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# FINANCIAL SECTION

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# FIVE-YEAR SUMMARY

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

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2015	2014	2013	2012*	2011*	2015
<b>For the year:</b>						
Net sales	¥ 540,153	¥ 483,112	¥ 455,824	¥ 423,480	¥ 432,651	\$ 4,501,275
Cost of sales	399,647	354,635	337,406	316,939	318,793	3,330,391
Gross profit	140,506	128,477	118,417	106,541	113,858	1,170,883
Operating income	32,415	27,196	13,475	11,980	6,308	270,125
Other income (expenses), net	5,116	4,564	5,159	(6,386)	(36,430)	42,633
Income (loss) before income taxes and minority interests	37,532	31,761	18,634	5,593	(30,121)	312,766
Net income (loss)	33,091	27,359	13,599	1,555	(31,809)	275,758
Comprehensive income	39,462	22,442	16,040	3,461	(35,991)	328,850
<b>At the year end:</b>						
Total current assets	¥ 293,629	¥ 278,522	¥ 246,994	¥ 273,888	¥ 269,694	\$ 2,446,908
Total investments and long-term receivables	69,228	60,291	28,638	27,031	29,161	576,900
Property, plant and equipment, net	57,176	56,193	57,829	52,592	53,134	476,466
Other assets	19,323	17,506	15,861	14,552	16,830	161,025
Total assets	439,358	412,514	349,322	368,065	368,822	3,661,316
Total current liabilities	211,580	242,272	197,129	214,355	240,783	1,763,166
Total long-term liabilities	106,362	78,322	95,567	112,457	89,179	886,350
Total net assets	121,414	91,918	56,625	41,251	38,859	1,011,783
Capital stock	44,000	44,000	44,000	44,000	44,000	366,666
						U.S. dollars (Note 1)
						Yen
<b>Per share amounts:</b>						
Net income (loss) per share	¥ 40.03	¥ 36.21	¥ 17.24	¥ 0.32	¥ (44.00)	\$ 0.33
Cash dividends per share	5.00	3.00	—	—	—	0.04
Number of shareholders	84,926	85,073	88,516	95,618	102,813	
Number of employees	20,653	21,090	17,459	16,736	16,697	
<b>Ratios (%):</b>						
Return on equity	31.8 %	37.8 %	28.0 %	3.9 %	(80.7) %	
Return on assets	7.8	7.2	3.8	0.4	(8.5)	
Shareholders' equity	27.2	21.5	16.1	11.2	10.4	

\*As restated (See Note 2)

Note 1: The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥120 = U.S. \$1.00, the approximate exchange rate prevailing on March 31, 2015.

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, 2015

### NET SALES AND OPERATING INCOME

In the fiscal year under review, the global economy was characterized by ongoing recovery in the United States, including improving private consumption and rising corporate investment, and a gradual move toward recovery in the business conditions in both Europe and emerging countries. The recovery trend also continued in Japan with signs of improvement in employment conditions and corporate earnings.

Amid this business environment, the OKI Group recorded consolidated net sales of ¥540.2 billion, an 11.8% year-on-year increase, due to solid earnings in each segment led by the Info-Telecom Systems segment. Operating income came to ¥32.4 billion, a year-on-year increase of ¥5.2 billion due to increased sales volume in the Info-Telecom Systems segment and the improved product mix in the Printers segment.

### SEGMENT INFORMATION

#### Info-Telecom Systems

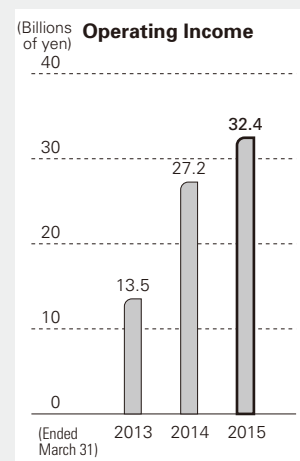
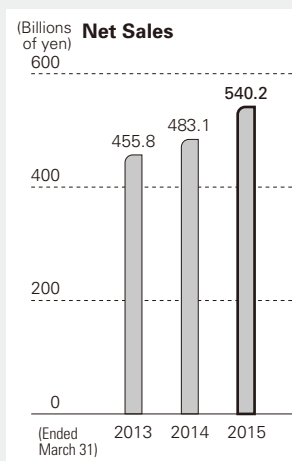
In the Info-Telecom Systems segment, sales increased by 16.1% year on year to ¥352.5 billion. In the solutions & services business, despite a decrease in financial systems, sales were generally firm, supported by generally solid sales in the public and corporate sectors. In the telecom systems business, sales increased due to advance demand for existing networks for telecom carriers and steady performance of home networks and Gigabit Ethernet-Passive Optical Networks (GE-PON). In the social infrastructure systems business, sales grew due to advance demand for digital wireless communication systems for firefighting use and brisk sales for transportation-related projects. In the mechatronics systems business, sales substantially climbed thanks to strong business for ATMs overseas, particularly in China, and the effect of consolidation of the subsidiary in Brazil. Sales were also steady for cash handling equipment in Japan.

Operating income in the Info-Telecom Systems segment rose ¥2.5 billion from the year-ago level to ¥25.9 billion as the steady performance in each business more than offset the effect of consolidation of the Brazil subsidiary.

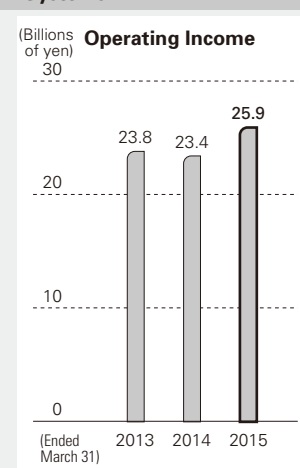
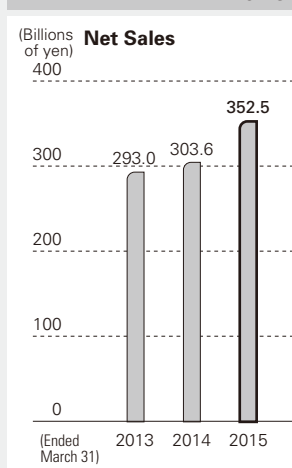
#### Printers

In the Printers segment, net sales increased by 3.6% year on year to ¥129.3 billion. In Color LED printers, sales remained flat from the previous fiscal year despite improvements in the product mix. In Monochrome LED printer, sales increased from winning large projects. In dot-impact printers, sales remained generally even with the previous fiscal year.

