

Report on inappropriate accounting practices and improvements

Improvement policy thoroughly executed by every individual, to become a trusted company.

In fiscal 2012, due to the effects of inappropriate accounting practices in an overseas consolidated subsidiary, the fiscal 2012 first quarter report was submitted late, and OKI submitted revision reports for past fiscal years' securities reports, etc. and internal controls reports, which greatly troubled stakeholders. Here, we provide an outline of inappropriate accounting practices and responses taken, and the status of implementation of improvement policies the entire group is working on.

Outline of inappropriate accounting practices and responses taken

In June 2012, OKI Data (ODC) runs our printers business, and OKI Europe which manages ODC's European sales business became aware that figures recorded in the accounting system were inaccurate, due to a confession by the President (fired in September 2012) of sales company OKI Systems Iberica (OSIB) in Spain.

After an internal investigation, on August 8 OKI announced these inappropriate accounting practices, and that it would delay submission of its fiscal 2012 first quarter report. OKI also established an investigative committee comprised of external experts (External Investigative Committee), and proceeded to clarify all details and studied policies to prevent reoccurrence.

The External Investigative Committee clarified that the inappropriate accounting practices in OSIB were as shown in the table. Based on this investigation result and audit results of Accounting Auditors, on September 14 OKI completed submission of its first quarter report, and disclosed regarding submission of revision reports for its past years' security reports etc. and internal controls reports. The cumulative effects on consolidate results from the beginning of fiscal 2006 until fiscal 2012 first quarter were: 7.5 billion yen decrease in net sales, 21.6 billion yen decrease in operating income, 21.5 billion yen decrease in ordinary income, and a 30.8 billion yen decrease in net income.

Initiatives to prevent reoccurrence

OKI established the Reoccurrence Prevention Committee in September 2012, chaired by the President. This sorted out the reasons the inappropriate accounting practices occurred, reasons they were discovered and understood late, and issues which must be handled. It then established specific improvement policies. Each policy is being implemented by the committee member in charge of that policy.

The committee was disbanded in April 2013, but related departments continue to solidly execute and operate the policies. As part of improvement actions, their progress and effects are continually verified by the Risk Management Committee established in October 2012 (President as Committee Chairman, outside director and company audit & supervisory board members as advisors). These are efforts for solid implementation.

1. Improvement policies in response to the causes at OSIB

OSIB's own warehousing and its own fundraising enabled improper accounting. These were eliminated and prohibited, and data entered into the accounting system was checked for validity.

Also, OKI's Whistleblowing System was revised to be a new system, which now enables anonymous whistleblowing and whistleblowing to the outside director and company audit &

Inappropriate Accounting Practices Details

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| ① Printers and consumables business related | <ul style="list-style-type: none"> ● By repeatedly cancelling sales and recording fictitious sales, uncollectable accounts receivables were disguised to be normal ● Funds obtained by discounted bills and factoring were used to disguise accounts receivables as properly collected |
| ② TV sales activities (own business) related | <ul style="list-style-type: none"> ● Took over purchase debts of brokers, and concealed this by diverting borrowings etc. to repay debts ● Disguised reductions of broker accounts receivables |
| ③ Duplicate finance | <ul style="list-style-type: none"> ● Used the same accounts receivables to raise funds by factoring and discounted bills |
| ④ Other inappropriate accounting practices, etc. | <ul style="list-style-type: none"> ● Rebate obligations not recorded ● Raised funds by prepayments and did not record them ● Raised funds by borrowings and did not record them ● Recorded reduced accounts receivables of specific companies |

OKI Compliance Commitment

October 30, 2012

Based on its corporate philosophy, OKI strives to contribute to society through the provision of products and services that play a role in the development of an information society. To accomplish this mission, honorable corporate activities that respond to our stakeholders, including customers, shareholders/investors, employees, partners and society are vital.

With the conviction that gaining the trust of our stakeholders is the basis for enhancing our corporate value, we, OKI's management team, will make every effort to execute honorable and reliable corporate activities using sensible judgment. Therefore, we will strive to establish and operate an effective internal control by engaging with internal and external voices at all times. OKI will take the lead to steadily implement thorough compliance by educating executives and employees of OKI and our Group companies. Should a situation occur which goes against this belief, OKI will promptly investigate the cause, take preventive measures and clarify responsibility.

On this basis, OKI will realize the "enterprising spirit" nurtured since the company's founding and provide products and services that contribute to fulfilling a comfortable existence.

President
Oki Electric Industry Co., Ltd.



supervisory board members. All consolidated companies have also prepared and are implementing similar rules.

2. Improvement policies in response to the causes at OEL and ODC

ODC sets appropriate targets for and monitors sales companies, and it does monthly reviews to know the status of distribution inventory, etc.

ODC also transfers officers to work temporarily in sales companies, and monitors their business indices, to strengthen our system of checks. ODC is also reviewing its judgments on whether to renew the contracts of sales company presidents. Moreover, in order to strengthen compliance, firstly, training is provided to the European companies on the importance of financial reporting; on the other hand, the teams of the internal audit divisions of ODC and OEL are strengthened, and the 5 main sales companies under OEL were audited from January to March 2013.

3. Improvement policies in response to the causes at OKI and OKI Group

OKI adopted its Compliance Commitment in October 2012. In this, management promised anew to stakeholders that management itself reconfirms the importance of compliance, leads by example, and strives to foster compliance awareness and thoroughness in the group.

In December 2012, OKI also revised the OKI Group Code of Conduct, from 3 viewpoints: Foster a corporate culture in which people "express, encourage others to express and listen" to enable them to quickly share issues and respond accurately, Make more specific items concerning financial reports, Improve effectiveness of the Code of Conduct. All consolidated companies also adopted these revisions by March 2013, and we

are striving to thoroughly implement these revisions, by providing training, etc.

Along with these, all consolidated companies are renewing efforts to thoroughly implement accounting practices policy, and we established operating procedures to verify the validity of business indices of subsidiaries. For internal controls concerning financial reports, we confirmed the state of preparations of internal controls in OSIB, and for major consolidated companies, we renewed efforts to thoroughly implement policies, and reconfirmed the state of preparations of internal controls.

4. Other improvement policies

Considering the background and indirect causes of these inappropriate accounting practices, we are implementing improvement policies which should be applied across the organization: stronger subsidiary boards of directors, revise and thoroughly implement Group Company Management Rules, review personnel management and implement personnel rotation, clarify and thoroughly inform staff about disciplinary rules, review authorization rules for information systems, strengthen checks on accounting departments, expand the submission scope of accounting audit situation investigations and audit situation reports, review the internal audit periods, hold meetings of audit department heads, provide compliance training, do compliance awareness surveys, etc.

OKI Group continues to operate and implement more thoroughly each policy: provide ongoing compliance training, solid responses to business risks by the Risk Management Committee, etc. By doing these, we are earnestly striving to foster a corporate culture in which such a situation will never arise again, and become a company which earns your trust.

* These featured articles were summarized based on content of the Improvement Status Report, which OKI submitted to the Tokyo Stock Exchange and Osaka Securities Exchange on April 15, 2013.