

CONSOLIDATED BALANCE SHEETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2019

ASSETS	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current assets:			
Cash and deposits	¥ 29,730	¥ 48,698	\$ 267,837
Notes and accounts receivable	106,672	97,936	961,009
Lease investment assets	11,513	8,024	103,720
Finished goods	18,823	17,041	169,576
Work in process	25,007	21,867	225,288
Raw materials and supplies	20,777	21,296	187,180
Other current assets	10,940	10,012	98,558
Allowance for doubtful receivables	(257)	(132)	(2,315)
Total current assets	223,206	224,743	2,010,864
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	19,656	21,957	177,081
Machinery, equipment and vehicle	8,166	7,505	73,567
Tools, furniture and fixtures	8,464	9,014	76,252
Land	12,829	13,240	115,576
Construction in progress	277	332	2,495
Total property, plant and equipment (Note 4)	49,393	52,048	444,981
Intangible assets	10,457	9,952	94,207
Investments and other assets:			
Investments in securities (Note 4)	43,621	48,760	392,981
Asset for retirement benefits	18,339	15,357	165,216
Long-term trade receivables	21,940	22,456	197,657
Other investments and other assets (Note 4)	17,921	13,116	161,450
Allowance for doubtful receivables	(19,376)	(19,924)	(174,558)
Total investments and other assets	82,446	79,766	742,756
Total non-current assets	142,296	141,768	1,281,945
Total assets	¥ 365,503	¥ 366,512	\$ 3,292,819

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Current liabilities:			
Notes and accounts payable	¥ 67,465	¥ 67,124	\$ 607,792
Short-term borrowings (Note 4)	48,880	58,958	440,360
Other accrued expenses	21,764	21,952	196,072
Other current liabilities	38,084	38,625	343,099
Total current liabilities	176,194	186,661	1,587,333
Long-term liabilities:			
Long-term debt	29,673	22,956	267,324
Lease obligations	11,926	8,950	107,441
Deferred tax liabilities	9,945	11,782	89,594
Provision for directors' retirement benefits	463	502	4,171
Liability for retirement benefits	30,158	27,814	271,693
Other long-term liabilities	6,941	5,700	62,531
Total long-term liabilities	89,108	77,705	802,774
Total liabilities	265,302	264,367	2,390,108
NET ASSETS			
Shareholders' equity:			
Capital stock	44,000	44,000	396,396
Additional paid-in capital	19,057	19,795	171,684
Retained earnings	51,785	45,983	466,531
Treasury stock, at cost	(997)	(563)	(8,981)
Total shareholders' equity	113,845	109,215	1,025,630
Accumulated other comprehensive income:			
Net unrealized holding gain (loss) on other securities	2,816	6,578	25,369
Gain (loss) on deferred hedges	169	34	1,522
Translation adjustments	(10,884)	(12,203)	(98,054)
Retirement benefits liability adjustments	(6,006)	(3,455)	(54,108)
Total accumulated other comprehensive income	(13,904)	(9,045)	(125,261)
Subscription rights to shares	133	101	1,198
Non-controlling interests	126	1,873	1,135
Total net assets	100,200	102,144	902,702
Total liabilities and net assets	¥ 365,503	¥ 366,512	\$ 3,292,819

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net sales	¥ 441,452	¥ 438,026	\$ 3,977,045
Cost of sales	322,624	327,450	2,906,522
Gross profit	118,827	110,576	1,070,513
Selling, general and administrative expenses (Note 5)	101,305	102,854	912,657
Operating income	17,522	7,721	157,855
Non-operating income			
Interest income	97	191	873
Dividend income	1,302	1,571	11,729
Dividend income of insurance	391	353	3,522
Other	627	1,449	5,648
Total non-operating income	2,419	3,564	21,792
Non-operating expenses			
Interest expense	1,633	1,559	14,711
Foreign exchange loss	1,280	—	11,531
Penalty	425	325	3,828
Other	1,125	884	10,135
Total non-operating expenses	4,464	2,770	40,216
Ordinary income	15,477	8,515	139,432
Extraordinary income			
Gain on sale of property, plant and equipment	1,426	770	12,846
Gain on sale of investments in securities	969	115	8,729
Gain on sale of contribution in subsidiaries and affiliates	—	119	—
Gain on step acquisitions	—	1,116	—
Gain on negative goodwill	—	210	—
Gain on extinguishment of debts	—	179	—
Total extraordinary income	2,396	2,512	21,585
Extraordinary loss			
Loss on sale and disposition of property, plant and equipment	475	373	4,279
Impairment loss (Note 5)	2,890	—	26,036
Business structure improvement expenses (Note 5)	3,489	2,526	31,432
Total extraordinary loss	6,855	2,900	61,756
Profit before income taxes	11,018	8,128	99,261
Income taxes			
Current	2,476	2,561	22,306
Deferred	108	(217)	972
Total income taxes	2,585	2,344	23,288
Profit	8,432	5,783	75,963
Loss attributable to non-controlling interests	27	(108)	243
Profit attributable to owners of parent	¥ 8,405	¥ 5,891	\$ 75,720

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Profit	¥ 8,432	¥ 5,783	\$ 75,963
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	(3,762)	1,332	(33,891)
Gain (loss) on deferred hedges	134	37	1,207
Translation adjustments	1,321	(495)	11,900
Retirement benefits liability adjustments	(2,551)	956	(22,981)
Share of other comprehensive income of entities accounted for using equity method	0	(8)	0
Total other comprehensive income (Note 6)	(4,856)	1,821	(43,747)
Comprehensive income	¥ 3,576	¥ 7,605	\$ 32,216
Comprehensive income attributable to:			
Owners of the parent	¥ 3,546	¥ 7,725	\$ 31,945
Non-controlling interests	¥ 30	¥ (119)	\$ 270

