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# FINANCIAL SECTION

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# FIVE-YEAR SUMMARY

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

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2013	2012*	2011*	2010*	2009*	2013
<b>For the year:</b>						
Net sales	¥ 455,824	¥ 423,480	¥ 432,651	¥ 442,949	¥ 544,529	\$ 4,901,333
Cost of sales	337,406	316,939	318,793	321,646	410,737	3,628,021
Gross profit	118,417	106,541	113,858	121,302	133,791	1,273,301
Operating income (loss)	13,475	11,980	6,308	6,508	(629)	144,892
Other income (expenses), net	5,159	(6,386)	(36,430)	(8,834)	(37,295)	55,473
Income (loss) before income taxes and minority interests	18,634	5,593	(30,121)	(2,325)	(37,924)	200,365
Net income (loss)	13,599	1,555	(31,809)	(3,836)	(46,188)	146,225
Comprehensive income	16,040	3,461	(35,991)	(678)	—	172,473
<b>At the year end:</b>						
Total current assets	¥ 246,994	¥ 273,888	¥ 269,694	¥ 262,370	¥ 276,472	\$ 2,655,849
Total investments and long-term receivables	28,638	27,031	29,161	37,731	34,423	307,935
Property, plant and equipment, net	57,829	52,592	53,134	56,155	61,170	621,817
Other assets	15,861	14,552	16,830	21,635	26,121	170,548
Total assets	349,322	368,065	368,822	377,894	398,188	3,756,150
Total current liabilities	197,129	214,355	240,783	241,222	217,465	2,119,666
Total long-term liabilities	95,567	112,457	89,179	89,064	132,313	1,027,602
Total net assets	56,625	41,251	38,859	47,607	48,408	608,870
Capital stock	44,000	44,000	44,000	76,940	76,940	473,118
						U.S. dollars (Note 1)
						Yen
<b>Per share amounts:</b>						
Net income (loss) per share	¥ 17.24	¥ 0.32	¥ (44.00)	¥ (5.62)	¥ (67.63)	\$ 0.18
Cash dividends per share (Common stock)	—	—	—	—	—	—
Number of shareholders (Common stock)	88,516	95,618	102,813	107,917	112,673	
Number of employees	17,459	16,736	16,697	18,111	17,415	
<b>Ratios (%):</b>						
Return on equity	28.0%	3.9%	(80.7)%	(9.4)%	(73.8)%	
Return on assets	3.8	0.4	(8.5)	(1.0)	(9.5)	
Shareholders' equity	16.1	11.2	10.4	10.7	10.4	

\*As restated (See Note 2)

Note 1: The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥93 = U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2013.

Note 2: On August 8, 2012, the Company announced that improper accounting had been conducted at an overseas consolidated subsidiary. Based on the investigation reports by outside experts, the Company restated the consolidated financial statements and related notes for 2012 and previous years.

# FINANCIAL REVIEW

Annual Report for Oki Electric Industry Co., Ltd. and its Consolidated Subsidiaries

## OVERVIEW OF THE FISCAL YEAR ENDED MARCH 31, 2013

### NET SALES AND OPERATING INCOME

In the fiscal year under review, the global economic outlook was uncertain due to such factors as the prolonged European debt crisis and the slowdown in the economic growth of emerging countries. However, the economic environment is showing signs of improvement, as the fiscal cliff has been averted in the United States and hopes are growing that the new Japanese government's economic policies will lead to economic recovery.

Amid this business environment, the OKI Group recorded consolidated net sales of ¥455.8 billion, a 7.6% year-on-year increase, due to increases in net sales for all segments centered on the Info-Telecom Systems segment. Operating income came to ¥13.5 billion, a year-on-year increase of ¥1.5 billion, as the impacts of an increase in marginal profit due to increased volume and the reduction of variable costs offset the effects of price drops, currency fluctuations, and a rise in fixed costs.

### SEGMENT INFORMATION

#### Info-Telecom Systems

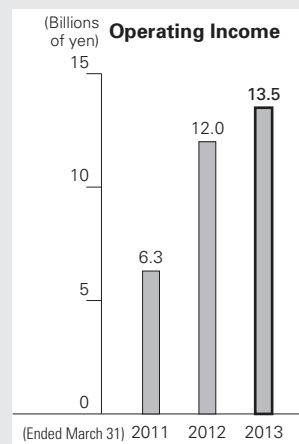
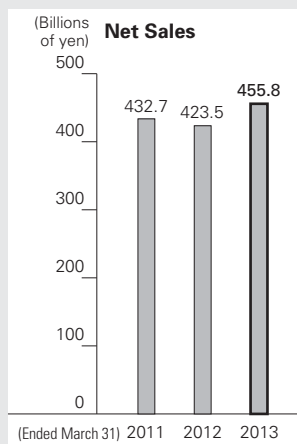
In the Info-Telecom Systems segment, sales increased by 9.7% year on year to ¥293.0 billion, which represented an increase of ¥23.8 billion when excluding the ¥2.0 billion positive impact from the currency exchange. In the solutions & services business, projects for government agencies and the corporate sector brought steady earnings. In the social infrastructure systems business, projects related to disaster prevention increased due to growing moves to digitize communications systems used by firefighting units and post-earthquake reconstruction demand. In the mechatronics systems business, sales of ATMs in China continued to be brisk as a result of an expansion of the operating area, and sales of cash handling equipment were also robust. In the telecom systems business, sales of core NW and enterprises increased, as did maintenance and construction work. However, overall sales in this business declined due to a slowdown in demand for optical access systems.

Operating income in the Info-Telecom Systems segment edged up ¥5.1 billion year on year to ¥23.8 billion. Factors included the impact of reducing variable costs and the improvement in marginal profit caused by the increase in volume.

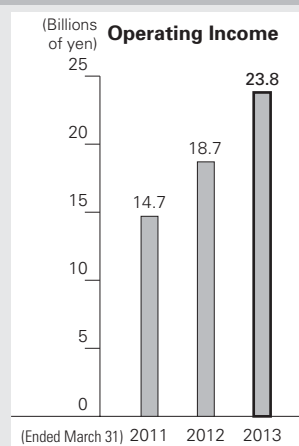
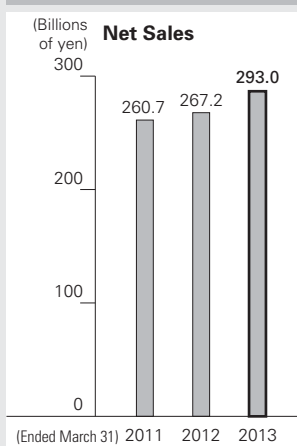
#### Printers

In the Printers segment, net sales increased by 3.7% year on year to ¥111.4 billion. This was a ¥3.2 billion increase when excluding the ¥0.8 billion positive impact from the currency exchange. In terms of products, although market conditions grew increasingly severe, unit sales of business-use color LED printers and monochrome LED printers increased as a result of aggressive sales investment and an expansion of the product lineup. While unit sales of dot-impact printers grew, overall sales declined because of unit price drops.

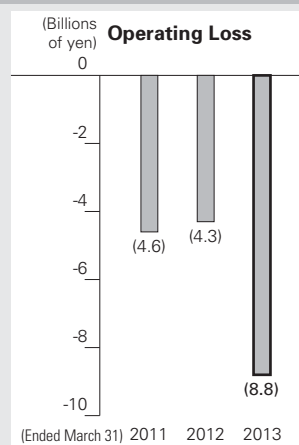
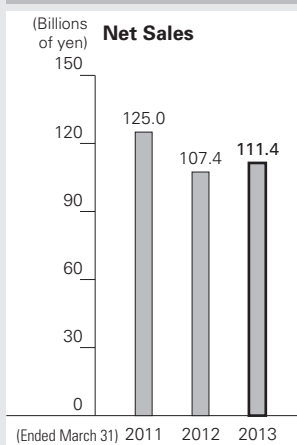
Operating loss increased ¥4.5 billion year on year to ¥8.8 billion due to the impact of currency fluctuations and price drops as well as an increase in fixed costs, including sales investment and transportation costs.



#### Info-Telecom Systems



#### Printers



### EMS Segment, Other Businesses

Sales in the EMS segment rose 4.5% year on year to ¥32.7 billion, and sales of Other Businesses increased 6.4% to ¥18.7 billion. In the EMS segment, although demand for semiconductor equipment and other related equipment declined, overall sales increased thanks to the addition of OKI TANAKA Circuits Co., Ltd. to the consolidated results. As for Other Businesses, the components-related business recorded an increase in sales.

Operating income in the EMS segment improved ¥0.1 billion year on year to ¥1.6 billion, and operating income in Other Businesses improved ¥0.5 billion to ¥3.0 billion. These improvements stemmed mainly from higher marginal profits owing to increased volume.

### NET INCOME

Net income increased steeply, by ¥12.0 billion, year on year to ¥13.6 billion despite losses related to the liquidation of a consolidated subsidiary in Spain following the end of its sales activity, which were offset by the absence of the losses related to the flood damage in Thailand in the previous year, and profits from the sale of fixed assets. Against this backdrop, net income per share of ¥0.32 in the previous fiscal year improved to ¥17.24.

### ASSETS AND LIABILITIES

At fiscal year-end, total assets decreased ¥18.8 billion year on year to ¥349.3 billion. Due to a net income of ¥13.6 billion and other factors, shareholders' equity increased ¥15.0 billion year on year to ¥56.1 billion. As a result, the shareholders' equity ratio increased to 16.1%.

