(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 4, 2018

NOTICE OF 94TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Oki Electric Industry Co., Ltd. (the "Company") would hereby like to inform you that the 94TH ordinary general meeting of shareholders will be held as follows. We would be grateful if you could attend the meeting.

Those who will not be able to attend the meeting are kindly requested to review "Instructions for the Exercise of Voting Rights" on page 11 and exercise their voting rights no later than 5:15 p.m., June 21 (Thursday), 2018 (JST).

Yours faithfully,

Hideichi Kawasaki,
Chairman of the Board, Representative Director
Oki Electric Industry Co., Ltd.
1-7-12 Toranomon, Minato-ku, Tokyo

(Translation)

1. Date and Time: Friday, June 22, 2018, from 10:00 a.m. (Reception will open at 9 a.m.)

2. Location: Nikkei Hall, 3F Nikkei Building, 1-3-7 Otemachi, Chiyoda-ku, Tokyo

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 94th fiscal year (from April 1, 2017 to March 31, 2018)
2. Non-consolidated Financial Statements for the 94th fiscal year (from April 1, 2017 to March 31, 2018)

Items to be resolved:

Agenda Item 1: Appropriation of Surplus

Agenda Item 2: Election of Seven (7) Directors

Instructions for Exercise of Voting Rights

Exercise of voting rights via attending the general meeting of shareholders:
Please bring the enclosed ballot and submit at the reception desk of the meeting.

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 21 (Thursday), 2018 (JST).

Exercise of voting rights via the Internet:
Please read "Instructions for the Exercise of Voting Rights via the Internet" on page 11, and indicate your approval or disapproval no later than 5:15 p.m., June 21 (Thursday), 2018 (JST).

* The Company has provided the Notice of 94th Ordinary General Meeting of Shareholders on its Internet website (http://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)

Reference Documents for the General Meeting of Shareholders

Agenda Items and Reference Matters

Agenda Item 1: Appropriation of Surplus

The Company has determined to pay the following year-end dividend for the fiscal year under review with the emphasis on continuing stable distribution of profits to shareholders, after giving consideration to its business results and business developments, etc. for the period under review.

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	¥2,605,960,560

3. Effective date of dividend of surplus

June 25, 2018

(Translation)

Agenda Item 2: Election of Seven (7) Directors

The tenure of office of all seven Directors will expire at the conclusion of this general meeting of shareholders.

Seven candidates for directors are shown as follows.

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Brief personal profile, position and
responsibility in the Company and significant concurrent positions</th></tr>
<tr><td rowspan="2">[Re-election]
1</td><td rowspan="2">Hideichi Kawasaki
(January 10, 1947)

Number of years in office as Director:
13 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):
15 out of 15 times
(100%)

Number of Oki shares held:
Common stock
16,000 shares</td><td>Apr. 1970 Joined Oki Electric Industry Co., Ltd.
Apr. 2001 Executive Officer
Apr. 2004 Senior Vice President
Jun. 2005 Managing Director
Apr. 2009 Senior Executive Vice President, Representative Director
Jun. 2009 President, Representative Director
Apr. 2016 Chairman of the Board, Representative Director (incumbent)</td></tr>
<tr><td>Reason for the selection of candidate for Director
Based on his past experience as President and Representative Director, Mr. Hideichi Kawasaki 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. Since fiscal 2016, Mr. Kawasaki has been assisting and advising the management team as Representative Director and Chairman of the Board. He has been nominated as a candidate for Director because it is expected that, as a member of the board and the Chairman, he will continue to enhance information sharing among directors and strengthen the Board of Director’s decision-making functions.</td></tr>
<tr><td rowspan="2">[Re-election]
2</td><td rowspan="2">Shinya Kamagami
(February 9, 1959)

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):
15 out of 15 times
(100%)

Number of Oki shares held:
Common stock
6,700 shares</td><td>Apr. 1981 Joined Oki Electric Industry Co., Ltd.
Apr. 2001 Manager, Hardware Development Department No. 2, Terminal Systems Division, Systems Solution Company
Apr. 2005 Head of Systems Hardware Development Division, Systems Hardware Company, Systems Networks Business Group
Apr. 2011 Executive Officer
Apr. 2012 Senior Vice President
Jun. 2014 Senior Vice President and Member of the Board
Apr. 2016 President, Representative Director (incumbent)</td></tr>
<tr><td>Reason for the selection of candidate for Director
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 has been engaging in management of OKI Group as President and Representative Director since fiscal 2016. He has been nominated as a candidate for Director because it is expected that, as a member of the board, he will continue to enhance information sharing among directors and strengthen the Board of Director’s decision making functions.</td></tr>
</table>

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Re-election] 3	Masayuki Hoshi (March 9, 1960) Number of years in office as Director: 2 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): 15 out of 15 times (100%) Number of Oki shares held: Common stock 2,800 shares	Apr. 1982 Joined The Fuji Bank, Limited Apr. 2007 General Manager of Global Trade Finance Division, Mizuho Corporate Bank, Ltd. Apr. 2009 Executive Officer, General Manager of Corporate Banking Division No.17, Mizuho Corporate Bank, Ltd. Apr. 2011 Managing Executive Officer, Head of Global Transaction Banking Unit Jun. 2014 Managing Executive Officer May 2015 Senior Vice President, Oki Electric Industry Co., Ltd. Apr. 2016 Chief Risk Management Officer Head of Corporate Planning Group Jun. 2016 Senior Vice President and Member of the Board Apr. 2017 Executive Vice President and Member of the Board (incumbent), Chief Financial Officer (incumbent) Apr. 2018 Supervision of Corporate Administration (incumbent) **Reason for the selection of candidate for Director** Mr. Masayuki Hoshi has abundant experience gained as Managing Executive Officer at Mizuho Financial Group, which the candidate comes from, and has a deep understanding of governance and the Company's aim to become a global business. He is playing a core role in management by concurrently serving as Executive Vice President and Member of the Board from since fiscal 2017. He has been nominated as a candidate for Director because it is expected that, as a member of the board, he will enhance information sharing among directors and strengthen the Board of Director's decision-making functions.

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Outside] [Independent] [Re-election] 4	Minoru Morio (May 20, 1939) Number of years in office as Director: 9 years (from 2001 to 2010) 3 years (from 2015) Number of attendance at meetings of the Board of Directors (the year under review): 15 out of 15 times (100%) Number of Oki shares held: Common stock 1,000 shares	Apr. 1963 Joined Sony Corporation Jun. 1988 Director, Sony Corporation Jun. 1993 Executive Deputy President, Sony Corporation Jun. 2001 Outside Director, Oki Electric Co., Ltd. Apr. 2006 Executive Alumnus, Sony Corporation (incumbent) Jun. 2010 Resigned as Director, Oki Electric Co., Ltd. Jun. 2013 Outside Director, the Bank of Yokohama, Ltd. (incumbent) Jun. 2015 Outside Director, Oki Electric Industry Co., Ltd. (incumbent) Apr. 2016 Outside Director, Concordia Financial Group, Ltd. (incumbent) (Significant concurrent positions) Outside Director, Concordia Financial Group, Ltd. Outside Director, the Bank of Yokohama, Ltd. *The volume of transactions between the above companies and the Company accounts for less than 1% of each company's net sales. **Reason for the selection of candidate for Outside Director** Mr. Minoru Morio has a wealth of experience and knowledge cultivated through his career at Sony Corporation and high ethical standard. Based on his track record at Oki Electric and other companies, the Company judges that he is able to provide appropriate supervision on management, business, and governance issues. He has been nominated as a candidate for Outside Director because it is expected that, as a member of the board, he will continue to enhance information sharing among directors and strengthen the Board of Director's decision-making functions.

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile, position and responsibility in the Company and significant concurrent positions
[Outside] [Independent] [Re-election] 5	Shigeru Asaba (May 21, 1961) Number of years in office as Director: 1 year Number of attendance at meetings of the Board of Directors (the year under review): 11 out of 11 times (100%) Number of Oki shares held: Common stock 0 shares	Apr. 1992 Associate Professor, Faculty of Economics, Gakushuin University Mar. 1994 Ph.D., Economics, University of Tokyo Apr. 1997 Professor, Faculty of Economics, Gakushuin University Apr. 2013 Professor, Graduate School of Commerce, Waseda University Apr. 2016 Professor, Waseda Business School (Graduate School of Business and Finance) Jun. 2016 Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (incumbent) Sep. 2016 Dean, Waseda Business School (Graduate School of Business and Finance) (incumbent) Jun. 2017 Outside Director, Oki Electric Co., Ltd. (incumbent) (Significant concurrent positions) Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. *The volume of transactions between the above company and the Company accounts for less than 1% of each company's net sales. **Reason for the selection of candidate for Outside Director** As a doctor of economics, Mr. Shigeru Asaba has academic expertise in business in general though his specialist knowledge in the fields of industrial organizations, corporate strategy, competitive strategy, ownership structures and strategies, and family-run businesses as well as high ethical standards. He also has experience as Outside Director at Nippon Beet Sugar Manufacturing Co., Ltd. He has been nominated as a candidate for Outside Director because it is expected that, as a member of the board, he will enhance information sharing among directors and strengthen the Board of Director's decision-making functions.