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2019

	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Gain (Loss) on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
	Millions of yen												
Balance at March 31, 2017	¥ 44,000	¥ 19,799	¥ 44,434	¥ (477)	¥ 107,757	¥ 5,337	¥ (2)	¥ (11,702)	¥ (4,511)	¥ (10,878)	¥ 94	¥ 242	¥ 97,215
Dividends from surplus			(4,343)		(4,343)								(4,343)
Profit attributable to owners of parent			5,891		5,891								5,891
Purchases of treasury stock				(99)	(99)								(99)
Disposition of treasury stock		(4)		12	8								8
Change in ownership interest of parent due to transactions with non-controlling interests		0			0								0
Net changes in items other than shareholders' equity during the term						1,240	37	(500)	1,056	1,833	6	1,631	3,471
Net changes during the term	—	(4)	1,548	(86)	1,457	1,240	37	(500)	1,056	1,833	6	1,631	4,929
Balance at March 31, 2018	44,000	19,795	45,983	(563)	109,215	6,578	34	(12,203)	(3,455)	(9,045)	101	1,873	102,144
Dividends from surplus			(2,603)		(2,603)								(2,603)
Profit attributable to owners of parent			8,405		8,405								8,405
Purchases of treasury stock				(448)	(448)								(448)
Disposition of treasury stock		(9)		30	21								21
Change in ownership interest of parent due to transactions with non-controlling interests		(728)		(15)	(744)								(744)
Net changes in items other than shareholders' equity during the term						(3,761)	134	1,318	(2,551)	(4,858)	31	(1,746)	(6,574)
Net changes during the term	—	(737)	5,801	(433)	4,630	(3,761)	134	1,318	(2,551)	(4,858)	31	(1,746)	(1,943)
Balance at March 31, 2019	¥ 44,000	¥ 19,057	¥ 51,785	¥ (997)	¥ 113,845	¥ 2,816	¥ 169	¥ (10,884)	¥ (6,006)	¥ (13,904)	¥ 133	¥ 126	¥ 100,200

	Shareholders' equity					Accumulated other comprehensive income							Total net assets
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain (loss) on other securities	Gain (Loss) on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	
	Thousands of U.S. dollars												
Balance at March 31, 2018	\$ 396,396	\$ 178,333	\$ 414,261	\$ (5,072)	\$ 983,918	\$ 59,261	\$ 306	\$ (109,936)	\$ (31,126)	\$ (81,486)	\$ 909	\$ 16,873	\$ 920,216
Dividends from surplus			(23,450)		(23,450)								(23,450)
Profit attributable to owners of parent			75,720		75,720								75,720
Purchases of treasury stock				(4,036)	(4,036)								(4,036)
Disposition of treasury stock		(81)		270	189								189
Change in ownership interest of parent due to transactions with non-controlling interests		(6,558)		(135)	(6,702)								(6,702)
Net changes in items other than shareholders' equity during the term						(33,882)	1,207	11,873	(22,981)	(43,765)	279	(15,729)	(59,225)
Net changes during the term	—	(6,639)	52,261	(3,900)	41,711	(33,882)	1,207	11,873	(22,981)	(43,765)	279	(15,729)	(17,504)
Balance at March 31, 2019	\$ 396,396	\$ 171,684	\$ 466,531	\$ (8,981)	\$ 1,025,630	\$ 25,369	\$ 1,522	\$ (98,054)	\$ (54,108)	\$ (125,261)	\$ 1,198	\$ 1,135	\$ 902,702

CONSOLIDATED STATEMENTS OF CASH FLOWS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2019

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash flows from operating activities:			
Profit before income taxes	¥ 11,018	¥ 8,128	\$ 99,261
Depreciation and amortization	12,367	12,978	111,414
Impairment loss	2,890	—	26,036
Gain on step acquisitions	—	(1,116)	—
Increase in provisions	1,443	1,152	13,000
Interest and dividend income	(1,400)	(1,762)	(12,612)
Interest expense	1,633	1,559	14,711
Gain on sales of investment securities	(925)	(115)	(8,333)
Gain on disposition of fixed assets	(933)	(397)	(8,405)
(Increase) decrease in notes and accounts receivable	(6,823)	5,576	(61,468)
(Increase) decrease in inventories	(4,529)	3,296	(40,801)
(Decrease) increase in notes and accounts payable	(418)	7,593	(3,765)
Other, net	(4,388)	(17,416)	(39,531)
Subtotal	9,932	19,475	89,477
Interest and dividend income received	1,400	1,761	12,612
Interest expense paid	(1,551)	(1,496)	(13,972)
Income taxes paid	(2,937)	(2,176)	(26,459)
Antimonopoly act related loss paid	(479)	(1,985)	(4,315)
Net cash provided by operating activities	6,364	15,578	57,333
Cash flows from investing activities:			
Purchase of property, plant and equipment	(9,486)	(6,801)	(85,459)
Proceeds from sales of property, plant and equipment	2,186	2,745	19,693
Purchase of intangible assets	(3,908)	(2,638)	(35,207)
Purchase of investment securities	(1,056)	(15)	(9,513)
Proceeds from sales of investment securities	1,726	244	15,549
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	(3,199)	—
Purchase of long-term prepaid expenses	(1,224)	(738)	(11,027)
Other payments	(816)	(463)	(7,351)
Other proceeds	479	382	4,315
Net cash used in investing activities	(12,099)	(10,485)	(109,000)
Cash flows from financing activities:			
Decrease in short-term borrowings	(6,896)	(598)	(62,126)
Proceeds from long-term debt	24,970	15,000	224,954
Repayments of long-term debt	(22,071)	(18,894)	(198,837)
Dividends paid	(2,601)	(4,322)	(23,432)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,502)	(3)	(22,540)
Repayments of lease obligations	(3,416)	(2,724)	(30,774)
Other, net	(452)	31	(4,072)
Net cash used in financing activities	(12,971)	(11,512)	(116,855)
Effect of exchange rate changes on cash and cash equivalents	48	(79)	432
Net decrease in cash and cash equivalents	(18,657)	(6,498)	(168,081)
Cash and cash equivalents at beginning of the year	45,481	51,980	409,738
Cash and cash equivalents at end of the year (Note 8)	¥ 26,823	¥ 45,481	\$ 241,648

The accompanying notes are an integral part of these statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
March 31, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Preparing Consolidated Financial Statements

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

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

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥111 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2019. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

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

2) Scope of consolidation

All 79 subsidiaries are included in the scope of consolidation.

