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)
	2016	2015	2014	2013	2012*	**2016**
For the year:						
Net sales	**¥ 490,314**	¥ 540,153	¥ 483,112	¥ 455,824	¥ 423,480	**$ 4,377,803**
Cost of sales	**361,250**	399,647	354,635	337,406	316,939	**3,225,446**
Gross profit	**129,064**	140,506	128,477	118,417	106,541	**1,152,357**
Operating income	**18,594**	32,415	27,196	13,475	11,980	**166,017**
Other income (expenses), net	**(6,905)**	5,116	4,564	5,159	(6,386)	**(61,651)**
Profit (loss) before income taxes	**11,689**	37,532	31,761	18,634	5,593	**104,366**
Profit (loss) attributable to owners of parent	**6,609**	33,091	27,359	13,599	1,555	**59,008**
Comprehensive income	**(10,271)**	39,462	22,442	16,040	3,461	**(91,705)**
At the year end:						
Total current assets	**¥ 277,630**	¥ 293,629	¥ 278,522	¥ 246,994	¥ 273,888	**$ 2,478,839**
Total investments and long-term receivables	**60,343**	69,228	60,291	28,638	27,031	**538,776**
Property, plant and equipment, net	**56,691**	57,176	56,193	57,829	52,592	**506,169**
Other assets	**17,111**	19,323	17,506	15,861	14,552	**152,776**
Total assets	**411,776**	439,358	412,514	349,322	368,065	**3,676,571**
Total current liabilities	**199,162**	211,580	242,272	197,129	214,355	**1,778,232**
Total long-term liabilities	**105,228**	106,362	78,322	95,567	112,457	**939,535**
Total net assets	**107,384**	121,414	91,918	56,625	41,251	**958,785**
Capital stock	**44,000**	44,000	44,000	44,000	44,000	**392,857**

	Yen					U.S. dollars (Note 1)
Per share amounts:						
Earnings per share	**¥ 7.61**	¥ 40.03	¥ 36.21	¥ 17.24	¥ 0.32	**$ 0.06**
Cash dividends per share (Common stock)	**5.00**	5.00	3.00	—	—	**0.04**
Number of shareholders (Common stock)	**87,089**	84,926	85,073	88,516	95,618	
Number of employees	**20,190**	20,653	21,090	17,459	16,736	
Ratios (%):						
Return on equity	**5.8 %**	31.8 %	37.8 %	28.0 %	3.9 %	
Return on assets	**1.6**	7.8	7.2	3.8	0.4	
Shareholders' equity	**25.9**	27.2	21.5	16.1	11.2	

*As restated (See Note 2)

Note 1: The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥112 = U.S. $1.00, the approximate exchange rate prevailing on March 31, 2016.

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 for 2012.

FINANCIAL REVIEW

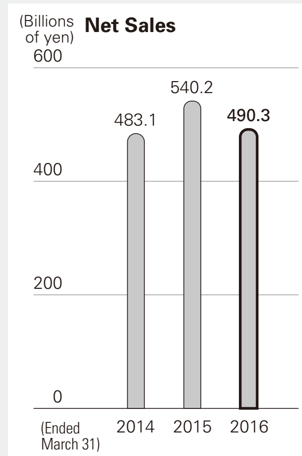
Annual Report for OKI Electric Industry Co., Ltd. and its Consolidated Subsidiaries

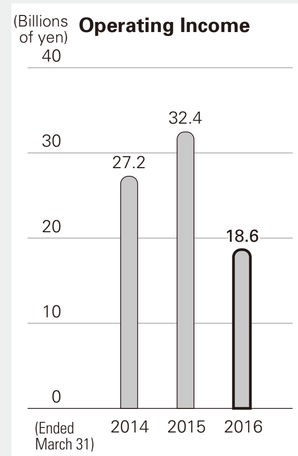
OVERVIEW OF THE FISCAL YEAR ENDED MARCH 31, 2016

NET SALES AND OPERATING INCOME

During the fiscal year under review, in the global economy, the economy in the United States was on a recovery track as seen in improved employment condition and increased consumer spending, while the economies in Europe also moved towards a moderate recovery. The Japanese economy continued to recover mildly overall, supported by improvements in employment conditions and corporate earnings, despite some effects of economic slowdown in emerging countries such as China and the drop in crude oil price.

In this business environment, the OKI Group recorded net sales of ¥490.3 billion (a year-on-year decrease of 9.2%), owing to a decrease in sales volume in the Info-Telecom Systems business and Printers business. Operating income was ¥18.6 billion (a year-on-year decrease of ¥13.8 billion), due to factors such as a decrease in sales volume and the effect of exchange rate change in the Printers business.





