shortages, especially the semiconductors, raw material price surge, and distribution cost surge, will continue beyond the next fiscal year.

(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 significant changes in the management environment and other factors, the recoverability of deferred tax assets may be evaluated differently.

**Notes to Consolidated Balance Sheet**

1. Assets pledged as collateral for borrowings	
Investments in securities	¥5,449 million
Liabilities collateralized by the abovementioned assets:	
Short-term borrowings	¥100 million
2. Accumulated depreciation on property, plant and equipment	¥160,268 million
3. Liabilities for guarantee	
Guarantee for borrowings by employees	¥60 million

4. Contingent liabilities

OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. (hereinafter “OKI Brasil”), a consolidated subsidiary of the Company, received an additional tax assessment notice of ICMS (tax on circulation of goods and services) of BRL90 million (¥2,309 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) from the tax authorities of Sao Paulo State on August 20, 2018. However, OKI Brasil refuses to accept this order, and it has filed a lawsuit.

The Company cannot reasonably estimate the probability of the occurrence of a loss or the amount of a loss at present.

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## Notes to Consolidated Statement of Changes in Net Assets

- Matters concerning class and total number of shares outstanding as of the end of FY2020  
Common stock: 87.217 million shares
- Matters concerning appropriation of surplus

(1) Dividends paid

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

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

Proposal	Class of shares	Source of dividends	Total dividends (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 29, 2022	Common stock	Retained earnings	2,597	30.00	March 31, 2022	June 30, 2022

- Number of shares to be issued upon exercise of stock acquisition rights

Category	Breakdown of stock acquisition rights	Type of shares to be issued upon exercise of stock acquisition rights	Number of shares to be issued upon exercise of stock acquisition rights (shares)
The Company	FY2016 Stock Acquisition Rights (issued on August 16, 2016)	Common stock	20,600
	FY2017 Stock Acquisition Rights (issued on August 15, 2017)	Common stock	28,800
	FY2018 Stock Acquisition Rights (issued on August 14, 2018)	Common stock	32,500
	FY2019 Stock Acquisition Rights (issued on August 14, 2019)	Common stock	39,800
	FY2020 Stock Acquisition Rights (issued on August 18, 2020)	Common stock	47,500

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## Notes on Financial Instruments

### 1. Matters concerning the status of financial instruments

#### (1) Policy on financial instruments

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

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

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

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

Derivative transactions consist of forward foreign exchange contracts, which aim to hedge exchange rate fluctuation risks related to foreign currency-denominated receivables and payables, and interest rate swap transactions, which aim to hedge interest rate fluctuation risks related to the payment of borrowings. The assessment of hedge effectiveness for interest rate swap transactions that satisfy the requirements for special treatment is omitted.

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

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

The fair value of financial instruments is based on market prices, but if no market prices are available, their fair value reflects the value reasonably calculated. Because fluctuation factors are incorporated into the calculation of the said value, it may change if different prerequisites, etc. are used.

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2. Disclosure concerning fair value of financial instruments

As of March 31, 2022 (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.

(Unit: Millions of yen)

	Amount recorded in consolidated balance sheet (*1)	Fair value (*1)	Difference
(1) Investments in securities (*3)	26,166	26,184	17
(2) Long-term trade receivables	25,047		
Allowance for doubtful receivables (*4)	(12,957)		
	12,089	12,089	-
(3) Long-term debt (*5)	(64,888)	(65,334)	446
(4) Derivative transactions (*6)	98	98	-

(\*1) Those recorded as liabilities are shown in brackets.

(\*2) Notes are omitted on cash and deposits; notes and accounts receivable, and contract assets; notes and accounts payable; short-term borrowings; and other accrued expenses, because they are settled within a short period and thus the fair values are close to the book values.

(\*3) Shares without market value (unlisted shares, ¥8,328 million in the consolidated balance sheet) are not included in “(1) Investments in securities.”

(\*4) Allowance for doubtful receivables specifically provided for long-term trade receivables is deducted.

(\*5) Long-term debt that will be reimbursed within one year (¥21,050 million) is classified as “short-term” borrowings in the consolidated balance sheet.

(\*6) Net claims receivable and payable incurred from derivative transactions are shown in net amount, and items whose totals are net liabilities are shown in brackets.

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3. Matters concerning components of fair value of financial instruments by appropriate category, etc.

The fair value of financial instruments is categorized into the following three levels, depending on the observability and significance of the inputs used to calculate the fair value.

Level 1: The fair value that is calculated from the market price associated with the asset or liability subject to the calculation of given fair value in the active market, among inputs used to calculate an observable fair value

Level 2: The fair value that is calculated using inputs other than the inputs applicable to Level 1, among inputs used to calculate an observable fair value

Level 3: The fair value that is calculated using inputs that are used for calculation of unobservable fair value

In the case where more than one input is used, among inputs that have a significant impact on the calculation of the fair value, the fair value is categorized into the level with the lowest priority for calculation of the fair value, among the levels to which those inputs belong.

(1) Financial instruments listed in the consolidated balance sheet with their fair value

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Equity Securities	26,156	–	–	26,156
Derivative transactions*	–	98	–	98

\* Net claims receivable and payable incurred from derivative transactions are shown in net amount, and items whose totals are net liabilities are shown in brackets.

(2) Financial instruments other than those listed in the consolidated balance sheet with their fair value

Category	Fair value (Millions of yen)			
	Level 1	Level 2	Level 3	Total
Investments in securities				
Other negotiable securities				
Golf club memberships	–	27	–	27
Long-term trade receivables	–	–	12,089	12,089
Long-term debt	–	65,334	–	65,334

(Note) Fair value evaluation technique and inputs for fair value calculation

Investments in securities

Listed shares and golf club memberships are evaluated using the market price. Since listed shares are traded in the active market, the fair value is categorized in Level 1. On the other hand, golf club memberships are traded in the inactive market at the market value of the same asset; therefore, the fair value is categorized in Level 2.

