
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)
	2014	2013	2012*	2011*	2010*	2014
For the year:						
Net sales	¥ 483,112	¥ 455,824	¥ 423,480	¥ 432,651	¥ 442,949	\$ 4,736,392
Cost of sales	354,635	337,406	316,939	318,793	321,646	3,476,813
Gross profit	128,477	118,417	106,541	113,858	121,302	1,259,578
Operating income	27,196	13,475	11,980	6,308	6,508	266,627
Other income (expenses), net	4,564	5,159	(6,386)	(36,430)	(8,834)	44,745
Income (loss) before income taxes and minority interests	31,761	18,634	5,593	(30,121)	(2,325)	311,382
Net income (loss)	27,359	13,599	1,555	(31,809)	(3,836)	268,225
Comprehensive income	22,442	16,040	3,461	(35,991)	(678)	220,019
At the year end:						
Total current assets	¥ 278,522	¥ 246,994	¥ 273,888	¥ 269,694	¥ 262,370	\$ 2,730,607
Total investments and long-term receivables	60,291	28,638	27,031	29,161	37,731	591,088
Property, plant and equipment, net	56,193	57,829	52,592	53,134	56,155	550,911
Other assets	17,506	15,861	14,552	16,830	21,635	171,627
Total assets	412,514	349,322	368,065	368,822	377,894	4,044,254
Total current liabilities	242,272	197,129	214,355	240,783	241,222	2,375,215
Total long-term liabilities	78,322	95,567	112,457	89,179	89,064	767,862
Total net assets	91,918	56,625	41,251	38,859	47,607	901,156
Capital stock	44,000	44,000	44,000	44,000	76,940	431,372
						U.S. dollars (Note 1)
Per share amounts:						
Net income (loss) per share	¥ 36.21	¥ 17.24	¥ 0.32	¥ (44.00)	¥ (5.62)	\$ 0.35
Cash dividends per share (Common stock)	3.00	—	—	—	—	0.02
Number of shareholders (Common stock)	85,073	88,516	95,618	102,813	107,917	
Number of employees	21,090	17,459	16,736	16,697	18,111	
Ratios (%):						
Return on equity	37.8 %	28.0 %	3.9 %	(80.7) %	(9.4) %	
Return on assets	7.2	3.8	0.4	(8.5)	(1.0)	
Shareholders' equity	21.5	16.1	11.2	10.4	10.7	

*As restated (See Note 2)

Note 1: The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥102 = U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2014.

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, 2014

NET SALES AND OPERATING INCOME

In the fiscal year under review, the global economy showed some signs of recovery, such as a declining unemployment rate and an upturn in consumer spending in the U.S. and gradual improvement in both Europe and emerging economies. In Japan, too, the economy recovered modestly with increases of consumer spending and industrial production and improved employment conditions.

Amid this business environment, the OKI Group recorded consolidated net sales of ¥483.1 billion, a 6.0% year-on-year increase, due to solid earnings at key segments, led by the Info-Telecom Systems segment, along with a lift from a weaker yen. Operating income came to ¥27.2 billion, a year-on-year increase of ¥13.7 billion, on fixed-cost cuts achieved via structural reforms and an impact of the product mix improvement in the Printers segment, in addition to a contribution from the weaker yen.

SEGMENT INFORMATION

Info-Telecom Systems

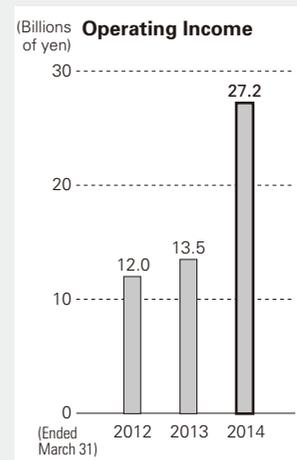
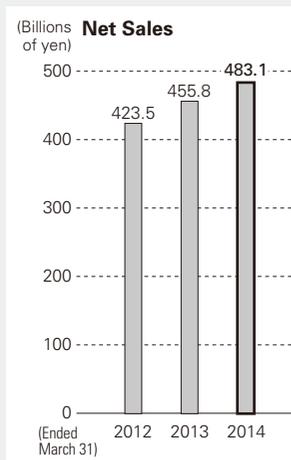
In the Info-Telecom Systems segment, sales increased by 3.6% year on year to ¥303.6 billion. In the solutions & services business, despite growth in financial systems-related solutions, sales declined due to a decrease of large service-related projects. In the telecom systems business, sales rose steadily in enterprises network and maintenance and construction work along with core network. In the social infrastructure systems business, sales grew due to digitalization of wireless communication systems for firefighting and emergency use and solid demand in disaster prevention-related equipment. In the mechatronics systems business, sales climbed thanks to brisk domestic demands in ATMs for convenience stores and cash handling equipment and bank branch terminals for financial institutions coupled with broadly favorable ATM trends in China, despite a delay in shipments to one of the customers until the next period. Also, the sales increase due to a weaker yen was ¥8.1 billion.

Operating income in the Info-Telecom Systems segment slid ¥400 million from the year-ago level to ¥23.4 billion due to price declines and higher costs.

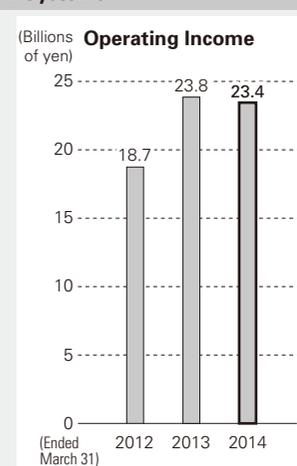
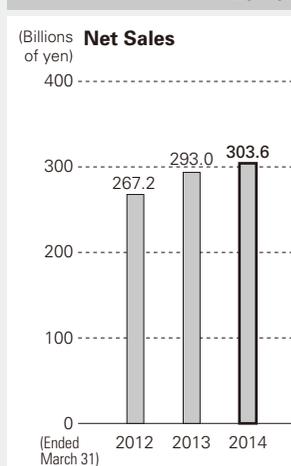
Printers

In the Printers segment, net sales increased by 12.1% year on year to ¥124.8 billion. In LED printers, sales of business-use LED printers increased due to a better product mix reflecting a shift to higher value-added models resulted from redefining its marketing strategy in conjunction with favorable sales of new products for the office solutions/professional domains. In dot-impact printers, the size of the overall market continued to shrink. The sales increase from a weaker yen came to ¥17.0 billion.