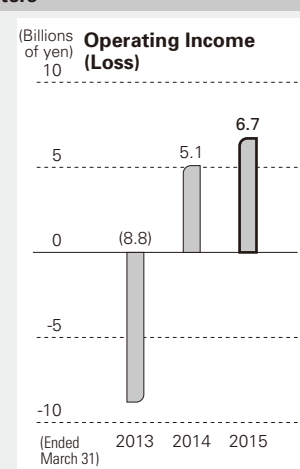
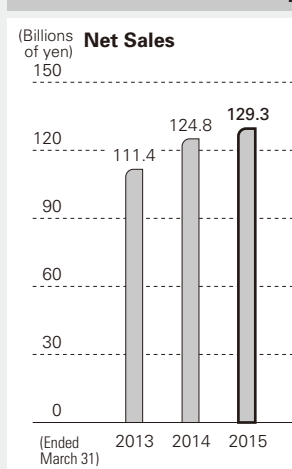
Operating income in the Printers segment totaled ¥6.7 billion, an improvement of ¥1.6 billion year-on-year due to the improved product mix and the effects of the structural reform.



#### Info-Telecom Systems



#### Printers



**EMS Segment, Others**

Sales in the EMS segment rose 8.6% year-on-year to ¥40.3 billion, and sales of Others increased by 2.8% year-on-year to ¥18.1 billion. Sales rose in EMS segment and Others, because the EMS business steadily attracted new customers as OKI brand became further established as high-end EMS, and the Others continued posting solid sales for reed switches and other components.

Operating income in the EMS segment improved ¥300 million year-on-year to ¥2.0 billion, and operating income in Others rose by ¥700 million year-on-year to ¥3.5 billion.

**NET INCOME**

Net income increased by ¥5.7 billion year-on-year to ¥33.1 billion due to last fiscal year's ¥4.3 billion in business structure improvement expenses not being a factor this fiscal year, while the foreign exchange gain decreased. Against this backdrop, net income per share came to ¥40.03 for the fiscal year ended March 31, 2015.

**ASSETS AND LIABILITIES**

At the fiscal year-end, total assets were up ¥26.9 billion year-on-year to ¥439.4 billion. Shareholders' equity increased by ¥30.9 billion year on year to ¥119.6 billion, mainly due to the recording of net income of ¥33.1 billion and other comprehensive income of ¥7.3 billion, despite the decrease of ¥4.5 billion due to the effects of changes in accounting policies in accordance with the revisions of the "Accounting Standard for Retirement Benefits," etc., and distribution of ordinary dividends and preferred dividends of ¥5.0 billion. As a result, the shareholders' equity ratio came to 27.2%.

With respect to major increases and decreases in assets, cash and deposits increased by ¥6.7 billion, notes and accounts receivable grew by ¥4.5 billion, and investment securities increased by ¥5.8 billion.

Total liabilities decreased by ¥2.7 billion. Notes and accounts payable increased by ¥5.8 billion, while debt came to ¥107.6 billion, down ¥11.4 billion from ¥119.0 billion at the previous fiscal year-end.

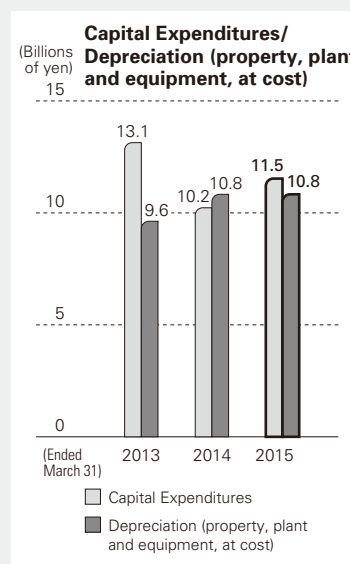
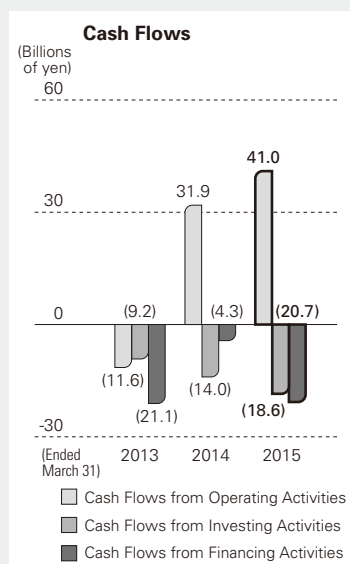
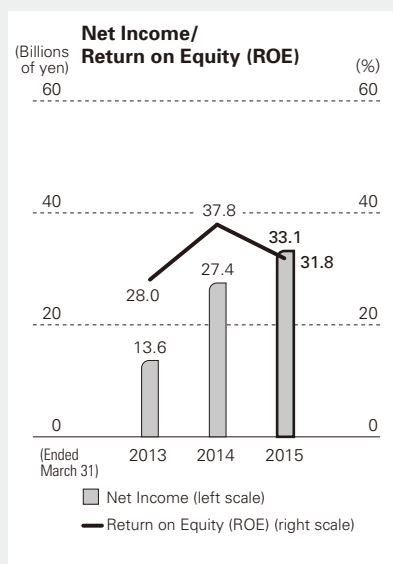
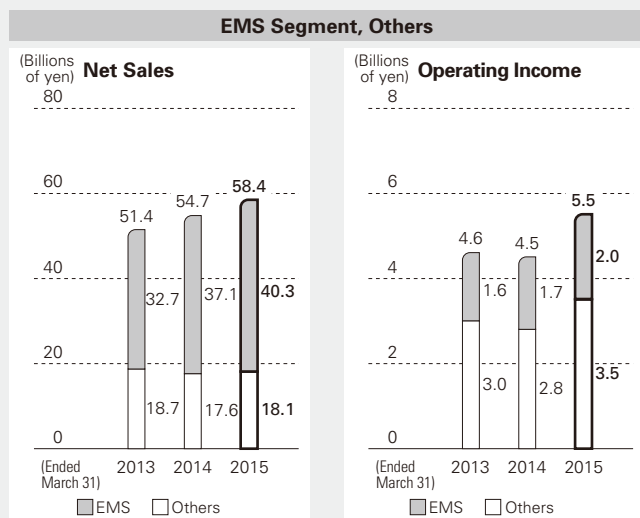
**CASH FLOWS**

Net cash provided by operating activities amounted to ¥41.0 billion, up ¥9.1 billion from the prior fiscal year. This was mainly due to improvements in income before taxes and minority interests and working capital.

Net cash used in investing activities totaled ¥18.6 billion, up ¥4.6 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, resulted in a net inflow of ¥22.4 billion, a year-on-year increase of ¥4.5 billion.