Long-term trade receivables

The fair value of the long-term trade receivables is the amount calculated by deducting the present estimated doubtful receivables from the book value. The estimated doubtful receivables are calculated based on the present value of loans/receivables by discounting estimated cash flows, which are considered recoverable when taking into account the



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probability related to lawsuits, for a period that is considered to be required for recovery. Based on this, the fair value is categorized in Level 3.

#### Long-term debt

The fair value of these items is based primarily on the method of calculation whereby the sum of principal and interest is discounted by an assumed interest rate on the assumption that the said sum is freshly borrowed in a similar manner. Some long-term debt with floating interest rates is prescribed to be subject to special accounting treatment applicable to interest rate swaps. Hence, the fair value of a long-term debt is based on the method of calculation whereby the sum of principal and interest, treated in combination with the said interest rate swap, is discounted by a reasonably estimable interest rate on the assumption that the said amount is freshly borrowed in a similar manner. The fair value of the long-term debt is categorized in Level 2.

#### Derivative transactions

The fair value is calculated based on the price presented by the partner financial institutions, and is categorized in Level 2. Derivative transactions subject to special accounting treatment applicable to interest rate swaps are treated in combination with long-term debt as hedged items. Hence, their fair value is included in that of long-term debt.

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## Notes on Revenue Recognition

### 1. Information on disaggregation of revenue from contracts with customers

	Reportable segment			Other (Note)	Total
	Solution Systems	Components & Platforms	Total		
<Breakdown of net sales>					
Revenue from contracts with customers	162,624	186,041	348,666	423	349,090
Other revenue	20	2,954	2,974	-	2,974
Total net sales	162,645	188,995	351,641	423	352,064
<Geographical market>					
Revenue from contracts with customers					
Japan	162,610	131,175	293,785	423	294,209
North America	-	8,144	8,144	-	8,144
Central and South America	-	2,093	2,093	-	2,093
Europe	8	24,377	24,386	-	24,386
China	6	5,393	5,400	-	5,400
Others	-	14,855	14,855	-	14,855
Other revenue					
Japan	20	2,954	2,974	-	2,974
<Timing of revenue recognition>					
Revenue from contracts with customers					
Revenue recognized at one point	45,747	145,443	191,190	396	191,587
Revenue recognized over time	116,877	40,598	157,475	27	157,502

(Note) "Other" includes businesses that are not under the reporting segment, such as service provision, manufacture and sales of other devices or products.

(Unit: Millions of yen)

	By business areas (Solution Systems) (Note)				
	Public Solutions	Enterprise Solutions	DX Platform	Engineering work and maintenance services	Total
Revenue from contracts with customers	49,270	51,671	13,662	48,019	162,624
Other revenue	-	-	20	-	20
Total net sales	49,270	51,671	13,683	48,019	162,645

(Note) The following describes the main products and services in each business area.

Business area	Main products and services
Public Solutions	Road (ETC/VICS), aviation control, disaster preparedness, fire fighting, central government agencies systems, government statics systems, defense systems (underwater acoustics/information), infrastructure monitoring, etc.
Enterprise Solutions	Carrier network, video distribution, 5G and local 5G, financial store systems, concentrated operation systems, railway ticket systems, airport

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	check-in systems, manufacturing systems (ERP/IoT), etc.
DX Platform	AI edge computers, sensors, IoT network, PBX, business phones, contact centers, cloud services, etc.
Engineering work and maintenance services	Engineering work, maintenance services, etc.

(Unit: Millions of yen)

	By business areas (Components & Platforms) (Note)		
	Components	Mono-zukuri Platform	Total
Revenue from contracts with customers	119,579	66,462	186,041
Other revenue	2,954	-	2,954
Total net sales	122,533	66,462	188,995

(Note) The following describes the main products and services in each business area.

Business area	Main products and services
Components	ATM, cash processors, store terminals, reservation ticket terminals, check-in terminals, currency exchange machines, ATM monitoring and operation services, color and monochrome LED printers, color and monochrome LED multifunction machines, large format inkjet printers, dot impact printers, etc.
Mono-zukuri Platform	Contract design and production services, printed circuit boards, etc.

2. Information to understand the revenue from contracts with customers

Information forming the basis for understanding revenue is as stated in “Principles for Preparing Consolidated Financial Statements and Notes to Changes in Scope of Consolidation and Scope of Equity Method Application 3. Accounting standards (4) Basis for provision of income and expense.”

3. Information to understand the revenue in this fiscal year and onwards

(1) Balances of receivables from contracts with customers, contract assets and contract liabilities

(Unit: Millions of yen)

	As of April 1, 2021	As of March 31, 2022
Receivables from contracts with customers	95,796	77,693
Of which, notes receivable	7,144	8,400
Of which, accounts receivable	88,651	69,293
Contract assets	10,392	16,298
Contract liabilities	5,857	8,548

(Note 1) Contract assets are recognized as right to consideration recorded by recognition of revenue in accordance with the degree of progress mainly on contracted manufacturing and various types of construction work. When the right to consideration becomes unconditional, they are transferred into receivables. Contract liabilities are related mainly to deposits received from customers based on service provision contracts that recognize revenue over a certain period, and are revised upon recognition of revenue.