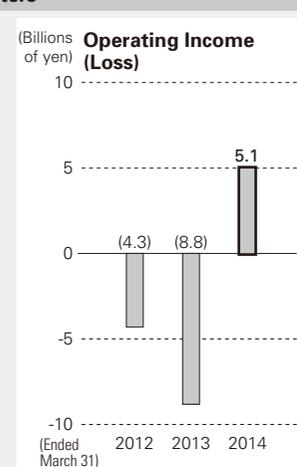
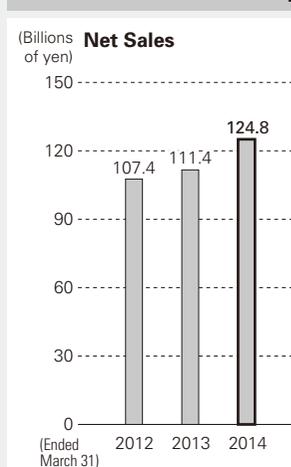
Operating income in the Printers segment totaled ¥5.1 billion, a sharp improvement of ¥13.9 billion year-on-year due to a better product mix coupled with cuts to fixed costs coming from structural reforms.



Info-Telecom Systems



Printers



EMS Segment, Other Businesses

Sales in the EMS segment rose 13.6% year-on-year to ¥37.1 billion, and sales of Other Businesses fell by 6.3% year-on-year to ¥17.6 billion. In the EMS segment, sales increased due to solid demand from the telecom equipment market as well as an effect from consolidating OKI Circuit Technology Co., Ltd*. As for Other Businesses, sales declined, despite a solid performance in the components-related business, due to a fall-off of shipments to amusement markets.

Operating income in the EMS segment improved ¥100 million year-on-year to ¥1.7 billion, and operating income in Other Businesses deteriorated by ¥200 million year-on-year to ¥2.8 billion.

*OKI Circuit Technology Co., Ltd. changed its corporate name on April 1, 2014 from its former name of OKI TANAKA Circuits Co., Ltd.

NET INCOME

Net income increased by ¥13.8 billion year-on-year to ¥27.4 billion, reflecting the booking of ¥11.3 billion in foreign exchange gains in the non-operating section due to yen weakness as well as the booking of ¥4.3 billion in costs arising from structural reforms to the Printers segment etc. Against this backdrop, net income per share came to ¥36.21 for fiscal year 2013.

ASSETS AND LIABILITIES

At the fiscal year-end, total assets were up ¥63.2 billion year-on-year to ¥412.5 billion. Due to a net income of ¥27.4 billion and other factors, shareholders' equity increased by ¥32.6 billion year on year to ¥88.7 billion. As a result, the shareholders' equity ratio came to 21.5%.

With respect to major increases and decreases in assets, cash and cash equivalents increased by ¥17.0 billion, notes and accounts receivable grew by ¥9.5 billion, inventories rose ¥10.3 billion, and assets relating to retirement benefits were up ¥27.5 billion.

Total liabilities increased by ¥27.9 billion. Notes and accounts payable increased by ¥9.9 billion, and deferred tax liabilities increased by ¥16.4 billion, while debt came to ¥119.0 billion, down ¥1.5 billion from ¥120.5 billion at the previous fiscal year-end.

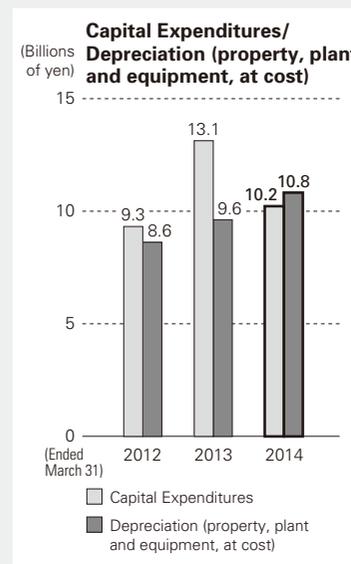
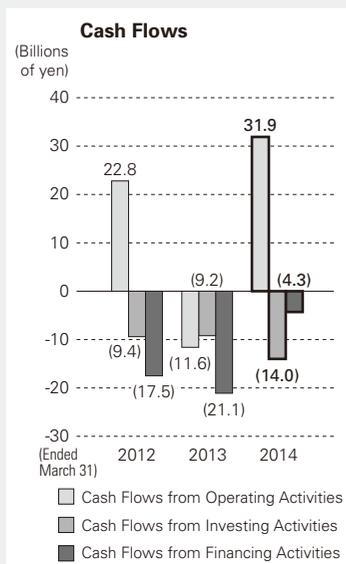
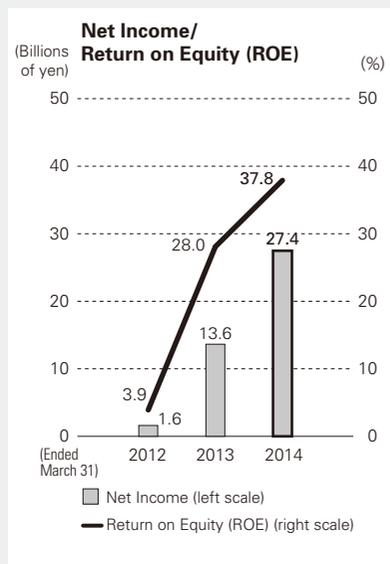
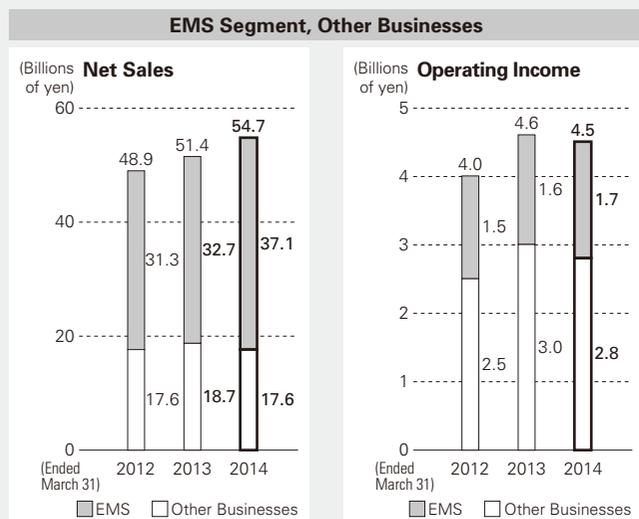
CASH FLOWS

Net cash provided by operating activities amounted to ¥31.9 billion, a turnaround of ¥43.5 billion year on year from an outflow in the prior fiscal year. This was mainly due to improvements in net income before taxes and minority interests and working capital.

Net cash used in investing activities totaled ¥14.0 billion, up ¥4.8 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, turned positive with a net inflow of ¥17.9 billion, a year-on-year improvement of ¥38.7 billion from an outflow in the prior fiscal year.

Net cash used in financing activities amounted to ¥4.3 billion with the payment of preferred stock dividends and loan repayments, a year-on-year reduction in outflows of ¥16.8 billion.



As a result, the balance of cash and cash equivalents at the consolidated fiscal year-end stood at ¥50.9 billion, up from ¥35.9 billion at the prior year-end.

CAPITAL EXPENDITURES, DEPRECIATION, AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures declined by ¥2.9 billion year on year to ¥10.2 billion. This is due to ending recovery-related investment after flooding in Thailand in the prior fiscal year. Depreciation increased ¥1.2 billion year on year to ¥10.8 billion. Centering on the Info-Telecom Systems segment, R&D expenses totaled ¥13.0 billion, down ¥1.0 billion year on year.