Net cash used in financing activities amounted to ¥20.7 billion with loan repayments and the payment of ordinary and preferred



stock dividends, a year-on-year increase in outflows of ¥16.4 billion.

As a result, the balance of cash and cash equivalents at the consolidated fiscal year-end stood at ¥53.6 billion, up from ¥50.9 billion at the prior year-end.

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

Capital expenditures increased by ¥1.3 billion year on year to ¥11.5 billion. This is due to an increase in investments in each business segment. Depreciation remained unchanged at ¥10.8 billion. Centering on the Printers segment, R&D expenses totaled ¥13.8 billion, up ¥800 million year on year.

### OUTLOOK FOR FISCAL YEAR ENDING MARCH 31, 2016

In the fiscal year ending March 31, 2016, the global economy is generally moving in a gradual recovery trend with business conditions continuing to improve in the United States while concerns exist of an economic slowdown in Europe and slower economic expansion in emerging countries. Japan's economic recovery is also expected to continue amid signs of improving consumer spending and capital expenditure.

The OKI Group recognizes the fiscal year ending March 31, 2016—the middle year of the Mid-term Business Plan 2016—as the year for solidifying the foundation to meet the fiscal year ending March 31, 2017 targets and continuing to implement initiatives toward generating sustaining growth.

In the growth areas, while securing its ATM business base in China, the OKI Group will accelerate development in other emerging countries and introduce teller cash recyclers and cash recycling ATMs to aggressively develop the market in Brazil. In the Printers business, the Group is actively seeking to boost sales by introducing new products and strengthening the support from the sales channel. In Japan, the Group is taking concrete steps to establish

the next-generation social infrastructure business and seeking to steadily capture the firm domestic demand. We will also conduct aggressive investment aimed at expanding sales and production capacity to accelerate our business growth.

Through these efforts, OKI plans to achieve net sales of ¥545.0 billion, up ¥4.8 billion year on year, operating income of ¥30.0 billion, down ¥2.4 billion caused by the foreign exchange impact, net income attributable to owners of parent of ¥22.0 billion, down ¥11.1 billion as yen weakness is not considered to impact non-operating income.

The above forecasts for the fiscal year ending March 31, 2016, are based on exchange rate assumptions of ¥120 to the U.S. dollar and ¥135 to the euro.

#### Performance Forecasts for the Fiscal Year Ending March 31, 2016 (Billions of yen unless otherwise stated)

Net Sales	Operating Income	Net income attributable to owners of parent	Net Income per Share (Yen)
¥545.0	¥30.0	¥22.0	¥25.33

### 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.

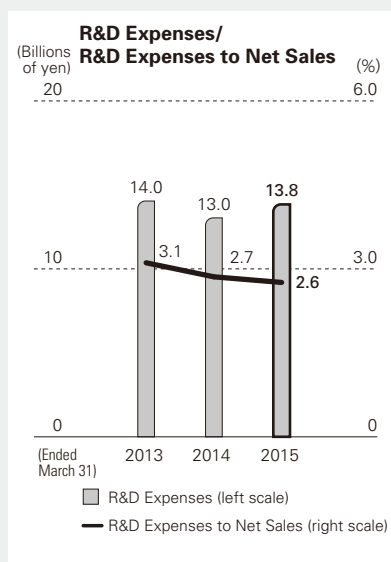
It should be noted, however, that factors that may affect the Group's performance are not limited to these items. The OKI Group is aware of the potential impact these risks may have if any were to occur and is implementing measures to avoid such occurrence, as well as to minimize the weight of their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

# CONSOLIDATED BALANCE SHEET

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
As of March 31, 2015

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Current assets:</b>			
Cash and cash equivalents (Notes 3 and 7)	¥ 53,598	¥ 50,866	\$ 446,650
Time deposits (Note 7)	33	34	275
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	1,674	2,449	13,950
Other	147,275	139,221	1,227,291
Less: Allowance for doubtful receivables	(7,940)	(8,684)	(66,166)
Inventories (Note 4)	86,055	85,285	717,125
Other current assets (Note 9)	12,932	9,349	107,766
<b>Total current assets</b>	<b>293,629</b>	<b>278,522</b>	<b>2,446,908</b>
<b>Investments and long-term receivables:</b>			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	6,236	5,730	51,966
Other investments in securities (Notes 3, 6 and 7)	32,509	27,027	270,908
Asset for retirement benefits (Note 8)	30,478	27,507	253,983
Other long-term receivables	824	853	6,866
Less: Allowance for doubtful receivables	(820)	(828)	(6,833)
<b>Total investments and long-term receivables</b>	<b>69,228</b>	<b>60,291</b>	<b>576,900</b>
<b>Property, plant and equipment, at cost (Note 6):</b>			
Land	12,461	12,201	103,841
Buildings	77,351	76,895	644,591
Machinery and equipment	120,363	118,218	1,003,025
Construction in progress	785	601	6,541
	210,961	207,917	1,758,008
Less: Accumulated depreciation	(153,785)	(151,723)	(1,281,541)
<b>Property, plant and equipment, net</b>	<b>57,176</b>	<b>56,193</b>	<b>476,466</b>
<b>Other assets (Note 9)</b>	<b>19,323</b>	<b>17,506</b>	<b>161,025</b>
<b>Total assets</b>	<b>¥ 439,358</b>	<b>¥ 412,514</b>	<b>\$ 3,661,316</b>



LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Current liabilities:</b>			
Short-term borrowings (Notes 6 and 7)	¥ 44,981	¥ 55,410	\$ 374,841
Current portion of long-term debt (Notes 6 and 7)	18,348	49,067	152,900
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	689	859	5,741
Other	93,780	88,067	781,500
Other accrued expenses	38,589	37,447	321,575
Other current liabilities (Note 9)	15,191	11,420	126,591
<b>Total current liabilities</b>	<b>211,580</b>	<b>242,272</b>	<b>1,763,166</b>
<b>Long-term liabilities:</b>			
Long-term debt (Notes 6 and 7)	44,241	14,526	368,675
Liability for retirement benefits (Note 8)	23,196	20,594	193,300
Other long-term liabilities (Notes 7 and 9)	38,924	43,202	324,366
<b>Total long-term liabilities</b>	<b>106,362</b>	<b>78,322</b>	<b>886,350</b>
<b>Total liabilities</b>	<b>317,943</b>	<b>320,595</b>	<b>2,649,525</b>
<b>NET ASSETS</b>			
<b>Shareholders' equity</b> (Notes 10 and 15):			
Capital stock:			
Authorized—2,400,000,000 shares			
Common stock:			
Issued—872,176,028 shares in 2015 and 731,438,670 shares in 2014			
Class A preferred stock:			
Issued—30,000 shares in 2014	44,000	44,000	366,666
Additional paid-in capital	21,554	21,554	179,616
Retained earnings	41,989	18,382	349,908
Less: Treasury stock, at cost:			
3,705,236 shares in 2015 and 3,614,428 shares in 2014	(453)	(432)	(3,775)
<b>Total shareholders' equity</b>	<b>107,090</b>	<b>83,504</b>	<b>892,416</b>
<b>Accumulated other comprehensive income:</b>			
Net unrealized holding gain on other securities	8,291	4,333	69,091
Loss on deferred hedges	(72)	(389)	(600)
Translation adjustments	(10,433)	(10,358)	(86,941)
Retirement benefits liability adjustments	14,750	11,644	122,916
<b>Total accumulated other comprehensive income</b>	<b>12,536</b>	<b>5,230</b>	<b>104,466</b>
<b>Subscription rights to shares</b>	<b>79</b>	<b>79</b>	<b>658</b>
<b>Minority interests in consolidated subsidiaries</b>	<b>1,708</b>	<b>3,104</b>	<b>14,233</b>
<b>Total net assets</b>	<b>121,414</b>	<b>91,918</b>	<b>1,011,783</b>
<b>Contingent liabilities</b> (Note 14)			
<b>Total liabilities and net assets</b>	<b>¥ 439,358</b>	<b>¥ 412,514</b>	<b>\$ 3,661,316</b>

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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Net sales	¥ 540,153	¥ 483,112	\$ 4,501,275
Cost of sales	399,647	354,635	3,330,391
<b>Gross profit</b>	<b>140,506</b>	128,477	<b>1,170,883</b>
Selling, general and administrative expenses	108,090	101,281	900,750
<b>Operating income</b>	<b>32,415</b>	27,196	<b>270,125</b>
Other income (expenses):			
Interest expense	(2,357)	(2,522)	(19,641)
Interest and dividend income	1,057	900	8,808
Equity in earnings of affiliates	652	339	5,433
Foreign exchange gain, net	7,035	11,277	58,625
Commission for syndicate loan	(723)	(446)	(6,025)
Gain on sale of investments in securities	225	553	1,875
Gain on bargain purchase	—	102	—
Insurance income	—	322	—
Gain on transfer of business	—	123	—
Loss on sale and disposition of property, plant and equipment	(621)	(659)	(5,175)
Loss on impairment of fixed assets	—	(184)	—
Business restructuring expenses	—	(4,311)	—
Loss on liquidation of subsidiaries	—	(841)	—
Other, net (Note 8)	(152)	(89)	(1,266)
	<b>5,116</b>	4,564	<b>42,633</b>
<b>Income before income taxes and minority interests</b>	<b>37,532</b>	31,761	<b>312,766</b>
Income taxes (Note 9):			
Current	4,179	3,820	34,825
Prior periods	3,546	—	29,550
Deferred	(2,359)	394	(19,658)
	<b>5,365</b>	4,214	<b>44,708</b>
<b>Income before minority interests</b>	<b>32,166</b>	27,546	<b>268,050</b>
Minority interests in earnings of consolidated subsidiaries	(924)	(187)	(7,700)
<b>Net income</b> (Note 15)	<b>¥ 33,091</b>	¥ 27,359	<b>\$ 275,758</b>

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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Income before minority interests</b>	<b>¥ 32,166</b>	¥ 27,546	<b>\$ 268,050</b>
Other comprehensive income			
Net unrealized holding gain on other securities	<b>3,930</b>	2,099	<b>32,750</b>
Gain on deferred hedges	<b>317</b>	266	<b>2,641</b>
Translation adjustments	<b>(82)</b>	(7,511)	<b>(683)</b>
Retirement benefits liability adjustments	<b>3,148</b>	—	<b>26,233</b>
Share of other comprehensive income of equity-method affiliates	<b>(17)</b>	40	<b>(141)</b>
Total other comprehensive income	<b>7,295</b>	(5,104)	<b>60,791</b>
<b>Comprehensive income</b>	<b>¥ 39,462</b>	¥ 22,442	<b>\$ 328,850</b>
Comprehensive income attributable to:			
Owners of the parent	<b>¥ 40,395</b>	¥ 22,237	<b>\$ 336,625</b>
Minority interests	<b>¥ (932)</b>	¥ 205	<b>\$ (7,766)</b>

The accompanying notes are an integral part of these statements.

# CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries  
Year ended March 31, 2015

	Shareholders' equity						Accumulated other comprehensive income							Total net assets
	Numbers of shares issued*	Capital stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on other securities	(Loss) gain on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	
	(Thousands)						Millions of yen							
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	<b>731,468</b>	<b>44,000</b>	<b>21,554</b>	<b>18,382</b>	<b>(432)</b>	<b>83,504</b>	<b>4,333</b>	<b>(389)</b>	<b>(10,358)</b>	<b>11,644</b>	<b>5,230</b>	<b>79</b>	<b>3,104</b>	<b>91,918</b>
Cumulative effects of changes in accounting policies (Note 1)				(4,522)		(4,522)								(4,522)
Restated balance at April 1, 2014	<b>731,468</b>	<b>44,000</b>	<b>21,554</b>	<b>13,860</b>	<b>(432)</b>	<b>78,982</b>	<b>4,333</b>	<b>(389)</b>	<b>(10,358)</b>	<b>11,644</b>	<b>5,230</b>	<b>79</b>	<b>3,104</b>	<b>87,396</b>
Cash dividends paid				(4,962)		(4,962)								(4,962)
Net income				33,091		33,091								33,091
Purchases of treasury stock					(21)	(21)								(21)
Changes in scope of consolidation				0		0								0
Other, net	<b>140,707</b>						<b>3,958</b>	<b>317</b>	<b>(75)</b>	<b>3,106</b>	<b>7,305</b>	<b>—</b>	<b>(1,395)</b>	<b>5,910</b>
Net changes during the year	<b>140,707</b>	<b>—</b>	<b>—</b>	<b>28,129</b>	<b>(21)</b>	<b>28,107</b>	<b>3,958</b>	<b>317</b>	<b>(75)</b>	<b>3,106</b>	<b>7,305</b>	<b>—</b>	<b>(1,395)</b>	<b>34,018</b>
Balance at March 31, 2015	<b>872,176</b>	<b>¥ 44,000</b>	<b>¥ 21,554</b>	<b>¥ 41,989</b>	<b>¥ (453)</b>	<b>¥ 107,090</b>	<b>¥ 8,291</b>	<b>¥ (72)</b>	<b>¥ (10,433)</b>	<b>¥ 14,750</b>	<b>¥ 12,536</b>	<b>¥ 79</b>	<b>¥ 1,708</b>	<b>¥ 121,414</b>

\* Common Stock increased 140,737 thousand based on the exercise of the acquisition of shares with put option concerning with Class A Preferred Stock. Furthermore, Class A Preferred Stock decreased 30 thousand based on retirement of stock in accordance with article 178 of Companies Act.