(Translation)

<table>
<tr><th>Candidate number</th><th>Name
(Date of birth)</th><th>Brief personal profile, position and responsibility in the Company and significant concurrent positions</th></tr>
<tr><td rowspan="2">[Outside]
[Independent]
[Newly-nominated]
6</td><td rowspan="2">Tamotsu Saito
(July 13, 1952)

Number of years in office as Director:
–

Number of attendance at meetings of the Board of Directors (the year under review):
–

Number of Oki shares held:
Common stock
0 shares</td><td>Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd.
Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations
Apr. 2008 Director, Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation
Apr. 2011 Executive Vice President
Apr. 2012 President
Apr. 2016 Chairman of the Board (incumbent)
Jun. 2017 Outside Director, JAPAN POST INSURANCE Co., Ltd. (incumbent)
(Significant concurrent positions)
Chairman of the Board, IHI Corporation
Outside Director, JAPAN POST INSURANCE Co., Ltd.
*The volume of transactions between the above companies and the Company accounts for less than 1% of each company’s net sales.</td></tr>
<tr><td>Reason for the selection of candidate for Outside Director
Mr. Tamotsu Saito currently serves as Chairman of the Board of IHI Corporation and has extensive experience as a business leader, not just in the industry but for the whole of Japan, and the Company judges that he is able to provide appropriate supervision over the business management at the Company. He has been nominated as a candidate for Outside Director as the Company feels that it is able to rely on his appropriate opinions and advice from both a business management perspective and a compliance perspective, and judges that he is a suitable candidate for Outside Director.</td></tr>
<tr><td rowspan="2">[Outside]
[Independent]
[Newly-nominated]
7</td><td rowspan="2">Izumi Kawashima
(June 25, 1955)

Number of years in office as Director:
–

Number of attendance at meetings of the Board of Directors (the year under review):
–

Number of Oki shares held:
Common stock
0 shares</td><td>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.</td></tr>
<tr><td>Reason for the selection of candidate for Outside Director
Ms. Izumi Kawashima is currently a professor of the Faculty of Social Sciences at Waseda University. She specializes in commercial law (particularly the Companies Act) and the Financial Instruments and Exchange Act, and she is one of Japan’s top-level specialists in that field. She has been nominated as a candidate for Outside Director as the Company feels that it is able to rely on her appropriate opinions and advice and judges that she is a suitable candidate for Outside Director, owing particularly to her academic specialist knowledge relating to corporate governance and the Companies Act. 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.</td></tr>
</table>

Notes:
1. There is no special conflict of interest between each candidate and the Company.
2. Mr. Minoru Morio, Mr. Shigeru Asaba, Mr. Tamotsu Saito, and Ms. Izumi Kawashima are candidates for outside directors.
3. Mr. Minoru Morio was an outside director of the Company from June, 2001 to June, 2010.

(Translation)

4. The Company has entered into a liability limitation agreement with candidates for outside directors Minoru Morio and Shigeru Asaba. The outline of the agreement is provided in "Outline of Liability Limitation Agreements" (on page 26) in the Business Report. If their reappointment is approved, the Company will continue this agreement with them. If the appointment of Mr. Tamotsu Saito and Ms. Izumi Kawashima, candidates for outside director, is approved, the Company will enter into the same agreement with them.
5. Mr. Minoru Morio and Mr. Shigeru Asaba are independent officers based on the terms of the Tokyo Stock Exchange. If their reappointment is approved, they will continue to be independent officers. If the appointment of Mr. Tamotsu Saito and Ms. Izumi Kawashima, candidates for outside director, is approved, they will be independent officers.

(Translation)

(Reference) The Company's stance towards independence of Outside Directors and Outside Audit & Supervisory Board Members

The Company elects Outside Directors and Outside Audit & Supervisory Board Members based on the following policies

1) Persons who are not business executers*1 of the OKI Group
2) Parties for whom the OKI Group is not a major business partner (parties whose sales to OKI Group exceeds 2% of the total sales of the parties' group) or business executers thereof
3) Parties who are not major businesses partners of the OKI Group (parties to whom OKI Group' sales exceeds 2% of the total sales of the OKI Group) or business executers thereof
4) Parties who are not major shareholders of the Company (parties who holds 10% or more of the total voting rights directly or indirectly) or business executers thereof
5) Persons who are not business executers of parties of whom the OKI Group is a major shareholder
6) Persons who are not consultants, accounting specialist such as certified public accountants, or legal experts such as attorney-at-law receiving significant amount of money (more than ¥10 million annually) or other property (property worth more than ¥10 million annually), except for compensation paid to Directors and Audit & Supervisory Board Members, from the OKI Group (or if the entity receiving such property is an organization including corporation and association, persons belonging to the organization)
7) Persons who do not belong to the accounting firm conducting statutory audits of the Company
8) Persons who have not fallen under any of items 1) through 7) in the past 10 years
9) Persons who are not relatives within two degrees of kinship of the following persons
   a. Persons who fall under any of the above 2) through 7) (however, for the "business executers" in 2) through 5), this applies only to principal business executers*2, for the "persons belonging to the organization" in 6), this applies only to principal business executers thereof or persons with professional certificates or license such as certified public accountants and attorney-at-law if the relevant organization is an audit firm or law firm, and for "persons who belong to the accounting firm" in 7), this applies only to principal business executers thereof or persons with professional certificates or license such as certified public accountants.)
   b. Principal business executers of the OKI Group
   c. Persons who have fallen under the above b in the past 10 years

*1 "Business executers" refer to persons who perform business execution such as Directors (excluding Outside Directors), Executive Officers, employees, etc.

*2 "Principal business executers" refer to persons who perform important business execution such as Directors (excluding Outside Directors), Executive Officers, General Managers, etc.

In addition to these policies, the Company elects Outside Directors and Outside Audit & Supervisory Board Members, on the ground of each candidate's experience and knowledge in respective professional fields being beneficial to the Company at present.

(Translation)

Instructions for the Exercise of Voting Rights via the Internet

1. Matters concerning the exercise of voting rights via the Internet

We kindly request your consent to the following regarding exercise of voting rights via the Internet.

1) Exercise of voting rights via the Internet is only possible by accessing the voting site designated by the Company (https://soukai.mizuho-tb.co.jp/) via a PC or a mobile phone. When exercising the voting right using this site, you are requested to log in to the site using your voting rights exercise code and password provided in the right corner of the voting rights exercise form, enclosed with the Notice, then follow the guidance on the screen. To ensure security, you are requested to change the password when executing the first log-in.
2) You are requested to complete entries by 5:15 p.m., June 21 (Thursday), 2018 (JST), which is the deadline for execution. Please exercise your voting rights at your earliest convenience.
3) If you exercise your voting rights both in writing and via the Internet, we will regard the vote cast via the Internet to be effective.
4) If you exercise your voting rights more than once, we will regard the last vote you cast via the Internet to be the effective one.
5) Cost relating to the Internet (service provider access fees, communication charges, etc.) will be borne by the shareholders concerned.

2. Technical specifications

1) Internet environment: an environment where the Internet can be used, such as by conclusion of a contract with an Internet provider, is required.
2) Browser: Internet Explorer Ver. 7 or later
3) Software
   Adobe Reader Ver. 9 or later
4) Screen resolution
   800x600 dots (SVGA) or more

3. Notes on information security

Please rest assured that you will be able to use our systems safely as we use cryptographic technology (SHA-2) in order to prevent exercise-related information from being falsified or wiretapped.

The voting rights exercise code and password provided on your voting rights exercise form are an important means of validating you as our shareholder. Please ensure that they are not disclosed to others. The Company's staff will never ask you to disclose your password.

4. Contact

1) For information concerning the operation of personal computers, etc. for the electronic exercise of voting rights:
   Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
   Tel: 0120-768-524 (toll-free, only in Japan)
   From 9:00 a.m. to 9:00 p.m. excluding Saturdays, Sundays and national holidays
2) For address changes and other matters other than 1) above:
   Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
   Tel. 0120-288-324 (toll-free, only in Japan)
   From 9:00 a.m. to 5:00 p.m. excluding Saturdays, Sundays and national holidays

Internet Explorer is a registered trademark or trademark of Microsoft Corporation (U.S.).
Adobe Reader is a registered trademark or trademark of Adobe Systems Incorporated.

(Translation)

(Attachment)

Business Report

(From April 1, 2017 to March 31, 2018)

1. Status of the OKI Group

(1) Operating progress and results

Economic situation

Looking at the global situation in fiscal 2017, in the U.S., the economy underwent a steady recovery, due to factors such as an increase in private consumption and capital investment, and the economy showed a gradual recovery in Europe and emerging countries, such as China. The Japanese economy continued its modest recovery supported by factors such as increases in employment and capital investment.

Operating results for the fiscal year under review

In this business environment, the OKI Group reported net sales of ¥438.0 billion, a ¥13.6 billion or 3.0% decrease year-on-year, due to weak sales of ATMs in the overseas market by the mechatronics systems business, despite sales in the ICT business and the EMS business generally remaining stable and the printer business benefiting from the effects of the weak yen. Operating income was ¥7.7 billion, an increase of ¥5.2 billion year-on-year, due to the absence of one-off losses recorded in the previous fiscal year, despite the impact of a decline in sales volume.

Ordinary income was ¥8.5 billion, an improvement of ¥10.9 billion year-on-year, due to factors such as the ¥4.8 billion foreign exchange loss recorded in the previous fiscal year changing to a foreign exchange gain of ¥0.2 billion in the fiscal year under review. Profit attributable to owners of parent was ¥5.9 billion, an increase of ¥1.2 billion year-on-year.

Looking at non-consolidated business performance, net sales were ¥204.0 billion, down ¥8.2 billion (3.9%) from the previous fiscal year. Operating loss was ¥0.9 billion, a deterioration of ¥5.9 billion year-on-year. Ordinary income decreased by ¥8.0 billion year-on-year to ¥2.3 billion. Loss was ¥2.0 billion, a ¥16.7 billion up year-on-year.

Return of profit to shareholders

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 financial condition and management foundations by applying retained earnings to investments in research & development and facilities that are critical to future growth. In addition, OKI will attach the highest importance to maintaining stable profit distributions to shareholders and decide dividends after taking business performance into consideration. Based on this policy, OKI proposes to pay ¥30 per common stock as a dividend from the surplus (year-end dividend) in the current fiscal year.

(Translation)

The following provides a summary of each segment.

- Net Sales by Segments

(Unit: Billions of yen)

Segment	FY2016 (reference: previous fiscal year)	FY2017 (Fiscal year under review)	Changes (amount)	Changes (%)
ICT	177.4	172.7	(4.7)	(2.6)
Mechatronics Systems	100.9	93.5	(7.4)	(7.3)
Printers	112.4	108.9	(3.5)	(3.1)
EMS	43.2	47.7	4.5	10.5
Others	17.8	15.2	(2.6)	(14.5)
Total	451.6	438.0	(13.6)	(3.0)

Note: 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.