OUTLOOK FOR FISCAL YEAR ENDING MARCH 31, 2015

In the fiscal year ending March 31, 2015, the broad-based recovery is in place, while there are concerns about the prolonged fiscal problem and geo-political risks in Europe, in addition to the effects of the tapering of U.S. credit expansion. In Japan, consumers purchase dropped in some items after rush demand ahead of the April 1, 2014 consumption tax rise, but the overall economy is expected to continue recovering moderately.

In the fiscal year ending March 31, 2015, the first year of the Group's Mid-Term Business Plan 2016, the OKI Group will steer it to "growth" mode. The Group will ensure stable profits for core businesses and accelerate activities for realizing sustainable growth. Under this business plan, the Info-telecom Systems business will strive to capture the strong current domestic demand while growing revenues in the China ATM business, an area that has entered a phase of stable growth. The Printers business will strive to improve its profitability through stronger marketing strategies. In addition, OKI will accelerate the development of its global businesses by establishing a stable ATM business in Brazil and by expanding ATM sales in other regions. To achieve sustainable growth, OKI will

undertake full-scale activities to venture into the next-generation social infrastructure business, and develop businesses in the areas of medicine, new energy, and other fields in the maintenance and EMS businesses. Through these efforts, OKI plans to achieve net sales of ¥525.0 billion, up ¥41.9 billion from the previous year.

Operating income is expected to increase by ¥1.3 billion year on year to ¥28.5 billion by securing stable profits in core businesses. Net income is expected to fall by ¥9.9 billion year on year to ¥17.5 billion, as yen weakness is not considered to impact non-operating income, while the Company will drop expenses on structural reforms to the Printers business, which was booked in the previous year.

The above forecasts for the fiscal year ending March 31, 2015, are based on exchange rate assumptions of ¥100 to the U.S. dollar and ¥135 to the euro.

Performance Forecasts for the Fiscal Year Ending March 31, 2015 (Billions of yen unless otherwise stated)

Net Sales	Operating Income	Net Income	Net Income per Share (Yen)
¥525.0	¥28.5	¥17.5	¥22.68

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.

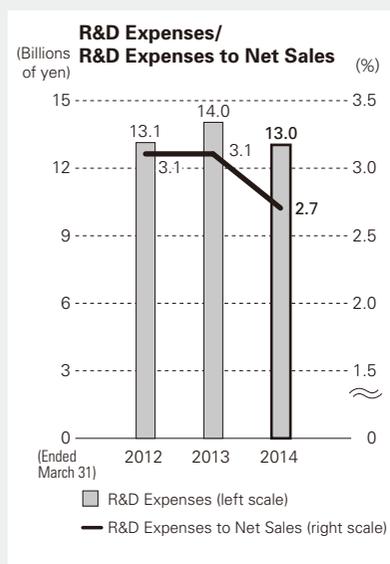
It should be noted, however, that factors that may affect the Group's performance are not limited to these items. The OKI Group is aware of the potential impact these risks may have if any were to occur and is implementing measures to avoid such occurrence, as well as to minimize the weight of their 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, Asia, and South America 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, China, and Brazil. 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 or 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 long-term expected rate of return 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, 2014

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Current assets:			
Cash and cash equivalents (Notes 3 and 7)	¥ 50,866	¥ 35,894	\$ 498,686
Time deposits (Note 7)	34	10	333
Securities (Notes 3 and 7)	—	502	—
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	2,449	2,052	24,009
Other	139,221	131,770	1,364,911
Less: Allowance for doubtful receivables	(8,684)	(7,600)	(85,137)
Inventories (Note 4)	85,285	74,963	836,127
Other current assets (Note 9)	9,349	9,401	91,656
Total current assets	278,522	246,994	2,730,607
Investments and long-term receivables:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	5,730	4,878	56,176
Other investments in securities (Notes 3, 6 and 7)	27,027	23,829	264,970
Asset for retirement benefits (Note 8)	27,507	—	269,676
Other long-term receivables	853	866	8,362
Less: Allowance for doubtful receivables	(828)	(936)	(8,117)
Total investments and long-term receivables	60,291	28,638	591,088
Property, plant and equipment, at cost (Note 6):			
Land	12,201	12,343	119,617
Buildings	76,895	78,064	753,872
Machinery and equipment	118,218	117,800	1,159,000
Construction in progress	601	1,629	5,892
	207,917	209,838	2,038,401
Less: Accumulated depreciation	(151,723)	(152,008)	(1,487,480)
Property, plant and equipment, net	56,193	57,829	550,911
Other assets (Note 9)	17,506	15,861	171,627
Total assets	¥ 412,514	¥ 349,322	\$ 4,044,254

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Current liabilities:			
Short-term borrowings (Notes 6 and 7)	¥ 55,410	¥ 56,371	\$ 543,235
Current portion of long-term debt (Notes 6 and 7)	49,067	18,821	481,049
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	859	897	8,421
Other	88,067	74,448	863,401
Other accrued expenses	37,447	33,688	367,127
Other current liabilities (Note 9)	11,420	12,902	111,960
Total current liabilities	242,272	197,129	2,375,215
Long-term liabilities:			
Long-term debt (Notes 6 and 7)	14,526	45,332	142,411
Retirement benefit (Note 8)	—	20,209	—
Liability for retirement benefits (Note 8)	20,594	—	201,901
Other long-term liabilities (Notes 7 and 9)	43,202	30,025	423,549
Total long-term liabilities	78,322	95,567	767,862
Total liabilities	320,595	292,697	3,143,088
NET ASSETS			
Shareholders' equity (Notes 10 and 18):			
Capital stock:			
Authorized—2,400,000,000 shares			
Common stock:			
Issued—731,438,670 shares in 2014 and 2013			
Class A preferred stock:			
Issued—30,000 shares in 2014 and 2013	44,000	44,000	431,372
Additional paid-in capital	21,554	21,554	211,313
Retained earnings (Accumulated deficit)	18,382	(7,788)	180,215
Less: Treasury stock, at cost:			
3,614,428 shares in 2014 and 3,465,556 shares in 2013	(432)	(399)	(4,235)
Total shareholders' equity	83,504	57,366	818,666
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	4,333	2,192	42,480
Loss on deferred hedges	(389)	(656)	(3,813)
Translation adjustments	(10,358)	(2,829)	(101,549)
Retirement benefits liability adjustments	11,644	—	114,156
Total accumulated other comprehensive income	5,230	(1,293)	51,274
Subscription rights to shares	79	79	774
Minority interests in consolidated subsidiaries	3,104	473	30,431
Total net assets	91,918	56,625	901,156
Contingent liabilities (Note 19)			
Total liabilities and net assets	¥ 412,514	¥ 349,322	\$ 4,044,254

