

May 12, 2017

Summary Translation of Q&A for the Fiscal Year Ended March 31, 2017

Oki Electric Industry Co., Ltd.

Q. With regard to the account receivables of 18.2 billion yen in ATM business in China, you have recorded provision of allowance for doubtful accounts of 10.9 billion yen. Hereafter, is there any possibility of additional loss to occur with this matter?

A. Other than allowance of 10.9 billion yen, we hold advances received and others. Actual provision ratio would be about 70 %. Thus, we suppose no additional big loss.

Q. With regard to the allowance for ATM business in China, what makes you to record at this timing?

A. It's a fact that it already passed over reasonable period since the first delinquent time. We discussed several scenarios of this matter. Our comprehensive decision was to record this allowance at this timing even though it's conservative. We'll keep working on the collection of full payment.

Q. Could you describe the tax treatment of this allowance?

A. This allowance is to be taxable.

Q. With regard to Mechatronics system business, the forecast of operating income for FY2017 is 1 billion yen. Disregard the transient loss in the previous year, comparing with before previous year, I get a negative impression. Should I take that the profit ratio in Chinese business was high? Could you describe the reason of 1 billion profit plan?

A. In FY2014, 36,000 ATMs were delivered in China alone while only 10,000 ATMs were in FY2016. The market was at the marking time. In addition, inventory adjustment was in progress in FY2016. We assume that the market situation will stay the same for some time. Thus our forecast for FY2017 is set to be conservative plan. However, on the other hand, the results exceeded our plan in other oversea region such as India and Indonesia etc. We will continue working on sales' growth in other overseas region.

Q. With regard to ATM business, I would like to ask for additional comments about China and Brazil. About China, could you tell about how you are doing with new

partner? About Brazil, please describe the reason of improvement in business in Brazil. Is it because the replacement of cash dispenser started to be in demand? Or, is it because you are forecasting the recycling ATM's growth?

A. Regarding the new partner in China, we have actually started shipping from this 3rd quarter. However, it is behind its original plan. About Brazil business, even though the economy in Brazil was in recession, the business opportunities started to appear in the last half of FY2016. We assume that the Brazil economy has reached a trough. In terms of profits, its loss was decreased by half compare to the previous fiscal year. As in our original plan, we are aiming the positive figure in the near future by implementing the cost reduction and other.

Q. Should I take that the improvement in Brazil business is derived from the replacement demand of cash dispenser and not from the recycle ATM?

A. We are getting business talk for both recycle ATMs and teller cashers.

Q. The capital expenditure plan for FY2017 is increased by 4 billion yen compared to the previous fiscal year. Please describe its detail.

A. Generally, IoT is hottest topic today. With regard to ICT business and etc., we will deepen our investment in this area.

In terms of Mechatronics system business and Printers business, since we slightly held down its investment in FY2016, we'll be investing in molds and infrastructural systems in FY2017. For more detail, we would like to talk at Mid-term business plan meeting.

Q. Regarding fire-fighting digital wireless system business, are you facing any specific consequences such as nomination stops? Moreover, could you describe whether its effect is reflected in FY2017 profit plan or not, or the presence of possible risks.

A. Concerning fire-fighting digital wireless system business, we sincerely apologize for making you worry and the trouble we caused. We are in condition of recognizing no big impact on business at this time.

Q. Please explain the forex sensitivity for FY2017.

A. On sales basis, for USD, the impact of yen strength by 1 yen is 0.3 billion yen in negative, and for EUR, it is 0.2 billion yen in negative. On operating income basis, for USD, it is 0.3 billion yen in positive, and for EUR, it is 0.2 billion yen in negative. But the thing is, the forex sensitivity for non-operating income is significant. In FY2016

results, we had negative impact of 0.2 billion yen for yen strength by 1 yen for both USD and EUR. In FY2016, each currency rate moved simultaneously with each other. Thus, when 1 yen moved, overall impact was 0.4 billion yen. That's why we had recorded big loss in non-operating income in 1st quarter of FY2016. For this situation, we reviewed the business practices of dollar-based and euro-based transaction and changed to offset the internal balances on each currency basis. As a result, for EUR, the forex sensitivity for non-operating income became almost even, while there's still some left for USD. In fact, for 4th quarter of FY2016, even though the foreign exchange quotation had some movement, the impact of exchange was soft. For FY2017, we believe that at least the forex sensitivity for non-operating income would be held down.

Q. As I see your balance sheet, the long-term operating receivables increased from 0.5 billion yen to 18.6 billion yen. The asset for retirement benefit decreased and the investment in securities increased. Could you explain this numerical movement?

A. Regarding the long-term operating receivables, the account receivables and others for Yihua, an ATM sales partner in China, was reclassified as non-current asset from current asset. With regard to retirement benefit, this also relates to the extraordinary income of 7.8 billion yen. We have cancelled a part of retirement benefit trust since the asset for retirement benefit was overplus for quite a while. As a result, the canceled stock is now counted as investment in securities.

Q. Regarding Other business, in FY2017 forecast, the sales decreased by about 6 billion yen, while the operating income decreased by 1 billion or so. Is this because of the sales of the subsidiary, OKI Sensor Device? I guess there was a thought for earning the extraordinary income by selling the business. Other than this case, do you have thoughts about releasing other business?

A. The decrease in sales and operating income plan is mainly because of OKI Sensor Device. Toward this business transfer, we have decided in a process of selection and concentration, not because of profit matter. Additionally, we are not discussing any other business transfer at this moment. However, today is the time of selection and concentration. We will conduct our business as we determine which business to focus on.

Q. Regarding OKI Data, you have written down its share value quite a bit. I assume, the balance sheet of OKI Data is now in capital deficit. How's the situation of OKI

Data right now? Additionally, the FY2017 projection for Printers business is decreased sales and flat operating income. And you revalued the share in FY2016. What kind of message is behind this situation?

- A. First of all, the non-consolidated balance sheet of OKI Data is not in capital deficit. For the question of why we have revalued the share at this timing, until now, we kept stick with full line strategy. In previous restructuring, it was for getting back to the full line. However, from now on, we decided to narrow down our focus on our domain business. Toward this strategy, the FY2016, right before the beginning of Mid-term Business Plan 2019, was a good timing to review the previous investment value. And we think it would contribute to the future growth strategy. In detail, we will explain at mid-term business plan meeting.

Note. The forward-looking statements in this document are made based on information currently available to OKI and certain assumptions considered reasonable as of the date of this material. Therefore, actual results may differ from its projections upon the changes of business environments and other conditions.

In addition, for convenience only, some additions and revisions were made.