(Note 2) Among the revenue recognized in this fiscal year, the amount included in the contract liabilities at the beginning of the year was ¥3,222 million. The amount of revenue recognized from the performance obligation that was satisfied (or partly satisfied) in the

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past period has no significance.

(Note 3) The increase in contract assets is mainly due to progress on contracted manufacturing and various types of construction work. The increase in contract liabilities is mainly due to receipt of deposits.

(Note 4) Contract liabilities are included in “Others” under the current liabilities in the consolidated financial statements.

(2) Trading amount of unsatisfied performance obligation

The Group applies practical expedient to the notes on the trading amount allocated to the unsatisfied performance obligation. Notes are omitted for unsatisfied performance obligation based on the agreements initially expected to last for a year or shorter.

The total trading amount allocated to the unsatisfied performance obligation at the end of this fiscal year and the duration within which the revenue may be recognized are as follows.

(Unit: Millions of yen)

	Fiscal year under review
Within one year	19,153
One year to three years	8,704
Over three years	434
Unsatisfied performance obligation total	28,292

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### Notes to Per-share Information

1. Net assets per share: ¥1,240.62
2. Earnings per share: ¥23.85

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

The Group posted impairment losses of ¥1,144 million and major impairment losses are described below.

Business	Purpose of use	Type of assets	Amount (millions of yen)
Components & Platforms business (Automation Systems Business)	Business assets	Buildings and structures	60
		Tools, furniture and fixtures	749
		Intangible assets	109
		Others	51

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.

### Other Notes (Notes on Business Combination, etc.)

Transactions, etc. under Common Control

The Company resolved to absorb its wholly-owned specified subsidiary Oki Data Corporation (hereinafter “ODC”) at the Board of Directors meeting held on October 29, 2020. The merger agreement was concluded on the same day, and the merger was completed on April 1, 2021.

#### 1. Overview of business separation

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

Name of the company	Oki Data Corporation
Content of business	Development, manufacture and sales of printer equipment and other related solutions

##### (2) Date of business combination

April 1, 2021

##### (3) Legal forms of business combination

A merger in which the Company is the surviving company and ODC is the dissolving company

##### (4) Name of the company after combination

Oki Electric Industry Co., Ltd.

##### (5) Other items regarding outline of transaction

The Group aims to resolve social issues through the key Japanese concepts of “Mono-zukuri” and “Koto-zukuri (creation of solutions and services)” over the medium to long term. The “Medium-Term Business Plan 2022” is positioned as building the foundations for growth, through which we plan to restructure the business portfolio and strengthen the foundation for “Mono-zukuri (manufacturing).” Meanwhile, the market for the Printers business operated by ODC has been on a shrinking trend with a shift to

(Translation)

paperless operations and other developments, and the trend is accelerating due to the global spread of COVID-19.

The merger of ODC into the Company is meant to respond to changes in the market environment, as part of the measures under the Group's Medium-Term Business Plan. We aim to grow our Components & Platforms business by strengthening our product development capabilities through a shift in development resources of the Printers business and utilizing the global sales bases held by ODC, production bases and production control functions as the Group.

2. Outline of accounting procedures applied

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

(Translation)

## Transcript of Accounting Auditors' Report on Consolidated Financial Statements

### Independent Auditors' Report

May 19, 2022

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

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

#### Audit opinion

We have audited the consolidated financial statements – the consolidated balance sheet, the consolidated statement of operations, the consolidated statement of changes in net assets equity and notes to the consolidated financial statements – of Oki Electric Industry Co., Ltd. for the 98th term from April 1, 2021 to March 31, 2022 in accordance with Article 444 paragraph (4) of the Companies Act.

We concluded that the consolidated financial statements fairly present in all aspects of Oki Electric Industry's and its subsidiaries' assets and income or loss in accordance with corporate accounting standards generally accepted in Japan.

#### Basis for audit opinion

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

#### Other Information

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

Responsibilities of management, Audit & Supervisory Board Members and the Audit & Supervisory Board for preparing consolidated financial statements

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

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

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

(Translation)

#### Responsibility of auditors for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the consolidated financial statements, obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the appropriateness of related notes thereto.
- Conclude on the appropriateness of preparing the consolidated financial statements with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the consolidated financial statements or, if the notes to the consolidated financial statements on material uncertainty are inadequate, to express a qualified opinion with exceptions on the consolidated financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation of the consolidated financial statements and notes to the consolidated financial statements are in accordance with corporate accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the consolidated financial statements, including the related notes thereto, and whether the consolidated financial statements fairly present the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements. We remain solely responsible for our audit opinion.

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

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

#### Conflict of interest

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



(Translation)

## Non-Consolidated Balance Sheet

(as of March 31, 2022)

(Millions of yen)

