(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 3, 2014

# NOTICE OF 90TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Oki Electric Industry Co., Ltd. (the "Company") would hereby like to inform you that the 90th 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 "4. Exercise of Voting Rights" on page 2 and exercise their voting rights no later than 5:15 p.m., June 24 (Tuesday), 2014 (JST).

Yours faithfully,

Hideichi Kawasaki,
*President, Representative Director*
Oki Electric Industry Co., Ltd.
1-7-12 Toranomon, Minato-ku, Tokyo

(Translation)

**1. Date and Time:** Wednesday, June 25, 2014, from 10:00 a.m.

**2. Location:** Nikkei Hall, 3F Nikkei Building, 1-3-7 Otemachi, Chiyoda-ku, Tokyo (The venue of this General Meeting of Shareholders differs from that held last year.)

**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 90th fiscal year (from April 1, 2013 to March 31, 2014)
2. Non-consolidated Financial Statements for the 90th fiscal year (from April 1, 2013 to March 31, 2014)

***Items to be resolved:***

**Agenda 1:** Appropriation of Surplus
**Agenda 2:** Election of Five (5) Directors

**4. Exercise of Voting Rights**

(1) Attendance at the meeting in person
Please submit the enclosed ballot at the reception desk of the meeting.

(2) Exercise of voting rights via postal mail
Please indicate your approval or disapproval for each of the proposals in the space provided on the ballot and return the ballot to the Company.

(3) Exercise of voting rights via electronic means (Internet)
Please read the appended “Instructions for the Exercise of Voting Rights via the Internet,” and indicate your approval or disapproval online via the designated website at http://www.it-soukai.com/. There is no need to mail the ballot if you choose to vote via Internet.

* The Company has provided the Notice of 90th Ordinary General Meeting of Shareholders on its Internet website (http://www.oki.com/). 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 (including the “Notes to the Consolidated Financial Statements” and “Notes to Non-consolidated Financial Statements”) will be announced on the website.

(Translation)

(Attachment)

# Business Report

(From April 1, 2013 to March 31, 2014)

## 1. Status of the OKI Group

### (1) Operating progress and results

Looking at the global economy during fiscal year 2013, signs of economic recovery were seen in the U.S., including a decline in the unemployment rate and an increase in private consumption, and the economies of Europe and emerging countries also gradually picked up. The economic situation in Japan also headed toward a mild recovery, with increased private consumption and production, improved employment conditions, and other positive factors.

Under this business environment, the OKI Group's net sales increased ¥27.3 billion, or 6.0% year-on-year, to ¥483.1 billion, thanks to steady performance in Info-telecom system business and other key business segments and a weaker yen. Reductions in fixed and other costs, an improved product mix resulting from structural reforms in the Printer business, and a weaker yen led to operating income growth of ¥13.7 billion year-on-year to ¥27.2 billion.

Foreign exchange gain and other factors led to ordinary income growth of ¥16.4 billion year-on-year to ¥36.7 billion, while various factors, including the recording of costs of revamping the Printer business structure and other businesses, led to net income growth of ¥13.8 billion year-on-year to ¥27.4 billion.

Looking at non-consolidated business performance, net sales were ¥238.8 billion, up ¥12.8 billion (5.7%) from the previous fiscal year. This was due to an increase in net sales of the Info-telecom system business, mainly for social infrastructure systems and mechatronics systems. Operating income was ¥12.6 billion, a ¥0.1 billion increase year-on-year.

Ordinary income decreased ¥19.5 billion year-on-year to ¥13.3 billion, due to reductions in dividend income received from subsidiaries and affiliates. Net income decreased ¥8.7 billion year-on-year to ¥12.1 billion, because of a reduction in the provision for loss on business of subsidiaries and affiliates.

The Company'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. The Company 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, the Company 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, the Company proposes to pay ¥3 per common stock as a dividend from the surplus (year-end dividend) in the current fiscal year. As for preferred stocks, the Company will distribute dividends in accordance with the terms and conditions for preferred stocks stipulated at the time of issuance.

Net sales by segment are as provided below.

**- Net Sales**

(Unit: billions of yen)

| Segment | FY2012 (reference: previous year) | FY2013 (the year under review) | Increase or decrease | Compared to the previous year (%) |
|---|---|---|---|---|
| Info-telecom systems | 293.0 | 303.6 | 10.6 | 3.6 |
| Printers | 111.4 | 124.8 | 13.4 | 12.1 |
| EMS | 32.7 | 37.1 | 4.4 | 13.6 |
| Others | 18.7 | 17.6 | (1.1) | (6.3) |
| Total | 455.8 | 483.1 | 27.3 | 6.0 |

Note: Figures less than ¥100 million for each item are rounded to the nearest ¥100 million. The amounts of "increase or decrease" are calculated on the basis of figures in units of ¥100 million.

The following provides a summary of each segment.

**Info-telecom systems**

Net sales to external customers were ¥303.6 billion, up ¥10.6 billion (3.6%) from the previous fiscal year. Sales of solution & services business slid due to a reduction in the number of large-scale services projects, although sales of financial system-related solutions increased. Sales of telecom systems increased because sales of core networks were firm, in addition to steady sales of enterprise networks and maintenance/construction. Sales of social infrastructure systems also increased because digitalization of fire radio and disaster prevention-related demand remained steady. Sales of mechatronics systems rose because sales of ATMs for convenience stores, cash-handling equipment, and bank branch terminals for financial institutions were favorable in Japan, and sales of China-bound ATMs were strong as a whole, although shipments destined to some clients were postponed until the next fiscal year. Meanwhile, the yen's weakness pushed up sales by ¥8.1 billion.

Operating income fell ¥0.4 billion to ¥23.4 billion due to price declines, increased costs, and other factors.

**Printers**

Net sales to external customers were ¥124.8 billion, up ¥13.4 billion (12.1%) from the previous fiscal year. Sales of LED printers increased because a shift to high-value added models proceeded with a review of the sales strategy, leading to an improvement of the product mix in the area of office printers, as well as strong sales performance for new products of copier professional services. The declining trend of dot impact printers continued on a market-wide basis. Meanwhile, the yen's weakness pushed up sales by

¥17.0 billion.

Operating income improved substantially, resulting in an increase of ¥13.9 billion from the previous year to ¥5.1 billion, due to an improved product mix, in addition to reduced fixed costs resulting from the implementation of structural business reforms.

**Electronics manufacturing services (EMS) and others**

Net sales to external customers were ¥37.1 billion, up ¥4.4 billion (13.6%) from the previous fiscal year, in EMS business and ¥17.6 billion, down ¥1.1 billion (6.3%) from the previous fiscal year, in the Others business. Sales of the EMS business increased because of the consolidation of OKI Circuit Technology Co., Ltd. (Note*), in addition to robust sales of products for the telecom equipment market. Sales of the Others business segment decreased because sales in the amusement market showed a decline, while parts sales were strong.

Operating income of the EMS business increased ¥0.1 billion to ¥1.7 billion and that of Others business decreased ¥0.2 billion to ¥2.8 billion.

(Note*) The company name was changed on April 1, 2014 (formerly OKI TANAKA Circuits Co., Ltd.).

(Translation)

### (2) Capital expenditure

Capital expenditures for the fiscal year equaled ¥10.2 billion.

Investment amounts by segment were as follows.

(Unit: billions of yen)

| Segment | Amount of capital expenditure | Major investments |
|---|---|---|
| Info-telecom systems | 5.6 | Investments in R&D, development of new products and production activities for financial systems, automation equipment systems, systems related to fire- and disaster-prevention and optical access systems, etc. |
| Printers | 2.6 | Investments in R&D, development and production activities relating to business-use printers |
| EMS | 0.7 | Investments in contract manufacturing activities of telecommunications and industrial equipment |
| Others | 1.3 | |
| Total | 10.2 | |

### (3) Financing

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

Borrowing funds are mainly long-term borrowings principally from major banks.

### (4) Future challenges

In November 2013, the OKI Group announced the Medium-term Business Plan 2016, and established it as its vision to become a high-value added creation group, which contributes to the realization of safe and comfortable society. Its management policy is to make continuous investments by ensuring stable profits, thus achieving sustainable growth, with the management objectives for FY2016, the final year of the Medium-term Business Plan, of net sales of ¥560.0 billion, operating income of ¥34.0 billion, operating profit margin of 6%, shareholders' equity ratio of at least 30%, debt equity ratio of 1.0 or less, and overseas sales ratio of 40%.