The following companies were excluded from the scope of consolidation for the fiscal year under review: OK Enterprise Co., Ltd., which merged with Oki Wintech Co., Ltd., a consolidated subsidiary; OKI Data Infotech Corporation, which merged with Oki Data Corporation, a consolidated subsidiary; Oki Advanced Communications Co., Ltd., which merged with OKI Software Co., Ltd., a consolidated subsidiary; OBC Works Co., Ltd. which merged with OKI Proassist Co., Ltd., a consolidated subsidiary; Oki Jainet Supply Co., Ltd., which merged with Oki Customer Adtech Co., Ltd., a consolidated subsidiary.

3) Application of equity method

The equity method is applied to three out of the four affiliated companies.

TOWN NETWORK SERVICE Corporation is not applied the equity method as this company has little influence and has no significance on profit or loss and retained earnings.

4) Accounting standards

(1) Valuation standards and methods for significant assets

(i) Securities

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

Other securities:

Marketable securities:

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

Non-marketable securities:

Stated at cost based on the moving average method.

(ii) Inventories

The Company and its domestic consolidated subsidiaries evaluate inventories as follows, and overseas consolidated

subsidiaries primarily apply the lower of cost or fair value.

Finished goods:

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

Work in process:

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

Raw materials and supplies:

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

(iii) Derivatives

Stated at fair value.

(2) Depreciation and amortization

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

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

(ii) Intangible assets (excluding lease assets)

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

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

Overseas consolidated subsidiaries apply the straight-line method.

(iii) Lease assets

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

(3) Basis of provision

(i) Allowance for doubtful receivables

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

(ii) Provision for directors' retirement benefits

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

(4) Method of accounting for retirement benefits

(i) Attributing expected retirement benefits to a period

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

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

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

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

(5) Recognition of revenue and costs

Recognition of revenue relating to contract work and software development contracts

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

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

(ii) Other revenue

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

(6) Hedge accounting methods

(i) Method of hedge accounting

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

(ii) Hedging instruments and hedged items

Forward exchange contracts 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.

(7) Amortization of goodwill and amortization period

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

(8) Cash equivalents

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

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

(i) Accounting processing of consumption tax

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

(ii) Application of consolidated tax payment

The consolidated tax payment is applied.

2. UNAPPLIED ACCOUNTING STANDARDS

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

1) Summary

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

announced it publicly with guidance.

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

2) Expected date to apply

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

3) Impact of application of accounting standard

The impact on the consolidated financial statements is currently being evaluated.

3. ADDITIONAL INFORMATION

Oki Banking Systems (Shenzhen) Co., Ltd., a consolidated subsidiary, has filed a request for arbitration against Shenzhen Yihua Computer Industrial Co., Ltd. on October 10, 2015, demanding payment of accounts receivable of RMB 1,115,463 thousand or ¥18,382 million (\$165,603 thousand) and compensation of damages. Currently, the South China International Economic and Trade Arbitration Commission continues to review the matter.

In consideration of the status of litigation, since the period for collecting the receivables is expected to lengthen, an allowance for doubtful receivables of ¥11,208 million (\$100,972 thousand) was recorded at the end of the fiscal year.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

4. CONSOLIDATED BALANCE SHEET**1) Accumulated depreciation for Property, plant and equipment**

Accumulated depreciation for Property, plant and equipment at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Accumulated depreciation	¥ 157,470	¥ 159,972	\$ 1,418,648

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

Assets pledged as collateral at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investments in securities	¥ 14,609	¥ 17,759	\$ 131,612

Liabilities collateralized by the above assets at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Short-term borrowings	¥ 4,500	¥ 7,000	\$ 40,540

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investments and other assets	¥ 2,606	—	\$ 23,477

3) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Investments in securities	¥ 2,041	¥ 2,258	\$ 18,387

4) Liabilities for guarantee

Guarantee for borrowings by employees at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Guarantee for borrowings by employees	¥ 141	¥ 172	\$ 1,270

5) Contingent liabilities

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

According to this notice, OKI Brasil was ordered to pay 90 million BRL as ICMS (tax on distribution of goods and services). However, OKI Brasil refuses to accept this order, and it has filed a lawsuit. The Company cannot reasonably estimate the probability of the occurrence of a loss or the amount of a loss at present.

6) The unexecuted balance of overdraft

The Group has concluded an overdraft agreement with transaction banks etc. for efficient procurement of working capital. The unexecuted balance of overdraft at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total overdraft amount	¥ 59,795	¥ 53,092	\$ 538,693
Amount of borrowing execution balance	17,245	21,515	155,360
Net	¥ 42,550	¥ 31,577	\$ 383,333

5. CONSOLIDATED STATEMENT OF INCOMES

1) Research and development expenses

Research and development expenses for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Selling, general and administrative expenses	¥10,700	¥ 8,350	\$ 96,396

2) Impairment loss

The Group recorded impairment losses of ¥3,127 million (\$28,171 thousand) for the year ended March 31, 2019 of which ¥2,890 million (\$26,036 thousand) were presented as impairment losses in the extraordinary loss category and ¥237 million (\$2,135 thousand) were included in business structure improvement expenses in the same category.

Major impairment losses were as follows:

Business	Purpose of use	Location	Type of assets	Millions of yen	Thousands of U.S. dollars
Mechatronics Systems	Business assets	Japan	Buildings and structures	¥ 1,102	\$ 9,927
			Machinery, equipment and vehicle	397	3,576
			Tools, furniture and fixtures	627	5,648
			Intangible assets	86	774
			Other assets	30	270
		China, and other countries	Machinery, equipment and vehicle	43	387
			Tools, furniture and fixtures	112	1,009
			Intangible assets	448	4,036
			Other assets	3	27

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

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

3) Business structure improvement expenses

For the years ended March 31, 2019 and 2018, the Group recorded losses for restructuring related costs.