Account title (Assets)	Amount		Account title (Liabilities)	Amount	
Current assets			Current liabilities		
Cash and deposits		22,891	Notes payable		1
Notes receivable		2,361	Electronically recorded obligations - operating		3,032
Accounts receivable, trade		51,559	Accounts payable, trade		39,732
Contract assets		12,284	Short-term borrowings		20,907
Lease investment assets		10,317	Current portion of long-term debt		21,050
Finished goods:		8,974	Lease obligations		3,509
Work in process:		9,423	Accounts payable, others		13,023
Raw materials and supplies:		12,702	Other accrued expenses		7,504
Prepaid expenses		3,017	Income taxes payable		445
Short-term loans receivable		13,101	Contract liabilities		6,206
Accounts receivable, others		10,087	Deposits received		24,444
Others		1,154	Unearned revenue		3
Allowance for doubtful receivables		(9)	Provision for product warranties		1,165
Total current assets		157,867	Provision for directors' bonuses		88
Non-current assets			Provision for loss on construction contracts		1,372
Property, plant and equipment			Provision for contingent loss		20
Buildings	37,495		Provision for loss on the Anti-Monopoly Act		292
Accumulated depreciation	27,905	9,589	Asset retirement obligations		52
Structures	2,283		Others		35
Accumulated depreciation	1,847	435	Total current liabilities		142,888
Machinery and equipment	14,617		Long-term liabilities		
Accumulated depreciation	12,563	2,054	Long-term debt		43,838
Vessels	192		Lease obligations		8,929
Accumulated depreciation	72	119	Deferred tax liabilities		8,774
Vehicles	90		Retirement benefits		10,196
Accumulated depreciation	81	8	Provision for product warranties		316
Tools, furniture and fixtures	42,464		Provision for loss on business of subsidiaries and affiliates		409
Accumulated depreciation	36,777	5,686	Asset retirement obligations		1,107
Land		9,010	Others		1,611
Construction in progress		5,533	Total long-term liabilities		75,183
Total property, plant and equipment		32,438	Total liabilities		218,071
Intangible assets			(Net Assets)		
Right of using facilities		112	Shareholders' equity		
Software		13,004	Capital stock		44,000
Total intangible assets		13,116	Additional paid-in capital		21,488
Investments and other assets			Capital reserve		15,000
Investments in securities		31,535	Other additional paid-in capital		6,488
Investments in and advances to subsidiaries and affiliates		31,107	Retained earnings		16,334
Contribution		59	Other retained earnings		16,334
Contribution in subsidiaries and affiliates		1,545	Retained earnings carried forward		16,334
Long-term loans receivable from subsidiaries and affiliates		22,881	Treasury stock, at cost		(861)
Claims provable in bankruptcy, rehabilitation and other		29	Total shareholders' equity		80,962
Long-term prepaid expenses		1,484	Valuation, translation adjustments and others		
Prepaid pension cost		15,124	Net unrealized holding gain/loss on other securities		763
Lease and guarantee deposits		2,619	Loss/gain on deferred hedges		22
Others		229	Total valuation, translation adjustments and others		785
Allowance for doubtful receivables		(10,082)	Subscription rights to shares		138
Total investments and other assets		96,534	Total net assets		81,886
Total non-current assets		142,089	Total liabilities and net assets		299,957
Total assets		299,957			

(Translation)

**Non-Consolidated Statement of Operations**  
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

Account title	Amount	
Net sales		222,848
Cost of sales		178,774
Gross profit		44,073
Selling, general and administrative expenses		57,076
Operating loss		(13,002)
Non-operating income		
Interest income	346	
Dividend income	7,614	
Foreign exchange gain	1,022	
Other	783	9,767
Non-operating expenses		
Interest expense	1,255	
Provision of allowance for doubtful receivables	(2,128)	
Commission for syndicated loan	274	
Other	652	55
Ordinary loss		(3,290)
Extraordinary profit		
Gain on sale of investments in securities	495	
Gain on extinguishment of debts	323	819
Extraordinary loss		
Loss on sale and disposition of property, plant and equipment	424	
Loss on impairment of fixed assets	1,083	
Write-downs of investments in unconsolidated subsidiaries and other securities	11	
Nondeductible write-downs of shares of subsidiaries and affiliates	546	
Loss on extinguishment of tie-in shares	1,990	4,056
Loss before income taxes		(6,526)
Income taxes	(3,539)	
Income taxes deferred	800	(2,739)
Loss		(3,787)

(Translation)

**Non-Consolidated Statement of Changes in Net Assets**  
(From April 1, 2021 to March 31, 2022)

(Millions of yen)

	Shareholders' equity							
	Capital stock	Additional paid-in capital			Retained earnings		Treasury stock, at cost	Shareholders' equity Total
		Capital reserve	Others Additional paid-in capital	Additional paid-in capital Total	Other retained earnings Retained earnings carried forward	Retained earnings Total		
Balance at April 1, 2021	44,000	15,000	6,511	21,511	21,930	21,930	(912)	86,530
Cumulative effects of changes in accounting policies					(76)	(76)		(76)
Restated balance	44,000	15,000	6,511	21,511	21,853	21,853	(912)	86,453
Changes during the term under review								
Dividends from surplus					(1,731)	(1,731)		(1,731)
Loss					(3,787)	(3,787)		(3,787)
Purchases of treasury stock							(1)	(1)
Disposition of treasury stock			(22)	(22)			52	29
Net changes in items other than shareholders' equity during the term under review								
Net changes during the term under review	-	-	(22)	(22)	(5,518)	(5,518)	50	(5,490)
Balance at March 31, 2022	44,000	15,000	6,488	21,488	16,334	16,334	(861)	80,962

	Valuation, translation adjustments and others			Subscription rights to shares	Total net assets
	Unrealized holding gain/loss on other securities	Loss/gain on deferred hedges	Total valuation, translation adjustments and others		
Balance at April 1, 2021	3,200	-	3,200	168	89,898
Cumulative effects of changes in accounting policies			-		(76)
Restated balance	3,200	-	3,200	168	89,821
Changes during the term under review					
Dividends from surplus					(1,731)
Loss					(3,787)
Purchases of treasury stock					(1)
Disposition of treasury stock					29
Net changes in items other than shareholders' equity during the term under review	(2,437)	22	(2,414)	(29)	(2,444)
Net changes during the term under review	(2,437)	22	(2,414)	(29)	(7,935)
Balance at March 31, 2022	763	22	785	138	81,886

(Translation)

## Notes to Non-consolidated Financial Statements

### Significant Accounting Policies

#### 1. Standards and valuation methods for negotiable securities

Shares of subsidiaries and affiliated companies:

Stated at cost based on the moving average method

Other negotiable securities:

Those other than shares without market value:

Stated at fair value based on the market price at the end of the fiscal year.