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF INCOME

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Net sales	¥ 483,112	¥ 455,824	\$ 4,736,392
Cost of sales	354,635	337,406	3,476,813
Gross profit	128,477	118,417	1,259,578
Selling, general and administrative expenses	101,281	104,942	992,950
Operating income	27,196	13,475	266,627
Other income (expenses):			
Interest expense	(2,522)	(3,003)	(24,725)
Interest and dividend income	900	651	8,823
Equity in earnings of affiliates	339	84	3,323
Foreign exchange gain, net	11,277	8,792	110,558
Taxes and dues	(448)	(86)	(4,392)
Commission for syndicate loan	(446)	(239)	(4,372)
Gain on sale of investments in securities	553	678	5,421
Gain on bargain purchase (Note 12)	102	—	1,000
Insurance income (Note 13)	322	—	3,156
Gain on transfer of business (Note 14)	123	—	1,205
(Loss) gain on sale and disposition of property, plant and equipment	(659)	2,109	(6,460)
Loss on impairment of fixed assets	(184)	(219)	(1,803)
Write-downs of investments in securities	—	(225)	—
Business restructuring expenses (Note 15)	(4,311)	—	(42,264)
Loss on liquidation of subsidiaries (Note 16)	(841)	(4,011)	(8,245)
Other, net (Note 8)	359	629	3,519
	4,564	5,159	44,745
Income before income taxes and minority interests	31,761	18,634	311,382
Income taxes (Note 9):			
Current	3,820	4,106	37,450
Deferred	394	656	3,862
	4,214	4,762	41,313
Income before minority interests	27,546	13,872	270,058
Minority interests in earnings of consolidated subsidiaries	(187)	(273)	(1,833)
Net income (Note 20)	¥ 27,359	¥ 13,599	\$ 268,225

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Income before minority interests	¥ 27,546	¥ 13,872	\$ 270,058
Other comprehensive income			
Net unrealized holding gain on other securities	2,099	3,993	20,578
Gain on deferred hedges	266	317	2,607
Translation adjustments	(7,511)	(2,157)	(73,637)
Share of other comprehensive income of equity-method affiliates	40	15	392
Total other comprehensive income	(5,104)	2,167	(50,039)
Comprehensive income	¥ 22,442	¥ 16,040	\$ 220,019
Comprehensive income attributable to:			
Owners of the parent	¥ 22,237	¥ 15,734	\$ 218,009
Minority interests	¥ 205	¥ 305	\$ 2,009

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
Year ended March 31, 2014

	Shareholders' equity					Accumulated other comprehensive income								
	Numbers of shares issued (Thousands)	Capital stock	Additional paid-in capital	(Accumulated deficit) retained earnings (Note 1)*	Treasury stock, at cost	Total shareholders' equity (Note 1)*	Net unrealized (loss) gain on other securities	(Loss) gain on deferred hedges	Translation adjustments (Note 1)*	Retirement benefits liability adjustments	Total accumulated other comprehensive income (Note 1)*	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets (Note 1)*
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
Cash dividends paid				(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
Cash dividends paid				(1,032)		(1,032)								(1,032)
Net income				27,359		27,359								27,359
Purchases of treasury stock					(32)	(32)								(32)
Increase due to the merger				157		157								157
Changes in scope of consolidation				(313)		(313)								(313)
Other, net							2,140	266	(7,528)	11,644	6,523	—	2,631	9,155
Net changes during the year	—	—	—	26,171	(32)	26,138	2,140	266	(7,528)	11,644	6,523	—	2,631	35,293
Balance at March 31, 2014	731,468	¥ 44,000	¥ 21,554	¥ 18,382	¥ (432)	¥ 83,504	¥ 4,333	¥ (389)	¥ (10,358)	¥ 11,644	¥ 5,230	¥ 79	¥ 3,104	¥ 91,918

	Shareholders' equity					Accumulated other comprehensive income								
	Numbers of shares issued (Thousands)	Capital stock	Additional paid-in capital	(Accumulated deficit) retained earnings (Note 1)*	Treasury stock, at cost	Total shareholders' equity (Note 1)*	Net unrealized holding gain on other securities	(Loss) gain on deferred hedges	Translation adjustments (Note 1)*	Retirement benefits liability adjustments	Total accumulated other comprehensive income (Note 1)*	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets (Note 1)*
Balance at March 31, 2013	731,468	\$ 431,372	\$ 211,313	\$ (76,352)	\$ (3,911)	\$ 562,411	\$ 21,490	\$ (6,431)	\$ (27,735)	\$ —	\$ (12,676)	\$ 774	\$ 4,637	\$ 555,147
Cash dividends paid				(10,117)		(10,117)								(10,117)
Net income				268,225		268,225								268,225
Purchases of treasury stock					(313)	(313)								(313)
Increase due to the merger				1,539		1,539								1,539
Changes in scope of consolidation				(3,068)		(3,068)								(3,068)
Other, net							20,980	2,607	(73,803)	114,156	63,950	—	25,794	89,754
Net changes during the year	—	—	—	256,578	(313)	256,254	20,980	2,607	(73,803)	114,156	63,950	—	25,794	346,009
Balance at March 31, 2014	731,468	\$ 431,372	\$ 211,313	\$ 180,215	\$ (4,235)	\$ 818,666	\$ 42,480	\$ (3,813)	\$ (101,549)	\$ 114,156	\$ 51,274	\$ 774	\$ 30,431	\$ 901,156

*The Balance at March 31, 2012 is restated.
The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2014	2013	2014
Cash flows from operating activities:			
Net income	¥ 27,359	¥ 13,599	\$ 268,225
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	14,249	13,021	139,696
Loss on impairment of fixed assets	184	219	1,803
(Reversal of) provisions	(20,352)	(5,040)	(199,529)
Write-downs loss of investment in securities	—	225	—
Gain on sale of investments in securities	(553)	(672)	(5,421)
Loss (gain) on sale and disposition of property, plant and equipment	634	(2,109)	6,215
Deferred income taxes	394	656	3,862
Other, net	(4,990)	(3,424)	(48,921)
Changes in operating assets and liabilities:			
Notes and accounts receivable	5,009	3,487	49,107
Inventories	(371)	(1,307)	(3,637)
Notes and accounts payable	(3,075)	(17,963)	(30,147)
Accrued income taxes	2,424	(1,520)	23,764
Other accrued expenses	586	(121)	5,745
Other assets and liabilities	10,370	(10,668)	101,666
Net cash provided (used in) by operating activities	31,868	(11,619)	312,431
Cash flows from investing activities:			
Decrease in time deposits and marketable securities	484	1,007	4,745
(Increase) decrease in investments and other long-term receivables	(279)	5,826	(2,735)
Purchases of property, plant and equipment	(7,771)	(11,881)	(76,186)
Purchases of intangible assets	(3,664)	(2,977)	(35,921)
Purchases of investment in subsidiaries resulting in change in scope of consolidation	(2,746)	(1,188)	(26,921)
Net cash used in investing activities	(13,977)	(9,214)	(137,029)
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings	(2,056)	571	(20,156)
Issuance of long-term debt	20,440	4,325	200,392
Repayment of long-term debt	(21,212)	(22,867)	(207,960)
Proceeds from sale and lease-back transactions	1,969	885	19,303
Repayment of lease obligations	(2,338)	(2,313)	(22,921)
Cash dividends paid	(1,032)	(1,321)	(10,117)
Other, net	(41)	(372)	(401)
Net cash used in financing activities	(4,270)	(21,093)	(41,862)
Effect of exchange rate changes on cash and cash equivalents	1,084	1,368	10,627
Net increase (decrease) in cash and cash equivalents	14,703	(40,558)	144,147
Cash and cash equivalents at beginning of the year	35,894	74,996	351,901
Cash of newly consolidated subsidiaries at beginning of the year	32	1,426	313
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	235	29	2,303
Cash and cash equivalents at end of the year	¥ 50,866	¥ 35,894	\$ 498,686
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ 2,546	¥ 3,040	\$ 24,960
Income taxes	¥ 1,396	¥ 5,626	\$ 13,686

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, 2014

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 Act of Japan.