To ensure stable profits, the Group will respond to demand for renewing financial, social, and telecom systems, and continue to seize opportunities in China's ATM market as well. In addition, it will generate stable profits through structural reforms of the Printer business, following on from those during the fiscal year under review, and by making each business more efficient.

To achieve sustainable growth, the Group will carry out various measures in the future under three main pillars: "expanding business in global markets," "supporting management unencumbered by assets," and "entering the field of next-generation social infrastructure." It aims to tap new ATM markets including Brazil, to expand products with the rollout of cash handling equipment and maintenance services, and promote the global development of high-value added printers for the copier and professional services market. Besides, it will support management unencumbered by assets, such as by strengthening cloud services, Life Cycle Management (LCM) services, etc. Furthermore, by leveraging its strengths in sensing and network technology, it will focus on disaster prevention, disaster mitigation, and measures for aging social infrastructure, etc. to make inroads into the field of next-generation social infrastructure.

(Translation)

It will also carry out a production/design revolution and reduce procurement costs, shrink working capital, strengthen research & development, and enhance human resources, such as by shifting human resources to growth fields, recruiting global human resources, and encouraging women to play active roles, in order to achieve the objectives above in FY2016.

(Translation)

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

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

| | 87th year (FY2010) | | 88th year (FY2011) | | 89th year (FY2012) | | 90th year (the year under review, FY2013) | |
|---|---|---|---|---|---|---|---|---|
| Sales | 432.7 | billion yen | 428.1 | billion yen | 455.8 | billion yen | 483.1 | billion yen |
| Net income | (27,001) | million yen | 8,000 | million yen | 13,599 | million yen | 27,359 | million yen |
| Net income per share | (37.35) | yen | 9.14 | yen | 17.24 | yen | 36.21 | yen |
| Total assets | 372.2 | billion yen | 374.8 | billion yen | 349.3 | billion yen | 412.5 | billion yen |
| Net assets | 59.9 | billion yen | 67.5 | billion yen | 56.6 | billion yen | 91.9 | billion yen |
| Net assets per share | 40.15 | yen | 49.36 | yen | 34.40 | yen | 79.32 | yen |

Notes:

1. Parentheses indicate losses.
2. Net income per share is computed based on the average number of shares of common stock during the year (weighted average). Net assets per share are computed based on the number of shares of common stock outstanding at the year-end. These figures exclude treasury stocks.
3. Trends in business performances after amendments were made to past financial results based on the Financial Instrument and Exchange Act are as follows.

| | 87th year (FY2010) | | 88th year (FY2011) | |
|---|---|---|---|---|
| Sales | 432.7 | billion yen | 423.5 | billion yen |
| Net income | (31,809) | million yen | 1,555 | million yen |
| Net income per share | (44.00) | yen | 0.32 | yen |
| Total assets | 368.8 | billion yen | 368.1 | billion yen |
| Net assets | 38.9 | billion yen | 41.3 | billion yen |
| Net assets per share | 11.37 | yen | 13.42 | yen |

(Translation)

**(6) Status of major subsidiaries**

(i) Status of major subsidiaries

| Name | Capital | Company's voting right ratio (%) | Major business |
|---|---|---|---|
| Oki Data Corporation | 29,000 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. | 33 million pound sterling | 100* | Sales of printers |
| OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. | 251 million real | 70 | Design, development, manufacture, and sales and maintenance of automation equipment |
| Oki Electric Industry (Shenzhen) Co., Ltd. | 66 million Renminbi | 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 offers as its core businesses info-telecom systems/equipment, and printers as well as related solutions, services and EMS.

Major business items include the following.

| Segment | Business items |
|---|---|
| Info-telecom systems | Financial systems, automation equipment systems (ATM, cash handling equipment, ticket reservations and issuing terminals, etc.), systems for government agencies (aviation, transportation, disaster prevention, firefighting, various info-telecom systems, etc.), telecom carrier systems (switching, transmission, optical access, etc.), IP telecommunication systems (PBX, call center, videoconferencing, etc.), various information systems (travel, logistics, manufacturing, etc.), and IT services for the said business items (cloud computing service, system integration, support, maintenance, etc.), etc. |
| Printers | Color LED printers, monochrome LED printers, dot impact printers, multi-purpose 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 | Kitanihon region (Sendai, Miyagi), Chubu region (Nagoya, Aichi), Kansai region (Osaka, Osaka), Chushikoku region (Hiroshima, Hiroshima), 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 | New Jersey, USA |
| Oki Data Manufacturing (Thailand) Co., Ltd. | Head office | Ayutthaya, Thailand |
| Oki Europe Ltd. | Head office | Surrey, UK |
| OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. | Head office | Sao Paulo, Brazil |
| Oki Electric Industry (Shenzhen) Co., Ltd. | Head office | Guangdong, China |

(Translation)

## (9) Employees

(i) Employees of the OKI Group

| Segment | Number of employees |
|---|---|
| Info-telecom systems | 12,729 |
| Printers | 5,059 |
| EMS | 1,244 |
| Others | 1,705 |
| Company-wide (shared) | 353 |
| Total | 21,090 |

(ii) Employees of Oki Electric Industry

| Number of employees | Average age | Average years of service |
|---|---|---|
| 3,788 (increased by 110 from the end of the previous year) | 42.5 | 19.8 |

## (10) Major creditors

Major creditors of the OKI Group are as follows:

| Creditor | Loan balance |
|---|---|
| | Billion yen |
| Mizuho Bank, Ltd. | 30.1 |
| Sumitomo Mitsui Banking Corporation | 20.0 |
| Mizuho Trust & Banking Co., Ltd. | 8.5 |
| Aozora Bank, Ltd. | 3.9 |
| The Norinchukin Bank | 3.7 |

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

There are no relevant items.

(Translation)

## 2. Shareholders' Equity

(1) Number of shares authorized to be issued by the Company: 2,400,000 thousand shares

Total number of classified shares authorized to be issued

Common Stock: 2,400,000 thousand shares

Class A Preferred Stock: 30,000 shares

(2) Number of outstanding shares:

Common Stock: 731,438 thousand shares

(including 3,341 thousand shares of treasury stock)

Class A Preferred Stock: 30,000 shares

(3) Number of shareholders:

Common Stock: 85,073

Class A Preferred Stock: 15

(4) Major shareholders (Top 10):

1) Common Stock

| Name of shareholder | Number of shares held (thousand shares) | Percentage of shares held (%) |
|---|---|---|
| Japan Trustee Services Bank, Ltd. (trust account) | 56,475 | 7.76 |
| The Master Trust Bank of Japan, Ltd. (trust account) | 29,272 | 4.02 |
| Oki Denki Group Employees' Shareholdings Committee | 17,780 | 2.44 |
| Mizuho Bank, Ltd. | 14,196 | 1.95 |
| Meiji Yasuda Life Insurance Company | 14,000 | 1.92 |
| Japan Trustee Services Bank, Ltd. (trust account 4) | 11,877 | 1.63 |
| Japan Trustee Services Bank, Ltd. (trust account 6) | 8,050 | 1.11 |
| Japan Trustee Services Bank, Ltd. (trust account 5) | 8,036 | 1.10 |
| Japan Trustee Services Bank, Ltd. (trust account 3) | 7,929 | 1.09 |
| Japan Trustee Services Bank, Ltd. (trust account 2) | 7,905 | 1.09 |

Note: The percentages of shares held are calculated after deducting treasury stock (3,341 thousand shares).