(The difference between book value and fair value is included in net assets. The sale cost is calculated by using the moving average method.)

Shares without market value: Stated at cost based on the moving average method

#### 2. Standards and valuation methods for derivatives, etc.

Derivatives: Stated at fair value

#### 3. Standards and valuation methods for inventories

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

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

Raw materials and supplies:

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

#### 4. Depreciation and amortization of non-current assets

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

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

Intangible assets (excluding lease assets)

Software for sale in the market:

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

Software for internal use:

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

Others: Straight-line method

Lease assets

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

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

(Translation)

## **5. Basis for provision of reserves**

### Allowance for doubtful receivables

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

### Provision for product warranties

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

### Provision for directors' bonuses

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

### Provision for loss on construction contracts

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

### Provision for contingent loss

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

### Provision for loss on the Anti-Monopoly Act

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

### Retirement benefits

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

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

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

### Provision for loss on business of subsidiaries and affiliates

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

(Translation)

## **6. Basis for provision of income and expense**

### **(1) Sales of products**

Revenue from product sales is recognized when the customer's acceptance inspection is complete if the acceptance inspection is carried out, or when the delivery is made in the case where the acceptance inspection is not carried out, depending on the agreement, etc. with the given customer.

### **(2) Provision of services**

Revenue from provision of services is recognized according to the provision of services. In the case that the provision of services is made over the agreed duration, such as regular maintenance contracts, revenue is recognized based on the elapsed time period.

For contract productions and engineering work of social infrastructure, revenue is recognized based on the progress of the performance obligation, on the assumption that the obligation is satisfied over a certain period. In such a case, the progress is measured by the ratio of the costs incurred by the end of the term to the estimated total costs.

## **7. Hedge accounting methods**

### **(1) Hedge accounting methods**

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

### **(2) Means of hedging and hedged item**

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

### **(3) Hedging policy**

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

### **(4) Assessment method of hedging effectiveness**

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

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

### **(1) Accounting for retirement benefits**

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

### **(2) Accounting processing of consumption tax, etc.**

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

### **(3) Application of consolidated tax payments**

Consolidated tax payments are applied.

(Translation)

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

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

The Company plans to apply the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (PITF No. 42, August 12, 2021), which prescribes handling of the tax effect accounting process and disclosure, the corporate tax, and local corporate tax for the group tax sharing system, from the beginning of the next fiscal year.

### **Changes in Accounting Policies**

1. Application of Accounting Standard for Revenue Recognition, Etc.

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

This means that the Company now recognizes revenue over a period as it satisfies the performance obligation for the agreed work for contract production or engineering work except for short-term projects, whereas the Company previously applied the percentage-of-completion method for such work when the effects of progress can be assured, or the completed contract method for other projects. As for the method of estimating progress towards satisfaction of performance obligations, the degree of progress is calculated at the proportion of actual cost to estimated total costs (input method). Furthermore, revenue is recognized only for the scope of actual costs incurred when it is not possible to reasonably estimate progress towards satisfaction of performance obligations, but it is probable that the costs incurred will be recovered.

With regard to buy-sell transactions, where the Company purchases the raw materials from the customer and sells the processed products back to the customer, revenue is now recognized on the net processing fee only excluding the raw material purchase costs, whereas previously revenue was recognized with the total sales price including the raw material purchase costs.

The application of the Accounting Standard for Revenue Recognition and relevant ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been

(Translation)

applied to periods prior to the beginning of the fiscal year under review was added to or deducted from the opening balance of retained earnings of the fiscal year under review, and thus the new accounting policy was applied from such opening balance; provided, however, that the new accounting policy was not retrospectively applied to contracts for which nearly all the revenue amounts had been recognized according to the previous treatment in periods prior to the beginning of the fiscal year under review, by applying the method provided for in paragraph 86 of the Accounting Standard for Revenue Recognition. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Accounting Standard for Revenue Recognition, modifications to contracts carried out prior to the beginning of the fiscal year under review were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the fiscal year under review.

This resulted in a decrease of ¥672 million in net sales, ¥418 million in cost of sales, and ¥350 million in selling, general and administrative expenses, and an improvement of ¥97 million in operating income/loss for this fiscal year. Also, with a decrease of ¥1 million in non-operating expenses, both the ordinary income/loss and profit/loss before income taxes improved by ¥98 million.

Accordingly, compared with the case where the previous accounting standards would be applied, retained earnings carried forward decreased by ¥76 million at the beginning of the fiscal year ended March 31, 2022 in the statement of changes in net assets.

As a result of application of the Accounting Standard for Revenue Recognition, etc., from this fiscal year, accounts receivable, trade, which was used to be under current assets, is included in accounts receivable, trade and contract assets, and advance received, which was used to be under current liabilities, is included in contract liabilities in the balance sheet.

## 2. Application of Accounting Standard for Fair Value Measurement, Etc.

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019) and relevant ASBJ regulations from the beginning of the fiscal year ended March 31, 2022, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard For Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019). This will not have any effects on financial statements.