	Shareholders' equity						Accumulated other comprehensive income							Total net assets
	Numbers of shares issued	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding gain on other securities	(Loss) gain on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests in consolidated subsidiaries	
	(Thousands)						Thousands of U.S. dollars (Note 2)							
Balance at March 31, 2014	731,468	\$ 366,666	\$ 179,616	\$ 153,183	\$ (3,600)	\$ 695,866	\$ 36,108	\$ (3,241)	\$ (86,316)	\$ 97,033	\$ 43,583	\$ 658	\$ 25,866	\$ 765,983
Cumulative effects of changes in accounting policies (Note 1)				(37,683)		(37,683)								(37,683)
Restated balance at April 1, 2014	<b>731,468</b>	<b>366,666</b>	<b>179,616</b>	<b>115,500</b>	<b>(3,600)</b>	<b>658,183</b>	<b>36,108</b>	<b>(3,241)</b>	<b>(86,316)</b>	<b>97,033</b>	<b>43,583</b>	<b>658</b>	<b>25,866</b>	<b>728,300</b>
Cash dividends paid				(41,350)		(41,350)								(41,350)
Net income				275,758		275,758								275,758
Purchases of treasury stock					(175)	(175)								(175)
Changes in scope of consolidation				0		0								0
Other, net	<b>140,707</b>						<b>32,983</b>	<b>2,641</b>	<b>(625)</b>	<b>25,883</b>	<b>60,875</b>	<b>—</b>	<b>(11,625)</b>	<b>49,250</b>
Net changes during the year	<b>140,707</b>	<b>—</b>	<b>—</b>	<b>234,408</b>	<b>(175)</b>	<b>234,225</b>	<b>32,983</b>	<b>2,641</b>	<b>(625)</b>	<b>25,883</b>	<b>60,875</b>	<b>—</b>	<b>(11,625)</b>	<b>283,483</b>
Balance at March 31, 2015	<b>872,176</b>	<b>\$ 366,666</b>	<b>\$ 179,616</b>	<b>\$ 349,908</b>	<b>\$ (3,775)</b>	<b>\$ 892,416</b>	<b>\$ 69,091</b>	<b>\$ (600)</b>	<b>\$ (86,941)</b>	<b>\$ 122,916</b>	<b>\$ 104,466</b>	<b>\$ 658</b>	<b>\$ 14,233</b>	<b>\$ 1,011,783</b>

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, 2015

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
<b>Cash flows from operating activities:</b>			
Net income	¥ 33,091	¥ 27,359	\$ 275,758
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Depreciation and amortization	14,464	14,249	120,533
(Reversal of) provisions	(1,945)	(20,352)	(16,208)
Gain on sale of investments in securities	(224)	(553)	(1,866)
Loss on sale and disposition of property, plant and equipment	590	634	4,916
Deferred income taxes	(2,359)	394	(19,658)
Other, net	(2,653)	(4,805)	(22,108)
Changes in operating assets and liabilities:			
Notes and accounts receivable	8,693	5,009	72,441
Inventories	3,905	(371)	32,541
Notes and accounts payable	(8,906)	(3,075)	(74,216)
Accrued income taxes	2,229	2,424	18,575
Other accrued expenses	356	586	2,966
Other assets and liabilities	(6,241)	10,370	(52,008)
<b>Net cash provided by operating activities</b>	<b>40,999</b>	<b>31,868</b>	<b>341,658</b>
<b>Cash flows from investing activities:</b>			
Decrease in time deposits and marketable securities	21	484	175
Increase in investments and other long-term receivables	(1,358)	(279)	(11,316)
Purchases of property, plant and equipment	(10,598)	(7,771)	(88,316)
Purchases of intangible assets	(3,931)	(3,664)	(32,758)
Purchases of investment in subsidiaries resulting in change in scope of consolidation	(2,717)	(2,746)	(22,641)
<b>Net cash used in investing activities</b>	<b>(18,583)</b>	<b>(13,977)</b>	<b>(154,858)</b>
<b>Cash flows from financing activities:</b>			
Decrease in short-term borrowings	(12,442)	(2,056)	(103,683)
Issuance of long-term debt	48,460	20,440	403,833
Repayment of long-term debt	(49,637)	(21,212)	(413,641)
Proceeds from sale and lease-back transactions	927	1,969	7,725
Repayment of lease obligations	(3,084)	(2,338)	(25,700)
Cash dividends paid	(4,917)	(1,032)	(40,975)
Other, net	(28)	(41)	(233)
<b>Net cash used in financing activities</b>	<b>(20,724)</b>	<b>(4,270)</b>	<b>(172,700)</b>
Effect of exchange rate changes on cash and cash equivalents	997	1,084	8,308
Net Increase in cash and cash equivalents	2,688	14,703	22,400
Cash and cash equivalents at beginning of the year	50,866	35,894	423,883
Cash of newly consolidated subsidiaries at beginning of the year	44	32	366
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	235	—
<b>Cash and cash equivalents at end of the year</b>	<b>¥ 53,598</b>	<b>¥ 50,866</b>	<b>\$ 446,650</b>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest	¥ 2,423	¥ 2,546	\$ 20,191
Income taxes	¥ 5,495	¥ 1,396	\$ 45,791

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, 2015

## 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.

### (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

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 benefit formula basis 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**

Effective from April 1, 2014, the Company has applied Section 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26, May 17, 2012; hereinafter, the "Accounting Standard for Retirement Benefits") and the main clause of Section 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25, March 26, 2015; hereinafter, the "Guidance on Accounting Standard for Retirement Benefits"). As a result, the company has changed the methods for calculating the retirement benefit obligation and service cost as follows:

the Company has changed the method for attributing projected retirement benefits to each period from the point system or the straight-line method to the benefit formula method, and also has changed the method for determining the discount rate from a discount rate based on the average period for the expected payment date to a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

In accordance with transitional treatment provided in Section 37 of the "Accounting Standard for Retirement Benefits", the cumulative effect of changing the method for calculating the retirement benefit obligations and service costs was recognized by adjusting retained earnings at April 1, 2014.