(Translation)

2) Class A Preferred Stock

| Name of shareholder | Number of shares held | Percentage of shares held (%) |
| --- | --- | --- |
| Trust & Custody Service Bank, Ltd.<br>Money trust tax account (Mizuho Bank) | 15,000 | 50.00 |
| NTT Data Corporation | 3,000 | 10.00 |
| Trust & Custody Service Bank, Ltd.<br>Money trust tax account (Meiji Yasuda Life Insurance) | 3,000 | 10.00 |
| Hulic Co., Ltd. | 2,500 | 8.33 |
| Fujitsu Limited | 1,000 | 3.33 |
| Kiyo Bank, Ltd. | 1,000 | 3.33 |
| Trust & Custody Service Bank, Ltd.<br>Money trust tax account (Sompo Japan Insurance) | 1,000 | 3.33 |
| Trust & Custody Service Bank, Ltd.<br>Money trust tax account (The Chiba Kogyo Bank) | 1,000 | 3.33 |
| Trust & Custody Service Bank, Ltd.<br>Money trust tax account (Yasuda Real Estate) | 600 | 2.00 |
| Fuyo General Lease Co., Ltd. | 500 | 1.67 |

(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

163

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

163,000 shares of the Company's common stock (1,000 shares per equity warrant)

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

| Issued Number | Exercise period | Directors (excluding outside Directors) | |
|---|---|---|---|
| | | Number of equity warrants | Number of holders |
| No. 3 equity warrant (458 yen) (Issued on July 20, 2004) | July 1, 2006 to June 28, 2014 | 31 | 2 |
| No. 4 equity warrant (406 yen) (Issued on July 20, 2005) | July 1, 2007 to June 28, 2015 | 34 | 2 |
| No. 5 equity warrant (277 yen) (Issued on July 28, 2006) | July 1, 2008 to June 28, 2016 | 26 | 2 |
| No. 6 equity warrant (277 yen) (Issued on July 28, 2006) | July 1, 2008 to June 28, 2016 | - | - |
| No. 7 equity warrant (248 yen) (Issued on July 27, 2007) | July 1, 2009 to June 25, 2017 | 57 | 2 |
| No. 8 equity warrant (248 yen) (Issued on July 27, 2007) | July 1, 2009 to June 25, 2017 | 15 | 1 |

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

The Company did not issue equity warrants in the fiscal year under review.

(Translation)

## 4. Corporate Officers

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

| Note 1 | Position | Name | Status or main duties |
|---|---|---|---|
| X | President, Representative Director | Hideichi Kawasaki | Supervision |
| X | Senior Executive Vice President and Member of the Board, Representative Director | Naoki Sato | Chief Compliance Officer<br>In charge of Marketing & Sales Division, Secretarial Office, Group Administration Division, CSR Division and General Affairs Division |
| X | Executive Vice President and Member of the Board | Sei Yano | Chief Information Officer and Chief Technology Officer<br>In charge of IT Solution & Services Business Division, Government & External Relations Division, Human Resources Division and Information Planning Division |
| X | Executive Vice President and Member of the Board | Hisao Suzuki | Chief Financial Officer<br>In charge of Accounting & Control Division, Public Relations Division and Audit Office |
| X | Senior Vice President and Member of the Board | Takao Hiramoto | In charge of Printer Business Division<br>President, Oki Data Corporation |
| | Director | Takuma Ishiyama | |
| Standing Audit & Supervisory Board Member | | Shuichi Kawano | |
| Standing Audit & Supervisory Board Member | | Tsutomu Tai | |
| Audit & Supervisory Board Member | | Kuninori Hamaguchi | |
| Audit & Supervisory Board Member | | Kaoru Yoshida | |

Notes:

1. X indicates executive officer.
2. Director Takuma Ishiyama is an Outside Director.
3. Audit & Supervisory Board Members Kuninori Hamaguchi and Kaoru Yoshida are Outside Audit & Supervisory Board Members.
4. Director Takuma Ishiyama, Audit & Supervisory Board Members Kuninori Hamaguchi and Kaoru Yoshida are independent officers based on the terms of the Tokyo Stock Exchange.
5. Audit & Supervisory Board Member Tsutomu Tai has many years of experience working in the Company's accounting divisions, and has extensive knowledge of finance and accounting.

6. Executive officers as of March 31, 2014 are as follows (excluding those who concurrently serve as Directors).

| Position | Name | Principal duty |
|---|---|---|
| Senior Vice President | Hidetoshi Saigo | In charge of Telecom Systems Business Division and Carriers Systems Marketing & Sales Division |
| Senior Vice President | Toshinao Takeuchi | In charge of Corporate Planning Division and Corporate Research & Development Center |
| Senior Vice President | Shinya Kamagami | In charge of Systems Hardware Business Division |
| Senior Vice President | Kouichirou Shimizu | In charge of Electronics Manufacturing Services Business Division |
| Executive Officer | Toshiya Hatakeyama | Manager, Group Administration Division and Accounting & Control Division |
| Executive Officer | Kazunari Kobayashi | Manager, General Affairs Division<br>President, Representative Director, Oki Proserve Co., Ltd. |
| Executive Officer | Kenichi Tamura | Manager, Marketing & Sales Division |
| Executive Officer | Akira Komatsu | In charge of Public Systems Business Division |
| Executive Officer | Yoshikazu Matsuoka | Manager, Carriers Systems Marketing & Sales Division |
| Executive Officer | Yoshiyuki Nakano | In charge of Procurement Center<br>Manager, Mechatronics Systems Plant in Systems Hardware Business Division |
| Executive Officer | Seiji Mouri | Manager, IT Solution & Services Business Division |
| Executive Officer | Makoto Nagaiwa | Manager, Government & Public Systems Marketing & Sales Division |
| Executive Officer | Shinya Andou | Assistant Manager, Systems Hardware Business Division |

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

| Title | Number of persons | Amount of payment |
|---|---|---|
| Directors | 6 | ¥199 million |
| Audit & Supervisory Board Members | 5 | ¥56 million |
| Total | 11 | ¥255 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 ¥100 million per year for Audit & Supervisory Board Members. The amount of compensation for Directors excludes employee wages for Directors who are also employees.
2. The number of Audit & Supervisory Board Members as of the end of the fiscal year under review is different from the number shown above, and the above number includes those who resigned at the conclusion of the 89th Ordinary General Meeting of Shareholders held on June 26, 2013.

(Translation)

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

(i) 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 | 14 (14) | 100% | - | - |
| Kuninori Hamaguchi, Audit & Supervisory Board Member | 14 (14) | 100% | 16 (16) | 100% |
| Kaoru Yoshida, Audit & Supervisory Board Member | 12 (14) | 85.7% | 16 (16) | 100% |

(b) Major activities

a. Takuma Ishiyama, Director

Making objective statements 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 served as an advisor to the Risk Management Committee and contributes to strengthening compliance by providing a good example to managerial personnel through his leadership.

b. Kuninori Hamaguchi, Audit & Supervisory Board Member

With regard to deliberations of the Board of Directors, he determined the correctness of Directors' managerial decisions. Using his many years of extensive experience and knowledge as a director at other companies, he made efforts to formulate the Company's appropriate audit opinions by making proper statements and carrying out, when necessary, adequate activities concerning performances of the Audit & Supervisory Board.

c. Kaoru Yoshida, Audit & Supervisory Board Member

With regard to deliberations of the Board of Directors, he determined the correctness of Directors' managerial decisions. Using his many years of extensive experience and knowledge as a director at other companies, he made efforts to formulate the Company's appropriate audit opinions by making proper statements and carrying out, when necessary, adequate activities concerning performances of the Audit & Supervisory Board.

(ii) Outline of Liability Limitation Agreements

The Company concluded agreements to limit liabilities with outside officers (Director Takuma Ishiyama, and Audit & Supervisory Board Members Kuninori Hamaguchi and Kaoru Yoshida) under the provisions of Article 427 of the Companies Act. The outline of the agreements is as follows:

- In cases where outside officers 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 have executed their duties that caused the liabilities in good faith and without gross negligence.

(iii) Total amount of compensation, etc.
¥24 million (for the three individuals)

(Translation)

## 5. Status of Accounting Auditor

### (1) Name: Ernst & Young ShinNihon LLC

### (2) Compensation, etc.

| | Amount of payment |
|---|---|
| 1. Compensation, to be paid to the accounting auditor for the fiscal year under review | 135 million yen |
| 2. Total sum of cash and profits on other assets that the Company and its subsidiaries should pay to the accounting auditor | 208 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) Policy regarding decision to dismiss or not reappoint the accounting auditor

The Audit & Supervisory Board will dismiss the accounting auditor if the auditor falls under provisions of Article 340 of the Companies Act. In addition, if it is deemed unlikely that the accounting auditor will be able to perform audits properly, upon the consent or request of the Audit & Supervisory Board, the Board of Directors will discuss whether to submit a proposal to the general meeting of shareholders for dismissal or non-reappointment of the accounting auditor.

(Translation)

**6. Policies and procedures of the Company**

**Procedures to ensure that Directors and employees comply with applicable laws, regulations and the Articles of Incorporation in conducting their business, as well as other procedures of the Company, in order to assure the appropriateness of the Company's operations**

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

(i) 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."

(ii) The Company has established a Compliance Committee chaired by the Chief Compliance Officer to decide on and examine basic policies regarding compliance programs.