## Notes on Accounting Estimates

### 1. Estimate of recoverability of receivables from consolidated subsidiaries

(1) Amount recognized on the non-consolidated financial statements for the fiscal year  
Allowance for doubtful receivables ¥10,023 million

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

(i) Overview



(Translation)

The Company provides Oki Hong Kong, Ltd. (hereinafter “OHL”), a consolidated subsidiary which primarily engages in the material procurement and logistics management businesses in China, with loans in the amounts of US\$151 million and RMB216.5 million (¥22,653 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) as of the end of the fiscal year, and they are included in long-term loans receivable from subsidiaries and affiliates. In addition, OHL has accounts receivable from Oki Electric Industry (Shenzhen) Co., Ltd. (hereinafter “OSZ”), which has accounts receivable from Oki Banking Systems (Shenzhen) Co., Ltd. (hereinafter “OBSZ”).

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

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

The Company classifies the loans to OHL into doubtful accounts and recorded an allowance for doubtful receivables for an estimated amount of loss up to an amount by which OHL’s liabilities exceed its assets from the previous year, as a result of making judgment of OHL’s activities in the material procurement and logistics management businesses, management status, and ability to pay comprehensively. The amount of US\$81.882 million (¥10,023 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year) was recognized at the end of the fiscal year.

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

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

- 2. Estimate of total costs used to measure the progress of the performance obligation in the recognition of revenue

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

Among the revenue associated with the performance obligation satisfied over a certain period, revenue recorded based on the progress calculated by the ratio of the incurred costs to the estimated total costs was ¥29,508 million (including revenue for projects completed before the end of the fiscal year). 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 ¥12,490 million.

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

(Translation)

The calculation method for the amount in (1) is the same as the one described in the Notes to Consolidated Financial Statements, “Notes on Accounting Estimates 2. Estimate of total costs used to measure the progress of the performance obligation in the recognition of revenue.

3. Future cash flows estimated based on the determination to recognize the impairment loss

- (1) Amount recognized on the non-consolidated financial statements for the fiscal year
- |                               |                 |
|-------------------------------|-----------------|
| Property, plant and equipment | ¥32,438 million |
| Intangible assets             | ¥13,116 million |

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

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

The Company determines whether to recognize the impairment loss of the given asset or asset group, when there is an indication that the asset or asset group may be impaired (hereinafter “indication of impairment”) at the end of a fiscal year. An indication of impairment is recognized when a loss or negative cash flow caused by marketing activities in which the asset or asset group is used is ongoing or likely to be ongoing, or when a significant downturn of the business is identified. Whether to recognize the impairment loss of the asset or asset group with indication of impairment is determined by comparing the total cash flow obtained from the asset or asset group (future cash flow before discount or net sales value, whichever is the greater) and the book value, and if the former is smaller than the latter, the Company recognizes the impairment loss.

The Company determines that indication of impairment is found company-wide, including common assets. However, impairment loss has not been recognized because the company-wide total cash flow, which was calculated based on the projected profit and loss in the next fiscal year and onwards, is greater than the book value of the Company’s assets. This cash flow was calculated by adding the expected future business environment around the Company to the past results and the business plan for the next fiscal year. This expectation includes the assumption that the disruption of supply chain, such as parts shortages, especially the semiconductors, raw material price surge, and distribution cost surge, will continue beyond the next fiscal year. The Company believes, however, that it will be able to limit the impact caused by parts shortages and raw material price surge in the fiscal year and onwards by taking various measures.

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

It is possible that impairment loss may be reported in the next fiscal year if a significant change occurs in the business environment, which necessitates a downward revision of the above assumption, resulting in the company-wide total cash flow calculated based on the projected future profit and loss becoming smaller than the book value of the Company’s assets.

(Translation)

### Notes to Non-consolidated Balance Sheet

1. Assets provided as collateral
- |   |                |
|---|----------------|
| Investments in securities                               | ¥5,449 million |
| Liabilities collateralized by the abovementioned assets |                |
| Short-term borrowings                                   | ¥100 million   |
2. Guarantee liabilities:  
The Company provides guarantees for bank borrowings made by employees, and subsidiaries and affiliates as shown below.

OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO LTDA.	¥3,330 million (BRL129.811 million)
Oki Europe Ltd.	¥2,914 million (GBP18 million, EUR132 thousand)
OKI Circuit Technology Co., Ltd.	¥1,641 million
OKI INDIA PRIVATE LIMITED	¥1,068 million (INR659.337 million)
Oki Data Manufacturing (Thailand) Co., Ltd.	¥673 million (\$5.5 million)
OKI Crosstech Co., Ltd.	¥466 million
Three other entities:	¥629 million
Total:	¥10,724 million

3. Monetary claims receivable from and payable to subsidiaries and affiliates
- |   |                 |
|---|-----------------|
| Short-term monetary claims receivable from subsidiaries and affiliates: | ¥30,982 million |
| Long-term monetary claims receivable from subsidiaries and affiliates:  | ¥1,161 million  |
| Short-term monetary claims payable to subsidiaries and affiliates:      | ¥42,497 million |
| Long-term monetary claims payable to subsidiaries and affiliates:       | ¥67 million     |

### Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates	
Net sales:	¥33,500 million
Purchases:	¥73,396 million
Non-operating transactions:	¥10,943 million

### Notes to Non-consolidated Statement of Changes in Net Assets

Type and number of treasury stock as of the end of the fiscal year	
Common stock:	617 thousand shares

(Translation)