As a result, at the beginning of the fiscal year ended March 31, 2015, Asset for retirement benefits decreased by ¥3,939 million (\$32,825 thousand), Liability for retirement benefits increased by ¥923 million (\$7,691 thousand) and Retained earnings decreased by ¥4,522 million (\$37,683 thousand), respectively. The effects of this change on income accounts for the fiscal year ended March 31, 2015 are immaterial.

Net assets per share decreased by ¥4.85 (\$0.04).

**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 ¥120 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2015. 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, 2015 and 2014 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		
	2015			2014			2015		
	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	<b>¥24,337</b>	<b>¥12,085</b>	<b>¥12,251</b>	¥18,116	¥10,932	¥7,184	<b>\$202,808</b>	<b>\$100,708</b>	<b>\$102,091</b>
Other	—	—	—	7	7	0	—	—	—
Subtotal	<b>24,337</b>	<b>12,085</b>	<b>12,251</b>	18,124	10,939	7,184	<b>202,808</b>	<b>100,708</b>	<b>102,091</b>
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	<b>1,074</b>	<b>1,322</b>	<b>(248)</b>	1,773	2,280	(506)	<b>8,950</b>	<b>11,016</b>	<b>(2,066)</b>
Bonds	—	—	—	3	3	—	—	—	—
Certificates of deposit	—	—	—	4,000	4,000	—	—	—	—
Other	<b>5</b>	<b>5</b>	—	9	9	—	<b>41</b>	<b>41</b>	—
Subtotal	<b>1,080</b>	<b>1,328</b>	<b>(248)</b>	5,786	6,292	(506)	<b>9,000</b>	<b>11,066</b>	<b>(2,066)</b>
Total	<b>¥25,417</b>	<b>¥13,414</b>	<b>¥12,003</b>	¥23,910	¥17,232	¥6,677	<b>\$211,808</b>	<b>\$111,783</b>	<b>\$100,025</b>

**4. INVENTORIES**

Inventories at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Finished goods	<b>¥ 37,355</b>	¥ 34,203	<b>\$ 311,291</b>
Work in process	<b>22,406</b>	22,652	<b>186,716</b>
Raw materials and supplies	<b>26,293</b>	28,429	<b>219,108</b>
Total	<b>¥ 86,055</b>	¥ 85,285	<b>\$ 717,125</b>

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

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments stated:			
By the equity method	<b>¥ 5,162</b>	¥ 4,698	<b>\$ 43,016</b>
At cost or less	<b>849</b>	997	<b>7,075</b>
Advances	<b>223</b>	34	<b>1,858</b>
Total	<b>¥ 6,236</b>	¥ 5,730	<b>\$ 51,966</b>



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

Short-term borrowings at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans, principally from banks, at weighted-average interest rates of 1.3% and 1.5% at March 31, 2015 and 2014, respectively:			
Secured	¥ 3,500	¥ 6,700	\$ 29,166
Unsecured	41,481	48,710	345,675
Total	¥ 44,981	¥ 55,410	\$ 374,841

Long-term debts at March 31, 2015 and 2014 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans from banks, insurance companies and government agencies, due through 2020:			
Secured	¥ 359	¥ 454	\$ 2,991
Unsecured	62,230	63,139	518,583
Subtotal	62,589	63,594	521,575
Less: Current portion	(18,348)	(49,067)	(152,900)
Total	¥ 44,241	¥ 14,526	\$ 368,675

At March 31, 2015, ¥3,859 million (\$32,158 thousand) of long-term debt and short-term borrowings were collateralized by assets amounting to ¥19,597 million (\$163,308 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, 2015 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 18,348	\$ 152,900
2017	14,118	117,650
2018	11,014	91,783
2019	10,086	84,050
2020 and thereafter	9,022	75,183
Total	¥ 62,589	\$ 521,575

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2015 was ¥24,777 million (\$206,475 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, 2015 and 2014 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2015			2014			2015		
	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference
(1) Cash and deposits <sup>(*)1</sup>	¥ 53,632	¥ 53,632	¥ —	¥ 46,901	¥ 46,901	¥ —	\$ 446,933	\$ 446,933	\$ —
(2) Notes and accounts receivable	137,895			133,383			1,149,125		
Allowance for doubtful receivables <sup>(*)2</sup>	(7,346)			(8,177)			(61,216)		
	130,549	130,549	—	125,205	125,205	—	1,087,908	1,087,908	—
(3) Securities and investments in securities <sup>(*)3</sup>	28,742	29,803	1,060	27,017	26,274	(742)	239,516	248,358	8,833
Total assets	212,924	213,985	1,060	199,124	198,381	(742)	1,774,366	1,783,208	8,833
(1) Notes and accounts payable	79,053	79,053	—	73,312	73,312	—	658,775	658,775	—
(2) Short-term borrowings	44,981	44,981	—	55,410	55,410	—	374,841	374,841	—
(3) Other accrued expenses	36,060	36,060	—	34,956	34,956	—	300,500	300,500	—
(4) Long-term debt <sup>(*)4</sup>	62,589	62,844	255	63,594	63,664	70	521,575	523,700	2,125
Total liabilities	222,684	222,939	255	227,273	227,343	70	1,855,700	1,857,825	2,125
Derivative transactions <sup>(*)5</sup>	¥ 385	¥ 385	¥ —	¥ (524)	¥ (524)	¥ —	\$ 3,208	\$ 3,208	\$ —

\*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 Note13.

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

Unlisted equity securities (¥9,690 million (\$80,750 thousand) and ¥9,598 million) at March 31, 2015 and 2014, respectively, are not included in

(3) Securities and investments in securities because they have no market price and it is deemed extremely difficult to assess their fair values.

**8. RETIREMENT BENEFITS**

The Company and domestic consolidated subsidiaries have 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligation at April 1, 2014 and 2013	¥ 108,713	¥ 111,578	\$ 905,941
Cumulative effects of changes in accounting policies	4,862	—	40,516
Restated balance at the beginning of the year	113,575	111,578	946,458
Service cost	3,006	2,905	25,050
Interest cost	1,012	1,583	8,433
Actuarial loss/(gain)	106	(154)	883
Retirement benefit paid	(6,971)	(7,740)	(58,091)
Prior service cost	1,700	—	14,166
Other	12	539	100
Retirement benefit obligation at March 31, 2015 and 2014	¥ 112,442	¥ 108,713	\$ 937,016

The changes in plan assets during the year ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets at April 1, 2014 and 2013	¥ 115,995	¥ 95,331	\$ 966,625
Expected return on plan assets	2,878	2,383	23,983
Actuarial gain	2,293	19,256	19,108
Contributions by the Company and subsidiaries	4,720	4,690	39,333
Retirement benefits paid	(5,785)	(5,670)	(48,208)
Other	—	5	—
Plan assets at March 31, 2015 and 2014	¥ 120,103	¥ 115,995	\$ 1,000,858