(iii) 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.

(iv) The Company provides rules on public-interest disclosure and provides a contact point for reporting and consultation, aiming to detect any misconduct at its earliest stages.

(v) 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.

**(2) 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.

**(3) Rules concerning risk management and other procedures**

(i) The Company has established a Risk Management Committee and promotes measures for appropriately grasping risks that may occur in relation to its business activities and preventing such risks from emerging.

(ii) 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.

(iii) If any risk occurs, the Company will set up an emergency countermeasure headquarters to handle the risk.

**(4) Procedures to secure efficient business performance by Directors**

(i) The Company holds regular meetings of the Board of Directors once a month to decide important matters and supervise the work of Directors.

(ii) The Company holds meetings of the Board of Executive Officers consisting of executive officers etc. to provide for flexible decision making on fundamental and significant matters in managing the business.

(iii) The Company assigns Directors responsibilities and authority pursuant to rules on division of duties and authorities.

**(5) Procedures to secure appropriate Group (Company and subsidiaries) operations**

(i) To ensure that Group companies 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 of Group companies should comply with, and is striving to make the code known to all of them.

(ii) The division responsible for compliance implements various measures for promoting compliance common to the Group through each Group company'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.

(iii) The Company, in accordance with Group management rules, determines the status of each Group company's management activities and provides advice and guidance.

(iv) To secure the reliability of financial reporting, the Company and Group companies establish an internal control system for financial reporting in accordance with related laws and regulations, and strive to maintain and improve that system.

**(6) Procedures for employees who assist Audit & Supervisory Board Members; independence of employees from Directors**

(i) The Company assigns employees, who are not subject to Directors' instructions and orders, as staff to assist Audit & Supervisory Board Members.

(ii) Any change in such staffing requires the prior consent of the Audit & Supervisory Board.

**(7) Procedures for Directors and employees to report to Audit & Supervisory Board Members; procedures for Audit & Supervisory Board Members to receive other reports**

(i) 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.

(ii) Standing Audit & Supervisory Board Members attend meetings of the Board of Directors and meetings of the Board of Executive Officers in order to understand important decision-making processes and the status of business operations, as well as to inspect important documentation.

(iii) 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.

**(8) Other procedures to secure effective audits by Audit & Supervisory Board Members**

(i) 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.

(ii) 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.

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, 2014)

(Unit: millions of yen)

| Account title | Amount | Account title | Amount |
|---|---|---|---|
| (Assets) | | (Liabilities) | |
| Current assets | | Current liabilities | |
| Cash and deposits | 46,901 | Notes and accounts payable | 73,312 |
| Notes and accounts receivable | 133,383 | Short-term borrowings | 104,478 |
| Securities | 4,000 | Other accrued expenses | 34,956 |
| Finished goods | 34,203 | Other current liabilities | 29,525 |
| Work in process | 22,652 | Total current liabilities | 242,272 |
| Raw materials and supplies | 28,429 | Long-term liabilities | |
| Deferred tax assets | 6,503 | Long-term borrowings | 14,526 |
| Other current assets | 11,133 | Lease obligations | 4,912 |
| Allowance for doubtful receivables | (8,684) | Deferred tax liabilities | 18,307 |
| Total current assets | 278,522 | Provision for Directors' retirement benefits | 368 |
| | | Net defined benefit liability | 20,225 |
| | | Other long-term liabilities | 19,982 |
| | | Total long-term liabilities | 78,322 |
| Fixed assets | | Total liabilities | 320,595 |
| Property, plant and equipment | | | |
| Buildings and structures | 22,471 | (Net Assets) | |
| Machinery, equipment and delivery equipment | 10,808 | Shareholders' equity | |
| Tools, furniture and fixtures | 10,110 | Common stock | 44,000 |
| Land | 12,201 | Additional paid-in capital | 21,554 |
| Construction in progress | 601 | Retained earnings | 18,382 |
| Total property, plant and equipment | 56,193 | Treasury stock at cost | (432) |
| Intangible assets | 9,600 | Total shareholders' equity | 83,504 |
| Investments and other assets | | Accumulated other comprehensive income | |
| Investments in securities | 32,634 | Net unrealized holding gain/loss on other securities | 4,333 |
| Net defined benefit asset | 27,507 | Loss on deferred hedges | (389) |
| Other investments and other assets | 8,882 | Translation adjustments | (10,358) |
| Allowance for doubtful receivables | (828) | Remeasurements of defined benefit plans | 11,644 |
| Total investments and other assets | 68,196 | Total accumulated other comprehensive income | 5,230 |
| Total fixed assets | 133,991 | Equity warrants | 79 |
| | | Minority interests in consolidated subsidiaries | 3,104 |
| | | Total net assets | 91,918 |
| Total assets | 412,514 | Total liabilities and net assets | 412,514 |

(Translation)

# Consolidated Statement of Operations

(From April 1, 2013 to March 31, 2014)

(Unit: millions of yen)

| Account title | Amount | |
|---|---|---|
| Net sales | | 483,112 |
| Cost of sales | | 354,635 |
| Gross profit | | 128,477 |
| Selling, general and administrative expenses | | 101,281 |
| Operating income | | 27,196 |
| Non-operating income | | |
| Interest income | 103 | |
| Dividend income | 796 | |
| Share of profit of entities accounted for using equity method | 339 | |
| Foreign exchange gain | 11,277 | |
| Other | 1,350 | 13,867 |
| Non-operating expenses | | |
| Interest expense | 2,522 | |
| Taxes and dues | 448 | |
| Commission for syndicate loan | 446 | |
| Other | 991 | 4,409 |
| Ordinary income | | 36,655 |
| Extraordinary profit | | |
| Gain on sale of investments in securities | 553 | |
| Gain on negative goodwill | 102 | |
| Insurance income | 322 | |
| Gain on transfer of business | 123 | 1,102 |
| Extraordinary loss | | |
| Loss on sale and disposition of property, plant and equipment | 659 | |
| Loss on impairment of fixed assets | 184 | |
| Business structure improvement expenses | 4,311 | |
| Loss on liquidation of subsidiaries | 841 | 5,995 |
| Income before income taxes and minority interests | | 31,761 |
| Income taxes | 3,820 | |
| Income taxes deferred | 394 | 4,214 |
| Income before minority interests | | 27,546 |
| Minority interests in earnings of consolidated subsidiaries | | 187 |
| Net income | | 27,359 |

(Translation)

# Consolidated Statement of Changes in Net Assets

(Year ended March 31, 2014)

(Unit: Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Additional paid-in capital | Retained earnings | Treasury stock at cost | Total shareholders' equity |
| Balance at April 1, 2013 | 44,000 | 21,554 | (7,788) | (399) | 57,366 |
| Changes during the term under review | | | | | |
| Dividends from surplus | | | (1,032) | | (1,032) |
| Net income | | | 27,359 | | 27,359 |
| Purchases of treasury stock | | | | (32) | (32) |
| Increase by merger | | | 157 | | 157 |
| Change of scope of consolidation | | | (313) | | (313) |
| Net changes in items other than shareholders' equity during the term under review | | | | | |
| Net changes during the term under review | - | - | 26,171 | (32) | 26,138 |
| Balance at March 31, 2014 | 44,000 | 21,554 | 18,382 | (432) | 83,504 |

| | Accumulated other comprehensive income | | | | | Equity warrants | Minority interests in consolidated subsidiaries | Total net assets |
|---|---|---|---|---|---|---|---|---|
| | Net unrealized holding gain/loss on other securities | Loss on deferred hedges | Translation adjustments | Remeasure-ments of defined benefit plans | Total accumulated other comprehensive income | | | |
| Balance at April 1, 2013 | 2,192 | (656) | (2,829) | - | (1,293) | 79 | 473 | 56,625 |
| Changes during the term under review | | | | | | | | |
| Dividends from surplus | | | | | | | | (1,032) |
| Net income | | | | | | | | 27,359 |
| Purchases of treasury stock | | | | | | | | (32) |
| Increase by merger | | | | | | | | 157 |
| Change of scope of consolidation | | | | | | | | (313) |
| Net changes in items other than shareholders' equity during the term under review | 2,140 | 266 | (7,528) | 11,644 | 6,523 | - | 2,631 | 9,155 |
| Net changes during the term under review | 2,140 | 266 | (7,528) | 11,644 | 6,523 | - | 2,631 | 35,293 |
| Balance at March 31, 2014 | 4,333 | (389) | (10,358) | 11,644 | 5,230 | 79 | 3,104 | 91,918 |

(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: 90 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.; Oki Data Americas, Inc.; OKI Oki Data Manufacturing (Thailand) Co., Ltd.; Oki Europe Ltd.; Oki Electric Industry (Shenzhen) Co., Ltd.; Oki Banking Systems (Shenzhen) Co., Ltd.; and OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A.