With respect to major increases and decreases in assets, cash and cash equivalents decreased ¥39.1 billion and securities declined ¥4.0 billion, while there were increases of ¥10.3 billion in notes and accounts receivable, of ¥6.8 billion in inventories, and of ¥5.2 billion in property, plant and equipment, at cost.

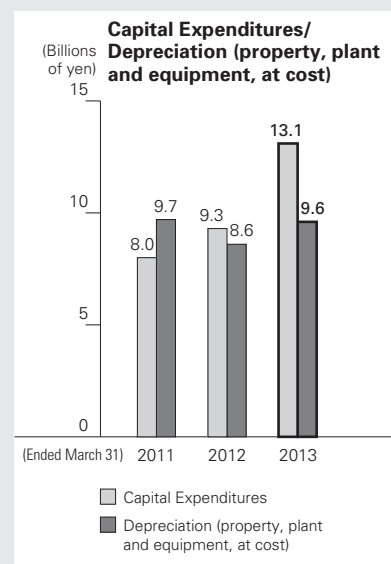
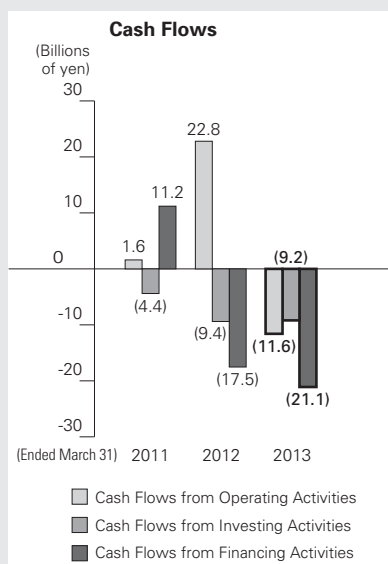
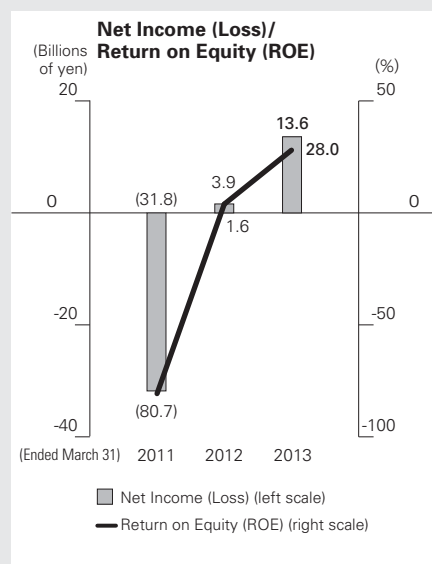
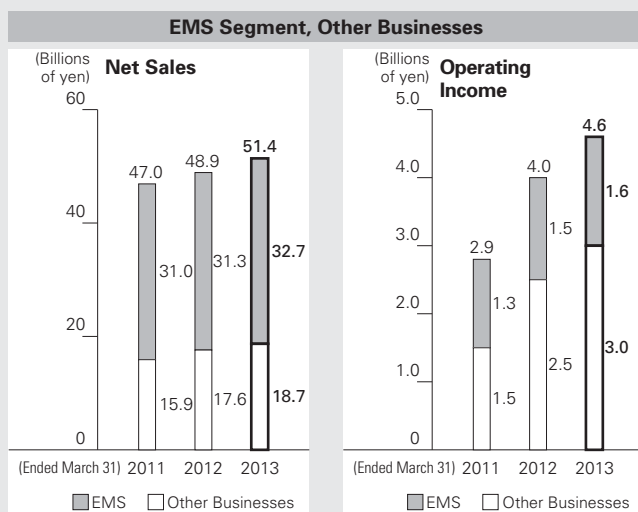
Total liabilities declined ¥34.1 billion. Interest-bearing debt decreased ¥16.0 billion from ¥136.5 billion at the previous fiscal year-end, to ¥120.5 billion, due mainly to the repayment of long-term debt. As for current liabilities, other current liabilities decreased by ¥12.5 billion.

### CASH FLOWS

Net cash used in operating activities amounted to ¥11.6 billion, up ¥34.4 billion from the previous fiscal year. This was mainly due to an increase in working capital.

Net cash used in investing activities totaled ¥9.2 billion, down ¥0.2 billion from the previous fiscal year. Main outflows were for purchases of property, plant and equipment.

As a result, free cash flows, which are the sum of cash from operating activities and investing activities, saw a net outflow of ¥20.8 billion, an increase of ¥34.2 billion from the previous fiscal year.



Net cash used in financing activities amounted to ¥21.1 billion, an increase of ¥3.6 billion from the previous fiscal year. This was mainly due to the repayment of long-term debt.

As a result, cash and cash equivalents at fiscal year-end stood at ¥35.9 billion, down from ¥75.0 billion a year earlier.

#### CAPITAL EXPENDITURES, DEPRECIATION, AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures increased ¥3.8 billion year on year, to ¥13.1 billion. This is due mainly to recovery-related investment for the flood damage in Thailand. Depreciation increased ¥1.0 billion year on year, to ¥9.6 billion. R&D expenses totaled ¥14.0 billion, up ¥0.9 billion from the previous fiscal year. This is due mainly to investment for new product development in the mechatronics systems business.

#### OUTLOOK FOR FISCAL YEAR ENDING MARCH 31, 2014

In the fiscal year ending March 31, 2014, uncertainty over the prospects of the global economy is expected to remain due to the prolonged fiscal problem in Europe and the slowdown in the economic growth of emerging countries. However, against the backdrop of signs of a recovery in the U.S. economy, the hopes pinned on the new Japanese government's economic policies, and the yen's depreciation caused by monetary easing, the economy is expected to continue recovering moderately.

In the fiscal year ending March 31, 2014, the last year of the Group's three-year mid-term business plan, the OKI Group will ensure stable revenues for core businesses by focusing on securing replacement demand for financial and telecom systems and capturing demand for disaster prevention and reduction measures, including firefighting digital wireless communication systems and disaster prevention administrative radio systems. Moreover, the OKI Group will accelerate overseas business expansion to achieve

growth and will carry out structural reform of the Printers business. Based on these measures, we forecast a ¥4.2 billion year-on-year increase in consolidated net sales, to ¥460.0 billion.

Operating income is expected to increase by ¥8.5 billion year on year to ¥22.0 billion due to the impacts of the reduction in variable costs and currency movements as well as a decrease in fixed costs arising from the structural reform of the Printers business. Net income is expected to drop ¥2.1 billion year on year to ¥11.5 billion, as currency fluctuations are not anticipated to impact non-operating income and the Company plans to book expenses related to strengthening the foundation of the Printers business.

The above forecasts for the fiscal year ending March 31, 2014, are based on exchange rate assumptions of ¥85.0 to the U.S. dollar and ¥115.0 to the euro.

#### Performance Forecasts for the Fiscal Year Ending March 31, 2014 (Billions of yen unless otherwise stated)

Net Sales	Operating Income	Net Income	Net Income per Share (Yen)
¥460.0	¥22.0	¥11.5	¥14.42

#### BUSINESS AND OTHER RISKS

The forecasts and projected operating results contained in this report are based on information available and assumptions deemed rational at the time of preparation, and thus entail inherent uncertainties. Accordingly, investors are cautioned that actual results may differ materially from those projected as a result of a variety of factors. The following items are business and other risks that the OKI Group considers may significantly influence investors' judgments. The following are also major factors that could possibly affect the Group's actual performance.

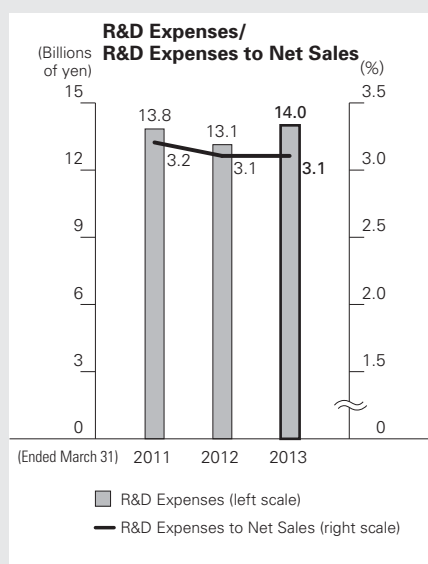
It should be noted, however, that factors that may affect the Group's performance are not limited to these items. The OKI Group is aware of the potential impact these risks may have if any were to occur and is implementing measures to avoid such occurrence, as well as to minimize the weight of their impact should they occur.

##### (1) Political and Economic Trends

Demand for the OKI Group's products is subject to political and economic trends in the individual countries and regions in which they are sold. Accordingly, economic recession, the resulting contraction in demand in the OKI Group's principal operating markets of Japan, North America, Europe and Asia and changes in the import-export policy for foreign products may impact its business performance and financial position.

##### (2) Sudden Technological Innovation

The OKI Group's principal business segments, comprising Info-Telecom Systems and Printers, are subject to rapid technological innovation. Accordingly, the OKI Group strives to preserve its competitive advantage through new technology and product research and development. In the event, however, that the OKI Group is unable to keep pace with technological innovations, is burdened with obsolete products, and is unable to deliver products and services that appeal to customers, its performance and financial position may be affected.