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

The 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.

(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. Overseas subsidiaries adopt the lower of cost or market method.

- 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

(1) Attributing expected retirement benefits to a period
When calculating retirement benefit obligations, the Company applies the point system or the straight-line method to attribute expected retirement benefits to the period until the end of the fiscal year.

(2) Accounting for actuarial gains and losses, prior service costs, and differences arising from the initial adoption of the accounting standard.

Differences arising from the initial adoption of the accounting standard are amortized over 15 years except for consolidated subsidiaries that amortize the difference in the first year of application and some overseas consolidated subsidiaries that directly deduct the difference from retained earnings. Prior service costs are amortized by the straight-line method over a set number of years (11 to 13 years) within the average remaining years of service of employees. Actuarial gains and losses are amortized by the straight line method over a set number of years (11 to 13 years) within the average remaining years of service of employees at the time of their accrual in each fiscal year. Amortization of such gains and losses is deemed to be effective from the year after the one in which they arise.

(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 and currency swap contracts are accounted for by hedge accounting which requires that unrealized gains or losses be deferred as assets or liabilities. Forward foreign exchange contracts and currency swap 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. Interest-rate swaps 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.

(m) Changes in methods of accounting

As of the end of the fiscal year ended March 31, 2014, the Company has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012; the "Retirement Benefits Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012; the "Guidelines for Retirement Benefits") (excluding, however, provisions provided for in the main clause of Section 35 of the Retirement Benefits Accounting Standard and that of Section 67 of the Guidelines for Retirement Benefits).

The Company changed to the method of posting the amount after deducting pension assets from retirement benefit obligations as Liability for retirement benefits, and books unrecognized differences arising from the initial adoption of the accounting standard unrecognized prior service cost, and unrecognized actuarial gains and losses as such liability. In case the amount of pension assets exceeds retirement benefit obligations, they are posted as Asset for retirement benefits.

Regarding the application of the Retirement Benefits Accounting Standard, etc., the Company abides by the transitional handling provided for in Section 37 of the Retirement Benefits Accounting Standard, and makes an addition/reduction of the effect from such change in Retirement benefits liability adjustments in accumulated other comprehensive income at the end of the fiscal year.

As a result, as of the end of the fiscal year ended March 31, 2014, the Company posted ¥27,507 million (\$269,676 thousand) as Asset for retirement benefits and ¥20,225 million (\$198,284 thousand) as Liability for retirement benefits. Accumulated other comprehensive income increased by ¥11,644 million (\$114,156 thousand).

Net assets per share increased by ¥16.00 (\$0.15).

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 ¥102 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2014. 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, 2014 and 2013 were summarized as follows. Securities for which it is extremely difficult to reasonably measure its fair value are not included in the table below.

Other securities

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	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	¥ 18,116	¥ 10,932	¥ 7,184	¥ 13,092	¥ 8,633	¥ 4,458	\$ 177,607	\$ 107,176	\$ 70,431
Bonds	—	—	—	301	301	0	—	—	—
Other	7	7	0	—	—	—	68	68	0
Subtotal	18,124	10,939	7,184	13,393	8,935	4,458	177,686	107,245	70,431
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	1,773	2,280	(506)	3,528	4,547	(1,018)	17,382	22,352	(4,960)
Bonds	3	3	—	202	202	(0)	29	29	—
Certificates of deposit	4,000	4,000	—	6,000	6,000	—	39,215	39,215	—
Other	9	9	—	14	14	—	88	88	—
Subtotal	5,786	6,292	(506)	9,745	10,764	(1,018)	56,725	61,686	(4,960)
Total	¥ 23,910	¥ 17,232	¥ 6,677	¥ 23,139	¥ 19,699	¥ 3,439	\$ 234,411	\$ 168,941	\$ 65,460

4. INVENTORIES

Inventories at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Finished goods	¥ 34,203	¥ 31,215	\$ 335,323
Work in process	22,652	18,856	222,078
Raw materials and supplies	28,429	24,890	278,715
Total	¥ 85,285	¥ 74,963	\$ 836,127

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Investments stated:			
By the equity method	¥ 4,698	¥ 4,591	\$ 46,058
At cost or less	997	287	9,774
Advances	34	—	333
Total	¥ 5,730	¥ 4,878	\$ 56,176

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans, principally from banks, at weighted-average interest rates of 1.5% and 1.6% at March 31, 2014 and 2013, respectively:			
Secured	¥ 6,700	¥ 6,700	\$ 65,686
Unsecured	48,710	49,671	477,549
Total	¥ 55,410	¥ 56,371	\$ 543,235

Long-term debts at March 31, 2014 and 2013 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans from banks, insurance companies and government agencies, due through 2018:			
Secured	¥ 454	¥ 589	\$ 4,450
Unsecured	63,139	63,564	619,009
Subtotal	63,594	64,153	623,470
Less: Current portion	(49,067)	(18,821)	(481,049)
Total	¥ 14,526	¥ 45,332	\$ 142,411

At March 31, 2014, ¥7,154 million (\$70,137 thousand) of long-term debt and short-term borrowings were collateralized by assets amounting to ¥15,230 million (\$149,313 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, 2014 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 49,067	\$ 481,049
2016	8,582	84,137
2017	4,526	44,372
2018	922	9,039
2019 and thereafter	494	4,843
Total	¥ 63,594	\$ 623,470

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2014 was ¥15,564 million (\$152,588 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, 2014 and 2013 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2014			2013			2014		
	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 ^{(*)1}	¥ 46,901	¥ 46,901	¥ —	¥ 29,904	¥ 29,904	¥ —	\$ 459,813	\$ 459,813	\$ —
(2) Notes and accounts receivable	133,383			123,886			1,307,676		
Allowance for doubtful receivables ^{(*)2}	(8,177)			(7,040)			(80,166)		
	125,205	125,205	—	116,846	116,846	—	1,227,500	1,227,500	—
(3) Securities and investments in securities ^{(*)3}	27,017	26,274	(742)	26,271	25,017	(1,254)	264,872	257,588	(7,274)
Total assets	199,124	198,381	(742)	173,021	171,767	(1,254)	1,952,196	1,944,911	(7,274)
(1) Notes and accounts payable	73,312	73,312	—	63,416	63,416	—	718,745	718,745	—
(2) Short-term borrowings	55,410	55,410	—	56,371	56,371	—	543,235	543,235	—
(3) Other accrued expenses	34,956	34,956	—	31,666	31,666	—	342,705	342,705	—
(4) Long-term debt ^{(*)4}	63,594	63,664	70	64,153	64,147	(5)	623,470	624,156	686
Total liabilities	227,273	227,343	70	215,607	215,601	(5)	2,228,166	2,228,852	686
Derivative transactions ^{(*)5}	¥ (524)	¥ (524)	¥ —	¥ (1,604)	¥ (1,604)	¥ —	\$ (5,137)	\$ (5,137)	\$ —

*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 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.