The nature of the losses were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Special retirement expenses	¥ 1,784	¥ 1,658	\$ 16,072
Reversal of foreign currency translation adjustment	753	—	6,783
Loss on disposal of inventories	475	—	4,279
Impairment loss	237	20	2,135
Other	239	848	2,153
Total	¥ 3,489	¥ 2,526	\$ 31,432

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

6. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ (4,786)	¥ 2,050	\$ (43,117)
Reclassification adjustments	(673)	(117)	(6,063)
Before tax effect	(5,460)	1,933	(49,189)
Tax effect	1,698	(601)	15,297
Net unrealized holding gain (loss) on other securities	(3,762)	1,332	(33,891)
Gain (loss) on deferred hedges:			
Amount arising during the year	194	52	1,747
Asset acquisition cost adjustments	—	—	—
Before tax effect	194	52	1,747
Tax effect	(59)	(15)	(531)
Gain (loss) on deferred hedges	134	37	1,207
Translation adjustments:			
Amount arising during the year	567	(429)	5,108
Reclassification adjustments	753	(65)	6,783
Translation adjustments	1,321	(495)	11,900
Retirement benefits liability adjustments:			
Amount arising during the year	(3,106)	1,443	(27,981)
Reclassification adjustments	(383)	(758)	(3,450)
Before tax effect	(3,489)	685	(31,432)
Tax effect	938	271	8,450
Retirement benefits liability adjustments	(2,551)	956	(22,981)
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	0	27	8
Reclassification adjustments	—	(35)	—
Share of other comprehensive income of entities accounted for using equity method	0	(8)	8
Total other comprehensive income	¥ (4,856)	¥ 1,821	\$ (43,747)

7. SHAREHOLDERS' EQUITY

Matters concerning class and total number of shares outstanding during the years ended March 31, 2019 and 2018 were as follows:

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

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

*2 The decreases of treasury stock were due to the decrease in the Company's stock held by a consolidated subsidiary attributable to the Company and the exercise of stock options.

	Thousands of shares			
	2018			
	March 31, 2017	Increase in the year	Decrease in the year	March 31, 2018
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	384	43	9	417
Total	384	43	9	417

*1 The increases of treasury stock were due to an increase in the Company's stock held by a consolidated subsidiary attributable to the Company and purchase of shares less than one trading unit.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

8. CONSOLIDATED STATEMENTS OF CASH FLOWS

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Cash and deposits	¥ 29,730	¥ 48,698	\$ 267,837
Time deposits with a maturity of over three months	—	(256)	—
Deposits with restrictions on withdrawals	(2,906)	(2,959)	(26,180)
Cash and cash equivalents	¥ 26,823	¥ 45,481	\$ 241,648

2) The content of important non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
The amount of non-cash transactions on assets and liabilities under finance lease	¥ 6,557	¥ 4,646	\$ 59,072

9. LEASES

(Lessee)

Operating lease transactions

The minimum rental commitments under noncancellable operating leases at March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Due within one year	¥ 2,244	¥ 2,260	\$ 20,216
Due after one year	7,330	9,220	66,036
Total	¥ 9,575	¥ 11,481	\$ 86,261

10. FINANCIAL INSTRUMENTS

1) Matters concerning the status of financial instruments

(1) Policy on financial instruments

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

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

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

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

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

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

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

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

2) Disclosure concerning fair value of financial instruments

As of March 31, 2019 (consolidated balance sheet date), the amount recorded in the consolidated balance sheet, fair value, and the amount of differences are as shown in the table below.

Any item whose fair value is deemed extremely difficult to assess is excluded from the table. (See Note 2 below.)

	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 29,730	¥ 29,730	¥ —	¥ 48,698	¥ 48,698	¥ —	\$ 267,837	\$ 267,837	\$ —
(2) Notes and accounts receivable	106,672	106,672	—	97,936	97,936	—	961,009	961,009	—
(3) Investments in securities	34,895	34,903	8	41,090	41,099	8	314,369	314,441	72
(4) Long-term trade receivables	21,940			22,456			197,657		
Allowance for doubtful receivables ^{(*)1}	(14,490)			(14,835)			(130,540)		
	7,450	7,450	—	7,621	7,621	—	67,117	67,117	—
Total assets	178,748	178,756	8	195,346	195,355	8	1,610,342	1,610,414	72
(1) Notes and accounts payable	67,465	67,465	—	67,124	67,124	—	607,792	607,792	—
(2) Short-term borrowings ^{(*)2}	30,570	30,570	—	36,964	36,964	—	275,405	275,405	—
(3) Other accrued expenses	21,764	21,764	—	21,952	21,952	—	196,072	196,072	—
(4) Long-term debt ^{(*)2}	47,983	48,377	394	44,950	45,232	281	432,279	435,828	3,549
Total liabilities	167,783	168,177	394	170,992	171,274	281	1,511,558	1,515,108	3,549
Derivative transactions ^{(*)3}	¥ 559	¥ 559	¥ —	¥ (102)	¥ (102)	¥ —	\$ 5,036	\$ 5,036	\$ —

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

*2 As of March 31, 2019 and 2018, Long-term debt (¥18,310 million (\$164,954 thousand) and ¥21,994 million) that are due within one year are classified as "short-term" borrowings in the consolidated balance sheet.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

Notes:

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

Assets

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

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

(3) Investments in securities

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

(4) Long-term trade receivables

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

Liabilities

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

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

(4) Long-term debt

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

Derivative transactions

Described in Note12

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

Unlisted equity securities at of March 31, 2019 and 2018, are not included in (3) Investments in securities because they have no market price and it is deemed extremely difficult to assess their fair values.

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unlisted equity securities	¥ 8,725	¥ 7,669	\$ 78,603

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2019 and 2018:

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

	Millions of yen			
	2018			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 48,698	¥ —	¥ —	¥ —
Notes and accounts receivable	97,813	122	—	—
Total	¥ 146,512	¥ 122	¥ —	¥ —

	Thousands of U.S. dollars			
	2019			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	\$ 267,837	\$ —	\$ —	\$ —
Notes and accounts receivable	948,801	12,207	—	—
Total	\$ 1,216,639	\$ 12,207	\$ —	\$ —

4. Repayment schedule for long-term debt and other interest-bearing debt as of March 31, 2019 and 2018:

Millions of yen						
2019						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 30,570	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	18,310	8,691	7,994	7,994	4,994	—
Total	¥ 48,880	¥ 8,691	¥ 7,994	¥ 7,994	¥ 4,994	¥ —