**(3) Market Trends**

1. The product and geographical markets in which the OKI Group operates are subject to frequent entry by new participants and persistent competition. In an effort to secure competitive advantage, the OKI Group strives to enhance product development and reduce costs. In the event the OKI Group is unable to implement effective product development and cost rationalization measures and fails to maintain and secure sufficient market share, its business performance and financial position may be affected.
2. The performance of Info-Telecom Systems segment is subject to a variety of factors including: (1) changes in investment trends by financial institutions due to revisions of financial regulation, poor performance and other factors; (2) changes in investment trends by telecommunication carriers owing to amendments to telecommunication regulations, shifts in business strategy and other factors, and; (3) a significant decline in public-sector investment due to national and local government policies.
3. The printer market is experiencing intense price competition, particularly in color printers. In an effort to secure a strong market position and profitability, the OKI Group is endeavoring to develop new products and reduce costs. Despite these efforts, continued downward revisions to product prices may impact the Printers segment's performance.

**(4) Raw Materials and Component Procurement**

The OKI Group procures a variety of raw materials and components in support of its manufacturing activities. The ability to ensure timely product shipment, avoid delays in product delivery and minimize opportunity loss is dependent upon the stable supply of raw materials, components, specialized parts and alternative components. The OKI Group's performance and financial position may therefore be affected in the event stable supply cannot be maintained due to natural disasters and other factors.

The OKI Group is reliant upon the direct and indirect supply of crude oil and materials, such as metals, as a part of its manufacturing activities. A sharp rise in the price of these and other key materials may impact the OKI Group's performance and financial position.

**(5) Product Defects and Delays in Delivery**

Despite every effort to maintain quality assurance, the OKI Group is unable to eliminate all possibility of product and service defects. In the event of a product or service defect, the OKI Group may be liable for damages. In addition, any incidence of defect may impact the OKI Group's reputation and standing and contribute to a drop in demand. In either case, the OKI Group's performance and financial position may be affected.

While the OKI Group adopts complete and thorough measures to ensure the timely delivery of its products and services, unforeseen incidents in design, material procurement and production control may lead to a delay in shipment. In this case, the OKI Group may become liable for the payment of damages.

**(6) Success or Failure of Strategic Alliances**

The OKI Group is aggressively engaged with other companies in strategic alliances in research and development, manufacturing, sales and other activities. While the OKI Group only enters into and maintains such alliances with the utmost caution, there may in theory be instances where the OKI Group is not able to obtain the desired cooperation from the strategic partner in business

strategy, production and technical development, fund procurement or other activity, or where the alliance does not yield satisfactory results. The OKI Group's performance and financial condition may be adversely affected by such an event.

**(7) Overseas Business Activities**

The OKI Group is engaged in manufacturing and sales activities across a variety of countries and regions. Accordingly, it is subject to a number of risks specific to overseas business activities, including country risk and foreign currency fluctuation risk. The OKI Group operates production sites in Thailand and China. The OKI Group's performance and financial position may therefore be affected in the event of economic recession, political turmoil, movements in local currency exchange rates and unforeseen circumstances in either of these countries.

To minimize foreign currency fluctuation risk, the OKI Group enters into forward currency and currency swap contracts to address fluctuations of the yen against the U.S. dollar and euro. However, the OKI Group cannot guarantee the complete removal of risk, and abrupt fluctuations in foreign currency exchange rates in particular may affect the OKI Group's performance and financial position.

**(8) Patents and Intellectual Property**

The OKI Group strives to protect its patents and to secure new patents with the aim of differentiating the OKI Group from its competitors. Failure to do so may impact the performance of relevant businesses. The OKI Group is also active in securing the necessary approvals and authorization from third parties for the use of external patents required in the development and manufacture of new products. In the event the OKI Group is unable to secure patents or rights, or secures patents or rights under unfavorable terms and conditions, its performance and financial position may be affected.

The OKI Group endeavors to comply with patents held by third parties. It is not, however, in a position to completely guarantee the OKI Group will not violate intellectual property rights held by another party. In the event the OKI Group is involved in a claim relating to the violation of intellectual property rights, it is likely to incur legal and other expenses. In the event the OKI Group is found to have breached intellectual property rights held by another party, then it is likely to incur damages. In either event, the performance and financial position of the OKI Group may be affected.

**(9) Statutory and Regulatory Compliance**

The OKI Group is subject to statutory and regulatory requirements, business and investment application and approval, export restrictions relating to national security and other factors, import regulations including customs and taxation and a variety of government ordinances in each of the countries and regions in which it operates. The OKI Group is also subject to statutory and regulatory requirements relating to commerce, antitrust, patents and intellectual property rights, taxation, foreign currencies, the environment and recycling. In the event the OKI Group is unable to comply with any of the aforementioned or any unexpected changes occur, the possibility exists that its activities would be restricted or suspended. Accordingly, the aforementioned and other statutory and regulatory requirements may impact the OKI Group's performance and financial position.

**(10) Natural and Other Disasters**

The OKI Group conducts periodic inspections and implements a variety of accident, disaster and fire prevention measures to minimize stoppages of its production lines. However, there is no guarantee that the OKI Group will be able to completely prevent accidents as well as natural and other disasters that negatively affect the operations of its production facilities. Moreover, accidents in production lines due to earthquake, wind or flood damage or electric outages as well as natural and other disasters in the countries where the OKI Group conducts marketing operations may adversely impact the Group's performance and financial position.

**(11) Information Management**

Although the OKI Group implements defense measures to protect its internal systems against computer viruses and the leakage of information, the Group cannot guarantee complete protection from system failure and information leakage attributable to human error, new virus strains other like causes. The Group, therefore, faces the risk of cumulative losses should there be a breach in the information management structure.

**(12) Procurement and Training of Human Resources**

The ability to secure and foster high-quality human resources is a key factor in ensuring further growth as a stable earnings company. Accordingly, the OKI Group strives to recruit capable employees at every level, including new graduates and mid-career employees. In an effort to foster exceptional human resources, the OKI Group also conducts on-the-job training, education and a variety of training activities. In the event the OKI Group is unable to secure and foster high-quality human resources or a number of key employees leave the OKI Group, future growth may be affected.

**(13) Interest-Rate Fluctuations**

The OKI Group maintains interest-bearing debt that is subject to the impact of fluctuations in interest rates. The OKI Group utilizes interest-rate swaps and other instruments to manage the risks of interest-rate fluctuations. However, there is a possibility that interest charges may suffer an increase associated with a rise in interest rates and that the increased cost of raising capital would adversely affect the Group's ability to raise working capital.

**(14) Changes to Accounting Standards**

The OKI Group makes consolidated and non-consolidated financial statements in accordance with accounting standards generally recognized as fair and accurate. Should changes to accounting standards occur, there is a possibility that the OKI Group's performance and financial position may be adversely affected.

**(15) Debt Recovery**

While the OKI Group constantly appraises the financial situation of its customers and sets aside an adequate amount of allowances based on its provision for bad debts after the Balance Sheet date, a sudden deterioration in the financial condition of a major customer could exert a negative influence on the OKI Group's performance.

**(16) Impairment Loss on Fixed Assets**

In the event that it becomes necessary for the OKI Group to dispose of impairment loss on fixed assets, such as tangible and intangible fixed assets, investment and other assets, the Group's performance and financial position may be adversely affected.

**(17) Deferred Tax Assets**

The OKI Group amortizes deferred assets against retained losses carried forward and temporary differences as appropriate. In the event the OKI Group is unable to liquidate deferred tax assets due to the decline in taxable income brought on by fluctuations in its business results, the OKI Group's performance may be affected.

**(18) Retirement Benefit Obligations**

The OKI Group provides for retirement benefit obligations based on a discount rate established using actuarial calculations and on expected yield on pension assets. However, such preconditions and assumptions are susceptible to changes in market interest rates and stock market trends, which may cause actual results to differ from such preconditions and assumptions. Such an event could lead to an increase in retirement benefit obligations and impact the OKI Group's performance and financial position.

**(19) Stock Price Fluctuations**

The OKI Group holds shares in listed companies as part of its investment securities portfolio. Falling share prices may lead to valuation losses or declines in unrealized gains on such holdings, which may impact the OKI Group's performance and financial position.

**(20) Dilution of Stocks**

On December 22, 2010, the OKI Group made a private placement issuance of Class A Preferred Stocks to a third party, with the aim of building a strong business foundation capable of generating stable, sustained profits and dramatically improving its financial base. Holders of Class A Preferred Stocks have the right to request purchase of common stocks as compensation (purchase request period: April 1, 2014–March 31, 2024) and a purchase provision (lump purchase on April 1, 2024). In the event that, in the future, common stocks are issued as a result of such purchase request or purchase provision, existing common stocks will become diluted, which may impact the stock price.