ICT

Net sales were ¥172.7 billion, down ¥4.7 billion (2.6%) from the previous fiscal year. The decline resulted from factors such as moving NW-related projects to the following fiscal year, despite some projects for public agencies returning favorable results.

Operating income was ¥13.5 billion, a decline of ¥0.9 billion, with the effect of a decrease in sales being compensated for by differences in product mix and reduced costs.

Mechatronics Systems

Net sales were ¥93.5 billion, down ¥7.4 billion (7.3%) from the previous fiscal year. The decline largely resulted from the effect of the slump in ATM sales in the overseas market, despite increased revenue due to the standardization of the fiscal periods of Brazilian subsidiaries.

Operating loss was ¥5.1 billion, an improvement of ¥6.7 billion year-on-year, due to the absence of the effect of the one-off loss recorded in the allowance for doubtful receivables in the previous fiscal year, despite the impact of a decline in sales volume.

Printers

Net sales were ¥108.9 billion, down ¥3.5 billion (3.1%) from the previous fiscal year. The decline was due to the decline in sales in the office printing market, as part of the process of the shift to the industrial printing market, despite the effect of increased revenue due to the weak yen.

Operating income was ¥2.7 billion, up ¥1.7 billion year-on-year, due to the effect of business structure reforms and the weak yen.

Electronics manufacturing services (EMS) and others

Net sales of the EMS business rose ¥4.5 billion, or 10.5%, year-on-year, to ¥47.7 billion, due to favorable results from the printed circuit board business, including for

semiconductor-related devices. Operating income increased by ¥0.1 billion to ¥2.2 billion owing to higher sales volume.

Net sales of the others business segment were ¥15.2 billion, down ¥2.6 billion or 14.5% year-on-year, due to the effect of reduced income resulting from the exclusion from the scope of consolidation of Oki Sensor Device Corporation for which a share transfer was conducted in March 31, 2017, despite the effect of the consolidation of Oki Electric Cable Co., Ltd. in the fourth quarter under review. Operating income declined by ¥1.4 billion to ¥2.0 billion owing to lower sales volume.

(2) Capital expenditure

Capital expenditures for the fiscal year equaled ¥7.4 billion.

Investment amounts by segment were as follows.

(Unit: Billions of yen)

Segment	Amount of capital expenditure	Major investments
ICT	2.2	Investments in R&D, development of new products and production activities for systems related to social infrastructures, financial systems, network system, etc.
Mechatronics Systems	1.1	Investments in R&D, development of new products and production activities related to automation equipment systems
Printers	1.6	Investments in R&D, development and production activities relating to business-use printers
EMS	1.1	Investments in entrusted manufacturing services for telecommunications and industrial equipment
Others	1.5	
Total	7.4	

(3) Financing

Funds required for the current term were obtained from our own funds and borrowed funds.

(4) Future challenges

The information communication market in which the OKI group operates is constantly evolving, and at an ever-faster rate. To respond to such changes in the business environment, we recognize that we face major challenges to develop new products, accelerate advances into growth fields, and improve profitability.

Faced with these challenges, the OKI Group aims to secure stable earnings and sustained improvement in corporate value. In existing businesses, we will strive to maintain and improve profitability through efforts centering on strengthening cost competitiveness. In addition, we intend to expand our business by actively promoting strategic investments in the development of new products and businesses. Besides developing business making use of the OKI Group’s key strengths in networks and sensing and our highly reliable manufacturing technologies, we aim also actively to use business alliances and M&A investments to support growth. While enhancing products and services that respond to diversifying market needs, we intend to expand sales by improving quality and productivity,

strengthening collaboration between production and sales bases in Japan and overseas, and bolstering our service structure. At the same time, we will strive to raise capital efficiency by improving asset efficiency and realize stable shareholder returns.

From the perspective of corporate social responsibility, we regard environmental issues as a vital management issue. We are actively pressing forward with initiatives on energy-saving, resource conservation, reducing and recycling waste, and reducing the environmental load.

To meet the expectations from all stakeholders, we are also striving to ensure reliable business continuity by strengthening internal control systems through reinforcing corporate governance, compliance systems, and risk management systems.

(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.

	91st year (FY2014)	**92nd year (FY2015)**	**93rd year (FY2016)**	**94th year (Fiscal year under review, FY2017)**
Sales	540.2 billion yen	490.3 billion yen	451.6 billion yen	438.0 billion yen
Profit attributable to owners of parent	33,091 million yen	6,609 million yen	4,691 million yen	5,891 million yen
Basic earnings per share	400.34 yen	76.10 yen	54.03 yen	67.86 yen
Total assets	439.4 billion yen	411.8 billion yen	360.7 billion yen	371.8 billion yen
Net assets	121.4 billion yen	107.4 billion yen	97.2 billion yen	102.1 billion yen
Net assets per share	1,377.44 yen	1,229.09 yen	1,115.68 yen	1,154.03 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 Company consolidated ten shares of common stock into one share of common stock as of October 1, 2016. Basic earnings per share and net assets per share are calculated assuming that the shares were consolidated at the beginning of the 91st fiscal year ended March 31, 2015.

(Translation)

(6) Status of major subsidiaries

(i) Status of major subsidiaries

Name	Capital	Company's voting right ratio (%)	Major business
Oki Data Corporation	19,000 million yen	100	Manufacturing and sales of printers
Oki Customer Adtech Co., Ltd.	1,800 million yen	100	Maintenance, construction and sales of information processing equipment and telecommunications equipment
OKI Software Co., Ltd.	400 million yen	100	Development and operation of telecommunications system software
Oki Wintech Co., Ltd.	2,001 million yen	100	Design and construction of electronic works and electronic telecommunications works
Oki Data Americas, Inc.	10 million U.S. dollars	100*	Sales of printers
Oki Data Manufacturing (Thailand) Co., Ltd.	420 million baht	100*	Manufacturing of printers
Oki Europe Ltd.	141 million euro	100*	Sales of printers
Oki Electric Industry (Shenzhen) Co., Ltd.	8 million U.S. dollars	100*	Manufacturing of information processing equipment and printers

Note: Figures marked with an asterisk (*) indicate the ratio of voting rights held by subsidiaries of the Company.

(ii) Major partners

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

(7) Major businesses

The OKI Group develops its core businesses in the fields of ICT, Mechatronics Systems, Printers and EMS (entrusted manufacturing services).

Major business items in each business include the following.

Segment	Business items
ICT	Traffic infrastructure-related systems, Disaster-related systems, Self-defense-related systems, communications equipment for telecom carriers, bank branch systems, centered-administration systems, ticket reservations and issuing systems, IP-PBX, business telephones, contact centers, 920MHz band wireless multi-hop communication systems, and support and maintenance services for them
Mechatronics Systems	ATMs, cash handling equipment, bank branch terminals, ticket reservations and issuing terminals, check-in terminals, currency exchange machines, ATM monitoring and operations services, etc.
Printers	Color and monochrome LED printers, color and monochrome LED multifunction printers, wide format ink jet printer, dot impact printers, etc.
EMS	Designing & manufacturing services, printed circuit boards, etc.

(Translation)

(8) 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), Osaka (Osaka) and Takasaki (Gunma)
Oki Data Corporation	Head office	Minato-ku, Tokyo
Oki Customer Adtech Co., Ltd.	Head office	Koto-ku, Tokyo
OKI Software Co., Ltd.	Head office	Warabi, Saitama
Oki Wintech Co., Ltd.	Head office	Shinagawa-ku, Tokyo
Oki Data Americas, Inc.	Head office	U.S.A.
Oki Data Manufacturing (Thailand) Co., Ltd.	Head office	Thailand
Oki Europe Ltd.	Head office	UK
Oki Electric Industry (Shenzhen) Co., Ltd.	Head office	China

(9) Employees

(i) Employees of the OKI Group

Segment	Number of employees
ICT	7,023
Mechatronics Systems	4,106
Printers	4,468
EMS	1,326
Others	1,595
Company-wide (shared)	460
Total	18,978

(ii) Employees of Oki Electric Industry

Number of employees	Average age	Average years of service
4,024 (decreased by 39 from the end of the previous fiscal year)	43.6	21.0

(Translation)

(10) Major creditors

Major creditors of the OKI Group are as follows:

(Unit: Billions of yen)

Creditor	Loan balance
Mizuho Bank, Ltd.	20.3
Sumitomo Mitsui Banking Corporation	12.4
Mizuho Trust & Banking Co., Ltd.	3.9
The Norinchukin Bank	3.1
Aozora Bank, Ltd.	2.2

(11) 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) **Structure**

The Company has chosen to be a company with the Audit & Supervisory Board, as a structure to ensure stable realization of its fundamental policies for corporate governance. Specifically, it establishes the Board of Directors and Audit & Supervisory Board members and an Audit & Supervisory Board in charge of supervision and auditing and adopts an executive officer system, aiming to promote timely decision-making processes by separating business execution and oversight. In addition, it endeavors to improve the fairness and transparency of management by nominating outside directors as well as setting up the "Personnel Affairs and Compensation Advisory Committee" as a voluntary committee concerning on appointment and compensation, and the post of Chairman of the Board, so as to ensure effective supervision from an independent and objective standpoint.

In addition to objective audits by Audit & Supervisory Board members and the Audit & Supervisory Board on the premise of its strong authority for investigation, OKI seeks to carry out prompt risk management and ensure rigorous compliance by initiatives such as the establishment of the Risk Management Committee, which includes outside directors.

Furthermore, there is no system to receive consulting and advice, etc., from former representative directors and presidents, etc.