Millions of yen						
2018						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 36,964	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	21,994	13,278	3,678	3,000	3,000	—
Total	¥ 58,958	¥ 13,278	¥ 3,678	¥ 3,000	¥ 3,000	¥ —

Thousands of U.S. dollars						
2019						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	\$ 275,405	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	164,954	78,297	72,018	72,018	44,990	—
Total	\$ 440,360	\$ 78,297	\$ 72,018	\$ 72,018	\$ 44,990	\$ —

11. SECURITIES

1) Trading Securities

Not applicable

2) Bonds Held to Maturity

Not applicable

3) Other Securities

Securities at March 31, 2019 and 2018 were summarized as follows. Securities for which it is extremely difficult to reasonably measure its fair value are not included in the table below:

	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference
Other securities whose fair value recorded in balance sheet exceeds their acquisition costs:									
Equity securities	¥ 14,271	¥ 9,217	¥ 5,054	¥ 39,135	¥ 29,268	¥ 9,867	\$ 128,567	\$ 83,036	\$ 45,531
Subtotal	14,271	9,217	5,054	39,135	29,268	9,867	128,567	83,036	45,531
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	20,623	21,480	(856)	1,955	2,334	(379)	185,792	193,513	(7,711)
Subtotal	20,623	21,480	(856)	1,955	2,334	(379)	185,792	193,513	(7,711)
Total	¥ 34,895	¥ 30,698	¥ 4,197	¥ 41,090	¥ 31,602	¥ 9,487	\$ 314,369	\$ 276,558	\$ 37,810

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

4) Sales of other securities for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2019			2018			2019		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	¥ 1,466	¥ 717	¥ 44	¥ 245	¥ 115	¥ —	\$ 13,207	\$ 6,459	\$ 396
Total	¥ 1,466	¥ 717	¥ 44	¥ 245	¥ 115	¥ —	\$ 13,207	\$ 6,459	\$ 396

5) Impairment losses on securities

Not applicable

12. DERIVATIVES

Derivative transactions at March 31, 2019 and 2018 were as follows:

1) Derivative transactions which do not qualify for hedge accounting

(i) Currency related

	Millions of yen				Thousands of U.S. dollars			
	2019				2019			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:								
Sell:								
Euro	¥ 8,239	¥ —	¥ 268	¥ 268	\$ 74,225	\$ —	\$ 2,414	\$ 2,414
Buy:								
U.S. dollars	1,840	—	46	46	16,576	—	414	414
Total	¥ 10,079	¥ —	¥ 315	¥ 315	\$ 90,801	\$ —	\$ 2,837	\$ 2,837

	Millions of yen			
	2018			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:				
Sell:				
Euro	¥ 9,154	¥ —	¥ (41)	¥ (41)
Buy:				
U.S. dollars	2,640	—	(90)	(90)
Euro	3,292	—	(20)	(20)
Total	¥ 15,087	¥ —	¥ (152)	¥ (152)

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

(ii) Interest rate related

Not applicable

2) Derivative transactions which qualify for hedge accounting

(i) Currency related

Hedged item		Millions of yen			Thousands of U.S. dollars		
		2019			2019		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):							
Sell:							
Euro	Accounts receivable	¥ 14,924	¥ 1,899	¥ 206	\$ 134,450	\$ —	\$ 1,855
A. dollars	Accounts receivable	310	—	(0)	2,792	—	(6)
Buy:							
U.S. dollars	Accounts payable	12,488	1,081	38	112,504	—	342
Total		¥ 27,723	¥ 2,981	¥ 244	\$ 249,756	\$ —	\$ 2,198

Hedged item		Millions of yen		
		2018		
		Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):				
Sell:				
Euro	Accounts receivable	¥ 11,259	¥ —	¥ 256
Buy:				
U.S. dollars	Accounts payable	9,027	—	(206)
Currency swaps (Special treatment):				
Pay Yen/receive U.S.dollars	Long-term debt	¥ 254	¥ —	¥ 6
Total		¥ 20,540	¥ —	¥ 56

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

(ii) Interest rate related

Hedged item		Millions of yen			Thousands of U.S. dollars		
		2019			2019		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):							
Pay fixed/receive floating	Long-term debt	¥ 39,811	¥ 24,749	*	\$ 358,657	\$ 222,963	*

Hedged item		Millions of yen		
		2018		
		Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):				
Pay fixed/receive floating	Long-term debt	¥ 35,522	¥ 13,651	*

*Derivative transactions subject to special treatment applied 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.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

13. RETIREMENT BENEFITS**1) The Company and domestic consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans.**

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

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

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

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

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

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

2) Defined benefit plan

(1) The changes in the retirement benefit obligation during the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Retirement benefit obligation at April 1, 2018 and 2017	¥ 111,428	¥ 109,357	\$ 1,003,855
Service cost	3,068	3,010	27,639
Interest cost	1,241	1,247	11,180
Actuarial gain / loss	355	963	3,198
Retirement benefit paid	(6,554)	(6,899)	(59,045)
Newly consolidated	—	4,193	—
Other	(291)	(443)	(2,621)
Retirement benefit obligation at March 31, 2019 and 2018	¥ 109,248	¥ 111,428	\$ 984,216

(2) The changes in plan assets during the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Plan assets at April 1, 2018 and 2017	¥ 98,971	¥ 92,668	\$ 891,630
Expected return on plan assets	1,641	2,294	14,783
Actuarial gain / loss	(2,751)	2,413	(24,783)
Contributions by the Company and subsidiaries	4,631	4,113	41,720
Retirement benefits paid	(5,063)	(5,042)	(45,612)
Newly consolidated	—	2,523	—
Plan assets at March 31, 2019 and 2018	¥ 97,429	¥ 98,971	\$ 877,738

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2019 and 2018 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Funded retirement benefit obligation	¥ 92,296	¥ 95,232	\$ 831,495
Plan assets at fair value	(97,429)	(98,971)	(877,738)
	(5,133)	(3,739)	(46,243)
Unfunded retirement benefit obligation	16,952	16,196	152,720
Net liability for retirement benefits in the balance sheet	¥ 11,819	¥ 12,456	\$ 106,477
Liability for retirement benefits	30,158	27,814	271,693
Asset for retirement benefits	(18,339)	(15,357)	(165,216)
Net asset for retirement benefits in the balance sheet	¥ 11,819	¥ 12,456	\$ 106,477