# CONSOLIDATED BALANCE SHEET

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
As of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012 As restated (Note 1)	2013
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents (Notes 3 and 7)	¥ 35,894	¥ 74,996	\$ 385,956
Time deposits (Note 7)	10	13	107
Securities (Notes 3 and 7)	502	4,504	5,397
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	2,052	3,091	22,064
Other	131,770	125,103	1,416,881
Less: Allowance for doubtful receivables	(7,600)	(12,325)	(81,720)
Inventories (Note 4)	74,963	68,227	806,053
Other current assets (Note 9)	9,401	10,279	101,086
<b>Total current assets</b>	<b>246,994</b>	<b>273,888</b>	<b>2,655,849</b>
<b>Investments and long-term receivables:</b>			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	4,878	6,242	52,451
Other investments in securities (Notes 3, 6 and 7)	23,829	21,033	256,225
Other long-term receivables	866	930	9,311
Less: Allowance for doubtful receivables	(936)	(1,175)	(10,064)
<b>Total investments and long-term receivables</b>	<b>28,638</b>	<b>27,031</b>	<b>307,935</b>
<b>Property, plant and equipment, at cost</b> (Note 6):			
Land	12,343	12,042	132,720
Buildings	78,064	74,538	839,397
Machinery and equipment	117,800	111,164	1,266,666
Construction in progress	1,629	1,189	17,516
	209,838	198,934	2,256,322
Less: Accumulated depreciation	(152,008)	(146,342)	(1,634,494)
<b>Property, plant and equipment, net</b>	<b>57,829</b>	<b>52,592</b>	<b>621,817</b>
<b>Other assets</b> (Note 9)	<b>15,861</b>	<b>14,552</b>	<b>170,548</b>
<b>Total assets</b>	<b>¥ 349,322</b>	<b>¥ 368,065</b>	<b>\$ 3,756,150</b>



	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012 As restated (Note 1)	2013
<b>LIABILITIES</b>			
<b>Current liabilities:</b>			
Short-term borrowings (Notes 6 and 7)	¥ 56,371	¥ 53,837	\$ 606,139
Current portion of long-term debt (Notes 6 and 7)	18,821	22,797	202,376
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	897	2,671	9,645
Other	74,448	78,009	800,516
Other accrued expenses	33,688	31,608	362,236
Other current liabilities (Note 9)	12,902	25,430	138,731
<b>Total current liabilities</b>	<b>197,129</b>	<b>214,355</b>	<b>2,119,666</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 7)	45,332	59,843	487,440
Retirement benefits (Note 8)	20,209	19,207	217,301
Other long-term liabilities (Notes 7 and 9)	30,025	33,407	322,849
<b>Total long-term liabilities</b>	<b>95,567</b>	<b>112,457</b>	<b>1,027,602</b>
<b>Total liabilities</b>	<b>292,697</b>	<b>326,813</b>	<b>3,147,279</b>
<b>NET ASSETS</b>			
<b>Shareholders' equity</b> (Notes 10 and 18):			
Capital stock:			
Authorized—2,400,000,000 shares			
Common stock:			
Issued—731,438,670 shares in 2013 and 2012			
Class A preferred stock:			
Issued—30,000 shares in 2013 and 2012	44,000	44,000	473,118
Additional paid-in capital	21,554	21,554	231,763
Accumulated deficit	(7,788)	(20,968)	(83,741)
Less: Treasury stock, at cost:			
3,465,556 shares in 2013 and 612,141 shares in 2012	(399)	(38)	(4,290)
<b>Total shareholders' equity</b>	<b>57,366</b>	<b>44,547</b>	<b>616,838</b>
<b>Accumulated other comprehensive income:</b>			
Net unrealized holding gain (loss) on other securities	2,192	(1,815)	23,569
Loss on deferred hedges	(656)	(973)	(7,053)
Translation adjustments	(2,829)	(632)	(30,419)
<b>Total accumulated other comprehensive income</b>	<b>(1,293)</b>	<b>(3,422)</b>	<b>(13,903)</b>
<b>Subscription rights to shares</b>	<b>79</b>	<b>79</b>	<b>849</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>473</b>	<b>46</b>	<b>5,086</b>
<b>Total net assets</b>	<b>56,625</b>	<b>41,251</b>	<b>608,870</b>
<b>Contingent liabilities</b> (Note 17)			
<b>Total liabilities and net assets</b>	<b>¥ 349,322</b>	<b>¥ 368,065</b>	<b>\$ 3,756,150</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENT OF INCOME

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012 As restated (Note 1)	2013
Net sales	¥ 455,824	¥ 423,480	\$ 4,901,333
Cost of sales	337,406	316,939	3,628,021
<b>Gross profit</b>	<b>118,417</b>	106,541	<b>1,273,301</b>
Selling, general and administrative expenses	104,942	94,560	1,128,408
<b>Operating income</b>	<b>13,475</b>	11,980	<b>144,892</b>
Other income (expenses):			
Interest expense	(3,003)	(4,026)	(32,290)
Interest and dividend income	651	1,047	7,000
Foreign exchange gain (loss), net	8,792	(86)	94,537
Gain (loss) on sale of investments in securities	678	(210)	7,290
Gain (loss) on sale and disposition of property, plant and equipment	2,109	(663)	22,677
Loss on impairment of fixed assets	(219)	(97)	(2,354)
Write-downs of investments in securities	(225)	(184)	(2,419)
Insurance income (Note 12)	—	3,852	—
Loss on natural disaster (Note 13)	—	(5,201)	—
Loss on liquidation of subsidiary (Note 14)	(4,011)	—	(43,129)
Other, net (Note 8)	388	(815)	4,172
	5,159	(6,386)	55,473
<b>Income before income taxes and minority interests</b>	<b>18,634</b>	5,593	<b>200,365</b>
Income taxes (Note 9):			
Current	4,106	2,590	44,150
Deferred	656	820	7,053
	4,762	3,411	51,204
<b>Income before minority interests</b>	<b>13,872</b>	2,182	<b>149,161</b>
Minority interests in earnings of consolidated subsidiaries	(273)	(627)	(2,935)
<b>Net income</b> (Note 18)	<b>¥ 13,599</b>	¥ 1,555	<b>\$ 146,225</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012 As restated (Note 1)	2013
<b>Income before minority interests</b>	<b>¥ 13,872</b>	<b>¥ 2,182</b>	<b>\$ 149,161</b>
Other comprehensive income			
Net unrealized holding gain on other securities	<b>3,993</b>	105	<b>42,935</b>
Gain on deferred hedges	<b>317</b>	10	<b>3,408</b>
Translation adjustments	<b>(2,157)</b>	1,095	<b>(23,193)</b>
Share of other comprehensive income of equity-method affiliates	<b>15</b>	67	<b>161</b>
Total other comprehensive income	<b>2,167</b>	1,278	<b>23,301</b>
<b>Comprehensive income</b>	<b>16,040</b>	<b>3,461</b>	<b>172,473</b>
Comprehensive income attributable to:			
Owners of the parent	<b>15,734</b>	2,830	<b>169,182</b>
Minority interests	<b>¥ 305</b>	¥ 631	<b>\$ 3,279</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Numbers of shares issued (Thousands)	Shareholders' equity					Accumulated other comprehensive income				Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets As restated (Note 1)
		Capital stock	Additional paid-in capital	(Accumulated deficit) retained earnings As restated (note 1)	Treasury stock, at cost	Total shareholders' equity As restated (Note 1)	Net unrealized holding (loss) gain on other securities	(Loss) gain on deferred hedges	Translation adjustments As restated (Note 1)	Total accumulated other comprehensive income As restated (Note 1)			
													Millions of yen
Balance at March 31, 2011	731,468	¥ 44,000	¥ 113,124	¥ (114,094)	¥ (23)	¥ 43,006	¥ (1,988)	¥ (983)	¥ (1,724)	¥ (4,697)	¥ 79	¥ 470	¥ 38,859
Deficit disposition			(91,569)	91,569		—							—
Net income				1,555		1,555							1,555
Purchases of treasury stock					(14)	(14)							(14)
Changes in scope of consolidation				0		0							0
Other, net							172	10	1,091	1,275		(424)	850
Net changes during the year	—	—	(91,569)	93,125	(14)	1,541	172	10	1,091	1,275	—	(424)	2,392
Balance at March 31, 2012	731,468	44,000	21,554	(20,968)	(38)	44,547	(1,815)	(973)	(632)	(3,422)	79	46	41,251
Distributions of retained earnings				(1,321)		(1,321)							(1,321)
Net income				13,599		13,599							13,599
Purchases of treasury stock					(361)	(361)							(361)
Changes in scope of consolidation				902		902							902
Other, net							4,008	317	(2,196)	2,128		426	2,554
Net changes during the year	—	—	—	13,179	(361)	12,818	4,008	317	(2,196)	2,128	—	426	15,373
Balance at March 31, 2013	731,468	¥ 44,000	¥ 21,554	¥ (7,788)	¥ (399)	¥ 57,366	¥ 2,192	¥ (656)	¥ (2,829)	¥ (1,293)	¥ 79	¥ 473	¥ 56,625

	Numbers of shares issued (Thousands)	Shareholders' equity					Accumulated other comprehensive income				Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets As restated (Note 1)
		Capital stock	Additional paid-in capital	(Accumulated deficit) retained earnings As restated (note 1)	Treasury stock, at cost	Total shareholders' equity As restated (Note 1)	Net unrealized holding (loss) gain on other securities	(Loss) gain on deferred hedges	Translation adjustments As restated (Note 1)	Total accumulated other comprehensive income As restated (Note 1)			
													Thousands of U.S. dollars (Note 2)
Balance at March 31, 2012	731,468	\$ 473,118	\$ 231,763	\$(225,462)	\$ (408)	\$ 479,000	\$ (19,516)	\$ (10,462)	\$ (6,795)	\$ (36,795)	\$ 849	\$ 494	\$ 443,559
Distributions of retained earnings				(14,204)		(14,204)							(14,204)
Net income				146,225		146,225							146,225
Purchase of treasury stock					(3,881)	(3,881)							(3,881)
Changes in scope of consolidation				9,698		9,698							9,698
Other, net							43,096	3,408	(23,612)	22,881		4,580	27,462
Net changes during the year	—	—	—	141,709	(3,881)	137,827	43,096	3,408	(23,612)	22,881	—	4,580	165,301
Balance at March 31, 2013	731,468	\$ 473,118	\$ 231,763	\$(83,741)	\$(4,290)	\$ 616,838	\$ 23,569	\$ (7,053)	\$ (30,419)	\$ (13,903)	\$ 849	\$ 5,086	\$ 608,870