(2) Names of major non-consolidated subsidiaries:

Oki India Private Limited and 8 other companies

Reasons for excluding from consolidation:

Total assets, retained earnings, net sales and net income or loss are individually and wholly immaterial and have no significant influence.

(3) Changes in scope of consolidation:

Beginning from the fiscal year under review, Oki IDS Co., Ltd. was included within the scope of consolidation as it was newly established; Oki Jainet Supply Co., Ltd., Hatsucoh Support Service Co., Ltd., Oki Data MES Co., Ltd. and OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. were included within the scope of consolidation because they became subsidiaries following new acquisition of shares by the Company; Takasaki Seimitsu Kogyosha K.K. was included within the scope of consolidation because it became a subsidiary following additional acquisition of shares by the Company; and, Toho Electronics Inc. was included within the scope of consolidation because of an increase in its relative importance of this subsidiary.

The following three companies are excluded from the scope of consolidation for the reasons given below:

- Oki Systems Iberica, S.A.U. (due to merger with Oki Europe Ltd., which is a consolidated subsidiary)
- Oki Telecommunications Technology (Changzhou) Co., Ltd. (due to sale of equity shares held)
- Oki Electric America, Inc. (due to its liquidation)

(Translation)

**2. Application of equity method**

(1) Number of affiliated companies to which the equity method is applied: 4 companies
Name of major company to which the equity method is applied:
Oki Electric Cable Co., Ltd.

(2) Names of major non-consolidated subsidiaries and affiliated companies to which the equity method is not applied:
Non-consolidated subsidiaries:
Oki India Private Limited and 8 other companies
Affiliated companies: Oki Denki Bohsai Co., Ltd. and 1 other company

Reason for not applying the equity method:
The companies individually have little influence and have no significance as a whole on net income or loss and retained earnings.

**3. Matters concerning account settlement dates of consolidated subsidiaries**

Although the account settlement date of a consolidated subsidiary OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. is December 31 each year, which differs from the consolidated account settlement date, financial statements as of the company's settlement date are used. However, necessary adjustments for consolidated accounting are made to reflect material transactions that occurred between the respective settlement dates.

**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 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:
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

(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 (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.)

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 short-term borrowings and long-term borrowings.

(iii) Hedging policy

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

(iv) Assessment method of the effectiveness of hedges

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

(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 point system or the straight-line attribution to attribute expected retirement benefits to the period until the end of the fiscal year under review.

b. Accounting for actuarial gains and losses, prior service costs, and differences caused by changes in accounting standards

Differences caused by changes in accounting standards are amortized over 15 years except for consolidated subsidiaries that amortize the difference in the first year of application and some overseas consolidated subsidiaries that directly deduct the difference from retained earnings.

Prior service costs are amortized by the straight-line method over a set number of years (11 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 (11 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.

(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.

**Changes in Accounting Policies**

From the fiscal year under review, the Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, May 17, 2012; the "Guidelines for Retirement Benefits") (excluding, however, provisions provided for in the main text of Paragraph 35 of the Retirement Benefits Accounting Standard and that of Paragraph 67 of the Guidelines for Retirement Benefits).

The Company changed to the method of posting the amount after deducting pension assets from retirement benefit obligations as net defined benefit liability, and books unrecognized differences caused by changes in accounting standards, unrecognized prior service cost, and unrecognized actuarial gains and losses as such liability. In case the amount of pension assets exceeds retirement benefit obligations, they are posted as net defined benefit asset.

Regarding application of the Retirement Benefits Accounting Standard, the Company abides by the transitional handling provided for in Paragraph 37 of the Retirement Benefits Accounting Standard, and makes an addition/reduction of the effect from such change in remeasurements of defined benefit plans in accumulated other comprehensive income at the end of the fiscal year under review.

As a result, at the end of the fiscal year under review, the Company posted ¥27,507 million as net defined benefit asset and ¥20,225 million as net defined benefit liability. Accumulated other comprehensive income increased by ¥11,644 million.

Meanwhile, net assets per share increased by ¥16.00.

(Translation)

**Notes to Consolidated Balance Sheet**

1. Assets pledged as collateral

| | |
|---|---|
| Buildings and structures | ¥326 million |
| Land | ¥138 million |
| Investments in securities | ¥14,765 million |
| Total | ¥15,230 million |
| Liabilities collateralized by the above assets: | |
| Short-term borrowings | ¥6,795 million |
| Long-term borrowings | ¥359 million |
| Total | ¥7,154 million |

2. Accumulated depreciation on property, plant and equipment ¥151,723 million

3. Liabilities for guarantee

| | |
|---|---|
| Guarantee for borrowings by employees | ¥460 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 FY2013

| | |
|---|---|
| Common Stock | 731,438 thousand shares |
| Class A Preferred Stock | 30 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 26, 2013 | Class A Preferred Stock | Retained earnings | 1,032 | 34,410.00 | March 31, 2013 | June 27, 2013 |

(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 25, 2014 | Common stock | Retained earnings | 2,184 | 3.00 | March 31, 2014 | June 26, 2014 |
| | Class A Preferred Stock | | 1,004 | 33,490.00 | | |

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 | No. 3 Equity Warrants (issued on July 20, 2004) | Common stock | 452,000 |
| | No. 4 Equity Warrants (issued on July 20, 2005) | Common stock | 442,000 |
| | No. 5 Equity Warrants (issued on July 28, 2006) | Common stock | 185,000 |
| | No. 6 Equity Warrants (issued on July 28, 2006) | Common stock | 157,000 |
| | No. 7 Equity Warrants (issued on July 27, 2007) | Common stock | 287,000 |
| | No. 8 Equity Warrants (issued on July 27, 2007) | Common stock | 222,000 |

(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, 2014 (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 | 46,901 | 46,901 | - |
| (2) Notes and accounts receivable | 133,383 | | |
| Allowance for doubtful receivables (*1) | (8,177) | | |
| | 125,205 | 125,205 | - |
| (3) Securities and investments in securities | 27,017 | 26,274 | (742) |
| (4) Notes and accounts payable | (73,312) | (73,312) | - |
| (5) Short-term borrowings (*2) | (55,410) | (55,410) | - |
| (6) Other accrued expenses | (34,956) | (34,956) | - |
| (7) Long-term borrowings (*2) | (63,594) | (63,664) | 70 |
| (8) Derivative transactions | (524) | (524) | - |

(*1) Allowance for doubtful receivables specifically provided for notes and accounts receivable is deducted.

(*2) Long-term borrowings (¥49,067 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) Securities and investments in securities
   The fair value of equity 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) Notes and accounts payable, (5) Short-term borrowings, and (6) 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.

(7) Long-term borrowings

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 borrowings with floating interest rates are prescribed to be subject to special accounting treatment applicable to interest rate swaps (see (8) below). Hence, the fair value of a long-term borrowing 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.

(8) 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 borrowings as hedged items. Hence, their fair value is included in that of long-term borrowings.

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

Unlisted equity securities (¥9,598 million on the consolidated balance sheet) and investments in a limited liability joint business partnership (¥18 million on the consolidated balance sheet) are not included in (3) Securities and 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: ¥79.32
2. Net income per share: ¥36.21

## Notes to Business Combination

Business combination through acquisition

1. Outline of business combination

(1) Name of acquired firm and description of business

Name of acquired firm: BR Indústria e Comércio de Produtos e Tecnologia em Automação S.A.

Description of business: Design, manufacturing, sale, and maintenance/services business of automation equipment

(2) Main reason for business combination

The Company set business expansion in global markets as one of its management strategies in the Mid-term Business Plan 2016 announced on November 12, 2013. While the Company has a track record of introducing cash-recycling ATMs in the markets of China, Russia, and Indonesia, to expand its ATM business in the Latin American region, the Company decided to acquire shares of a company succeeding a strong customer base and maintenance network of Itautec S.A. –Grupo Itautec.

(3) Date of business combination

January 10, 2014

(4) Legal form of business combination

Acquisition of shares in consideration for cash

(5) Name of the firm after business combination

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

(6) Ratio of voting rights acquired

70%

(7) Main reason Company selected the company acquired

The Company aimed to acquire shares in consideration for cash.