### Notes to Deferred Tax Accounting

Major factors giving rise to deferred tax assets and liabilities

Deferred tax assets	
Loss carry forwards	¥12,825 million
Nondeductible write-downs of shares of subsidiaries and affiliates	¥10,823 million
Nondeductible retirement benefits	¥4,714 million
Adjustments of losses on transfers among consolidated subsidiaries	¥3,418 million
Allowance for doubtful receivables	¥3,090 million
Nondeductible accrued bonuses	¥1,341 million
Nondeductible write-downs of inventories	¥969 million
Balance of trust property with retirement benefits	¥893 million
Others	¥4,099 million
<hr/>	
Subtotal deferred tax assets	¥42,172 million
Valuation allowance	¥(39,297) million
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Total deferred tax assets	¥2,874 million
<hr/>	
Deferred tax liabilities	
Gain on valuation of investment securities	¥(5,723) million
Prepaid pension cost	¥(3,610) million
Nondeductible unrealized gain on contribution of securities to the pension trust	¥(1,944) million
Others	¥(371) million
<hr/>	
Total deferred tax liabilities	¥(11,648) million
<hr/>	
Net deferred tax assets	¥(8,774) million

(Translation)

**Notes to Related Party Transactions**  
Subsidiaries, etc.

Attribute	Name of company, etc.	Location	Capital	Business	Voting right ratio	Relationship with related party	Description of transactions	Transaction amount (mil. yen)	Account item	Ending balance (mil. yen)
Subsidiary	OKI Crosstech Co., Ltd.	Chuo-ku, Tokyo	¥2,001 million	Equipment work, designing, construction and maintenance of telecommunication, firefighting and other facilities, maintenance, operations and technical support for ICT equipment and systems, and sales of related equipment and supplies	(Direct) 100%	Supply products, etc., purchase of services	Borrowings of funds	-	Deposits received	11,096
Subsidiary	OKI Circuit Technology Co., Ltd.	Tsuruoka (Yamagata)	¥480 million	Development, design, manufacture and sales of printed circuit boards, electronic equipment and electronic parts	(Direct) 100%	Purchase of products and services, lending of funds	Lending of funds	3,600	Short-term loans receivable	2,610
									Long-term loans receivable from subsidiaries and affiliates	228
Subsidiary	OKI Software Co., Ltd.	Warabi, Saitama Pref.	¥400 million	Development, design, manufacture and maintenance of software and embedded software, system building services, SI/solution services, consulting, outsourcing and sales of information equipment	(Direct) 100%	Production of software on a contract basis, etc.	Purchase of services	13,852	Accounts payable, trade	3,435
Subsidiary	Oki Electric Cable Co., Ltd.	Kawasaki (Kanagawa)	¥4,304 million	Manufacture and sales of electrical wire, electronic equipment parts, metal products and synthetic resin material processed goods	(Direct) 100%	Purchase of products	Borrowings of funds	-	Deposits received	5,671
Subsidiary	OKI Nextech Co., Ltd.	Tokorozawa (Saitama)	¥400 million	Development, design, manufacture, sales and maintenance of information and communications devices, industrial electronic devices, medical electronic equipment and other electronic devices as well as electronic parts	(Direct) 100%	Purchase of products and services, lending of funds	Lending of funds	3,125	Short-term loans receivable	4,239
Subsidiary	Oki Data Manufacturing (Thailand) Co., Ltd.	Thailand	420 million Thai baht	Manufacture of information processing equipment	(Direct) 100%	Purchase of products	Purchase of products	16,432	Accounts payable, trade	5,248
Subsidiary	Oki Europe Ltd.	UK	141.366 million euro	Sale of information processing equipment	(Direct) 100%	Supply products, etc.	Sales of products	10,755	Accounts receivable, trade	3,138
Subsidiary	Oki Hong Kong, Ltd.	Hong Kong	US\$10.292 thousand	Holdings company, material procurement	(Direct) 100%	Supply products, etc., lending of funds	Lending of funds	21,024	Long-term loans receivable from subsidiaries and affiliates	22,653

Notes:

1. The transaction amount excludes consumption tax, etc., while the ending balance includes consumption tax, etc.
2. Conditions of transactions and policy in determining conditions
  - (1) The Company determines conditions regarding purchase of services and sales of products based on market prices

(Translation)

and conducting negotiation.

- (2) The Company determines the interest rate for the lending of funds by taking the market rate of interest into consideration. However, for some subsidiaries, the Company determines the said interest rate by taking the financial position of the subsidiaries. Transaction amount shows the average balance during the fiscal year because the transactions are repetitive.
3. An allowance for doubtful accounts of ¥10,023 million has been recorded for loans to Oki Hong Kong, Ltd. Furthermore, an allowance for doubtful accounts of ¥1,266 million has been provisioned this fiscal year.

#### **Notes to Per-share Information**

1. Net assets per share: ¥943.98
2. Loss per share: ¥43.74

#### **Notes on Business Combination, Etc.**

Transactions, etc. under Common Control

Notes are omitted since the same contents are described in “Other Notes (Notes on Business Combination, etc.)” in the Notes to Consolidated Financial Statements.

#### **Notes on Revenue Recognition**

Notes on the information to understand the revenue from contracts with customers are omitted since the same contents are described in “Notes on Revenue Recognition” in the Notes to Consolidated Financial Statements.

#### **Explanatory notes on Company to Which Consolidated Dividend Regulations Apply**

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

# Transcript of Accounting Auditors' Report

## Independent Auditors' Report

May 19, 2022

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

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

### Audit opinion

We have audited the non-consolidated financial statements—the non-consolidated balance sheet, the non-consolidated statement of operations, the non-consolidated statement of changes in net assets and notes to the non-consolidated financial statements—and its supporting schedules (“Financial Statements, etc.”) of Oki Electric Industry Co., Ltd. for the 98th term from April 1, 2021 to March 31, 2022 in accordance with Article 436, paragraph (2), item (i) of the Companies Act.

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

### Basis for audit opinion

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

### Other Information

The other information refers to the business report and its supplementary schedules. Management is responsible for preparing and disclosing the other information. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the Directors' performance of duties within the maintenance and operation of the reporting process for the other information.