Derivative transactions

Described in Note 17.

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

Unlisted equity securities (¥9,598 million (\$94,098 thousand) and ¥8,746 million) and investments in a limited liability joint business partnership (¥18 million (\$176 thousand) and ¥55 million) at March 31, 2014 and 2013, 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

For the year ended March 31, 2014

The Company and domestic consolidated subsidiaries have either funded or unfunded defined benefit plans and defined contribution plans.

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

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

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

The Company has pension and retirement benefit trust.

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

The changes in the retirement benefit obligation during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at April 1, 2013	¥ 111,578	\$ 1,093,901
Service cost	2,905	28,480
Interest cost	1,583	15,519
Actuarial gain	(154)	(1,509)
Retirement benefit paid	(7,740)	(75,882)
Other	539	5,284
Retirement benefit obligation at March 31, 2014	¥ 108,713	\$ 1,065,813

The changes in plan assets during the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at April 1, 2013	¥ 95,331	\$ 934,617
Expected return on plan assets	2,383	23,362
Actuarial gain	19,256	188,784
Contributions by the Company and subsidiaries	4,690	45,980
Retirement benefits paid	(5,670)	(55,588)
Other	5	49
Plan assets at March 31, 2014	¥ 115,995	\$ 1,137,205

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 95,414	\$ 935,431
Plan assets at fair value	(115,995)	(1,137,205)
	(20,581)	(201,774)
Unfunded retirement benefit obligation	13,298	130,372
Net liability for retirement benefits in the balance sheet	(7,282)	(71,392)
Liability for retirement benefits	20,225	198,284
Asset for retirement benefits	(27,507)	(269,676)
Net asset for retirement benefits in the balance sheet	¥ (7,282)	\$ (71,392)

The components of retirement benefit expense for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 2,905	\$ 28,480
Interest cost	1,583	15,519
Expected return on plan assets	(2,383)	(23,362)
Amortization of actuarial gain	2,588	25,372
Amortization of prior service cost	(1,604)	(15,725)
Amortization of transition obligation arising from the initial adoption of a new method of accounting	2,121	20,794
Other ⁽¹⁾	3,258	31,941
Retirement benefit expense	¥ 8,470	\$ 83,039

(1) Special retirement payment of ¥2,662 million (\$26,098 thousand) and the amortization of actuarial loss of ¥595 million (\$5,833 thousand) for business dissolution of certain subsidiaries.

(2) Retirement benefit expenses for consolidated subsidiaries adopting the simplified method which assumes retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end are included in "Service cost".

Unrecognized prior service cost and unrecognized actuarial gain included in accumulated other comprehensive income (before tax effect) as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service cost	¥ (8,161)	\$ (80,009)
Unrecognized actuarial gain	(20,836)	(204,274)
Unrecognized transition obligation arising from the initial adoption of a new method of accounting	2,120	20,784
Total	¥ (26,877)	\$ (263,500)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2014 were as follows:

	2014
Bonds	36%
Stocks	49
Other	15
Total*	100%

* The Company's pension and retirement benefit trust consists of 42% of the plan assets.

The expected return on assets has been estimated based on the average rate of the latest 3 years in consideration of the assets composition ratio.

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

	2014
Discount rate	1.4%
Expected rate of return on plan assets	2.5

The Company and domestic consolidated subsidiaries paid for defined contribution pension plans of ¥2,103 million (\$20,617 thousands) for the year ended March 31, 2014.

For the year ended March 31, 2013

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:

	Millions of yen
	2013
Projected benefit obligation	¥ (111,578)
Fair value of plan assets	95,331
Funded status	(16,247)
Transition differences arising from initial adoption of new accounting standard for retirement benefits	4,242
Unrecognized actuarial gain or loss	1,732
Unrecognized prior service cost	(9,550)
Obligation recognized in the consolidated balance sheets	(19,823)
Prepaid pension cost	—
Allowance for retirement benefits	¥ (19,823)

- (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 were as follows:

	Millions of yen
	2013
Service cost during the year	¥ 3,311
Interest cost on projected benefit obligation	2,279
Expected return on plan assets	(1,965)
Amortization of obligation at transition	2,121
Amortization of actuarial difference	3,263
Amortization of prior service cost	(1,604)
Other cost	2,064
Net periodic pension cost	¥ 9,469

- (1) 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.
 (2) Other cost is the contributions paid for defined contribution pension plans.

Assumptions used in the actuarial calculation:

	Year ended March 31, 2013
Discount rate:	1.40%
Expected rates of return:	2.50%
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, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Loss carryforwards	¥ 27,363	¥ 33,369	\$ 268,264
Nondeductible retirement benefits	—	12,159	—
Liability for retirement benefits	17,523	—	171,794
Excess of allowance for doubtful receivables and nondeductible bad debts expenses	7,543	6,205	73,950
Nondeductible accounts payable for revision of retirement payment plan	7,302	9,365	71,588
Nondeductible accrued bonuses	4,591	4,211	45,009
Nondeductible write-downs of inventories	3,081	2,983	30,205
Nondeductible write-downs of investments on securities	2,159	2,158	21,166
Nondeductible loss on impairment of fixed assets	1,546	1,578	15,156
Other	7,059	6,992	69,205
Gross deferred tax assets	78,172	79,024	766,392
Less: Valuation allowance	(67,262)	(68,065)	(659,431)
Total deferred tax assets	10,909	10,959	106,950
Deferred tax liabilities:			
Asset for retirement benefits	(15,448)	—	(151,450)
Nondeductible unrealized gain on contribution of securities to a pension trust	(3,830)	(3,830)	(37,549)
Net unrealized holding gain on other securities	(2,362)	(1,222)	(23,156)
Other	(364)	(490)	(3,568)
Total deferred tax liabilities	(22,006)	(5,543)	(215,745)
Net deferred tax (liabilities) assets	¥ (11,096)	¥ 5,415	\$ (108,784)

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Other current assets	¥ 6,503	¥ 6,634	\$ 63,754
Other assets	707	723	6,931
Other current liabilities	—	—	—
Other long-term liabilities	18,307	1,942	179,480
Net deferred tax (liabilities) assets	¥ (11,096)	¥ 5,415	\$ (108,784)