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012 As restated (Note 1)	2013
<b>Cash flows from operating activities:</b>			
Net income	¥ 13,599	¥ 1,555	\$ 146,225
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	13,021	12,680	140,010
Loss on impairment of fixed assets	219	97	2,354
(Reversal of ) provisions	(5,040)	2,560	(54,193)
Write-downs loss of investment in securities	225	184	2,419
(Gain) loss on sale of investments in securities	(672)	180	(7,225)
(Gain) loss on sale and disposition of property, plant and equipment	(2,109)	656	(22,677)
Deferred income taxes	656	820	7,053
Other, net	(3,424)	773	(36,817)
Changes in operating assets and liabilities:			
Notes and accounts receivable	3,487	7,418	37,494
Inventories	(1,307)	(3,079)	(14,053)
Accounts receivable, other	3,112	(4,357)	33,462
Notes and accounts payable	(17,963)	11,018	(193,150)
Long-term accounts payable, others	(4,998)	(5,287)	(53,741)
Accrued income taxes	(1,520)	510	(16,344)
Other accrued expenses	(121)	3,806	(1,301)
Other assets and liabilities	(8,782)	(6,748)	(94,430)
<b>Net cash (used in) provided by operating activities</b>	<b>(11,619)</b>	<b>22,791</b>	<b>(124,935)</b>
<b>Cash flows from investing activities:</b>			
Decrease (increase) in time deposits and marketable securities	1,007	(491)	10,827
Increase in investments and other long-term receivables	(2,392)	(217)	(25,720)
Purchases of property, plant and equipment	(11,881)	(8,757)	(127,752)
Proceeds from sale of property, plant and equipment	4,053	74	43,580
<b>Net cash used in investing activities</b>	<b>(9,214)</b>	<b>(9,392)</b>	<b>(99,075)</b>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short-term borrowings	571	(20,405)	6,139
Issuance of long-term debt	4,325	66,163	46,505
Repayment of long-term debt	(22,867)	(61,467)	(245,881)
Proceeds from sale and lease-back transactions	885	611	9,516
Repayment of lease obligations	(2,313)	(2,726)	(24,870)
Cash dividends paid	(1,321)	(0)	(14,204)
Other, net	(372)	288	(4,000)
<b>Net cash used in financing activities</b>	<b>(21,093)</b>	<b>(17,535)</b>	<b>(226,806)</b>
Effect of exchange rate changes on cash and cash equivalents	1,368	(87)	14,709
Net decrease in cash and cash equivalents	(40,558)	(4,224)	(436,107)
Cash and cash equivalents at beginning of the year	74,996	79,645	806,408
Cash of newly consolidated subsidiaries at beginning of the year	1,426	193	15,333
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(618)	—
Increase in cash and cash equivalents resulting from merger of unconsolidated subsidiary	29	—	311
<b>Cash and cash equivalents at end of the year</b>	<b>¥ 35,894</b>	<b>¥ 74,996</b>	<b>\$ 385,956</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest	¥ 3,040	¥ 4,142	\$ 32,688
Income taxes	5,626	2,080	60,494

The accompanying notes are an integral part of these statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
March 31, 2013

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of presentation

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

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

The accompanying consolidated statements of cash flows, which have not been prepared under the same requirements as

those specified in the Japanese accounting standard for cash flows, are presented in a format similar to that required under accounting standards generally accepted in the United States, and the concept and format are almost identical to those required under the Japanese standard.

On August 8, 2012, the Company announced that improper accounting had been conducted at an overseas consolidated subsidiary. Improper practices were performed by recording fictitious sales, overstating accounts receivable (cover up of unrecoverable accounts receivable) and not recording of existing debt at Oki Systems Iberica S.A.U. which is an overseas consolidated subsidiary of OKI Data Corporation in printer business.

As a result of investigation by External Investigative Committee, the Company retroactively restated the consolidated financial statements for the year ended March 31, 2012.

The impact of the restatement on the consolidated financial statements for the year ended March 31, 2012 is as follows:

	Millions of yen		
	As Previously Reported (A)	As Restated (B)	Restatement (B) - (A)
March 31, 2012 :			
Net sales	¥ 428,104	¥ 423,480	¥ (4,624)
Operating income	17,415	11,980	(5,435)
Net income	8,000	1,555	(6,445)
Total assets	374,829	368,065	(6,764)
Total net assets	67,524	41,251	(26,273)

In addition, certain amounts from prior year have been reclassified to conform to the current year's presentation.

### (b) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in significant affiliates are accounted for by the equity method. Other investments in unconsolidated subsidiaries and affiliates are stated at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down to reflect the impairment.

### (c) Foreign currency transactions

(1) The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of net assets excluding minority interests in consolidated subsidiaries, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests in consolidated subsidiaries are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments as a component of net assets.

(2) Current and non-current monetary assets and liabilities denominated in foreign currencies of the Company and domestic

consolidated subsidiaries are translated into yen at the exchange rates in effect at the balance sheet date, except for those hedged by forward foreign exchange contracts which are translated at the contracted rates.

All revenues and expenses are translated at the average rate for the month prior to the transaction.

Gains and losses arising from foreign exchange differences are credited or charged to income in the year in which they are made or incurred, except for those arising from forward foreign exchange contracts pertaining to long-term debt which are deferred and amortized over the periods of the respective contracts.

### (d) Cash equivalents

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

### (e) Securities

Held-to-maturity debt securities are either amortized or accumulated to face value. Other securities with quoted market prices are carried at market value. The difference between the acquisition cost and the carrying value of other securities, net of the applicable income taxes, is recognized as a component of net assets and is reflected as "Net unrealized holding gain (loss) on other securities." The cost of other securities sold is computed by the moving

average method. Other securities without quoted market prices are stated at cost based on the moving average method.

**(f) Inventories**

Inventories are principally stated at cost determined by the following methods.

- Finished goods - Moving average method
- Work in process - Specific identification method
- Raw materials and supplies - Moving average method

**(g) Property, plant and equipment, and depreciation (Except for assets leased)**

Property, plant and equipment are recorded at cost. Depreciation of property, plant and equipment is principally computed by the declining balance method over the estimated useful lives of the respective assets. However, buildings (excluding leasehold improvements) acquired on or after April 1, 1998 by the Company and domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives. Significant renewals and betterments are capitalized at cost. Maintenance and repairs are charged to income.

**(h) Intangible assets and amortization (Except for assets leased)**

Intangible assets, including capitalized computer software costs, are amortized by the straight-line method over their respective estimated useful lives.

**(i) Leases**

Depreciation of assets on finance leases which do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with their residual value of zero, except the leases started on or before March 31, 2008. The leases which were started on or before March 31, 2008 are principally accounted for as operating leases.

**(j) Retirement benefits**

The Group has retirement benefit plans covering substantially all its employees.

An allowance for retirement benefits has been provided for employees' retirement benefits based on an estimate of the projected retirement benefit obligation and the pension fund assets.

The transition difference arising from the initial adoption of the accounting standard for retirement benefits is being amortized over a period of 15 years except for certain domestic consolidated

subsidiaries which charged it to income when it was recognized or certain overseas consolidated subsidiaries which charged it directly to retained earnings.

Actuarial gains and losses and prior service cost are amortized by the straight-line method over periods within the estimated average remaining years of service of the participants in the plans. The amortization of such gains and losses is recognized in the year subsequent to the year in which they arise.

Certain consolidated subsidiaries also provide an allowance for retirement benefits for directors at the amount which would be required to be paid if all directors retired at the balance sheet date based on the Group's internal regulations.

**(k) Income taxes**

Deferred income taxes are recognized by the asset and liability method under which deferred tax assets and liabilities are determined based on the difference between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

**(l) Hedge accounting**

Forward foreign exchange contracts are accounted for by hedge accounting which requires that unrealized gains or losses be deferred as assets or liabilities. Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which is utilized to hedge against risks arising from fluctuation in foreign currency exchange rates. Interest-rate swaps which meet the required criteria are accounted for by a special method (as stipulated in the accounting standard for financial instruments) as if the interest rates applied to the interest-rate swaps had originally applied to the underlying borrowings. Swap contracts are utilized to hedge market risks which may arise in the future with respect to short-term and long-term loans with variable interest rates.

The Group has developed hedging policies to control various aspects of derivatives transactions, including levels of authorization and transaction volume. Based on these policies, the Group hedges risks arising from fluctuation in foreign currency exchange rates and interest rates. During the period from the inception of a hedge position to the assessment of its effectiveness, the Group reviews the effectiveness of all its hedging policies in order to monitor and control the cumulative cash flows and to respond to any changes in the market.

**2. U.S. DOLLAR AMOUNTS**

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥93 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2013. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.



**3. SECURITIES**

Securities at March 31, 2013 and 2012 were summarized as follows. Securities for which it is extremely difficult to reasonably measure its fair value are not included in the table below.