(iii) **Board of Directors**

The Company's Board of Directors consists of seven Directors, including three highly independent Outside Directors, with the consideration of diverse expertise and careers for the purpose of fulfilling such duties as deliberations and decisions on significant matters concerning the Company's business execution and oversight thereof. To clarify management responsibility for each fiscal year, the tenure for Directors has been set as one year.

The Company provides Directors and Audit & Supervisory Board members with such opportunities as seminars and trainings, which are necessary in fulfilling their roles and responsibilities, and conducts presentation for outside officers upon appointment aimed at deepening their understanding about the OKI Group's business, in addition to visits to business offices and other sites.

(iv) **Election of company officers**

The Company has established the Personnel Affairs and Compensation Advisory Committee to secure transparency in the decision-making processes for appointments of officers. The Committee consists of five members including three outside officers, and the Chairman of the Committee is appointed from among Outside Directors. The Personnel Affairs and Compensation Advisory Committee deliberates on appointments of Director and executive officer from an objective viewpoint, and reports the results to the Board of Directors. In addition, the Committee delivers its opinion on appointments of candidates for Audit & Supervisory Board members to Audit & Supervisory Board members.

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

With respect to the appointment of candidates for outside officers, OKI formulates its independence criteria (See page 10), and elects person who satisfies these criteria as an outside officer. All outside officers have been reported as independent officers to the Tokyo Stock Exchange.

(v) **Compensation for the Board members and executive directors**

In order to secure transparency and objectiveness in the decision-making processes concerning compensation for officers, the Personnel Affairs and Compensation Advisory Committee deliberates on the structure and level of compensation for Director and executive officer from an objective viewpoint, and reports the results to the Board of Directors.

OKI's basic policy on compensation for Director and executive officer 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 system 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. These changes have been implemented 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.

Type	Content of compensation
Basic compensation	When serving as Executive Officer concurrently, monetary compensation shall be paid, determined individually tailored to position, followed by duties.
Annual incentive compensation	Monetary compensation shall be paid, 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 amount of payments is 35% of the basic compensation in case that the rate of payments is 100%. The rate of payments is determined within the scope of 0% to 200%, according to a linkage with business performance and the President's qualitative assessment.
Medium- to long-term incentive compensation	Stock option for stock-liked compensation shall be granted, around 13% of basic compensation amount, in the view of value sharing with shareholders and the enhancement of corporate value as well as shareholders' value over the medium- to long-term.

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

(12) Other significant events of the OKI Group

(i) The Company acquired issued shares of Oki Electric Cable Co., Ltd. through a tender offer, making it a consolidated subsidiary on December 25, 2017.

(ii) Oki Banking Systems (Shenzhen) Co., Ltd., a subsidiary of the Company, filed a request for arbitration against Shenzhen Yihua Computer Industrial Co., Ltd. in October 2015, demanding payment of RMB1,115,463 thousand (¥18.9 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. The arbitration proceeding is currently under review by the South China International Economic and Trade Arbitration Commission. Although the Company has recorded a provision of allowance for doubtful receivables regarding this case, there is no change in the Company's policy of collecting the total amount of receivables.

(Translation)

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 352,250 shares of treasury stock)

Note: In addition to the above, the Company acquired 375,605 of its own shares held by Oki Electric Cable Co., Ltd. as treasury stock on April 27, 2018.

(3) Number of shareholders:

73,825

(4) Major shareholders (Top 10)

Name of shareholder	Number of shares held (thousand shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	4,718	5.43
MSIP Client Securities	3,778	4.35
Japan Trustee Services Bank, Ltd. (trust account)	3,671	4.23
Oki Denki Group Employees' Shareholdings Committee	1,864	2.15
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS - UNITED KINGDOM	1,813	2.09
BNYM FOR GOLDMAN SACHS JAPAN	1,693	1.95
Japan Trustee Services Bank, Ltd. (trust account 5)	1,552	1.79
Mizuho Bank LTD.	1,419	1.63
Hulic Co., Ltd.	1,407	1.62
Meiji Yasuda Life Insurance Company	1,400	1.61

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

(Translation)

3. Equity Warrants

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

(i) Number of equity warrants
313

(ii) Type and number of shares subject to equity warrants
31,300 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	140	3
FY2017 equity warrant (1 yen) (Issued on August 15, 2017)	August 16, 2017 to August 15, 2042	173	3

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

Issued Number	Exercise period	Directors (excluding outside Directors)	
		Number of equity warrants	Number of holders
FY2017 equity warrant (1 yen) (Issued on August 15, 2017)	August 16, 2017 to August 15, 2042	444	15

(Translation)

4. Company Officers

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

Note 1	Position	Name	Status or main duties
	Representative Director and Chairman of the Board	Hideichi Kawasaki	Chairman of the Board
X	President, Representative Director	Shinya Kamagami	Supervision
X	Senior Executive Vice President and Member of the Board	Toshinao Takeuchi	Chief Internal Control Officer Chief Compliance Officer Head of Corporate Management Group
X	Executive Vice President and Member of the Board	Masayuki Hoshi	Chief Financial Officer Head of Corporate Planning Group
	Director	Takuma Ishiyama	
	Director	Minoru Morio	Outside Director of Concordia Financial Group, Ltd., Outside Director of the Bank of Yokohama, Ltd.
	Director	Shigeru Asaba	Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd.
Standing Audit & Supervisory Board Member		Hisao Suzuki	
Standing Audit & Supervisory Board Member		Sei Yano	
Audit & Supervisory Board Member		Kuninori Hamaguchi	
Audit & Supervisory Board Member		Yoichi Nitta	

Notes:
1. X indicates executive officer.
2. Directors Takuma Ishiyama, Minoru Morio, and Shigeru Asaba are Outside Directors.
3. Audit & Supervisory Board Members Kuninori Hamaguchi and Yoichi Nitta are Outside Audit & Supervisory Board Members.
4. Directors Takuma Ishiyama, Minoru Morio and Shigeru Asaba, Audit & Supervisory Board Members Kuninori Hamaguchi and Yoichi Nitta has been reported as independent officers to Tokyo Stock Exchange.
5. Audit & Supervisory Board Member Hisao Suzuki 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. Executive officers as of March 31, 2018 are as follows (excluding those who concurrently serve as Directors).

Position	Name	Principal duty
Senior Vice President	Kenichi Tamura	Head of Mechatronics Systems Business Division
Senior Vice President	Toru Hatano	In charge of Printers Business Division (President, Oki Data Corporation)
Senior Vice President	Tetsuya Izaki	Chief Information Officer Head of Information & Technologies Planning Group
Senior Vice President	Masaaki Hashimoto	Head of Marketing & Sales Group and General Manager, IoT Business Development Division
Senior Vice President	Masashi Tsuboi	Head of ICT Business Group
Executive Officer	Yoshiyuki Nakano	Head of EMS Business Group
Executive Officer	Kiyoshi Yokota	Chief Technology Officer, Chief Quality Officer Deputy Head of Information & Technologies Planning Group and Head of Corporate Research and Development Center
Executive Officer	Yuichiro Katagiri	Deputy Head of ICT Business Group
Executive Officer	Toru Miyazawa	Head of Marketing & Sales Division-3, Marketing & Sales Group
Executive Officer	Hiroshi Tsuchiya	Deputy Head of ICT Business Group and Head of Planning & Management Division
Executive Officer	Masashi Fuse	Head of Accounting & Control Division and Head of Finance Division, Corporate Management Group
Executive Officer	Yuka Miyagawa	Head of Marketing & Sales Division-2, Marketing & Sales Group
Executive Officer	Akiko Horiguchi	Head of Human Resources Division, Corporate Planning Group
Executive Officer	Hiroshi Tomizawa	Deputy Head of Mechatronics Systems Business Group and Head of Global Mechatronics Systems Division
Executive Officer	Masatoshi Saito	Head of Corporate Planning Division, Corporate Planning Group

(2) Compensation paid to Directors and Audit & Supervisory Board Members

Title	Number of persons	Amount of payment
Directors	8	¥270 million
Audit & Supervisory Board Members	5	¥60 million

Notes:

1. The amounts of compensation approved by the 82nd Ordinary General Meeting of Shareholders held on June 29, 2006 are within ¥600 million per year for Directors and within ¥100 million per year for Audit & Supervisory Board Members. The amount of compensation for Directors excludes employee wages for Directors who are also employees. The amounts of compensation related to equity warrants allotted as compensation-type stock option, approved by the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016, are within ¥100 million per year for Directors (excluding Outside Directors), separately from the above compensations.
2. The amounts paid include the remuneration of ¥17 million in the form of stock options for Directors
3. The numbers of Directors and Audit & Supervisory Board Members as of the end of the fiscal year under review are different from the number shown above, because the above numbers include those who resigned at the conclusion of the 93rd Ordinary General Meeting of Shareholders held on June 23, 2017.

(Translation)

(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 Minoru Morio concurrently serves as Outside Director of Concordia Financial Group, Ltd. and Outside Director of the Bank of Yokohama, 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 the each said company's net sales.

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.

(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
Takuma Ishiyama, Director	13 (15)	87%	–	–
Minoru Morio, Director	15 (15)	100%	–	–
Shigeru Asaba Director	11 (11)	100%	–	–
Kuninori Hamaguchi, Audit & Supervisory Board Member	15 (15)	100%	16 (16)	100%
Yoichi Nitta, Audit & Supervisory Board Member	15 (15)	100%	16 (16)	100%

Note: The number of meetings for Director Shigeru Asaba represents the number of meetings held since he took office in June 2017.

(Translation)

(b) Major activities

	Principal comments
Takuma Ishiyama Director	Making statements from an objective standpoint mainly as a specialist in corporate law, 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 as an advisor to the Risk Management Committee and enhancing the management fairness and transparency as the Chairman of the Personnel Affairs and Compensation Advisory Committee.
Minoru Morio, Director	Making statements from a viewpoint nurtured through abundant experience in corporate management, 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 as an advisor to the Risk Management Committee and enhancing the management fairness and transparency as a member of the Personnel Affairs and Compensation Advisory Committee.
Shigeru Asaba Director	Making statements from the dual perspectives of industry and academia in his position as a professor of a university business school, 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 as an advisor to the Risk Management Committee and enhancing the management fairness and transparency as a member of the Personnel Affairs and Compensation Advisory Committee.
Kuninori Hamaguchi 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 manufacturing companies to make statements aimed at achieving sustainable growth and producing medium- to long-term corporate value for the Company.
Yoichi Nitta 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 financial institutions to make statements aimed at achieving sustainable growth and establishing high-quality corporate governance systems for the Company.