(4) The components of retirement benefit expense for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Service cost	¥ 3,068	¥ 3,010	\$ 27,639
Interest cost	1,241	1,247	11,180
Expected return on plan assets	(1,641)	(2,294)	(14,783)
Amortization of actuarial gain / loss	(265)	376	(2,387)
Amortization of prior service cost	(118)	(1,135)	(1,063)
Other	195	292	1,756
Retirement benefit expense	¥ 2,480	¥ 1,496	\$ 22,342

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Prior service cost	¥ (118)	¥ (1,135)	\$ (1,063)
Actuarial gain / loss	(3,371)	1,820	(30,369)
Total	¥ (3,489)	¥ 685	\$ (31,432)

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Unrecognized prior service cost	¥ (457)	¥ (576)	\$ (4,117)
Unrecognized actuarial gain / loss	3,337	(34)	30,063
Total	¥ 2,879	¥ (610)	\$ 25,936

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

(7) Plan assets

(i) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2019 and 2018 were as follows:

	2019	2018
Bonds	38%	37%
Stocks	30	32
Alternative	17	18
Other	15	13
Total*	100%	100%

*The retirement benefit trust consists of 15% of the total plan assets for the year ended March 31, 2019 and 16% of the total plan assets for the year ended March 31, 2018, respectively.

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

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

	2019	2018
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	1.7%	2.5%

3) Defined contribution plan

The Company and domestic consolidated subsidiaries made required contributions to the defined contribution plans of ¥2,184 million (\$19,675 thousand) and ¥2,234 million for the years ended March 31, 2019 and 2018, respectively.

14. STOCK OPTION PLAN

The stock options outstanding as of March 31, 2019 are as follows:

1) The amount and the accounting subject in relation to the stock options existing for the year ended March 31, 2019.

Selling, general and administrative expenses for the years ended March 31, 2019 and 2018 is ¥53 million (\$477 thousand) and ¥61 million, respectively.

2) The amount of income due to cancelled stock options.

Non-operating income for the year ended March 31, 2018 is ¥46 million.

3) The size of stock option and its circumstances.

Date of approval by shareholders	July 29, 2016	July 28, 2017	July 27, 2018
Grantees	4 directors and 13 executive officers	3 directors and 15 executive officers	2 directors and 16 executive officers
Type of shares for which new subscription rights offered (Note below)	55,700 shares of Common stock	61,700 shares of Common stock	60,400 shares of Common stock
After the resolution			
End of the preceding term	46,200 shares	61,700 shares	—
Vested	—	—	60,400 shares
Exercised	10,700 shares	11,900 shares	—
Cancelled	—	—	—
Outstanding	35,500 shares	49,800 shares	60,400 shares
Date of issuance	August 16, 2016	August 15, 2017	August 14, 2018
Condition of exercising	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the Company during the vesting period.
Vesting period	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018	April 1, 2018 – March 31, 2019
Exercise price	¥1 (\$0.00)	¥1 (\$0.00)	¥1 (\$0.00)
Exercisable period	August 17, 2016 – August 16, 2041	August 16, 2017 – August 15, 2042	August 15, 2018 – August 14, 2043
Official price at the date of offered	¥860 (\$7.74)	¥1,000 (\$9.00)	¥878 (\$7.90)

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

4) The evaluation of fair value of stock option

(1) The fair value of stock option value is determined using a Black-Scholes model.

(2) General information and the method of estimation.

Date of approval by shareholders	July 27, 2018
Stock market volatility (Note 1)	42.14%
Estimated residual period (Note 2)	12.5 years
Estimated dividends (Note 3)	¥50 (\$0.45) per share
Risk-free rate (Note 4)	0.22%

Notes: 1. The figure is calculated from the actual stock prices for the period of 12.5 years (from February, 2006 to August, 2018).

2. Because accumulation of data is insufficient and reasonable estimation is difficult, this is estimated on the assumption that it will be exercised at the midpoint of the subscription rights exercise period.

3. This figure is a simple average of actual dividend for the most recent two periods. This is after the consolidation of shares executed on October 1, 2016.

4. The yield of government bond is accordance with estimated residual period.

5) The method of estimating the number of stock options vested

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

15. INCOME TAXES

(1) Deferred tax assets and liabilities at March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Deferred tax assets:			
Loss carryforwards (Note)	¥ 14,320	¥ 15,785	\$ 129,009
Liability for retirement benefits	13,134	13,344	118,324
Excess of allowance for doubtful receivables and bad debts expenses	4,804	5,071	43,279
Accrued bonuses	4,023	3,772	36,243
Write-downs of inventories	2,395	2,334	21,576
Write-downs of investments in securities	1,641	1,854	14,783
Elimination of unrealized intercompany profits	1,359	1,373	12,243
Impairment loss	941	586	8,477
Other	6,475	6,691	58,333
Gross deferred tax assets	49,098	50,815	442,324
Valuation allowance for tax loss carryforwards (Note)	(13,290)	—	(119,729)
Valuation allowance for deductible temporary differences	(25,152)	—	(226,594)
Less: Valuation allowance	(38,433)	(40,902)	(346,243)
Total deferred tax assets	10,655	9,912	95,990
Deferred tax liabilities:			
Asset for retirement benefits	(6,365)	(6,378)	(57,342)
Write-ups of investments in securities	(5,723)	(5,793)	(51,558)
Taxable unrealized gain on contribution of securities to a pension trust	(1,957)	(1,981)	(17,630)
Fair-value accounting for associated with the acquisition of a subsidiary	(1,836)	(1,843)	(16,540)
Other	(2,496)	(4,066)	(22,486)
Total deferred tax liabilities	(18,379)	(20,063)	(165,576)
Net deferred tax liabilities	¥ (7,724)	¥ (10,150)	\$ (69,585)

Note: The amount of the tax loss carryforwards and corresponding deferred tax assets by expiry dates as of March 31, 2019 were as follows:

	Millions of yen						
	2019						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	¥ 2,565	¥ 665	¥ 165	¥ 103	¥ 320	¥ 10,499	¥ 14,320
Less: Valuation allowance	(1,944)	(646)	(143)	(96)	(318)	(10,141)	(13,290)
Deferred tax assets	¥ 620	¥ 19	¥ 22	¥ 6	¥ 2	¥ 358	¥ 1,029

	Thousands of U.S. dollars						
	2019						
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
Loss carryforwards	\$ 23,108	\$ 5,990	\$ 1,486	\$ 927	\$ 2,882	\$ 94,585	\$ 129,009
Less: Valuation allowance	(17,513)	(5,819)	(1,288)	(864)	(2,864)	(91,360)	(119,729)
Deferred tax assets	\$ 5,585	\$ 171	\$ 198	\$ 54	\$ 18	\$ 3,225	\$ 9,270

(2) Income taxes applicable to the Company and domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 31% for the years ended March 31, 2019 and 2018, respectively. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their respective countries of incorporation. A reconciliation between the statutory tax rates and the effective tax rates as a percentage of profit (loss) before income taxes for the years ended March 31, 2019 and 2018 are summarized as follows:

	2019	2018
Statutory tax rates	30.6%	31.0%
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	(1.5)	(4.4)
Permanent nondeductible differences such as entertainment expenses	7.8	7.9
Increase (decrease) in valuation allowance for deferred tax assets	(10.1)	(34.2)
Per capita portion of inhabitants' taxes	2.8	3.6
Expiration of loss carried forwards	—	18.8
Other, net	(6.1)	6.1
Effective tax rates	23.5%	28.8%

16. BUSINESS COMBINATION

Business combinations for the year ended March 31, 2019 consisted of the following:

(Transaction under Common Control)

The Company resolved to additionally acquire shares of OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A., a consolidated subsidiary, at a Board of Directors Meeting on October 31, 2018, and acquired these shares on December 21, 2018.

1) Outline of transactions

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

Name: OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A.

Content of business: Design, manufacture, sales and maintenance and services of automation equipment

(2) Date of business combination

December 21, 2018

(3) Legal forms of business combination

Purchases of stock

(4) Name of the company after combination

No change in name

(5) Other items regarding outline of transaction

The Company acquired 10.31% of the shares of OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A. which became a wholly-owned subsidiary of the Company.

2) Outline of accounting procedures applied

The transaction was accounted for as transactions with non-controlling shareholders in the category of transactions under common control, etc. in accordance with the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013) and the Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10, September 13, 2013).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

3) Matters listed in the case of acquisition of additional shares of a subsidiary

Acquisition cost of acquired company and breakdown

Consideration for the acquisition	Cash and deposits	¥ 762 million	(\$ 6,864 thousand)
Acquisition cost		¥ 762 million	(\$ 6,864 thousand)

4) Matters concerning change in the Company's ownership interest of subsidiaries due to transactions with non-controlling shareholders

(1) Major factor of change in additional paid-in capital

Acquisition of additional shares of a subsidiary

(2) Amount of additional paid-in capital decreased by transactions with non-controlling shareholders

¥762 million (\$ 6,864 thousand)

17. SEGMENT INFORMATION**1) Segment Information**

(1) Overview of reporting segments

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

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

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

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

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

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

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

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

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

From the fiscal year ended March 31, 2019, the EMS business has been restructured to strengthen one-stop services, from sales to design, manufacturing, and evaluation. Along with this, some businesses which were previously included in the "Others" category have been changed to the EMS business.

Accordingly, the segment information for the fiscal year ended March 31, 2018 has been restated.

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

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

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment
Reporting segment information as of March 31, 2019 and 2018 and for the years then ended were as follows:

For the year ended March 31	Millions of yen								
	2019								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	¥ 184,286	¥ 82,731	¥ 102,554	¥ 65,167	¥ 434,740	¥ 6,712	¥ 441,452	¥ —	¥ 441,452
Inter-segment sales and transfers	4,306	1,888	5,228	816	12,240	16,167	28,408	(28,408)	—
Net sales	188,592	84,620	107,782	65,984	446,980	22,879	469,860	(28,408)	441,452
Operating income (loss)	14,668	82	5,740	3,705	24,197	877	25,074	(7,552)	17,522
Total assets	125,322	63,231	64,791	56,298	309,643	12,485	322,129	43,374	365,503
Depreciation and amortization	2,856	2,501	2,691	2,083	10,133	451	10,584	993	11,577
Investments in equity-method affiliates	2,041	—	—	—	2,041	—	2,041	—	2,041
Increase in property, plant, equipment and intangible assets	¥ 3,576	¥ 2,529	¥ 3,818	¥ 3,056	¥ 12,981	¥ 359	¥ 13,340	¥ 890	¥ 14,230

For the year ended March 31	Millions of yen								
	2018								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	¥ 172,716	¥ 93,542	¥ 108,905	¥ 55,488	¥ 430,652	¥ 7,374	¥ 438,026	¥ —	¥ 438,026
Inter-segment sales and transfers	4,002	2,125	5,815	718	12,662	16,006	28,668	(28,668)	—
Net sales	176,718	95,667	114,721	56,206	443,314	23,380	466,695	(28,668)	438,026
Operating income (loss)	13,513	(5,093)	2,729	3,305	14,454	988	15,443	(7,721)	7,721
Total assets	107,468	66,304	64,557	56,144	294,475	15,267	309,742	56,769	366,512
Depreciation and amortization	2,936	2,989	3,208	1,479	10,613	478	11,092	1,059	12,151
Investments in equity-method affiliates	1,963	—	—	—	1,963	—	1,963	—	1,963
Increase in property, plant, equipment and intangible assets	¥ 3,134	¥ 1,758	¥ 2,052	¥ 1,769	¥ 8,715	¥ 273	¥ 8,989	¥ 1,298	¥ 10,287