2. Period for business performance of acquired firm included in the consolidated financial statements

Because December 31, 2013 is a deemed acquisition date and the Company used financial statements as of December 31, which was the account settlement date of the acquired firm, the financial results of the acquired firm are not included in the fiscal year under review.

3. Acquisition cost of acquired firm and breakdown

| | | |
|---|---|---|
| Consideration for the acquisition | Cash | ¥6,070 million |
| Costs directly incurred for acquisition | Advisory expenses | ¥609 million |
| Acquisition cost | | ¥6,680 million |

4. Amount of goodwill, reasons, amortization method, and amortization period

(1) Amount of goodwill

¥626 million

It should be noted, however, that this amount is calculated on a tentative basis based on reasonable information available at this point in time, because acquisition cost has yet to be finalized at the end of the fiscal year under review and the Company is in the process of allocating acquisition costs.

(2) Reason

Goodwill arises from future potential profits of business operations.

(3) Amortization method and amortization period

Amortization by the straight-line method is carried out over the effective period. The amortization period is to be determined from the results of allocating acquisition costs.

5. Assets received and liabilities assumed on date of business combination and their breakdown of major items

| | |
|---|---|
| Current assets | ¥12,526 million |
| Fixed assets | ¥2,576 million |
| Total assets | ¥15,102 million |
| Current liabilities | ¥5,597 million |
| Long-term liabilities | ¥346 million |
| Total liabilities | ¥5,944 million |

The figures above are tentative amounts at the end of the fiscal year under review because allocation of acquisition costs is underway.

6. Approximate effects that will be reflected in the consolidated statement of operations for the fiscal year under review on the assumption that the business combination is completed on the first day of the fiscal year under review and its calculation method

Because it is difficult to calculate the approximate amount in a reasonable manner, the Company does not make an estimation.

(Translation)

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

# Independent Auditors' Report

May 16, 2014

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

Ernst & Young ShinNihon LLC
Yoshimi Kimura,
Engagement Partner, Certified Public Accountant
Akira Sato,
Engagement Partner, Certified Public Accountant
Makoto Usui,
Engagement Partner, Certified Public Accountant
Yukiyasu Yamakawa,
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 shareholders equity and notes to the consolidated financial statements – of Oki Electric Industry Co., Ltd. for the 90th term from April 1, 2013 to March 31, 2014 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, 2014)

(Unit: millions of yen)

| Account title | Amount | | Account title | Amount | |
|---|---|---|---|---|---|
| (Assets) | | | (Liabilities) | | |
| Current assets | | | Current liabilities | | |
| Cash and deposits | | 22,755 | Notes payable | | 339 |
| Notes receivable | | 783 | Accounts payable, trade | | 45,981 |
| Accounts receivable, trade | | 66,703 | Short-term borrowings | | 36,176 |
| Lease investment assets | | 3,298 | Current portion of long-term borrowings | | 48,755 |
| Securities | | 4,000 | Lease obligations | | 851 |
| Finished goods | | 4,645 | Accounts payable, others | | 11,010 |
| Work in process | | 14,445 | Other accrued expenses | | 15,383 |
| Raw materials and supplies | | 6,950 | Income taxes payable | | 650 |
| Prepaid expenses | | 578 | Advances received | | 1,069 |
| Short-term loans | | 51,866 | Deposits received | | 2,591 |
| Accounts receivable-other | | 6,959 | Asset retirement obligations | | 11 |
| Deferred tax assets | | 2,697 | Other current liabilities | | 417 |
| Other current assets | | 451 | Total current liabilities | | 163,238 |
| Allowance for doubtful receivables | | (46) | | | |
| Total current assets | | 186,089 | Long-term liabilities | | |
| | | | Long-term borrowings | | 13,027 |
| | | | Lease obligations | | 3,082 |
| | | | Deferred tax liabilities | | 5,164 |
| Fixed assets | | | Retirement benefits | | 11,516 |
| Property, plant and equipment | | | Provision for loss on business of subsidiaries and affiliates | | 28,855 |
| Buildings | 37,229 | | Asset retirement obligations | | 861 |
| Accumulated depreciation | (26,634) | 10,595 | Long-term accounts payable-other | | 9,588 |
| Structures | 2,475 | | Total long-term liabilities | | 72,097 |
| Accumulated depreciation | (2,165) | 309 | Total liabilities | | 235,336 |
| Machinery and equipment | 13,872 | | | | |
| Accumulated depreciation | (11,869) | 2,002 | (Net Assets) | | |
| Vehicle and delivery equipment | 72 | | Shareholders’ equity | | |
| Accumulated depreciation | (60) | 11 | Common stock | | 44,000 |
| Tools, furniture and fixtures | 33,381 | | Additional paid-in capital | | 21,553 |
| Accumulated depreciation | (27,281) | 6,100 | Capital reserve | | 15,000 |
| Land | | 8,397 | Other additional paid-in capital | | 6,553 |
| Construction in progress | | 179 | Retained earnings | | 17,475 |
| Total property, plant and equipment | | 27,597 | Other retained earnings | | 17,475 |
| Intangible assets | | | Retained earnings carried forward | | 17,475 |
| Facility rights | | 116 | Treasury stock at cost | | (419) |
| Software | | 5,482 | Total shareholders’ equity | | 82,609 |
| Total intangible assets | | 5,598 | | | |
| | | | Valuation, translation adjustments and others | | |
| Investments and other assets | | | Net unrealized holding gain/loss on other securities | | 3,486 |
| Investments in securities | | 24,990 | Loss on deferred hedges | | (411) |
| Shares of subsidiaries and affiliates | | 68,587 | Total valuation, translation adjustments and others | | 3,074 |
| Contribution | | 89 | | | |
| Contribution in subsidiaries and affiliates | | 617 | Equity warrants | | 79 |
| Long-term loans to subsidiaries and affiliates | | 4,109 | Total net assets | | 85,763 |
| Long-term prepaid expenses | | 999 | | | |
| Claims provable in bankruptcy, rehabilitation and other | | 33 | | | |
| Lease and guarantee deposits | | 3,164 | | | |
| Other investments and other assets | | 328 | | | |
| Allowance for doubtful receivables | | (1,105) | | | |
| Total investments and other assets | | 101,814 | | | |
| Total fixed assets | | 135,010 | | | |
| Total assets | | 321,099 | Total liabilities and net assets | | 321,099 |

(Translation)

# Non-Consolidated Statement of Operations

(From April 1, 2013 to March 31, 2014)

(Unit: millions of yen)

| Account title | Amount | |
|---|---|---|
| Net sales | | 238,786 |
| Cost of sales | | 183,624 |
| Gross profit | | 55,161 |
| Selling, general and administrative expenses | | 42,535 |
| Operating income | | 12,626 |
| Non-operating income | | |
| Interest income | 705 | |
| Interest income on securities | 6 | |
| Dividend income | 770 | |
| Royalty income from corporate brand | 1,353 | |
| Foreign exchange gain | 392 | |
| Other | 444 | 3,672 |
| Non-operating expenses | | |
| Interest expenses | 1,935 | |
| Commission for syndicate loan | 446 | |
| Other | 657 | 3,039 |
| Ordinary income | | 13,259 |
| Extraordinary profit | | |
| Gain on sale of property, plant and equipment | 17 | |
| Gain on sale of investments in securities | 406 | |
| Gain on sale of contribution in subsidiaries and affiliates | 31 | 456 |
| Extraordinary loss | | |
| Loss on sale and disposition of property, plant and equipment | 423 | |
| Loss on impairment of fixed assets | 163 | |
| Write-downs of investments in unconsolidated subsidiaries and other securities | 33 | |
| Loss on valuation of contribution in subsidiaries and affiliates | 277 | |
| Provision for loss on business of subsidiaries and affiliates | 1,143 | 2,040 |
| Income before income taxes | | 11,675 |
| Income taxes | (513) | |
| Income taxes deferred | 130 | (382) |
| Net income | | 12,057 |

(Translation)

# Non-Consolidated Statement of Changes in Net Assets

(Year ended March 31, 2014)