\*The plan assets include the Company's retirement benefit trust of ¥48,044 million (\$400,366 thousand) and ¥48,414 million for the years ended March 31, 2015 and 2014, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥ 98,239	¥ 95,414	\$ 818,658
Plan assets at fair value	(120,103)	(115,995)	(1,000,858)
	(21,863)	(20,581)	(182,191)
Unfunded retirement benefit obligation	14,203	13,298	118,358
Net liability for retirement benefits in the balance sheet	¥ (7,660)	¥ (7,282)	\$ (63,833)
Liability for retirement benefits	22,817	20,225	190,141
Asset for retirement benefits	(30,478)	(27,507)	(253,983)
Net asset for retirement benefits in the balance sheet	¥ (7,660)	¥ (7,282)	\$ (63,833)

The components of retirement benefit expense for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥ 3,006	¥ 2,905	\$ 25,050
Interest cost	1,012	1,583	8,433
Expected return on plan assets	(2,878)	(2,383)	(23,983)
Amortization of actuarial loss/(gain)	21	2,588	175
Amortization of prior service cost	(1,514)	(1,604)	(12,616)
Amortization of transition obligation arising from the initial adoption of a new method of accounting	2,111	2,121	17,591
Other	406	3,258	3,383
Retirement benefit expense	¥ 2,165	¥ 8,470	\$ 18,041

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Prior service cost	¥ (3,518)	¥ —	\$ (29,316)
Actuarial loss/(gain)	2,598	—	21,650
Transition obligation arising from the initial adoption of a new method of accounting	2,120	—	17,666
Total	¥ 1,200	¥ —	\$ 10,000

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost	¥ (4,642)	¥ (8,161)	\$ (38,683)
Unrecognized actuarial loss/(gain)	(23,435)	(20,836)	(195,291)
Unrecognized transition obligation arising from the initial adoption of a new method of accounting	—	2,120	—
Total	¥ (28,078)	¥ (26,877)	\$ (233,983)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 were as follows:

	2015	2014
Bonds	38%	36%
Stocks	45	49
Other	17	15
Total*	100%	100%

\*The Company's pension and retirement benefit trust consists of 36% of the total plan assets for the year ended 31 March, 2015 and 42% of the total plan assets for the year ended 31 March, 2014, respectively.

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:

	2015	2014
Discount rate	0.9%	1.4%
Expected rate of return on plan assets	2.5%	2.5%

The Company and domestic consolidated subsidiaries paid for defined contribution pension plans of ¥2,130 million (\$17,750 thousand) and ¥2,103 million for the years ended March 31, 2015 and 2014, respectively.

## 9. INCOME TAXES

Deferred tax assets and liabilities at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Loss carryforwards	¥ 15,538	¥ 27,363	\$ 129,483
Liability for retirement benefits	15,180	17,523	126,500
Nondeductible accounts payable for revision of retirement payment plan	5,075	7,302	42,291
Nondeductible accrued bonuses	4,637	4,591	38,641
Excess of allowance for doubtful receivables and nondeductible bad debts expenses	3,126	7,543	26,050
Nondeductible write-downs of inventories	2,805	3,081	23,375
Nondeductible write-downs of investments on securities	1,920	2,159	16,000
Elimination of unrealized intercompany profits	1,637	1,525	13,641
Nondeductible loss on impairment of fixed assets	1,303	1,546	10,858
Other	5,561	5,534	46,341
Gross deferred tax assets	56,787	78,172	473,225
Less: Valuation allowance	(42,111)	(67,262)	(350,925)
Total deferred tax assets	14,676	10,909	122,300
Deferred tax liabilities:			
Asset for retirement benefits	(13,381)	(15,448)	(111,508)
Net unrealized holding gain on other securities	(3,758)	(2,362)	(31,316)
Nondeductible unrealized gain on contribution of securities to a pension trust	(3,405)	(3,830)	(28,375)
Other	(1,420)	(364)	(11,833)
Total deferred tax liabilities	(21,965)	(22,006)	(183,041)
Net deferred tax liabilities	¥ (7,289)	¥ (11,096)	\$ (60,741)

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Other current assets	¥ 9,647	¥ 6,503	\$ 80,391
Other assets	2,403	707	20,025
Other current liabilities	0	—	0
Other long-term liabilities	19,340	18,307	161,166
Net deferred tax liabilities	¥ (7,289)	¥ (11,096)	\$ (60,741)

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 36% and 38% for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 were summarized as follows:

	2015	2014
Statutory tax rates	36.0 %	38.0 %
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	(0.7)	(0.5)
Permanent nondeductible differences such as entertainment expenses	2.3	2.8
Decrease in valuation allowance for deferred tax assets	(58.1)	(26.1)
Per capita portion of inhabitants' taxes	0.8	1.0
Downward adjustment of deferred tax assets at the end of the year due to tax rate change	1.0	2.1
Income taxes for prior periods	9.4	—
Other, net	23.6	(4.0)
Effective tax rates	14.3 %	13.3 %

(1) The "Act for Partial Amendment of the Income Tax Act, etc." (Act No.9 of 2015) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No.2 of 2015) were promulgated on March 31, 2015. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 36.0% to 33.0% and 32.0% for the temporary differences expected to be realized or settled in the year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from April 1, 2016, respectively. The effect of the announced reduction of the effective statutory tax rate was to increase deferred tax assets, after offsetting deferred tax liabilities, by ¥1,684 million (\$5,700 thousand) and increase deferred income tax by ¥378 million (\$3,150 thousand), net unrealized holding gain on other securities by ¥459 million (\$3,825 thousand) and retirement benefits liability adjustments by ¥1,603 million (\$5,025 thousand) as of and for the year ended March 31, 2015.

(2) For the year ended March 31, 2015, certain subsidiary anticipated to receive a notice of tax assessment to correct prior period tax amounts from the Chinese Tax Authority with regard to transfer pricing taxation and recognized estimated additional income taxes.