The scope of our audit opinion on the non-consolidated financial statements does not include the content of the other information, and we do not express an opinion regarding the other information.

Our responsibility in auditing the non-consolidated financial statements is to read through the other information, and in the process of reading it, we examine whether there are material differences between the other information and the non-consolidated financial statements or the knowledge we have gained in the auditing process, and we also pay attention as to whether there are any indications in the other information of material errors besides such material differences.

If we determine there to be material errors in the other information based on the work we have performed, we are required to report those facts.

There are no matters to report regarding the other information.

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

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

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

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

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

Our responsibilities are to obtain reasonable assurance about whether the Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that expresses our opinion on the Financial Statements, etc. based on our audit from an independent point of view. Misstatements

can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users of the Financial Statements, etc.

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

- Identify and assess the risks of material misstatement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Selecting audit procedures to be applied is at the discretion of the auditor. Obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- When auditing the Financial Statements, etc., obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances in making risk assessments, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used by management and their method of application, as well as the reasonableness of accounting estimates made by management and the appropriateness of related notes thereto.
- Conclude on the appropriateness of preparing the Financial Statements, etc. with the assumption of a going concern by management, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the notes to the Financial Statements, etc. or, if the notes to the Financial Statements, etc. on material uncertainty are inadequate, to express a qualified opinion with exceptions on the Financial Statements, etc. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation of the Financial Statements, etc. and notes thereto are in accordance with corporate accounting standards generally accepted in Japan, as well as evaluate the presentation, structure, and content of the Financial Statements, etc., including the related notes thereto, and whether the Financial Statements, etc. fairly present the underlying transactions and accounting events.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the units constituting included in the Financial Statements, etc. We are responsible for the direction, supervision and performance of the audit of the financial information of the units constituting. We remain solely responsible for our audit opinion.

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

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

#### Conflict of interest

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



## Transcript of Audit & Supervisory Board's Report

### Audit & Supervisory Board's Report

We, the Audit & Supervisory Board, have prepared upon consultation this Audit Report based on reports compiled by each Audit & Supervisory Board Member with respect to Directors' performance of their duties during the 98th fiscal year from April 1, 2021 to March 31, 2022, as follows:

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

- (1) The Audit & Supervisory Board specified an audit policy, compiled audit plans and received reports from each Audit & Supervisory Board Member on the status of implementation and results of audits and also received reports from Directors and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.
- (2) Each Audit & Supervisory Board Member, according to the audit standards, policy and plans set up by the Audit & Supervisory Board, has maintained good communications with Directors, the internal audit division and other employees and strived to collect information and improve the audit environment and conducted an audit by following the methods described below:
  - (a) We attended the meetings of the Board of Directors and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and principal operating offices. With respect to the subsidiaries of the Company, we have maintained good communications and exchanged information with Directors, Audit & Supervisory Board Members and others and received reports on business conditions from the subsidiaries as needed.
  - (b) In addition, we have periodically received reports from Directors and employees, among others, required explanation when necessary, and made opinions with regard to the status of operations and the systems established thereon (internal control systems) made by the Board of Directors concerning the establishment of systems defined in Article 100, paragraph (1) and paragraph (3) of the Regulations for Enforcement of the Companies Act as necessary for ensuring compliance with laws and the Company's Articles of Incorporation in the performance of duties by Directors, described in the Business Report, and for ensuring appropriateness of duties of corporate group consisting of joint stock company and its subsidiaries. With respect to the internal controls over financial reporting, we have received reports on the internal control evaluation and status of the audits from the Directors, etc. and the PricewaterhouseCoopers Aarata LLC, and asked them for explanations as necessary.
  - (c) We have monitored and verified whether the accounting auditors maintained their independence and properly implemented audits, received from the auditors reports on the performance of their duties and asked them for explanations as necessary. The accounting auditors reported to us that "systems for ensuring proper execution of duties" (listed in each item of Article 131 of the Corporate Calculation Regulations) have been established in accordance with the quality control standards concerning audits (Business Accounting Council, October 28, 2005), and asked them for explanations as necessary.

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

#### 2. Results of Audit

- (1) Results of audit of the business report
  - (a) We consider that the business report and its supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.
  - (b) With respect to the Directors' performance of their duties, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Articles of Incorporation.
  - (c) We consider that the details of the resolution made by the Board of Directors concerning internal control procedures are proper. With respect to the details described in the Business Report and the Directors' performance of their internal control duties, we have found no issues to be pointed out. Furthermore, regarding internal controls over financial reporting, as of the creation of this audit report, we have received reports from Directors, etc. and PricewaterhouseCoopers Aarata LLC to the effect that there are no significant deficiencies that should be disclosed.
- (2) Results of audit of financial statements and their supplementary schedules  
We consider that the auditing methods and results of the Company's Accounting Auditors, PricewaterhouseCoopers Aarata LLC, are proper.
- (3) Results of audit of consolidated financial statements  
We consider that the auditing methods and results of the Company's Accounting Auditors, PricewaterhouseCoopers Aarata LLC, are proper.

May 20, 2022

The Audit & Supervisory Board, Oki Electric Industry Co., Ltd.  
Toshiya Hatakeyama, Standing Audit & Supervisory Board Member  
Toshiyuki Yokota, Standing Audit & Supervisory Board Member  
Hideo Shiwa, Outside Audit & Supervisory Board Member  
Ryuichi Makino, Outside Audit & Supervisory Board Member  
Yoshihiro Tsuda, Outside Audit & Supervisory Board Member