(Unit: millions of yen)

| | Shareholders' equity | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | Additional paid-in capital | | | Retained earnings | | | |
| | | | | | Other retained earnings | | | |
| | Common stock | Capital reserve | Other additional paid-in capital | Total additional paid-in capital | Retained earnings carried forward | Total retained earnings | Treasury stock at cost | Total shareholders' equity |
| Balance at April 1, 2013 | 44,000 | 15,000 | 6,553 | 21,553 | 6,450 | 6,450 | (386) | 71,616 |
| Changes during the term under review | | | | | | | | |
| Dividends from surplus | | | | | (1,032) | (1,032) | | (1,032) |
| Net income | | | | | 12,057 | 12,057 | | 12,057 |
| Purchases of treasury stock | | | | | | | (32) | (32) |
| Net changes in items other than shareholders' equity during the term under review | | | | | | | | |
| Net changes during the term under review | - | - | - | - | 11,025 | 11,025 | (32) | 10,992 |
| Balance at March 31, 2014 | 44,000 | 15,000 | 6,553 | 21,553 | 17,475 | 17,475 | (419) | 82,609 |

| | Valuation, translation adjustments and others | | | | |
|---|---|---|---|---|---|
| | Net unrealized holding gain/loss on other securities | Loss on deferred hedges | Total valuation, translation adjustments and others | Equity warrants | Total net assets |
| Balance at April 1, 2013 | 1,718 | (670) | 1,048 | 79 | 72,744 |
| Changes during the term under review | | | | | |
| Dividends from surplus | | | | | (1,032) |
| Net income | | | | | 12,057 |
| Purchases of treasury stock | | | | | (32) |
| Net changes in items other than shareholders' equity during the term under review | 1,767 | 258 | 2,026 | - | 2,026 |
| Net changes during the term under review | 1,767 | 258 | 2,026 | - | 13,019 |
| Balance at March 31, 2014 | 3,486 | (411) | 3,074 | 79 | 85,763 |

(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 (5 years)

Others: Straight-line method

Lease assets

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

They are depreciated over the lease contract’s lifetime by the straight-line

method, assuming the residual value is zero.
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 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.

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.

Differences for changes in accounting standards are amortized over 15 years.

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

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

Provision for loss on business of subsidiaries and affiliates

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 short-term borrowings and long-term borrowings.

(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 differences caused by changes in accounting standards for retirement benefits, unrecognized prior service costs, and unrecognized actuarial gains and losses 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 | ¥14,765 million |
| Liabilities collateralized by the above assets | |
| Short-term borrowings | ¥6,700 million |

2. Guarantee liabilities:

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

| | |
|---|---|
| Oki Data Corporation | ¥3,529 million |
| Oki Data Americas, Inc. | ¥3,087 million |
| | ($30,000 thousand) |
| Oki Europe Ltd. and its subsidiaries | ¥2,891 million |
| | (16,390 thousand pounds sterling, 596 thousand euro) |
| Oki Hong Kong Ltd. | ¥2,052 million |
| | ($18,962 thousand, HK$7,590 thousand) |
| Oki Data Manufacturing (Thailand) Co., Ltd. | ¥1,106 million |
| | (350,000 thousand baht) |
| Six other entities: | ¥1,139 million |
| Total: | ¥13,806 million |

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

| | |
|---|---|
| Short-term monetary claims receivable from subsidiaries and affiliates: | ¥69,741 million |
| Long-term monetary claims receivable from subsidiaries and affiliates: | ¥5,270 million |
| Short-term monetary claims payable to subsidiaries and affiliates: | ¥23,604 million |
| Long-term monetary claims payable to subsidiaries and affiliates: | ¥11 million |

(Translation)

**Notes to Non-consolidated Statement of Operations**

Transactions with subsidiaries and affiliates

| | |
|---|---|
| Sales: | ¥34,893 million |
| Purchases: | ¥60,409 million |
| Non-operating transactions: | ¥5,050 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: 3,341 thousand shares

**Notes to Deferred Tax Accounting**

Major factors giving rise to deferred tax assets and liabilities

| | |
|---|---|
| Deferred tax assets | |
| Loss carry forwards | ¥12,705 million |
| Nondeductible provision for loss on business of subsidiaries and affiliates | ¥10,388 million |
| Nondeductible retirement benefits | ¥8,748 million |
| Nondeductible write-downs of shares of subsidiaries and affiliates | ¥6,287 million |
| Nondeductible accounts payable-other due to changes in retirement benefit plans | ¥4,026 million |
| Adjustments of losses on transfers among consolidated subsidiaries | ¥4,009 million |
| Nondeductible accrued bonuses | ¥1,547 million |
| Nondeductible loss on impairment of fixed assets | ¥1,043 million |
| Nondeductible write-downs of inventories | ¥927 million |
| Nondeductible bad debts expenses | ¥416 million |
| Others | ¥2,254 million |
| Subtotal deferred tax assets | ¥52,355 million |
| Valuation allowance | ¥(48,948) million |
| Total deferred tax assets | ¥3,406 million |
| Deferred tax liabilities | |
| Nondeductible unrealized gain on contribution of securities to the pension trust | ¥(3,830) million |
| Net unrealized holding gain/loss on other securities | ¥(1,904) million |
| Others | ¥(139) million |
| Total deferred tax liabilities | ¥(5,874) million |
| Net deferred tax assets | ¥(2,467) million |

(Translation)

**Notes to Leased Fixed Assets**

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

1. Amount equivalent to acquisition cost of leased assets as of the end of the term under review ¥34 million
2. Amount equivalent to accumulated depreciation of leased assets as of the end of the term under review ¥23 million
3. Amount equivalent to unexpired lease payment of leased assets as of the end of the term under review ¥12 million

(Translation)

## Notes to Related Party Transactions

Subsidiaries, etc.

| Attribute | Company name | 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, system building services, SI/solution services, consulting outsourcing and sales of information equipment | (Direct) 100% | Production of software on a contract basis, etc., lending of funds | Purchase of services | 20,762 | Accounts payable, trade | 6,117 |
| | | | | | | | | | Other accrued expenses | 775 |
| Subsidiary | Oki Hong Kong, Ltd. | Hong Kong | HK$80,000 thousand | Holdings company, material procurement | (Direct) 100% | Supply products etc., lending of funds, concurrent assumption of office of officer | Sales of products | 15,788 | Accounts receivable, trade | 5,778 |
| | | | | | | | Lending of funds | 12,853 | Short-term loans | 13,482 |
| Subsidiary | Oki Data Corporation | Minato-ku, Tokyo | ¥29,000 million | Development, manufacture and sale of printing equipment and related solutions | (Direct) 100% | Purchase of products, lending of funds, guarantee for borrowings, concurrent assumption of office of officer | Lending of funds | 25,729 | Short-term loans | 26,000 |
| | | | | | | | Debt guarantee | 3,529 | | |
| Subsidiary | Oki Proserve Co., Ltd. | Minato-ku, Tokyo | ¥321 million | Facility business, human resource management, design business, logistics business | (Direct) 100% | Purchase of services, lease and brokerage of real estate, lending of funds | Lending of funds | 3,484 | Short-term loans | 700 |
| | | | | | | | | | Long-term loans to subsidiaries and affiliates | 2,600 |

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 sale of products based on market prices.
   (2) The Company determines the interest rate for the lending of funds by taking the market rate of interest into consideration. Transaction amount shows the average balance during the fiscal year because the transactions are repetitive.
   (3) The Company provided a debt guarantee for bank borrowings of Oki Data Corporation and received a guarantee commission of 0.2% p.a.
3. For the loans to three subsidiaries, the Company recorded an allowance for doubtful receivables of ¥1,005 million in total. The Company also recorded a provision of allowance for doubtful receivables of ¥160 million in the fiscal year under review.

## Notes to Per-share Information

1. Net assets per share: ¥75.10
2. Net income per share: ¥15.18

(Translation)

## Transcript of Accounting Auditors' Report

# Independent Auditors' Report

May 16, 2014

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

Ernst & Young ShinNihon LLC
Yoshimi Kimura,
Engagement Partner, Certified Public Accountant
Akira Sato,
Engagement Partner, Certified Public Accountant
Makoto Usui,
Engagement Partner, Certified Public Accountant
Yukiyasu Yamakawa,
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 shareholders equity and notes to the non-consolidated financial statements – and its supporting schedules of Oki Electric Industry Co., Ltd. for the 90th term from April 1, 2013 to March 31, 2014 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 90th fiscal year from April 1, 2013 to March 31, 2014, as follows:

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

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.