**Held-to-maturity debt securities**

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference
Held-to-maturity debt securities whose fair value does not exceeds their amount recorded in balance sheet:									
Bonds	¥ —	¥ —	¥ —	¥ 3,998	¥ 3,998	¥ (0)	\$ —	\$ —	\$ —
Certificates of deposit	—	—	—	1,000	1,000	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ 4,998	¥ 4,998	¥ (0)	\$ —	\$ —	\$ —

**Other securities**

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference
Other securities whose fair value recorded in balance sheet exceeds their acquisition costs:									
Equity securities	¥ 13,092	¥ 8,633	¥ 4,458	¥ 2,411	¥ 1,583	¥ 827	\$ 140,774	\$ 92,827	\$ 47,935
Bonds	301	301	0	1,621	1,604	16	3,236	3,236	0
Other	—	—	—	221	221	0	—	—	—
Subtotal	13,393	8,935	4,458	4,254	3,409	844	144,010	96,075	47,935
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	3,528	4,547	(1,018)	8,873	11,396	(2,523)	37,935	48,892	(10,946)
Bonds	202	202	(0)	3,491	3,506	(15)	2,172	2,172	(0)
Certificates of deposit	6,000	6,000	—	25,000	25,000	—	64,516	64,516	—
Other	14	14	—	2,914	2,919	(4)	150	150	—
Subtotal	9,745	10,764	(1,018)	40,278	42,822	(2,543)	104,784	115,741	(10,946)
Total	¥ 23,139	¥ 19,699	¥ 3,439	¥ 44,533	¥ 46,232	¥ (1,699)	\$ 248,806	\$ 211,817	\$ 36,978

**4. INVENTORIES**

Inventories at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
	Finished goods	¥ 31,215	¥ 24,696
Work in process	18,856	18,424	202,752
Raw materials and supplies	24,890	25,106	267,634
Total	¥ 74,963	¥ 68,227	\$ 806,053

**5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES**

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Investments stated:			
By the equity method	¥ 4,591	¥ 4,621	\$ 49,365
At cost or less	287	951	3,086
Advances	—	669	—
Total	¥ 4,878	¥ 6,242	\$ 52,451

**6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT**

Short-term borrowings at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans, principally from banks, at weighted-average interest rates of 1.6% and 1.7% at March 31, 2013 and 2012, respectively:			
Secured	¥ 6,700	¥ 5,000	\$ 72,043
Unsecured	49,671	48,837	534,096
Total	¥ 56,371	¥ 53,837	\$ 606,139

Long-term debt at March 31, 2013 and 2012 was summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans from banks, insurance companies and government agencies, due through 2018:			
Secured	¥ 589	¥ 654	\$ 6,333
Unsecured	63,564	81,987	683,483
Subtotal	64,153	82,641	689,817
Less: Current portion	(18,821)	(22,797)	(202,376)
Total	¥ 45,332	¥ 59,843	\$ 487,440

At March 31, 2013, ¥7,289 million (\$78,376 thousand) of long-term debt and short-term borrowings were collateralized by assets amounting to ¥8,765 million (\$94,247 thousand).

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness be given at the request of the lending bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset the obligations with any cash deposited with the bank.

The aggregate annual maturities of long-term debt subsequent to March 31, 2013 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 18,821	\$ 202,376
2015	42,776	459,956
2016	2,212	23,784
2017	165	1,774
2018 and thereafter	177	1,903
Total	¥ 64,153	\$ 689,817

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2013 was ¥16,285 million (\$175,107 thousand).

## 7. FINANCIAL INSTRUMENTS

### (a) Summary of financial instruments

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

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

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

### (b) Disclosure about fair value of financial instruments

The fair values of financial instruments at March 31, 2013 and 2012 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2013			2012			2013		
	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference
(1) Cash and deposits <sup>(*1)</sup>	¥ 29,904	¥ 29,904	¥ —	¥ 45,193	¥ 45,193	¥ —	\$ 321,548	\$ 321,548	\$ —
(2) Notes and accounts receivable	123,886			112,137			1,332,107		
Allowance for doubtful receivables <sup>(*2)</sup>	(7,040)			(10,763)			(75,698)		
	116,846	116,846	—	101,373	101,373	—	1,256,408	1,256,408	—
(3) Securities and investments in securities <sup>(*3)</sup>	26,271	25,017	(1,254)	52,738	51,825	(913)	282,483	269,000	(13,483)
Total assets	173,021	171,767	(1,254)	199,306	198,392	(913)	1,860,440	1,846,956	(13,483)
(1) Notes and accounts payable	63,416	63,416	—	66,307	66,307	—	681,892	681,892	—
(2) Short-term borrowings	56,371	56,371	—	53,837	53,837	—	606,139	606,139	—
(3) Other accrued expenses	31,666	31,666	—	29,758	29,758	—	340,494	340,494	—
(4) Long-term debt <sup>(*4)</sup>	64,153	64,147	(5)	82,641	82,940	299	689,817	689,752	(53)
(5) Long-term accounts payable-other <sup>(*5)</sup>	21,864	21,764	(99)	26,863	26,455	(407)	235,096	234,021	(1,064)
Total liabilities	237,471	237,366	(104)	259,408	259,300	(108)	2,553,451	2,552,322	(1,118)
Derivative transactions <sup>(*6)</sup>	¥ (1,604)	¥ (1,604)	¥ —	¥ (1,101)	¥ (1,101)	¥ —	\$ (17,247)	\$ (17,247)	\$ —

\*1 Cash and deposits are included in "Cash and cash equivalents" and "Time deposits" in the consolidated balance sheets.

\*2 It comprises the allowance for doubtful receivables in respect to Notes and accounts receivable.

\*3 Securities and investments in securities are included in "Cash and cash equivalents," "Securities," "Investments in and advances to unconsolidated subsidiaries and affiliates" or "Other investments in securities" in the consolidated balance sheets.

\*4 Long-term debt that will be reimbursed within one year is classified as "Current portion of long-term debt" in the consolidated balance sheets.

\*5 Long-term account payable-other is included in "Other long-term liabilities" in the consolidated balance sheets.

\*6 The amount of the receivables and payables derived from derivative transactions is presented on a net basis and the amounts in parentheses are liabilities as the result of netting.

#### Notes:

1. Fair value measurements of financial instruments and investment in securities and derivative transaction

#### Assets

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

These fair values are presented at amount recorded in balance sheets, since they are settled in a short period of time and their fair value reasonably approximates the amount recorded in the balance sheets.

(3) Securities and investments in securities

The fair value of securities is based on the market price on the stock exchange. The fair value of bond is based on the quotes presented by the financial institutions.

#### Liabilities

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

These fair values are presented at amount recorded in balance sheets, since they are settled in a short period of time and their fair value reasonably approximates the amount recorded in the balance sheets.

(4) Long-term debt

The fair value is based primarily on the method of calculation whereby the sum of principal and interest amounts is discounted by an assumed interest rate to be applied for newly borrowed long-term loans. Some long-term borrowings with floating interest rates and related interest rate swaps are accounted for using special accounting treatment applicable to interest rate swaps. 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 to be applied for newly borrowed long-term loans under similar borrowing terms.

(5) Long-term accounts payable-other

Fair values of long-term accounts payable are calculated by dividing into a specific period of time to discount at a reasonable rate.

#### Derivative transactions

Described in Note15.

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

Unlisted equity securities (¥8,746 million (\$94,043 thousand) and ¥7,921 million) and investments in a limited liability joint business partnership (¥55 million (\$591 thousand) and ¥77 million) at March 31, 2013 and 2012, respectively, 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.

## 8. RETIREMENT BENEFITS

The Company and domestic consolidated subsidiaries have a noncontributory defined benefit pension plan and lump-sum retirement payment plans which cover substantially all employees who terminate their employment with the Group.

The Company and the domestic consolidated subsidiaries that joined the OKI Pension Fund transferred some portion of their lump-sum retirement payment plans to defined contribution pension plans on June 1, 2011.

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

Eligible employees, upon termination of their employment with the Group, may receive certain additional payments under the plans.

The Company has pension and retirement benefit trust.

The Company and 18 domestic consolidated subsidiaries joined the OKI Pension Fund which was established on January 1, 2005.

The following is a summary of the plans at March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	¥ (111,578)	¥ (106,707)	\$ (1,199,763)
Fair value of plan assets	95,331	78,636	1,025,064
Funded status	(16,247)	(28,071)	(174,698)
Transition differences arising from initial adoption of new accounting standard for retirement benefits	4,242	6,363	45,612
Unrecognized actuarial gain or loss	1,732	13,950	18,623
Unrecognized prior service cost	(9,550)	(11,155)	(102,688)
Obligation recognized in the consolidated balance sheets	(19,823)	(18,912)	(213,150)
Prepaid pension cost	—	—	—
Allowance for retirement benefits	¥ (19,823)	¥ (18,912)	\$ (213,150)

(1) Certain domestic consolidated subsidiaries have applied a simplified method, as permitted, to calculate their projected benefit obligation.

(2) The above "Allowance for retirement benefits" does not include the "allowance for retirement benefits to directors and statutory auditors." Therefore, it differs from the retirement benefits reported in the accompanying consolidated balance sheets.