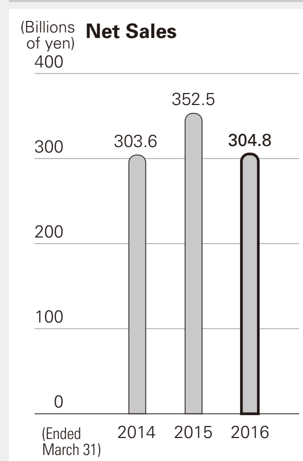
SEGMENT INFORMATION

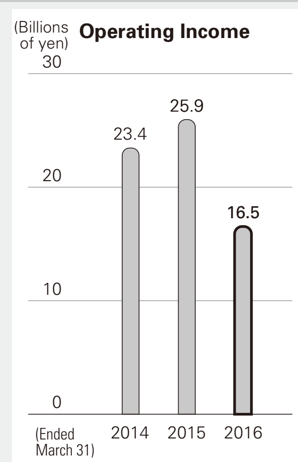
Info-Telecom Systems

Net sales came to ¥304.8 billion (a year-on-year decrease of 13.5%). In the solutions & services business, sales increased as the business was generally firm thanks to winning new orders from enterprises. Telecom systems business' sales decreased because the investments related to existing network systems by telecom carriers came to an end and sales of them was ended in the first quarter. In the social infrastructure systems business, sales decreased owing to the digitizing demand for firefighting wireless system which peaked out in the previous fiscal year, while the demands for flight control systems and disaster prevention systems for municipalities were firm. In the mechatronics systems business, despite the robust sales of cash handling equipment in Japan, sales decreased due to a fall in the sales of ATMs to overseas caused by ongoing suspension of shipments to our sales partner in China, and continued restraint on capital investment of the customers in Brazil due to the local economic slowdown.

Operating income came to ¥16.5 billion (a year-on-year decrease of ¥9.4 billion) due to the decreased sales volume, which offset our efforts in fixed cost reduction, etc.

Info-Telecom Systems



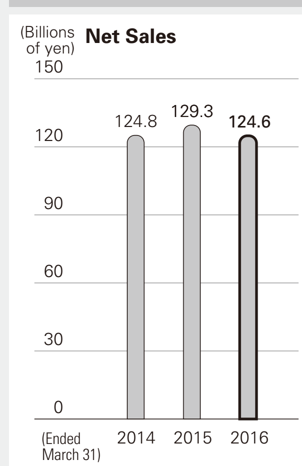


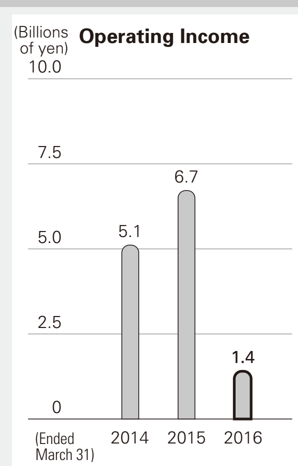
Printers

Net sales amounted to ¥124.6 billion (a year-on-year decrease of 3.6%). In LED printers, sales were generally firm for high-value-added strategic products including color MFPs, our main focus, partially due to strengthening the sales support system. On the other hand, unit sales of existing products, mainly color SFPs for office use, decreased due to the impact of the shrinking market and our decision to maintain the price level amid the intensifying price competition in the market. From the late second quarter, however, we selectively revised the price of products, whereby the falling sales volume stopped. On October 1, 2015, we acquired wide format printer business from Seiko Instruments Inc.

Operating income amounted to ¥1.4 billion (a year-on-year decrease of ¥5.3 billion) due to a decline in sales volume and the effects of foreign exchange rates.

Printers



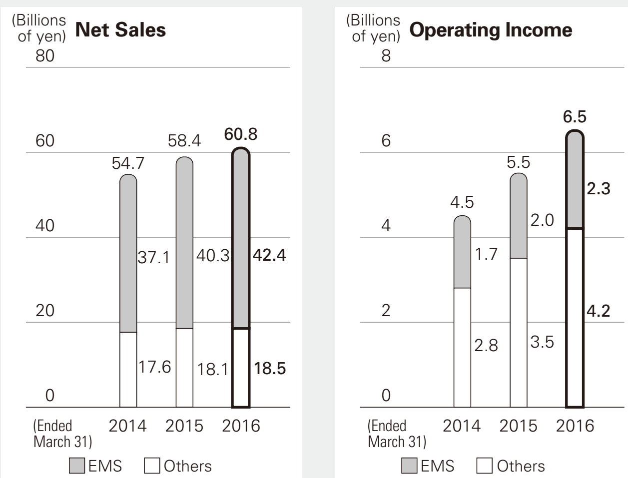


EMS Segment, Others

Net sales in the EMS segment came to ¥42.4 billion (a year-on-year increase of 5.1%) particularly due to the solid sales of circuit board business owing to the effect of the acquisition of Ome Factory of Yokogawa Manufacturing Corporation from Yokogawa Electric Corporation on April 1, 2015. Operating income increased to ¥2.3 billion (a year-on-year increase of ¥0.3 billion).