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% for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 were summarized as follows:

	2014	2013
Statutory tax rates	38.0 %	38.0 %
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	(0.5)	(0.5)
Permanent nondeductible differences such as entertainment expenses	2.8	2.1
(Decrease) increase in valuation allowance for deferred tax assets	(26.1)	4.4
Per capita portion of inhabitants' taxes	1.0	1.6
Downward adjustment of deferred tax assets at the end of the year due to tax rate change	2.1	—
Other, net	(4.0)	(20.0)
Effective tax rates	13.3 %	25.6 %

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No.10 of 2014) was promulgated on March 31, 2014 and, as a result, the Company is no longer subject to the Special Reconstruction Corporation Tax effective for fiscal years beginning on or after April 1, 2014. In addition, the “Act for Partial Amendment of the Local Tax Act, etc.” (Act No. 4 of 2014) and the “Act for Partial Amendment of the Local Corporate Tax Act, etc.” (Act No.11 of 2014) were promulgated on March 31, 2014 and the Company is subject to the amended Local Corporate Tax effective for fiscal years beginning on or after April 1, 2015.

As a result, the effective statutory tax rate used to measure the Company’s deferred tax assets and liabilities was changed from 38.0% to 36.0% for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2014. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets after offsetting deferred tax liabilities by ¥719 million (\$7,049 thousand) and increase deferred income taxes by ¥682 million (\$6,686 thousand) and loss on deferred hedges and Retirement benefits liability adjustments decreased ¥0 million (\$0 thousand) and ¥37 million (\$362 thousand), respectively as of and for the year ended March 31, 2014.

10. SHAREHOLDERS’ EQUITY

Companies Act of Japan (the “Act”) 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 that of the board of directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Act 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.

11. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2014 and 2013 were as follows:

Millions of yen		Thousands of U.S. dollars
2014	2013	2014
¥ 12,959	¥ 13,982	\$ 127,049

12. GAIN ON BARGAIN PURCHASE

For the year ended March 31, 2014, the Company acquired the shares of certain subsidiaries. As the total of consideration transferred was less than the fair value of the net assets of the subsidiaries acquired, the difference between them was recognized as bargain purchase gain.

13. INSURANCE INCOME

For the year ended March 31, 2014, certain subsidiary recorded insurance compensation for losses arising from flooding in Thailand.

14. GAIN ON TRANSFER OF BUSINESS

For the year ended March 31, 2014, certain subsidiary recognized gain due to the sale of the insurance business.

15. BUSINESS RESTRUCTURING EXPENSES

For the year ended March 31, 2014, certain subsidiaries in the printer business recognized the losses on abandonment of assets and the severance cost for restructuring business.

16. LOSS ON LIQUIDATION OF SUBSIDIARY

The Company and the subsidiaries recognized the loss on abandonment of assets and the severance cost due to the business liquidation for the year ended March 31, 2014.

17. DERIVATIVES

Derivative transactions at March 31, 2014 and 2013 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			
	2014				2014			
	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	¥ 7,078	¥ —	¥ (143)	¥ (143)	\$ 69,392	\$ —	\$ (1,401)	\$ (1,401)
Buy:								
U.S. Dollars	1,855	—	(3)	(3)	18,186	—	(29)	(29)
Total	¥ 8,933	¥ —	¥ (146)	¥ (146)	\$ 87,578	\$ —	\$ (1,431)	\$ (1,431)

	Millions of yen			
	2013			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Sell:				
Euro	¥ 7,915	¥ —	¥ (1,029)	¥ (1,029)
Buy:				
U.S. Dollars	1,148	—	73	73
Total	¥ 9,064	¥ —	¥ (955)	¥ (955)

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		
		2014			2014		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Sell:							
U.S. Dollars	Accounts receivable	¥ 123	¥ —	¥ (0)	\$ 1,205	\$ —	\$ (0)
Euro	Accounts receivable	993	—	4	9,735	—	39
Buy:							
U.S. Dollars	Accounts payable	4,901	—	30	48,049	—	294
Total		¥ 6,017	¥ —	¥ 33	\$ 58,990	\$ —	\$ 323

	Hedged item	Millions of yen		
		2013		
		Contract amount	Contract amount over 1 year	Fair value
Sell:				
U.S. Dollars	Accounts receivable	¥ 315	¥ —	¥ (2)
Euro	Accounts receivable	302	—	0
Buy:				
U.S. Dollars	Accounts payable	1,667	—	23
Total		¥ 2,284	¥ —	¥ 22

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

(2) Currency swaps

	Hedged item	Millions of yen			Thousands of U.S. dollars		
		2014			2014		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Pay Yen/receive U.S.Dollars	Long-term borrowings	¥ 2,286	¥ 1,778	¥ (26)	\$ 22,411	\$ 17,431	\$ (254)

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

(3) Interest rate swaps

		Millions of yen			Thousands of U.S. dollars		
		2014			2014		
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	¥ 20,000	¥ (411)	\$ 245,098	\$ 196,078	\$ (4,029)
	Long-term borrowings	3,168	1,004	*	31,058	9,843	*
Total		¥ 28,168	¥ 21,004	¥ (411)	\$ 276,156	\$ 205,921	\$ (4,029)

		Millions of yen		
		2013		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Pay fixed/receive floating	Short-term borrowings	¥ 25,000	¥ 25,000	¥ (670)
	Long-term borrowings	4,136	2,168	*
Total		¥ 29,136	¥ 27,168	¥ (670)

* 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.

18. 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 ¥97million (\$950 thousand) and ¥379 million for the years ended March 31, 2014 and 2013, 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, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Machinery and equipment	¥ 175	¥ 774	\$ 1,715
Other	6	20	58
Less: Accumulated depreciation	160	689	1,568
Total	¥ 21	¥ 105	\$ 205

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
2015	¥ 15	\$ 147
2016 and thereafter	8	78
Total	¥ 24	\$ 235

Minimum rental payments subsequent to March 31, 2014 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
2015	¥ 2,352	\$ 23,058
2016 and thereafter	10,412	102,078
Total	¥ 12,765	\$ 125,147

19. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
As guarantors of employees' housing loans	¥ 460	¥ 568	\$ 4,509
Other	—	34	—
Total	¥ 460	¥ 602	\$ 4,509

20. 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. Net assets per share are based on the number of shares of common stock outstanding at the year end.