(iii) Total amount of compensation, etc.

¥42 million (for the five individuals)

(4) Outline of Liability Limitation Agreements

The Company concluded agreements to limit liabilities with outside officers (Takuma Ishiyama, Minoru Morio, Shigeru Asaba, Kuninori Hamaguchi and Yoichi Nitta) and Standing Audit & Supervisory Board Members (Hisao Suzuki and Sei Yano) under the provisions of Article 427 of the Companies Act. The outline of the agreements is as follows:

- In cases where outside officers and Standing 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 Article 427, Paragraph 1 of the Companies Act.
- The above limitation of liability shall be applied only when the relevant outside officers and Standing Audit & Supervisory Board Members have executed their duties that caused the liabilities in good faith and without gross negligence.

(Translation)

5. Status of Accounting Auditor

(1) Name: PricewaterhouseCoopers Aarata LLC

Note: Ernst & Young ShinNihon LLC, which was the Company's accounting auditor, concluded its services at the end of the 93rd Ordinary General Meeting of Shareholders held on June 23, 2017.

(2) Compensation, etc.

	Amount of payment
1. Compensation, to be paid to the accounting auditor for the fiscal year under review	180 million yen
2. Total sum of cash and profits on other assets that the Company and its subsidiaries should pay to the accounting auditor	280 million yen

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 major subsidiaries, Oki Data Americas, Inc., Oki Data Manufacturing (Thailand) Co., Ltd., Oki Europe Ltd., and Oki Electric Industry (Shenzhen) Co., Ltd. have undergone statutory audits by accounting auditors other than the accounting auditor of the Company.
3. After having performed the 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 the calculation of the estimated compensation for the accounting auditor, the Audit & Supervisory Board has decided to consent to the amount of compensation, etc. to be paid to the accounting auditor.

(3) Content of non-auditing services

The Company has also entrusted the accounting auditor with "advisory services relating to internal control" 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.

(4) Policy regarding decision to dismiss or not reappoint the accounting auditor

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 Paragraph 1, Article 340 of the Companies Act, the Audit & Supervisory Board will dismiss the accounting auditor upon the consent of all the Audit & Supervisory Board Members.

(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.

(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 oversight, 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 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, and the Company has provided "Behavioral Guidelines," the "OKI Group Charter of Corporate Conduct," and the "OKI Group Code of Conduct," as a

foundation to ensure compliance. The Directors of the Company and each Group Company take the initiative in compliance activities in conformance with the "Compliance Commitment."

(b) The Company has established the Compliance Committee chaired by the Chief Compliance Officer, to deliberate and decide on basic policies regarding compliance programs. 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 improve each employee's awareness about compliance through means such as e-learning.

(c) In the fiscal year under review, the Company has established the Basic Regulations on Compliance with Competition Act, in order to ensure compliance with the Antimonopoly Act, and has stipulated specifically prohibited conduct and established mechanisms to file and record information on contact with competitors. In this regard, the Company has conducted group training and e-learning for all employees, at 13 locations including each Marketing & Sales Division and branch.

(d) The Company has clearly defined that in case of non-compliance, the Company takes disciplinary action in accordance with the workplace regulations, etc., and has established the Group Disciplinary Action Committee, which is chaired by the President and Executive Officer, to consider said action.

(e) The Company has established 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 said hotline to employees.

(ii) Procedures relating to risk management

(a) The Company has established a Risk Management Committee chaired by the President and Executive Director and advised by the Outside Directors and Audit & Supervisory Board Members, to stipulate fundamental matters relating to measures to prevent risks from emerging, and preparation in case risks arise.

(b) In relation to business activities, the Company has established a Business Risk Management Division and a Group Common Risk Management Division, which deals with risks that are common to the Group, and each of these management divisions assesses risks and draws up policies for risk countermeasures.

(c) If any risk occurs, the department in which it arises takes necessary steps that have been stipulated in advance, according to the emergency response system relating to said risk, and reports promptly according to the OKI Group Emergency Response System. The Risk Management Committee implements necessary measures and initial investigations relating to said risk. A response system and manager are determined for the risk in question, under the directions of the chairman, giving consideration to the severity and urgency of said risk, which are discovered through initial investigations.

(d) In the fiscal year under review, definitions of business risks and common risks have been added to the risk management regulations, and the appropriate

response measures have been clarified according to the level of risk. Risk of breaching the Financial Instruments and Exchange Act has been added to common risks, and inspection and readjustment of an internal control system for financial reporting is being conducted in accordance with related laws and regulations, in order to secure the reliability of the OKI Group's financial reporting.

(e) In June 2017, the Company determined that treatment of allowances for doubtful receivables and credit management at subsidiaries amounted to "significant deficiencies that must be disclosed" as of March 31, 2017, and reported such in an internal control report. With regard to deficiencies that the Company is aware of, the Company is working to correct internal control systems relating to financial reporting based on improvement plans.

(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 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) In the fiscal year under review, the Company has worked to improve transmission of information between the Company and subsidiaries, for the purpose of strengthening global governance and compliance. The Company has released a message from the President and the Chief Compliance Officer relating to ensuring compliance at a management level, in both Japanese and English, for the employees of all companies in the OKI Group. The Company is re-examining the delegation of authority to subsidiaries and is implementing improvements that can be made to the transmission of information between the Company and subsidiaries, including holding regular information exchange meetings between administrative divisions and subsidiaries.

(iv) Procedures relating to audits by Audit & Supervisory Board Members

(a) The Standing Audit & Supervisory Board Member assesses 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 biannually on the status of operation.

(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 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.

(Translation)

Consolidated Balance Sheet

(as of March 31, 2018)

(Unit: Millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
Current assets	230,420	Current liabilities	186,666
Cash and deposits	48,698	Notes and accounts payable	67,124
Notes and accounts receivable	97,936	Short-term borrowings	58,958
Lease investment assets	8,024	Accounts payable, others	19,768
Finished goods	17,041	Other accrued expenses	21,952
Work in process	21,867	Other current liabilities	18,861
Raw materials and supplies	21,296	Long-term liabilities	82,967
Deferred tax assets	5,677	Long-term debt	22,956
Other current assets	10,012	Lease obligations	8,950
Allowance for doubtful receivables	(132)	Deferred tax liabilities	17,044
Non-current assets	141,357	Provision for Directors' retirement benefits	502
Property, plant and equipment	52,048	Liability for retirement benefits	27,814
Buildings and structures	21,957	Other long-term liabilities	5,700
Machinery, equipment and vehicle	7,505	Total liabilities	269,634
Tools, furniture and fixtures	9,014	(Net Assets)	
Land	13,240	Shareholders' equity	109,215
Construction in progress	332	Capital stock	44,000
Intangible assets	9,952	Additional paid-in capital	19,795
Investments and other assets	79,356	Retained earnings	45,983
Investments in securities	48,760	Treasury stock, at cost	(563)
Asset for retirement benefits	15,357	Accumulated other comprehensive income	(9,045)
Long-term trade receivables	22,456	Net unrealized holding gain/loss on other securities	6,578
Other investments and other assets	12,706		
Allowance for doubtful receivables	(19,924)	Loss on deferred hedges	34
		Translation adjustments	(12,203)
		Retirement benefits liability adjustments	(3,455)
		Subscription rights to shares	101
		Non-controlling interests	1,873
		Total net assets	102,144
Total assets	371,778	Total liabilities and net assets	371,778

(Translation)

Consolidated Statement of Operations

(From April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

Account title	Amount	
Net sales		438,026
Cost of sales		327,450
Gross profit		110,576
Selling, general and administrative expenses		102,854
Operating income		7,721
Non-operating income		
Interest income	191	
Dividend income	1,571	
Share of profit of entities accounted for using equity method	563	
Dividend income of insurance	353	
Other	885	3,564
Non-operating expenses		
Interest expense	1,559	
Penalty	325	
Other	884	2,770
Ordinary income		8,515
Extraordinary profit		
Gain on step acquisitions	1,116	
Gain on sale of property, plant and equipment	770	
Gain on sale of investments in securities	115	
Gain on negative goodwill	210	
Gain on sale of contribution in subsidiaries and affiliates	119	
Gain on extinguishment of debts	179	2,512
Extraordinary loss		
Loss on sale and disposition of property, plant and equipment	373	
Business structure improvement expenses	2,526	2,900
Profit before income taxes		8,128
Income taxes	2,561	
Income taxes deferred	(217)	2,344
Profit		5,783
Loss attributable to non-controlling interests		(108)
Profit attributable to owners of parent		5,891

(Translation)

Consolidated Statement of Changes in Net Assets

(Year ended March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at April 1, 2017	44,000	19,799	44,434	(477)	107,757
Changes during the term under review					
Dividends from surplus			(4,343)		(4,343)
Profit attributable to owners of parent			5,891		5,891
Purchases of treasury stock				(99)	(99)
Disposition of treasury stock		(4)		12	8
Change in ownership interest of parent due to transactions with non-controlling interests		0			0
Net changes in items other than shareholders' equity during the term under review					
Net changes during the term under review	–	(4)	1,548	(86)	1,457
Balance at March 31, 2018	44,000	19,795	45,983	(563)	109,215

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Net unrealized holding gain/loss on other securities	Loss / Gain on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at April 1, 2017	5,337	(2)	(11,702)	(4,511)	(10,878)	94	242	97,215
Changes during the term under review								
Dividends from surplus								(4,343)
Profit attributable to owners of parent								5,891
Purchases of treasury stock								(99)
Change of scope of consolidation								8
Change in ownership interest of parent due to transactions with non-controlling interests								0
Net changes in items other than shareholders' equity during the term under review	1,240	37	(500)	1,056	1,833	6	1,631	3,471
Net changes during the term under review	1,240	37	(500)	1,056	1,833	6	1,631	4,929
Balance at March 31, 2018	6,578	34	(12,203)	(3,455)	(9,045)	101	1,873	102,144

(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: 84 companies

Names of major consolidated subsidiaries:

Oki Data Corporation; Oki Customer Adtech Co., Ltd.; Oki Wintech Co., Ltd.; OKI Software Co., Ltd.; Oki Proserve Co., Ltd.; Nagano Oki Electric Co., Ltd.; Oki Printed Circuits Co., Ltd.; Oki Data Americas, Inc.; Oki Data Manufacturing (Thailand) Co., Ltd.; Oki Europe Ltd.; Oki Electric Industry (Shenzhen) Co., Ltd.; and OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A.