Net sales in the Others came to ¥18.5 billion (a year-on-year increase of 2.2%) and operating income increased to ¥4.2 billion (a year-on-year increase of ¥0.7 billion) thanks to the continued steady performance by reed switches and other components.

EMS Segment, Others



PROFIT ATTRIBUTABLE TO OWNERS OF PARENT

Profit attributable to owners of parent decreased by ¥26.5 billion year on year to ¥6.6 billion, due to recording foreign exchange losses in this fiscal year despite posting foreign exchange gains in non-operating income in the previous fiscal year. Against this backdrop, earnings per share came to ¥7.61 for the fiscal year ended March 31, 2016.

ASSETS AND LIABILITIES

At the end of the fiscal year under review, total assets decreased by ¥27.6 billion from the end of the previous fiscal year to ¥411.8 billion. Meanwhile, shareholders' equity decreased by ¥12.9 billion from the end of the previous fiscal year to ¥106.7 billion mainly due to the decrease of ¥15.3 billion in accumulated other comprehensive income and distribution of ordinary dividends of ¥4.3 billion, despite the recording of profit attributable to owners of parent of ¥6.6 billion. As a result, shareholders' equity ratio stood at 25.9%.

With respect to major decreases in assets, there were decreases of ¥5.8 billion in cash and deposits, ¥6.6 billion in inventories, ¥5.8 billion in investment securities, and ¥3.2 billion in net defined benefit asset.

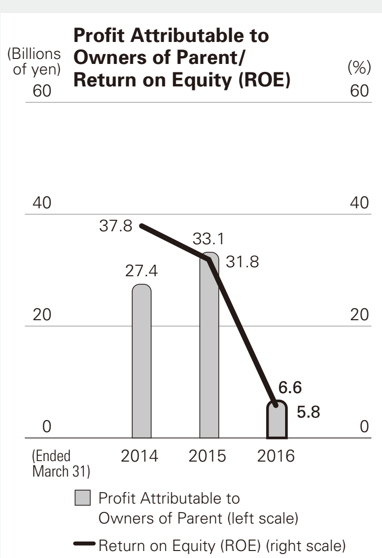
Total liabilities decreased by ¥13.5 billion. The major decrease was ¥13.6 billion in notes and accounts payable – trade. Loans payable increased by ¥14.5 billion from ¥107.6 billion at the end of the previous year to ¥122.1 billion.

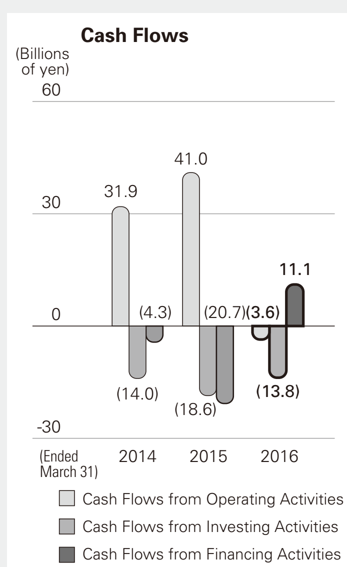
CASH FLOW

Net cash used in operating activities amounted to ¥3.6 billion (an increase of ¥44.6 billion year on year in cash outflow) mainly due to deterioration in profit before income taxes and working capital.

Net cash used in investment activities amounted to ¥13.8 billion (a decline of ¥4.8 billion year on year in cash outflow) mainly due to purchases of property, plant, and equipment.

As a result, free cash flow, which is the sum of cash flows from operating activities and cash flows from investment activities, resulted in a net outflow of ¥17.3 billion (an increase of ¥39.8 billion year on year in cash outflow).





Net cash provided by financing activities amounted to ¥11.1 billion (an increase of ¥31.8 billion year on year in cash inflow) mainly due to an increase of loans payable.

As a result, cash and cash equivalents at the end of the fiscal year under review decreased from ¥53.6 billion at the end of the previous fiscal year to ¥46.3 billion.