For the year ended March 31	Thousands of U.S. dollars								
	2019								
	Segments					Others	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	\$ 1,660,234	\$ 745,324	\$ 923,909	\$ 587,090	\$ 3,916,576	\$ 60,468	\$ 3,977,045	\$ —	\$ 3,977,045
Inter-segment sales and transfers	38,792	17,009	47,099	7,351	110,270	145,648	255,927	(255,927)	—
Net sales	1,699,027	762,342	971,009	594,450	4,026,846	206,117	4,232,972	(255,927)	3,977,045
Operating income (loss)	132,144	738	51,711	33,378	217,990	7,900	225,891	(68,036)	157,855
Total assets	1,129,027	569,648	583,702	507,189	2,789,576	112,477	2,902,063	390,756	3,292,819
Depreciation and amortization	25,729	22,531	24,243	18,765	91,288	4,063	95,351	8,945	104,297
Investments in equity-method affiliates	18,387	—	—	—	18,387	—	18,387	—	18,387
Increase in property, plant, equipment and intangible assets	\$ 32,216	\$ 22,783	\$ 34,396	\$ 27,531	\$ 116,945	\$ 3,234	\$ 120,180	\$ 8,018	\$ 128,198

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Operating income (loss)			
Elimination of intersegment transactions	¥ 69	¥ 125	\$ 621
Corporate expense*	(7,530)	(7,783)	(67,837)
Fixed asset adjustment	(91)	(63)	(819)
Total	¥ (7,552)	¥ (7,721)	\$ (68,036)

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total assets			
Elimination of intersegment transactions	¥ (112,338)	¥ (107,003)	\$ (1,012,054)
Corporate assets*	156,282	165,485	1,407,945
Fixed asset adjustment	(569)	(1,712)	(5,126)
Total	¥ 43,374	¥ 56,769	\$ 390,756

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Depreciation and amortization			
Depreciation expense for corporate assets	¥ 1,247	¥ 1,290	\$ 11,234
Fixed asset adjustment	(253)	(230)	(2,279)
Total	¥ 993	¥ 1,059	\$ 8,945

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Increase in property, plant, equipment and intangible assets			
Corporate assets	¥ 1,231	¥ 1,595	\$ 11,090
Fixed asset adjustment	(340)	(297)	(3,063)
Total	¥ 890	¥ 1,298	\$ 8,018

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

2) Related information

Related information as of March 31, 2019 and 2018 and for the years then ended were as follows:

(1) Products and service information

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

(2) Geographic information

(i) Sales

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Japan	¥ 341,857	¥ 320,631	\$ 3,079,792
North America	14,733	17,422	132,729
Latin America	13,587	23,306	122,405
Europe	40,944	43,622	368,864
China	13,327	16,797	120,063
Other	17,002	16,245	153,171
Total	¥ 441,452	¥ 438,026	\$ 3,977,045

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

(ii) Tangible fixed assets

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

3) Information on impairment loss by each reporting segment

Year ended March 31, 2018

Not applicable

Year ended March 31, 2019

	Millions of yen	Thousands of U.S. dollars
Mechatronics Systems	¥ 3,019	\$ 27,198
Printers	107	963
Total	¥ 3,127	\$ 28,171

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

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

Year ended March 31, 2018

The disclosure is omitted due to immateriality.

Year ended March 31, 2019

The disclosure is omitted due to immateriality.

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

Year ended March 31, 2018

¥210 million of gain on negative goodwill was recorded due to additional acquisition of Oki Electric Cable Co., Ltd., an affiliated company previously accounted for by the equity method, as a consolidated subsidiary.

Year ended March 31, 2019

Not applicable

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS [UNAUDITED]

18. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2019	2018	2019
Net assets per share	¥ 1,155.28	¥ 1,154.03	\$ 10.40
Basic earnings per share	¥ 97.16	¥ 67.86	\$ 0.87
Diluted earnings per share	¥ 97.03	¥ 67.80	\$ 0.87

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Basic earnings per share			
Profit attributable to owners of parent	¥ 8,405	¥ 5,891	\$ 75,720
Amounts not attributable to common stock	—	—	—
Profit attributable to owners of parent related to common stock	¥ 8,405	¥ 5,891	\$ 75,720
Weighted-average number of shares of common stock during the period (thousand shares)	86,508	86,826	
Diluted earnings per share			
Profit attributable adjustment to owners of parent	—	—	—
Increase in number of common stocks (thousand shares)	120	80	
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects	—	—	

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

	Millions of yen		Thousands of U.S. dollars
	2019	2018	2019
Total net assets	¥ 100,200	¥ 102,144	\$ 902,702
Amounts deducted from total net assets	¥ 259	¥ 1,974	\$ 2,333
(Subscription rights to shares)	¥ (133)	¥ (101)	\$ (1,198)
(Non-controlling interests)	¥ (126)	¥ (1,873)	\$ (1,135)
Net assets at the year end to common stock	¥ 99,941	¥ 100,169	\$ 900,369
Common stock at the year end used to calculated of the net assets per share (thousand shares)	86,508	86,799	

19. CONSOLIDATED SUPPLEMENTARY SCHEDULES

1) Schedule of company bonds

Not applicable

2) Schedule of borrowings, etc

	Millions of yen				Thousands of U.S. dollars	
	2019				2019	
	Balance at March 31, 2018	Balance at March 31, 2019	Average interest rate	Term of payment	Balance at March 31, 2018	Balance at March 31, 2019
Short-term borrowings	¥ 36,964	¥ 30,570	2.2%	—	\$ 333,009	\$ 275,405
Long-term debt (Within 1 year)	21,994	18,310	1.5	—	198,144	164,954
Lease obligations (Within 1 year)	2,749	2,918	—	—	24,765	26,288
Long-term debt (Over 1 year)	22,956	29,673	1.3	Jun. 30, 2020 ~ Dec. 29, 2023	206,810	267,324
Lease obligations (Over 1 year)	8,950	11,926	—	Apr. 10, 2020 ~ Dec. 10, 2028	80,630	107,441
Total	¥ 93,614	¥ 93,399	—	—	\$ 843,369	\$ 841,432

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

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

	Millions of yen				Thousands of U.S. dollars			
	2019				2019			
	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
Long-term debt	¥ 8,691	¥ 7,994	¥ 7,994	¥ 4,994	\$ 78,297	\$ 72,018	\$ 72,018	\$ 44,990
Lease obligations	2,741	2,489	2,346	2,075	24,693	22,423	21,135	18,693

3) Schedule of Asset Retirement Obligations

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

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