Components of net periodic pension cost for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost during the year	¥ 3,311	¥ 2,415	\$ 35,602
Interest cost on projected benefit obligation	2,279	2,503	24,505
Expected return on plan assets	(1,965)	(1,137)	(21,129)
Amortization of obligation at transition	2,121	2,367	22,806
Amortization of actuarial difference	3,263	3,775	35,086
Amortization of prior service cost	(1,604)	(1,506)	(17,247)
Other cost	2,064	1,657	22,193
Net periodic pension cost	¥ 9,469	¥ 10,075	\$ 101,817

(1) Special retirement payments of ¥372 million in the aggregate were made in addition to the net periodic pension cost presented in the above table for the year ended March 31, 2012.

(2) The allowance for retirement benefits was determined by the simplified method by certain consolidated subsidiaries and their net periodic pension cost has been included in service cost of benefits earned during the year.

(3) Other cost is the contributions paid for defined contribution pension plans.

Assumptions used in the actuarial calculation:

	Years ending March 31,	
	2013	2012
Discount rate:	1.40%	2.10%
Expected rates of return:	2.50%	1.50%
Amortization period for prior service cost:	11-13 years (amortized by the straight-line method over a period which falls within the average remaining years of service of the participants in the plans, commencing the year subsequent to the year in which the cost was incurred)	
Amortization period for actuarial difference:	11-13 years (amortized by the straight-line method over a period which falls within the average remaining years of service of the participants in the plans, in the year subsequent to the year in which such difference was incurred).	
Amortization period for transition obligation arising from the initial adoption of a new method of accounting:	15 years, except for certain consolidated subsidiaries which charged or credited it to income when incurred, and certain overseas subsidiaries which charge it directly to retained earnings.	

**9. INCOME TAXES**

Deferred tax assets and liabilities at March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Loss carryforwards	¥ 33,369	¥ 35,165	\$ 358,806
Nondeductible retirement benefits	12,159	11,727	130,741
Nondeductible accounts payable for revision of retirement payment plan	9,365	11,441	100,698
Excess of allowance for doubtful receivables and nondeductible bad debts expenses	6,205	3,345	66,720
Nondeductible accrued bonuses	4,211	3,994	45,279
Nondeductible write-downs of inventories	2,983	2,941	32,075
Nondeductible write-downs of investments on securities	2,158	239	23,204
Nondeductible loss on impairment of fixed assets	1,578	1,711	16,967
Other	6,992	6,338	75,182
Gross deferred tax assets	79,024	76,905	849,720
Less: Valuation allowance	(68,065)	(65,989)	(731,881)
Total deferred tax assets	10,959	10,915	117,838
Deferred tax liabilities:			
Nondeductible unrealized gain on contribution of securities to a pension trust	(3,830)	(3,830)	(41,182)
Net unrealized holding gain on other securities	(1,222)	(79)	(13,139)
Other	(490)	(313)	(5,268)
Total deferred tax liabilities	(5,543)	(4,223)	(59,602)
Net deferred tax assets	¥ 5,415	¥ 6,691	\$ 58,225

Net deferred tax assets are included in the consolidated balance sheets as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Other current assets	¥ 6,634	¥ 6,996	\$ 71,333
Other assets	723	534	7,774
Other current liabilities	—	0	—
Other long-term liabilities	1,942	839	20,881
Net deferred tax assets	¥ 5,415	¥ 6,691	\$ 58,225

Income taxes applicable to the Company and domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in statutory tax rates of approximately 38% and 41% for the years ended March 31, 2013 and 2012, respectively. Income taxes of the overseas consolidated subsidiaries are based generally on the tax rates applicable in their respective countries of incorporation. A reconciliation between the statutory tax rates and the effective tax rates as a percentage of income before income taxes and minority interests for the years ended March 31, 2013 and 2012 was summarized as follows:

	2013	2012
Statutory tax rates	<b>38.0 %</b>	41.0 %
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	<b>(0.5)</b>	(5.4)
Permanent nondeductible differences such as entertainment expenses	<b>2.1</b>	6.1
Increase in valuation allowance for deferred tax assets	<b>4.4</b>	2.2
Per capita portion of inhabitants' taxes	<b>1.6</b>	5.4
Other, net	<b>(20.0)</b>	11.7
Effective tax rates	<b>25.6 %</b>	61.0 %

## 10. SHAREHOLDERS' EQUITY

Corporation Law of Japan (the "Law") provides that amounts from additional paid-in capital and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Law further provides that amounts equal to 10% of such distributions be transferred to the capital reserve included in additional paid-in capital or the legal reserve included in retained earnings based on the applicable sources of such distributions until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Pursuant to a resolution of the ordinary general meeting of shareholders held on June 29, 2011, the Company reduced the additional paid-in capital by ¥91,569 million, and the entire amount was transferred to retained earnings (accumulated deficit).

## 11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2013 and 2012 were as follows

Millions of yen		Thousands of U.S. dollars
2013	2012	2013
<b>¥ 13,982</b>	¥ 13,109	<b>\$ 150,344</b>

## 12. INSURANCE INCOME

For the year ended March 31, 2012, certain subsidiaries recorded insurance compensation for losses arising from flooding in Thailand.

## 13. LOSS ON NATURAL DISASTER

Due to flooding in Thailand, certain subsidiaries recognized losses on damage to property, plant and equipment and inventories, and restoration and other expenses for the year ended March 31, 2012.

## 14. LOSS ON LIQUIDATION OF SUBSIDIARY

The subsidiary in Europe recognized the loss on abandonment of assets and the severance cost due to the business liquidation for the year ended March 31, 2013.

## 15. DERIVATIVES

Derivative transactions at March 31, 2013 and 2012 were as follows:

### (a) Derivative transactions which do not qualify for hedge accounting

Forward foreign exchange contract

	Millions of yen				Thousands of U.S. dollars			
	2013				2013			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/ loss	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/ loss
Sell:								
Euro	¥ 7,915	¥ —	¥ (1,029)	¥ (1,029)	\$ 85,107	\$ —	\$ (11,064)	\$ (11,064)
Buy:								
U.S. Dollars	1,148	—	73	73	12,344	—	784	784
Total	¥ 9,064	¥ —	¥ (955)	¥ (955)	\$ 97,462	\$ —	\$ (10,268)	\$ (10,268)

	Millions of yen			
	2012			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/ loss
Sell:				
Euro	¥ 11,640	¥ —	¥ (267)	¥ (267)
Buy:				
U.S. Dollars	1,477	—	107	107
Japanese Yen	7,800	—	32	32
Total	¥ 20,918	¥ —	¥ (127)	¥ (127)

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

### (b) Derivative transactions which qualify for hedge accounting

(1) Forward foreign exchange contract

	Hedged item	Millions of yen			Thousands of U.S. dollars		
		2013			2013		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Sell:							
U.S. Dollars	Accounts receivable	¥ 315	¥ —	¥ (2)	\$ 3,387	\$ —	\$ (21)
Euro	Accounts receivable	302	—	0	3,247	—	0
Buy:							
U.S. Dollars	Accounts payable	1,667	—	23	17,924	—	247
Total		¥ 2,284	¥ —	¥ 22	\$ 24,559	\$ —	\$ 236

	Hedged item	Millions of yen		
		2012		
		Contract amount	Contract amount over 1 year	Fair value
Sell:				
Euro	Accounts receivable	¥ 7,174	¥ —	¥ (194)
Buy:				
U.S. Dollars	Accounts payable	2,769	—	31
Total		¥ 9,943	¥ —	¥ (163)

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



## (2) Interest rate swaps

		Millions of yen			Thousands of U.S. dollars		
		2013			2013		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Pay fixed/receive floating	Short-term borrowings	¥ 25,000	¥ 25,000	¥ (670)	\$ 268,817	\$ 268,817	\$ (7,204)
	Long-term borrowings	4,136	2,168	*	44,473	23,311	*
Total		¥ 29,136	¥ 27,168	¥ (670)	\$ 313,290	\$ 292,129	\$ (7,204)

		Millions of yen		
		2012		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Pay fixed/receive floating	Short-term borrowings	¥ 25,000	¥ 2,500	¥ (810)
	Long-term borrowings	4,440	3,136	*
Total		¥ 29,440	¥ 5,636	¥ (810)

\* Derivative transactions subject to special accounting treatment applied 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.

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

**16. LEASES**

Lease payments relating to finance leases started before March 31, 2008, accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥379 million (\$4,075 thousand) and ¥673 million for the years ended March 31, 2013 and 2012, respectively.

The leases which were started on or before March 31, 2008 are principally accounted for as operating leases.

Leased assets held under finance leases accounted for as operating leases at March 31, 2013 and 2012 were as follows:

		Millions of yen		Thousands of U.S. dollars
		2013	2012	2013
Machinery and equipment		¥ 774	¥ 2,424	\$ 8,322
Other		20	467	215
Less: Accumulated depreciation		689	2,453	7,408
Total		¥ 105	¥ 438	\$ 1,129

Depreciation is computed by applying the straight-line method over the estimated useful lives of the related assets assuming that the Company guarantees a nil residual value at the end of the term of each lease.

The following is a schedule of future minimum lease payments under finance leases accounted for as operating leases:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 94	\$ 1,010
2015 and thereafter	24	258
Total	¥ 118	\$ 1,268

Minimum rental payments subsequent to March 31, 2013 required under operating leases with noncancelable lease terms in excess of one year are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 2,433	\$ 26,161
2015 and thereafter	12,007	129,107
Total	¥ 14,441	\$ 155,279

**17. CONTINGENT LIABILITIES**

At March 31, 2013 was as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantors of employees' housing loans	<b>¥ 568</b>	<b>\$ 6,107</b>
Other	<b>34</b>	<b>365</b>
Total	<b>¥ 602</b>	<b>\$ 6,473</b>

**18. AMOUNTS PER SHARE**

In accordance with the accounting standard for earnings per share, basic net income per share is computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average numbers of shares of common stock outstanding during each year assuming full conversion of the convertible bonds and full exercise of the subscription rights to shares. Diluted net income per share has not been presented for the year ended March 31, 2012, since the Company had no dilutive potential shares. Net assets per share are based on the number of shares of common stock outstanding at the year end.