## 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
	¥ 13,755	¥ 12,959	\$ 114,625

**12. DERIVATIVES**

Derivative transactions at March 31, 2015 and 2014 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			
	2015				2015			
	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	¥ 6,264	¥ —	¥ 395	¥ 395	\$ 52,200	\$ —	\$ 3,291	\$ 3,291
Buy:								
Pound Sterling	2,674	—	(10)	(10)	22,283	—	(83)	(83)
Total	¥ 8,938	¥ —	¥ 385	¥ 385	\$ 74,483	\$ —	\$ 3,208	\$ 3,208

	Millions of yen			
	2014			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Sell:				
Euro	¥ 7,078	¥ —	¥ (143)	¥ (143)
Buy:				
U.S. Dollars	1,855	—	(3)	(3)
Total	¥ 8,933	¥ —	¥ (146)	¥ (146)

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		
		2015			2015		
		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Sell:							
U.S. Dollars	Accounts receivable	¥ 96	¥ —	¥ 0	\$ 800	\$ —	\$ 0
Total		¥ 96	¥ —	¥ 0	\$ 800	\$ —	\$ 0

	Hedged item	Millions of yen		
		2014		
		Contract amount	Contract amount over 1 year	Fair value
Sell:				
U.S. Dollars	Accounts receivable	¥ 123	¥ —	¥ (0)
Euro	Accounts receivable	993	—	4
Buy:				
U.S. Dollars	Accounts payable	4,901	—	30
Total		¥ 6,017	¥ —	¥ 33

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

## (2) Currency swaps

		Millions of yen			Thousands of U.S. dollars		
		2015			2015		
	Hedged item	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	¥ 1,778	¥ 1,270	¥ 278	\$ 14,816	\$ 10,583	\$ 2,316

		Millions of yen		
		2014		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Pay Yen/receive U.S.Dollars	Long-term borrowings	¥ 2,286	¥ 1,778	¥ (26)

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		
		2015			2015		
	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	¥ 20,000	¥ —	¥ (72)	\$ 166,666	\$ —	\$ (600)
	Long-term borrowings	41,314	32,584	*	344,283	271,533	*
Total		¥ 61,314	¥ 32,584	¥ (72)	\$ 510,950	\$ 271,533	\$ (600)

		Millions of yen		
		2014		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Pay fixed/receive floating	Short-term borrowings	¥ 25,000	¥ 20,000	¥ (411)
	Long-term borrowings	3,168	1,004	*
Total		¥ 28,168	¥ 21,004	¥ (411)

\* 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.

### 13. 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 ¥16 million (\$133 thousand) and ¥97 million for the years ended March 31, 2015 and 2014, 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, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Machinery and equipment	¥ 28	¥ 175	\$ 233
Other	—	6	—
Less: Accumulated depreciation	20	160	166
Total	¥ 7	¥ 21	\$ 58

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
2016	¥ 3	\$ 25
2017 and thereafter	5	41
Total	¥ 8	\$ 66

Minimum rental payments subsequent to March 31, 2015 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
2016	¥ 2,395	\$ 19,958
2017 and thereafter	8,548	71,233
Total	¥ 10,944	\$ 91,200

#### 14. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
As guarantors of employees' housing loans	¥ 384	¥ 460	\$ 3,200

#### 15. 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
	2015	2014	2015
Net income:			
Basic	¥ 40.03	¥ 36.21	\$ 0.33
Diluted	38.13	26.13	0.31

	Yen		U.S. dollars
	2015	2014	2015
Net assets	¥ 137.74	¥ 79.32	\$ 1.14

#### 16. STOCK OPTION PLANS

At March 31, 2015, the following employee stock option plans of the Company had been approved by the shareholders:

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

**17. 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, 2015 and 2014 were summarized as follows:

	Millions of yen							
	2015							
	Segments				Other	Total	Adjustments	Consolidated
Info-Telecom Systems	Printers	EMS	Subtotal					
<b>For the year ended March 31</b>								
Sales to third parties	¥ 352,505	¥ 129,271	¥ 40,308	¥ 522,086	¥ 18,067	¥ 540,153	¥ —	¥ 540,153
Inter-segment sales and transfers	4,472	5,445	387	10,305	22,644	32,949	(32,949)	—
Net sales	356,978	134,717	40,696	532,391	40,711	573,103	(32,949)	540,153
Operating income (loss)	25,920	6,720	2,027	34,667	3,467	38,134	(5,719)	32,415
Total assets	223,571	75,272	26,429	325,272	26,190	351,462	87,895	439,358
Depreciation and amortization	6,254	4,236	935	11,425	993	12,418	1,192	13,611
Amortization of the goodwill	71	—	9	81	—	81	—	81
Investments in equity-method affiliates	1,903	—	—	1,903	29	1,932	3,230	5,162
Increase in property, plant, equipment and intangible assets	¥ 8,825	¥ 3,141	¥ 738	¥ 12,706	¥ 1,319	¥ 14,025	¥ 1,155	¥ 15,181

	Millions of yen							
	2014							
	Segments				Other	Total	Adjustments	Consolidated
Info-Telecom Systems	Printers	EMS	Subtotal					
<b>For the year ended March 31</b>								
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

	Thousands of U.S. dollars							
	2015							
	Segments				Other	Total	Adjustments	Consolidated
Info-Telecom Systems	Printers	EMS	Subtotal					
<b>For the year ended March 31</b>								
Sales to third parties	\$ 2,937,541	\$ 1,077,258	\$ 335,900	\$ 4,350,716	\$ 150,558	\$ 4,501,275	\$ —	\$ 4,501,275
Inter-segment sales and transfers	37,266	45,375	3,225	85,875	188,700	274,575	(274,575)	—
Net sales	2,974,816	1,122,641	339,133	4,436,591	339,258	4,775,858	(274,575)	4,501,275
Operating income (loss)	216,000	56,000	16,891	288,891	28,891	317,783	(47,658)	270,125
Total assets	1,863,091	627,266	220,241	2,710,600	218,250	2,928,850	732,458	3,661,316
Depreciation and amortization	52,116	35,300	7,791	95,208	8,275	103,483	9,933	113,425
Amortization of the goodwill	591	—	75	675	—	675	—	675
Investments in equity-method affiliates	15,858	—	—	15,858	241	16,100	26,916	43,016
Increase in property, plant, equipment and intangible assets	\$ 73,541	\$ 26,175	\$ 6,150	\$ 105,883	\$ 10,991	\$ 116,875	\$ 9,625	\$ 126,508

(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 ¥5,923 million (\$49,358 thousand) and ¥5,978 million for the years ended March 31, 2015 and 2014, 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 ¥209,779 million (\$1,748,158 thousand) and ¥209,605 million at March 31, 2015 and 2014, respectively.

# REPORT OF INDEPENDENT AUDITORS



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo, Japan 100-0011

Tel: +81 3 3503 1100  
Fax: +81 3 3503 1197  
www.shinnihon.or.jp

## 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, 2015, 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, 2015, 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 Shin Nihon LLC*

June 24, 2015