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 as well as attending 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. 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 a joint stock company. Also, we have maintained good communications and exchanged information with directors, audit & supervisory board members and others of the subsidiaries of the Company, and received from the subsidiaries reports on their business conditions as needed. Based on the methods mentioned above, we have reviewed the business report for the said fiscal year and their supplementary schedules.

We have also 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 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

1) 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.

2) 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.

3) 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.

(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, Ernst & Young ShinNihon 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, Ernst & Young ShinNihon LLC, are proper.

May 19, 2014

The Audit & Supervisory Board, Oki Electric Industry Co., Ltd.
Shuichi Kawano, Standing Audit & Supervisory Board Member
Tsutomu Tai, Standing Audit & Supervisory Board Member
Kuninori Hamaguchi, Outside Audit & Supervisory Board Member
Kaoru Yoshida, Outside Audit & Supervisory Board Member

(Translation)

# Reference Documents for the General Meeting of Shareholders

## Agenda and Reference Matters

### Agenda 1: Appropriation of Surplus

The Company places returning profits stably and continuously to our shareholders as the most paramount task and determines the dividend amount for common stock based on the Company's performance. In view of the improvement to its business performance during the fiscal year under review, it proposes to resume dividend payments as follows.

As for Class A Preferred Stock dividends, the Company proposes the following in accordance with the terms and conditions for Class A Preferred Stock stipulated at the time of issuance.

**1. Type of dividend asset**

Cash

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

Dividends on the Company's common stock and Class A Preferred Stock at the end of the fiscal year under review are as follows:

| | Dividends per share | Total dividends |
|---|---|---|
| Common stock | ¥3 | ¥2,184,291,981 |
| Class A Preferred Stock | ¥33,490 | ¥1,004,700,000 |
| Total | - | ¥3,188,991,981 |

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

June 26, 2014

(Translation)

**Agenda 2: Election of Five (5) Directors**

The tenure of office of Directors Naoki Sato, Sei Yano, Takao Hiramoto, and Takuma Ishiyama, will expire at the end of this general meeting of shareholders.

Five candidates for directors are shown as follows.

**Candidates for Directors (Five):**

| Candidate number | Name (Date of birth) | Brief personal profile, position and responsibility in the Company and significant concurrent positions | Number of Oki shares held |
|---|---|---|---|
| 1 | Naoki Sato (October 27, 1948) | Apr. 1972 Joined The Fuji Bank, Limited<br>May 1999 Senior Manager, Sales Division No. 5, The Fuji Bank, Limited<br>Jun. 2001 Executive Officer, Senior Manager, Sales Division No. 5, The Fuji Bank Limited<br>Apr. 2002 Senior Executive Officer, Mizuho Corporate Bank, Ltd.<br>Apr. 2004 Senior Vice President of Oki Electric Industry Co., Ltd.<br>Jun. 2004 Managing Director<br>Apr. 2007 Senior Managing Director<br>Jun. 2008 Vice President and Director<br>Jun. 2009 Senior Executive Vice President and Member of the Board (incumbent) | Common stock<br>105,000 shares |
| 2 | Takao Hiramoto (July 31, 1952) | Apr. 1975 Joined Nihon Denshikiki Kabushiki Kaisha<br>Sep. 1977 Joined Sony Corporation<br>Jun. 2003 Executive Officer, Sony Corporation<br>Jun. 2006 President and CEO, Sony Facility Management Corporation<br>Sep. 2007 Vice President, Systems Hardware Company, Systems Networks Business Group of Oki Electric Industry Co., Ltd.<br>Apr. 2008 Executive Officer<br>Apr. 2011 Senior Vice President<br>Jun. 2012 Senior Vice President and Member of the Board<br>Apr. 2014 Executive Vice President and Member of the Board (incumbent)<br>(Significant concurrent position)<br>President & CEO, Oki Data Corporation | Common stock<br>27,000 shares |
| 3 | *Toshinao Takeuchi (May 20, 1957) | Apr. 1980 Joined Oki Electric Industry Co., Ltd.<br>Mar. 1996 Manager, Electronic Commerce Systems Group, Open Systems Development Center, Systems Networks Business Division<br>Apr. 2002 President, Net Business Solution Company<br>Nov. 2008 Manager, Financials Systems Division<br>Apr. 2009 Executive Officer<br>Jul. 2011 Manager, Corporate Planning Division<br>Apr. 2012 Senior Vice President (incumbent)<br>Apr. 2014 Manager, Marketing & Sales Division (incumbent)<br>Apr. 2014 Chief Information Officer (incumbent) | Common stock<br>43,000 shares |

(Translation)

| Candidate number | Name (Date of birth) | Brief personal profile, position and responsibility in the Company and significant concurrent positions | Number of Oki shares held |
|---|---|---|---|
| 4 | *Shinya Kamagami (February 9, 1959) | Apr. 1981 Joined Oki Electric Industry Co., Ltd.<br>Apr. 2001 Manager, Hardware Development Department No. 2, Terminal Systems Division, Systems Solution Company<br>Apr. 2005 Manager, Systems Hardware Development Division, Systems Hardware Company, Systems Networks Business Group<br>Apr. 2010 Manager, Mechatro Terminal Systems Division, Systems Hardware Business Division<br>Apr. 2011 Executive Officer<br>Apr. 2011 Manager, Systems Hardware Business Division<br>Apr. 2012 Senior Vice President (incumbent)<br>Apr. 2014 Chief Technology Officer (incumbent) | Common stock<br>13,000 shares |
| 5 | Takuma Ishiyama (February 17, 1947) | Mar. 1975 Obtained scores for doctorate degrees and resigned from Graduate School of Law, Waseda University<br>Jul. 1978 Assistant Professor, Faculty of Law, Aichi Gakuin University<br>Dec. 1985 Obtained doctorate degree<br>Apr. 1986 Professor, Faculty of Law, Dokkyo University<br>Apr. 1991 Professor, School of Commerce, Waseda University<br>May 2003 Registered as lawyer (Dai-ichi Tokyo Bar Association)<br>Apr. 2004 Professor, Law School, Nihon University (incumbent)<br>Jun. 2010 Director of Oki Electric Industry Co., Ltd. (incumbent) | - |

Notes:

1. * indicates a new candidate for a director.
2. Mr. Takuma Ishiyama is a candidate for outside director. He is also an incumbent outside director of the Company and will have served as an outside director for a period of four years at the conclusion of this General Meeting of Shareholders.
3. The reason Mr. Takuma Ishiyama is being put forward as a candidate for outside director is as follows: Although he has no experience of being directly engaged in corporate management, he has experience and professional knowledge as a lawyer and Doctor of Laws, and the Company judges that he would be able to appropriately provide supervision of the Company’s corporate management, especially from the objective standpoint as a professional in the area of the Companies Act.
4. Concerning improper accounting at an overseas consolidated subsidiary that came to light in fiscal year ended March 31, 2013, while Mr. Takuma Ishiyama was serving as Outside Director of the Company, although he had not recognized the fact in advance, he proactively provided advice and guidance on investigation by the internal investigative committee and formulation of preventive measures from an independent viewpoint, and helped to enhance compliance by using his initiative in management.
5. The Company has entered into a liability limitation agreement with Mr. Takuma Ishiyama, the details of which are stated in “Outline of Liability Limitation Agreements” (pages 17 to 18). If the reappointment of Takuma Ishiyama is approved, the Company will continue this agreement with him.
6. Mr. Takuma Ishiyama is an independent officer pursuant to the requirements set by the Tokyo Stock Exchange. If his reappointment is approved, he will continue to be an independent officer.

(Translation)

**Appendix**

# Instructions for the Exercise of Voting Rights via the Internet

**1. Matters requiring your agreement 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 (http://www.it-soukai.com/) 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 enter the password when executing the first log-in.
2) You are requested to complete entries by 5:15 p.m., June 24 (Tuesday), 2014 (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) You will bear all connection charges for using the Internet (service provider access fees, communication charges, etc.).

**2. Technical specifications**

1) Internet environment: an environment, where the Internet can be used, such as conclusion of a contract with an Internet provider, is required.
2) Browser: Internet Explorer 5.01 SP2 or above
3) Software
   Adobe Acrobat Reader Ver. 4.0 or later, or Adobe Reader Ver. 6.0 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 (128-bit SSL) 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 for the electronic exercise of voting rights:
   Internet Help Dial, Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
   Tel: 0120-768-524 (toll-free)
   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)
   From 9:00 a.m. to 5:00 p.m. excluding Saturdays, Sundays and national holidays