	Yen		U.S. dollars
	2013	2012	2013
Net income:			
Basic	<b>¥ 17.24</b>	¥ 0.32	<b>\$ 0.18</b>
Diluted	<b>12.05</b>	—	<b>0.12</b>

	Yen		U.S. dollars
	2013	2012	2013
Net assets	<b>¥ 34.40</b>	¥ 13.42	<b>\$ 0.36</b>

**19. STOCK OPTION PLANS**

At March 31, 2013, the following employee stock option plans of the Company had been approved by the shareholders:

Date of approval by shareholders	June 27, 2003	June 29, 2004	June 29, 2005	June 29, 2006	June 26, 2007
Grantees	8 directors, 15 executive officers and 12 management officials	9 directors, 12 executive officers, 9 management officials and 4 directors of subsidiaries	9 directors, 12 executive officers, 8 management officials and 3 directors of subsidiaries	10 directors, 11 executive officers, 7 management officials and 1 director of a subsidiary	9 directors, 10 executive officers, 6 management officials and 1 director of a subsidiary
Type of shares to be issued	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares reserved	815,000 shares	452,000 shares	442,000 shares	342,000 shares	509,000 shares
Exercise price	¥384	¥458	¥406	¥277	¥248
Exercisable period	July 1, 2005– June 26, 2013	July 1, 2006– June 28, 2014	July 1, 2007– June 28, 2015	July 1, 2008– June 28, 2016	July 1, 2009– June 25, 2017

**20. SEGMENT INFORMATION****Business segments**

The Group classifies its businesses into Info-Telecom Systems, Printers and EMS.

The segment information for the years ended March 31, 2013 and 2012 was summarized as follows:

Millions of yen

	2013							
	Segments				Other	Total	Adjustment	Consolidated
	Info - Telecom Systems	Printers	EMS	Subtotal				
<b>Year ended March 31</b>								
Sales to third parties	¥ 293,034	¥ 111,379	¥ 32,665	¥ 437,079	¥ 18,744	¥ 455,824	¥ —	¥ 455,824
Inter-segment sales and transfers	3,203	5,669	135	9,008	22,746	31,754	(31,754)	—
Net sales	296,238	117,049	32,800	446,088	41,490	487,578	(31,754)	455,824
Operating income (loss)	¥ 23,815	¥ (8,837)	¥ 1,569	¥ 16,548	¥ 3,014	¥ 19,563	¥ (6,087)	¥ 13,475
Total assets	¥ 183,527	¥ 73,673	¥ 23,256	¥ 280,456	¥ 24,710	¥ 305,166	¥ 44,155	¥ 349,322
Depreciation and amortization	¥ 4,913	¥ 3,921	¥ 1,014	¥ 9,849	¥ 998	¥ 10,847	¥ 1,202	¥ 12,049
Amortization of the goodwill	¥ 6	¥ 0	¥ —	¥ 6	¥ —	¥ 6	¥ 19	¥ 25
Investments in equity-method affiliates	¥ 1,433	¥ —	¥ —	¥ 1,433	¥ 27	¥ 1,460	¥ 3,130	¥ 4,591
Increase in property, plant, equipment and intangible assets	¥ 6,953	¥ 5,722	¥ 1,065	¥ 13,741	¥ 874	¥ 14,615	¥ 1,003	¥ 15,619

Millions of yen

	2012							
	Segments				Other	Total	Adjustment	Consolidated
	Info - Telecom Systems	Printers	EMS	Subtotal				
<b>Year ended March 31</b>								
Sales to third parties	¥ 267,179	¥ 107,425	¥ 31,264	¥ 405,869	¥ 17,611	¥ 423,480	¥ —	¥ 423,480
Inter-segment sales and transfers	2,481	5,033	124	7,639	22,166	29,805	(29,805)	—
Net sales	269,660	112,458	31,389	413,508	39,777	453,286	(29,805)	423,480
Operating income (loss)	¥ 18,709	¥ (4,343)	¥ 1,467	¥ 15,833	¥ 2,535	¥ 18,368	¥ (6,388)	¥ 11,980
Total assets	¥ 165,302	¥ 80,372	¥ 19,883	¥ 265,558	¥ 25,694	¥ 291,253	¥ 76,812	¥ 368,065
Depreciation and amortization	¥ 5,057	¥ 3,267	¥ 980	¥ 9,305	¥ 1,015	¥ 10,320	¥ 1,326	¥ 11,647
Amortization of the goodwill	¥ 8	¥ 27	¥ —	¥ 35	¥ —	¥ 35	¥ (0)	¥ 35
Investments in equity-method affiliates	¥ 1,422	¥ —	¥ —	¥ 1,422	¥ 28	¥ 1,450	¥ 3,170	¥ 4,621
Increase in property, plant, equipment and intangible assets	¥ 5,019	¥ 3,588	¥ 720	¥ 9,328	¥ 661	¥ 9,989	¥ 1,363	¥ 11,353

Thousands of U.S. dollars

Year ended March 31	2013							
	Segments				Other	Total	Adjustment	Consolidated
	Info - Telecom Systems	Printers	EMS	Subtotal				
Sales to third parties	\$ 3,150,903	\$ 1,197,623	\$ 351,236	\$ 4,699,774	\$ 201,548	\$ 4,901,333	\$ —	\$ 4,901,333
Inter-segment sales and transfers	34,440	60,956	1,451	96,860	244,580	341,440	(341,440)	—
Net sales	3,185,354	1,258,591	352,688	4,796,645	446,129	5,242,774	(341,440)	4,901,333
Operating income (loss)	\$ 256,075	\$ (95,021)	\$ 16,870	\$ 177,935	\$ 32,408	\$ 210,354	\$ (65,451)	\$ 144,892
Total assets	\$ 1,973,408	\$ 792,182	\$ 250,064	\$ 3,015,655	\$ 265,698	\$ 3,281,354	\$ 474,784	\$ 3,756,150
Depreciation and amortization	\$ 52,827	\$ 42,161	\$ 10,903	\$ 105,903	\$ 10,731	\$ 116,634	\$ 12,924	\$ 129,559
Amortization of the goodwill	\$ 64	\$ 0	\$ —	\$ 64	\$ —	\$ 64	\$ 204	\$ 268
Investments in equity-method affiliates	\$ 15,408	\$ —	\$ —	\$ 15,408	\$ 290	\$ 15,698	\$ 33,655	\$ 49,365
Increase in property, plant, equipment and intangible assets	\$ 74,763	\$ 61,526	\$ 11,451	\$ 147,752	\$ 9,397	\$ 157,150	\$ 10,784	\$ 167,946

- (1) Adjustment of Operating income (loss) consist principally of expenses in the Company's General and Administrative Department and research and development expenses within the Group amounting to ¥6,158 million (\$66,215 thousand) and ¥6,474 million for the years ended March 31, 2013 and 2012, respectively.
- (2) Adjustment of total assets consist principally of the Company's surplus funds, funds for long-term investments and assets belonging to the General and Administrative Department amounting to ¥166,879 million (\$1,794,397 thousand) and ¥169,645 million at March 31, 2013 and 2012, respectively.

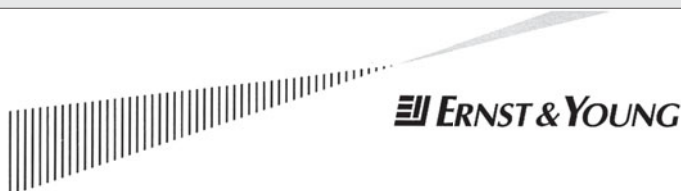
## 21. SUBSEQUENT EVENTS

Acquisition of a company through share acquisition

The Company concluded an agreement on May 15, 2013, to acquire a 70 percent stake in the company which will succeed the Automation and Services division of Itautec S.A. –Grupo Itautec and turn it into the subsidiary of the Company, based on the Board of Directors meeting of the Company held on May 14, 2013.

The Company will acquire the stake by the end of fiscal year ending March 31, 2014.

# REPORT OF INDEPENDENT AUDITORS



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## Independent Auditor's Report

The Board of Directors  
Oki Electric Industry Co., Ltd.

We have audited the accompanying consolidated financial statements of Oki Electric Industry Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2013, and the consolidated statement of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oki Electric Industry Co., Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Emphasis of Matter*

We draw attention to Note 21 to the consolidated financial statements, which describes Oki Electric Industry Co., Ltd. concluded an agreement on May 15, 2013, to acquire a 70 percent stake in the company which will succeed the Automation and Services division of Itautec S.A. – Grupo Itautec and turn it into the subsidiary of Oki Electric Industry Co., Ltd., based on the Board of Directors meeting of Oki Electric Industry Co., Ltd. held on May 14, 2013. Our opinion is not qualified in respect of this matter.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

*Ernst & Young ShinNihon LLC*

June 26, 2013  
Tokyo, Japan

A member firm of Ernst & Young Global Limited