(2) Changes in scope of consolidation:

Oki Electric Cable Co., Ltd., which used to be an affiliated company to which the equity method is applied, and its five subsidiaries have become subsidiaries of the Company since the Company obtained additional shares of Oki Electric Cable Co., Ltd., and have therefore been included in the scope of consolidation for the fiscal year under review. Furthermore, the following companies have been excluded from the scope of consolidation: OKI Digital Imaging Corporation, which merged with Oki Data Corporation, a consolidated subsidiary; OPM Co., Ltd., which merged with the Company; Oki Shibaura, which merged with Otem Co., Ltd., a consolidated subsidiary; OKI SYSTEMS (DEUTSCHLAND) GMBH and 11 other companies, which merged with OKI EUROPE LTD; and Oki Electric Technology (Kunshan) Co., Ltd., whose shared were sold off. The company name of Otem Co., Ltd. has been changed to Oki Alestech Co., Ltd.

2. Application of equity method

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

Banking Channel Solutions Co., Ltd. and other two companies

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

TOWN NETWORK SERVICE Corporation and other two companies

Reason for not applying the equity method:

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

(3) Changes in scope of application of equity method

Oki Electric Cable Co., Ltd. has been excluded from the scope of equity method because it became a subsidiary due to the Company obtaining additional shares.

(Translation)

3. Matters concerning account settlement dates of consolidated subsidiaries

Previously, for OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A. and seven other companies whose closing date was December 31, the financial statements as of December 31 were used, and necessary adjustments were made for major transactions that occurred between the date and the consolidated closing date. However, from the fiscal year under review, those companies have changed the method to perform provisional closing on the consolidated closing date in order to make more appropriate disclosure of consolidated financial statements.

In accordance with this change, the fiscal year under review applies to the 15 months from January 1, 2017 to March 31, 2018, and adjustments have been made through the consolidated statement of income.

4. 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:

Marketable securities:

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

Non-marketable securities:

Mainly stated at cost based on the moving average method

(ii) Inventories

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

Finished goods:

Principally 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:

Principally 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:

Principally 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

(Translation)

(2) Depreciation and amortization

(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.

(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.

In addition, out of the finance lease transactions that do not transfer ownership, lease transactions whose lease transaction commencement date was on or prior to March 31, 2008 are accounted for on a basis similar to ordinary rental transactions.

(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 losses 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

Basis for provision of income relating to contract work and software development contracts

a. Income from those with certain results in progress before the end of the fiscal year

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

(Translation)

b. Other income

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

(5) Important hedge accounting methods

(i) Method of hedge accounting

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

(ii) Means of hedging and coverage

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

(iii) Hedging policy

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

(iv) Assessment method of the effectiveness of hedges

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

(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 at the time of their accrual in each fiscal year. Amortization of such gains and losses is deemed to be effective from the year after the one in which they arise.

(Translation)

(ii) Accounting processing of consumption tax

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

(iii) Application of consolidated tax payment

The consolidated tax payment is applied.

Additional Information

Oki Banking Systems (Shenzhen) Co., Ltd., an OKI Group consolidated subsidiary, has filed a request for arbitration against Shenzhen Yihua Computer Industrial Co., Ltd. on October 10, 2015, demanding payment of accounts receivable of RMB1,115,463 thousand (¥18,873 million if converted to Japanese yen based on the exchange rate as of the end of the fiscal year under review) and compensation of damages. Currently, the South China International Economic and Trade Arbitration Commission continues to review the matter.

In consideration of the status of litigation, since the period for collecting the receivables is expected to lengthen, an allowance for doubtful receivables of ¥11,480 million was recorded at the end of the fiscal year under review.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral

Investments in securities	¥17,759 million
Liabilities collateralized by the above assets:	
Short-term borrowings	¥7,000 million

2. Accumulated depreciation on property, plant and equipment ¥159,972 million

3. Liabilities for guarantee

Guarantee for borrowings by employees	¥172 million

(Translation)

Notes to Consolidated Statement of Changes in Net Assets

1. Matters concerning class and total number of shares outstanding as of the end of FY2017

   Common Stock 87,217 thousand shares

2. 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 23, 2017	Common Stock	Retained earnings	2,605	30.00	March 31, 2017	June 26, 2017
Board of Directors Meeting on October 31, 2017	Common Stock	Retained earnings	1,737	20.00	September 30, 2017	December 6, 2017

   (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 22, 2018	Common Stock	Retained earnings	2,605	30.00	March 31, 2018	June 25, 2018

3. Number of shares to be issued upon exercise of equity warrants

Category	Breakdown of equity warrants	Type of shares to be issued upon exercise of equity warrants	Number of shares to be issued upon exercise of equity warrants (shares)
The Company	FY2016 Equity Warrants (issued on August 16, 2016)	Common stock	46,200
	FY2017 Equity Warrants (issued on August 15, 2017)	Common stock	61,700

(Translation)

Notes on Financial Instruments

1. Matters concerning the status of financial instruments

The OKI Group mainly uses short-term deposits and highly safe marketable securities for fund management, and raises its funds primarily through borrowings from financial institutions and issuance of corporate bonds.

The 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 and foreign currency risk, the Group applies derivative instruments (interest rate swap transactions and currency swap transactions) to hedge its risk.

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

2. Disclosure concerning fair value of financial instruments

As of March 31, 2018 (consolidated balance sheet date), the amount recorded in the consolidated balance sheet, fair value, and the amount of differences are as shown in the table below. Any item whose fair value is deemed extremely difficult to assess is excluded from the table. (See Note 2.)

(Unit: Millions of yen)

	Amount recorded in consolidated balance sheet	Fair value	Difference
(1) Cash and deposits	48,698	48,698	–
(2) Notes and accounts receivable	97,936	97,936	–
(3) Investments in securities	41,090	41,099	8
(4) Long-term trade receivables	22,456		
Allowance for doubtful receivables (*2)	(14,835)		
	7,621	7,621	
(5) Notes and accounts payable	(67,124)	(67,124)	–
(6) Short-term borrowings (*2)	(36,964)	(36,964)	–
(7) Account payable	(19,768)	(19,768)	–
(8) Other accrued expenses	(21,952)	(21,952)	–
(9) Long-term debt (*3)	(44,950)	(44,232)	281
(10) Derivative transactions	(102)	(102)	–

(*1) Those recorded as liabilities are shown within brackets.
(*2) Allowance for doubtful receivables specifically provided for long-term trade receivables is deducted.
(*3) Long-term debt (¥21,944 million) that will be reimbursed within one year are classified as "short-term" borrowings in the consolidated balance sheet.

Notes:

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

(1) Cash and deposits and (2) Notes and accounts receivable
These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is based on the relevant book value.

(3) Investments in securities
The fair value of investments in securities is based on their prices determined at the financial instruments exchanges, and the fair value of bonds is based on the quotations offered by the correspondent financial institution.

(4) Long-term trade receivables
Fair value of long-term trade receivables is based on the amount after deducting the present estimated doubtful receivables from the book value as estimated doubtful receivables are calculated based on the present value of loans / receivables.

(5) Notes and accounts payable, (6) Short-term borrowings, (7) Account payable and (8) Other accrued expenses
These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is based on the relevant book value.

(9) 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 are prescribed to be subject to special accounting treatment applicable to interest rate swaps (see (10) below). 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.

(10) Derivative transactions
Derivative transactions subject to allocation treatment applicable to currency swaps, and 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.

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

Unlisted equity securities (¥7,669 million on the consolidated balance sheet) are not included in (3) Investments in securities because they have no market price and it is deemed extremely difficult to assess their fair values.

Notes to Per-share Information

1. Net assets per share: ¥1,154.03
2. Earnings per share: ¥67.86

(Translation)

Other Notes (Notes on Securities)

1. Other negotiable securities

(Unit: Millions of yen)

	Amount recorded in consolidated balance sheet	Acquisition cost	Difference
(Securities whose amounts recorded in consolidated balance sheet exceed their acquisition costs) Equity Securities	39,135	29,268	9,867
Subtotal	39,135	29,268	9,867
(Securities whose amounts recorded in consolidated balance sheet are not more than their acquisition costs) Equity Securities	1,955	2,334	(379)
Subtotal	1,955	2,334	(379)
Total	41,090	31,602	9,487

2. Other securities sold during the consolidated fiscal year under review
(From April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

Type	Sales amount	Total gain on sales	Total loss on sales
Equity Securities	245	115	–
Total	245	115	–

3. Impaired securities

Impairment has not been applied to securities for the fiscal year under review.

Impairment was applied to amounts for which impairment was considered necessary based on a comprehensive judgment on whether values would rise or not, and the amounts were impaired if their market values at the end of the year under review were remarkably lower than their acquisition costs.

(Translation)

Other Notes (Notes on Business Combination)

Business combination via acquisition

Based on a decision made at the Board of Directors meeting held on October 31, 2017, the company acquired ordinary shares of Oki Electric Cable Co., Ltd. via a takeover bid as stipulated in the Financial Instruments and Exchange Act, in order to make Oki Electric Cable Co., Ltd. a wholly owned subsidiary instead of an affiliated company to which the equity method is applied.