	Yen		U.S.dollars
	2014	2013	2014
Net income:			
Basic	¥ 36.21	¥ 17.24	\$ 0.35
Diluted	26.13	12.05	0.25

	Yen		U.S.dollars
	2014	2013	2014
Net assets	¥ 79.32	¥ 34.40	\$ 0.77

21. STOCK OPTION PLANS

At March 31, 2014, the following employee stock option plans of the Company had been approved by the shareholders:

Date of approval by shareholders	June 29, 2004	June 29, 2005	June 29, 2006	June 26, 2007
Grantees	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
Number of shares reserved	452,000 shares	442,000 shares	342,000 shares	509,000 shares
Exercise price	¥ 458	¥ 406	¥ 277	¥ 248
Exercisable period	July 1, 2006– June 28, 2014	July 1, 2007– June 28, 2015	July 1, 2008– June 28, 2016	July 1, 2009– June 25, 2017

22. BUSINESS COMBINATION

Business combinations for the year ended March 31, 2014 consisted of the following:
(Business combination by acquisition)

1. Name and business of the acquired company
Name: BR INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A.
Business: Design, develop, manufacture, sell automated equipment and provide services
2. Main reasons for the business combination
OKI's Mid-term Business Plan 2016 announced on November 12, 2013 sets expansion of overseas businesses as one of the most important management strategies. Within its ATM business, OKI's cash-recycling ATM has a strong track record in China, Russia and Indonesia. In order to further expand its overseas business and help accelerate business growth, OKI has established an ATM business company that includes banking as well as retail automation, and services in Brazil.
3. Date of the business combination
January 10, 2014
4. Legal form of the business combination
Acquisition of shares
5. Name of company after business combination
OKI Brasil Indústria e Comércio de Produtos e Tecnologia em Automação S.A. ("OBR")
6. Percentage of voting rights acquired
70.0%
7. Principal reasons for determining the acquiring company
Since the Company delivered the consideration of the acquired shares, which consisted of cash only, the Company is determined to be the acquiring company.
8. Period of the acquired company's financial results included in the consolidated financial statements.
The operating result of the acquiree was not included in the consolidated statement of income for the year ended March 31, 2014, because the Company deemed the acquisition date as December 31, 2013, and used the financial statement of the subsidiary as of December 31, 2013, in the preparation of the consolidated financial statements.

9. Acquisition costs

Consideration paid for the acquisition	Cash	¥ 6,070 million (\$ 59,509 thousand)
Expenses directly required for the acquisition	Advisory fee and other	¥ 609 million (\$ 5,970 thousand)
Total		¥ 6,680 million (\$ 65,490 thousand)

10. Amount of goodwill recognized, reason for recognition and amortization method and period of amortization.

a) Amount of goodwill ¥626 million (\$6,137 thousand) *1

b) Reasons

Future business activities are expected to generate excess profitability.

c) Amortization method and period

Goodwill is amortized by the straight-line over the estimated period expected to yield benefits. *2

11. Amounts of assets and liabilities acquired on the day of business combination.*1

Current assets	¥ 12,526 million (\$ 122,803 thousand)
Non-current assets	¥ 2,576 million (\$ 25,254 thousand)
Total assets	¥ 15,102 million (\$ 148,058 thousand)
Current liabilities	¥ 5,597 million (\$ 54,872 thousand)
Long-term liabilities	¥ 346 million (\$ 3,392 thousand)
Total liabilities	¥ 5,944 million (\$ 58,274 thousand)

*1 The allocation of acquisition cost was not completed at the end of the consolidated financial year ended March 31, 2014 and the cost is provisionally recognized based on reasonable information available at that point of time.

*2 The company determines the amortization period in accordance with the result of the allocation of acquisition costs.

23. 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, 2014 and 2013 were summarized as follows:

	Millions of yen							
	2014							
	Segments				Other	Total	Adjustments	Consolidated
Info-Telecom Systems	Printers	EMS	Subtotal					
For the year ended March 31								
Sales to third parties	¥ 303,600	¥ 124,831	¥ 37,111	¥ 465,543	¥ 17,569	¥ 483,112	¥ —	¥ 483,112
Inter-segment sales and transfers	4,189	5,048	137	9,376	21,099	30,475	(30,475)	—
Net sales	307,790	129,879	37,249	474,919	38,669	513,588	(30,475)	483,112
Operating income (loss)	¥ 23,416	¥ 5,125	¥ 1,656	¥ 30,198	¥ 2,844	¥ 33,043	¥ (5,846)	¥ 27,196
Total assets	¥ 208,778	¥ 75,154	¥ 25,125	¥ 309,058	¥ 25,494	¥ 334,553	¥ 77,960	¥ 412,514
Depreciation and amortization	¥ 5,365	¥ 4,771	¥ 937	¥ 11,074	¥ 1,013	¥ 12,088	¥ 1,116	¥ 13,204
Amortization of the goodwill	¥ 11	¥ 0	¥ —	¥ 11	¥ —	¥ 11	¥ (0)	¥ 11
Investments in equity-method affiliates	¥ 1,653	¥ —	¥ —	¥ 1,653	¥ 27	¥ 1,680	¥ 3,018	¥ 4,698
Increase in property, plant, equipment and intangible assets	¥ 8,049	¥ 2,725	¥ 800	¥ 11,576	¥ 784	¥ 12,361	¥ 1,063	¥ 13,424

	Millions of yen							
	2013							
	Segments				Other	Total	Adjustments	Consolidated
Info-Telecom Systems	Printers	EMS	Subtotal					
For the year ended March 31								
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

	Thousands of U.S. dollars							
	2014							
	Segments				Other	Total	Adjustments	Consolidated
Info-Telecom Systems	Printers	EMS	Subtotal					
For the year ended March 31								
Sales to third parties	\$ 2,976,470	\$ 1,223,833	\$ 363,833	\$ 4,564,147	\$ 172,245	\$ 4,736,392	\$ —	\$ 4,736,392
Inter-segment sales and transfers	41,068	49,490	1,343	91,921	206,852	298,774	(298,774)	—
Net sales	3,017,549	1,273,323	365,186	4,656,068	379,107	5,035,176	(298,774)	4,736,392
Operating income (loss)	\$ 229,568	\$ 50,245	\$ 16,235	\$ 296,058	\$ 27,882	\$ 323,950	\$ (57,313)	\$ 266,627
Total assets	\$ 2,046,843	\$ 736,803	\$ 246,323	\$ 3,029,980	\$ 249,941	\$ 3,279,931	\$ 764,313	\$ 4,044,254
Depreciation and amortization	\$ 52,598	\$ 46,774	\$ 9,186	\$ 108,568	\$ 9,931	\$ 118,509	\$ 10,941	\$ 129,450
Amortization of the goodwill	\$ 107	\$ 0	\$ —	\$ 107	\$ —	\$ 107	\$ (0)	\$ 107
Investments in equity-method affiliates	\$ 16,205	\$ —	\$ —	\$ 16,205	\$ 264	\$ 16,470	\$ 29,588	\$ 46,058
Increase in property, plant, equipment and intangible assets	\$ 78,911	\$ 26,715	\$ 7,843	\$ 113,490	\$ 7,686	\$ 121,186	\$ 10,421	\$ 131,607

- (1) Adjustments 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 ¥5,978 million (\$58,607 thousand) and ¥6,158 million for the years ended March 31, 2014 and 2013, respectively.
- (2) Adjustments 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 ¥209,605 million (\$2,054,950 thousand) and ¥166,879 million at March 31, 2014 and 2013, respectively.

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, 2014, 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, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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 25, 2014
Tokyo, Japan

A member firm of Ernst & Young Global Limited