1. Overview of business combination

(1) Name of business overview of company acquired

Name of company acquired: Oki Electric Cable Co., Ltd.

Business overview: Manufacturing and sales of electric cables and electrode wires, and the rental of real estate

(2) Main reason for business combination

Making Oki Electric Cable Co., Ltd. a wholly owned subsidiary will enable the speed of management strategy decision making to be sped up and human resources of the Group to be used to increase the corporate value of Oki Electric Cable Co., Ltd. and strengthen the earnings base of the entire Group.

(3) Date of business combination

December 25, 2017

(4) Legal form of business combination

Cash acquisition of shares

(5) Company name after combination

No change.

(6) Ratio of voting rights acquired

Ratio of voting rights owned before acquisition	37.45%
Additional ratio of voting rights obtained on date of business combination	49.71%
Ratio of voting rights after acquisition	87.17%

(Note) The acquired company was made a wholly owned subsidiary via share consolidation on April 1, 2018.

(7) Main basis for reaching a decision on business combination

Because the Company obtained the shares through cash acquisition

2. Performance period of acquired company included in the consolidated financial statement

The performance from January 1, 2018 to March 31, 2018.

Since the acquired company was an affiliated company to which the equity method is applied, the performance from April 1, 2017 to December 31, 2017 is recorded as investment earnings based on the equity method.

3. Breakdown of each type of consideration and acquisition cost of the acquired company

Market value of owned shares before acquisition on the date of business combination	¥4,912 million
Cash paid for additional acquisition	¥6,520 million
Acquisition cost	¥11,433 million

(Translation)

4. Major acquisition-related costs
   Compensation and fees, etc. for advisors: ¥132 million

5. Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition
   Marginal profits related to phased acquisition: ¥1,116 million

6. Amount of Negative goodwill generated and the cause

(1) Negative goodwill generated
   ¥210 million

(2) Cause
   Since the net asset value exceeded the acquisition cost at the time of business combination, that difference was recorded as negative goodwill generated.

7. The assets acquired and liabilities assumed on the date of business combination and breakdowns

	(Unit: Millions of yen)
Current assets	8,792
Non-current assets	12,367
Total assets	21,159
Current liabilities	3,566
Long-term liabilities	4,175
Total liabilities	7,741

(Translation)

Transcript of Accounting Auditors' Report on Consolidated Financial Statements

Independent Auditors' Report

May 21, 2018

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

PricewaterhouseCoopers Aarata LLC
Kensuke Koda,
Engagement Partner, Certified Public Accountant
Hiroyuki Sawayama,
Engagement Partner, Certified Public Accountant
Masataka Kubota,
Engagement Partner, Certified Public Accountant

We have audited the consolidated financial statements – the consolidated balance sheets, 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 94th term from April 1, 2017 to March 31, 2018 in accordance with Article 444 Paragraph 4 of the Companies Act.

Responsibility of management 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.

Responsibility of auditors
Our responsibility is to express our independent opinion regarding these consolidated financial statements based on audits by Ernst & Young ShinNihon LLC. We conducted our audit in accordance with auditing standards generally accepted in Japan. These auditing standards require that we prepare audit plans and implement audit based on them to obtain reasonable assurance as to whether the consolidated financial statements are without material misstatement.

The audit requires procedures to obtain audit evidence about amounts and disclosure of these consolidated financial statements. The audit procedures are selected and applied based on evaluation of risks about material misstatement of these consolidated financial statements due to fraud or errors. Although the purpose of the audit is not to express our opinion about the effectiveness of internal control, we consider the internal control associated with preparation and fair presentation of these consolidated financial statements, in order to plan appropriate audit procedures in line with actual situations at the time of risk evaluation. Also, our audit includes reviews of accounting policies, and methods that management adopts, and an evaluation of management estimates and the presentation of the consolidated financial statements as a whole.

We believe we have obtained enough and appropriate audit evidence as the basis for our opinion.

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

Conflict of interest
No conflict of interest as defined by the Accounting Law exists between Oki Electric Industry, our firm (Ernst & Young ShinNihon LLC) and the respective engagement partners.

(Translation)

Non-Consolidated Balance Sheet

(as of March 31, 2018)

(Unit: Millions of yen)

Account title	Amount		Account title	Amount	
(Assets)			(Liabilities)		
Current assets			Current liabilities		
Cash and deposits		23,266	Notes payable		479
Notes receivable		1,862	Electronically recorded obligations - operating		2,637
Accounts receivable, trade		50,425	Accounts payable, trade		42,218
Lease investment assets		8,007	Short-term borrowings		32,118
Finished goods		2,858	Current portion of long-term debt		20,081
Work in process		14,917	Lease obligations		2,033
Raw materials and supplies		5,661	Accounts payable, others		10,998
Advance payments - trade		88	Other accrued expenses		6,705
Prepaid expenses		1,179	Income taxes payable		159
Short-term loans		6,151	Advances received		1,049
Accounts receivable-other		6,420	Deposits received		8,703
Deferred tax assets		2,243	Provision for product warranties		339
Other current assets		336	Provision for directors' bonuses		127
Allowance for doubtful receivables		(20)	Provision for loss on construction contracts		986
Total current assets		123,400	Provision for contingent loss		20
Non-current assets			Provision for loss on Anti-Monopoly Act		689
Property, plant and equipment			Other current liabilities		13
Buildings	31,721		Total current liabilities		129,363
Accumulated depreciation	23,049	8,672	Long-term liabilities		
Structures	2,228		Long-term debt		21,681
Accumulated depreciation	1,649	579	Lease obligations		8,592
Machinery and equipment	11,827		Deferred tax liabilities		9,680
Accumulated depreciation	10,087	1,740	Retirement benefits		5,784
Vehicle	72		Provision for product warranties		80
Accumulated depreciation	56	15	Provision for loss on construction contracts		320
Tools, furniture and fixtures	35,848		Provision for loss on business of subsidiaries and affiliates		1,114
Accumulated depreciation	29,741	6,106	Provision for contingent loss		42
Land		1,805	Asset retirement obligations		1,049
Construction in progress		272	Other long-term liabilities		920
Total property, plant and equipment		19,191	Total long-term liabilities		49,266
Intangible assets			Total liabilities		178,629
Goodwill		5	(Net Assets)		
Right of using facilities		114	Shareholders' equity		
Software		6,453	Capital stock		44,000
Total intangible assets		6,573	Additional paid-in capital		21,549
Investments and other assets			Capital reserve		15,000
Investments in securities		43,981	Other additional paid-in capital		6,549
Investments in and advances to subsidiaries and affiliates		53,498	Retained earnings		6,581
Contribution		88	Other retained earnings		6,581
Contribution in subsidiaries and affiliates		98	Retained earnings carried forward		6,581
Long-term loans receivable from subsidiaries and affiliates		21,274	Treasury stock, at cost		(460)
Claims provable in bankruptcy, rehabilitation and other		31	Total shareholders' equity		71,670
Long-term prepaid expenses		181	Valuation, translation adjustments and others		
Prepaid pension cost		291	Net unrealized holding gain/loss on other securities		5,733
Lease and guarantee deposits		3,200	Total valuation, translation adjustments and others		5,733
Other investments and other assets		232	Subscription rights to shares		101
Allowance for doubtful receivables		(15,910)	Total net assets		77,505
Total investments and other assets		106,969			
Total non-current assets		132,734			
Total assets		256,135	Total liabilities and net assets		256,135

(Translation)

Non-Consolidated Statement of Operations

(From April 1, 2017 to March 31, 2018)

(Unit: Millions of yen)

Account title	Amount	
Net sales		203,987
Cost of sales		165,955
Gross profit		38,031
Selling, general and administrative expenses		38,923
Operating loss		891
Non-operating income		
Interest income	602	
Dividend income	4,933	
Royalty income from corporate brand	777	
Other	523	6,836
Non-operating expenses		
Interest expense	1,224	
Foreign exchange loss, net	1,260	
Provision of allowance for doubtful receivables	334	
Penalty	284	
Other	514	3,617
Ordinary income		2,327
Extraordinary profit		
Gain on extinguishment of tie-in shares	26	
Gain on sale of property, plant and equipment	469	
Gain on sale of investments in securities	107	
Gain on reversal of subscription rights to shares	46	650
Extraordinary loss		
Loss on sale and disposition of property, plant and equipment	153	
Loss on valuation of shares of subsidiaries and affiliates	1,881	
Loss on sale of contribution in subsidiaries and affiliates	180	
provision of allowance for doubtful receivables	3,840	6,055
Loss before income taxes		3,078
Income taxes	(848)	
Income taxes deferred	(254)	(1,102)
Loss		1,975

(Translation)

Non-Consolidated Statement of Changes in Net Assets

(Year ended March 31, 2018)

(Unit: Millions of yen)

	Shareholders' equity							
	Capital stock	Additional paid-in capital			Retained earnings		Treasury stock, at cost	Total shareholders' equity
		Capital reserve	Other additional paid-in capital	Total additional paid-in capital	Other retained earnings Retained earnings carried forward	Total retained earnings		
Balance at April 1, 2017	44,000	15,000	6,553	21,553	12,900	12,900	(463)	77,990
Changes during the term under review								
Dividends from surplus					(4,343)	(4,343)		(4,343)
Loss					(1,975)	(1,975)		(1,975)
Purchases of treasury stock							(9)	(9)
Disposition of treasury stock			(4)	(4)			12	8
Net changes in items other than shareholders' equity during the term under review								
Net changes during the term under review	–	–	(4)	(4)	(6,319)	(6,319)	3	(6,320)
Balance at March 31, 2018	44,000	15,000	6,549	21,549	6,581	6,581	(460)	71,670

	Valuation, translation adjustments and others			Subscription rights to shares	Total net assets
	Net unrealized holding gain/loss on other securities	Loss / Gain on deferred hedges	Total valuation, translation adjustments and others		
Balance at April 1, 2017	4,538	–	4,538	94	82,623
Changes during the term under review					
Dividends from surplus					(4,343)
Loss					(1,975)
Purchases of treasury stock					(9)
Disposition of treasury stock					8
Net changes in items other than shareholders' equity during the term under review	1,194	–	1,194	6	1,201
Net changes during the term under review	1,194	–	1,194	6	(5,118)
Balance at March 31, 2018	5,733	–	4,538	101	77,505

(Translation)

Note 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:

Marketable securities:

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.)

Non-marketable securities: Stated at cost based on the moving average method

2. Standards and valuation methods for derivatives

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

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

(Translation)

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.

In addition, out of the finance lease transactions that do not transfer ownership, lease transactions whose lease transaction commencement date was on or prior to March 31, 2008 are accounted for on a basis similar to ordinary rental transactions.

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 amount of losses for the following fiscal years are calculated for some of the orders 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 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.

(Translation)

Provision for loss on business of subsidiaries and affiliates

To prepare for any losses on business of subsidiaries and affiliates, the estimated amount of loss on business is calculated in consideration of the financial position and operating results of the relevant subsidiaries and affiliates.

6. Hedge accounting methods

(1) Method of hedge accounting

Deferred hedging is applied. Allocation treatment is applied for forward exchange contracts and currency swap 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 and currency swap 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.

7. 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

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)

Notes to Non-consolidated Balance Sheets

1. Assets provided as collateral

Investments in securities	¥17,759 million
Liabilities collateralized by the above assets	
Short-term borrowings	¥7,000 million

2. Guarantee liabilities:

The Company provides guarantees for bank borrowings made by employees, and subsidiaries and affiliates as shown below.

Oki HONG KONG LTD.	¥4,244 million
	($35,000 thousand, HK$38,800 thousand)
Oki Europe Ltd. and its subsidiaries, etc.	¥3,603 million
	(10,000 thousand pounds sterling, 16,199 thousand euro)
Oki Data Americas, Inc.	¥1,594 million
	($15,000 thousand)
Oki Printed Circuits Co., Ltd.	¥1,236 million
Oki Wintech Co., Ltd.	¥712 million
Oki Data Manufacturing (Thailand) Co., Ltd.	¥595 million
	(175,000 thousand baht)
Six other entities:	¥1,172 million
Total:	¥13,159 million

3. Monetary claims receivable from and payable to subsidiaries and affiliates

Short-term monetary claims receivable from subsidiaries and affiliates:	¥16,453 million
Long-term monetary claims receivable from subsidiaries and affiliates:	¥1,161 million
Short-term monetary claims payable to subsidiaries and affiliates:	¥24,134 million
Long-term monetary claims payable to subsidiaries and affiliates:	¥67 million

Notes to Non-consolidated Statement of Operations

Transactions with subsidiaries and affiliates

Sales:	¥19,507 million
Purchases:	¥50,822 million
Non-operating transactions:	¥6,386 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:	352 thousand shares

(Translation)

Notes to Deferred Tax Accounting

Major factors giving rise to deferred tax assets and liabilities

Deferred tax assets	
Nondeductible write-downs of shares of subsidiaries and affiliates	¥16,709 million
Allowance for doubtful receivables	¥4,938 million
Loss carry forwards	¥4,643 million
Nondeductible retirement benefits	¥4,437 million
Adjustments of losses on transfers among consolidated subsidiaries	¥3,452 million
Nondeductible accrued bonuses	¥1,265 million
Nondeductible write-downs of inventories	¥733 million
Nondeductible accounts payable-other due to changes in retirement benefit plans	¥594 million
Balance of trust property with retirement benefits	¥413 million
Provision for loss on construction contracts	¥404 million
Bad debts expenses	¥358 million
Nondeductible provision for loss on business of subsidiaries and affiliates	¥345 million
Others	¥1,738 million
Subtotal deferred tax assets	¥40,035 million
Valuation allowance	¥(37,097) million
Total deferred tax assets	¥2,937 million
Deferred tax liabilities	
Gain on valuation of investment securities	¥(5,793) million
Net unrealized holding gain/loss on other securities	¥(2,473) million
Nondeductible unrealized gain on contribution of securities to the pension trust	¥(1,981) million
Others	¥(125) million
Total deferred tax liabilities	¥(10,373) million
Net deferred tax assets	¥(7,436) million

(Translation)

Notes to Related Party Transactions

1. 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 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	15,279	Accounts payable, trade	4,395
Subsidiary	Oki Hong Kong, Ltd.	Hong Kong	US$10,292 thousand	Holdings company, material procurement	(Direct) 100%	Supply products etc., lending of funds, guarantee for borrowings	Lending of funds	18,267	Long-term loans receivable from subsidiaries and affiliates	15,302
							Debt guarantee	4,244		
Subsidiary	Oki Customer Adtech Co., Ltd.	Koto-ku, Tokyo	¥18,000 million	Maintenance, construction, monitoring, operation, manufacturing, and sales of device and system	(Direct) 100%	Supply products etc., purchase of services, concurrent assumption of office	Purchase of services	13,486	Accounts payable, trade	2,570
Subsidiary	Oki Wintech Co., Ltd.	Shinagawa-ku, Tokyo	¥2,001 million	Equipment work, designing, construction and maintenance of telecommunication, firefighting and other facilities	(Direct) 100%	Supply products etc., purchase of services, concurrent assumption of office	Sales of products	4,805	Accounts receivable, trade	2,794
Subsidiary	Oki Proserve Co., Ltd.	Minato-ku, Tokyo	¥321 million	Facility business, human resource management, advanced communication business, logistics business	(Direct) 100%	Purchase of services, lease and brokerage of real estate, lending of funds	Lending of funds	2,746	Short-term loans receivable	500
									Long-term loans receivable from subsidiaries and affiliates	1,600
Subsidiary	OKI EUROPE and its subsidiaries, etc.	England	141,366 thousand EURO	Sales and services of printers and multi-purpose printers	(Indirect) 100%	Guarantee for borrowings	Debt guarantee	3,606	–	–
Subsidiary	OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A.	Brazil	BRL415,999 thousand	Design, development, manufacture, sales and maintenance of automation equipment	(Direct) 90%	Supply products etc., lending of funds, concurrent	Lending of funds	4,113	Long-term loans receivable from subsidiaries and affiliates	3,840

Notes:

1. The transactions amount excludes consumption tax, while the ending balance includes consumption tax.
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 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) Guarantee of obligation is performed with bank loans of OKI HONG KONG LTD., OKI EUROPE LTD. and its subsidiaries, etc. and the Company receives an annual premium of 0.1%.
3. An allowance for doubtful accounts of ¥15,851 million has been recorded for loans to two subsidiaries. Furthermore, an allowance for doubtful accounts of ¥4,171 million has been provisioned this fiscal year.

Notes to Per-share Information

1. Net assets per share: ¥891.08
2. Earnings per share: ¥22.75

(Translation)

Transcript of Accounting Auditors' Report

Independent Auditors' Report

May 21, 2018

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

PricewaterhouseCoopers Aarata LLC
Kensuke Koda,
Engagement Partner, Certified Public Accountant
Hiroyuki Sawayama,
Engagement Partner, Certified Public Accountant
Masataka Kubota,
Engagement Partner, Certified Public Accountant

We have audited the non-consolidated financial statements—the non-consolidated balance sheets, 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 of Oki Electric Industry Co., Ltd. for the 94th term from April 1, 2017 to March 31, 2018 in accordance with Article 436 Paragraph 2 Item 1 of the Companies Act.

Responsibility of management for preparing non-consolidated financial statements and its supporting schedules
Oki Electric Industry's management is responsible for preparing and presenting fairly these non-consolidated financial statements and its supporting schedules 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 non-consolidated financial statements and its supporting schedules that are without material misstatement due to fraud or errors.

Responsibility of auditors
Our responsibility is to express our independent opinion regarding these non-consolidated financial statements and its supporting schedules based on audits by Ernst & Young ShinNihon LLC. We conducted our audit in accordance with auditing standards generally accepted in Japan. These auditing standards require that we prepare audit plans and implement audit based on them to obtain reasonable assurance as to whether the non-consolidated financial statements and its supporting schedules are without material misstatement.

The audit requires procedures to obtain audit evidence about amounts and disclosure of these non-consolidated financial statements and its supporting schedules. The audit procedures are selected and applied based on evaluation of risks about material misstatement of these non-consolidated financial statements and its supporting schedules due to fraud or errors. Although the purpose of the audit is not to express our opinion about the effectiveness of internal control, we consider the internal control associated with preparation and fair presentation of these non-consolidated financial statements and its supporting schedules, in order to plan appropriate audit procedures in line with actual situations at the time of risk evaluation. Also, our audit includes reviews of accounting policies, and methods that the management adopts, and an evaluation of management estimates and the presentation of the non-consolidated financial statements and its supporting schedules as a whole.

We believe we have obtained enough and appropriate audit evidence as the basis for our opinion.

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

Conflict of interest
No conflict of interest as defined by the Accounting Law exists between Oki Electric Industry, our firm (Ernst & Young ShinNihon LLC) and the respective engagement partners.

(Translation)

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 94th fiscal year from April 1, 2017 to March 31, 2018, 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. With respect to the internal controls over financial reporting, we have received reports on the status as of the date of preparing this Audit & Supervisory Board's Report from the Directors, etc. and the PricewaterhouseCoopers Aarata LLC. However, the evaluation and audit of the reports has not completed.

(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 21, 2018

The Audit & Supervisory Board, Oki Electric Industry Co., Ltd.
Hisao Suzuki, Standing Audit & Supervisory Board Member
Sei Yano, Standing Audit & Supervisory Board Member
Kuninori Hamaguchi, Outside Audit & Supervisory Board Member
Yoichi Nitta, Outside Audit & Supervisory Board Member