CAPITAL EXPENDITURES, DEPRECIATION, AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures increased by ¥0.2 billion year on year to ¥11.7 billion and depreciation increased by ¥0.4 billion year on year to ¥11.2 billion. R&D expenses totaled ¥13.3 billion, down ¥0.5 billion year on year on declines at each segment.

OUTLOOK FOR FISCAL YEAR ENDING MARCH 31, 2017

In the fiscal year ending March 31, 2017, while the economies in the Unites States and Europe are expected to remain on a moderate recovery trend and the Japanese economy is also expected to continue toward recovery, there are concerns for the downturn risks in the global economy due to the economic slowdown in China and other emerging countries.

As the business outlook for the OKI Group for the fiscal year ending March 31, 2017, we project a ¥9.7 billion year-on-year increase in net sales to ¥500.0 billion, a ¥1.4 billion increase in operating income to ¥20.0 billion, a ¥6.6 billion increase in ordinary income to ¥18.0 billion and a ¥5.4 billion increase in profit attributable to owners of parent to ¥12.0 billion. Currency translation differences are not factored in for the non-operating income and expenses.

The ICT business is forecast to be steady mainly in the traffic infrastructure-related systems including flight control and road traffic. For solution-related business, improvements in project mix are expected.

In the Mechatronics Systems business, solid performance of cash handling equipment is projected in the domestic market. The volume of ATMs to overseas is forecast to decrease due to the fall in sales to our partner in China from that in the previous fiscal year. Also in China, there was a reactionary decline from the OKI brand products in the previous term. In Brazil, the shipment of large-scale projects to begin will contribute to the business performance. For overseas ATM business, we continue to pursue mid- to long-term growth.

In Printers business, as a result of strengthening the sales channel support system in the United States and Europe, sales of strategic products is gradually growing to improve the product mix. Going forward, we aim to expand sales in the professional markets through exploring the markets of certain industries such as medical and design, deepening our strategy focused on "niche and high-value-added," as well as benefitting from the sales synergy generated with wide format printer business.

The EMS business has been growing field since its founding. We will work for its further growth in the next fiscal year.

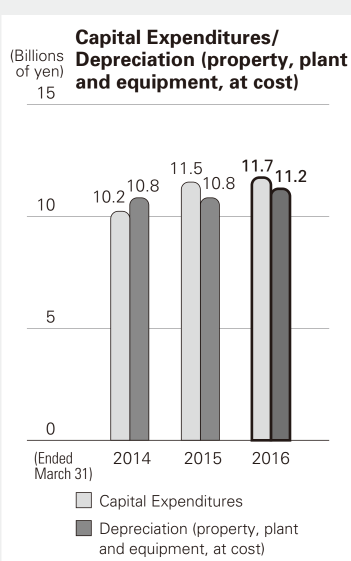
In the Others, steady performance will continue in the components-related business of our subsidiaries.

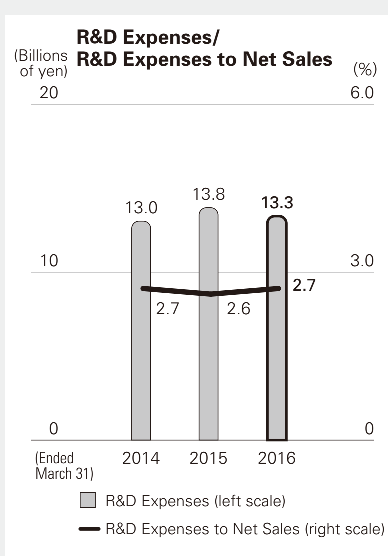
The above forecasts for the fiscal year ending March 31, 2017 are based on exchange rate assumptions of ¥110 to the U.S. dollar and ¥125 to the euro.

Performance Forecasts for the Fiscal Year Ending March 31, 2017

(Billions of yen, unless otherwise stated)

Net Sales	Operating Income	Profit Attributable to Owners of Parent	Earnings per Share (Yen)
¥500.0	¥20.0	¥12.0	¥13.82





CONSOLIDATED BALANCE SHEETS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
ASSETS	**2016**	2015	**2016**
Current assets:			
Cash on hand and in banks (Note 7):			
Cash and cash equivalents	**¥ 46,322**	¥ 53,598	**$ 413,589**
Other	**1,507**	33	**13,455**
Notes and accounts receivable (Note 7):			
Unconsolidated subsidiaries and affiliates	**1,426**	1,674	**12,732**
Other	**146,438**	147,275	**1,307,482**
Less: Allowance for doubtful receivables	**(8,314)**	(7,940)	**(74,232)**
Inventories (Note 4)	**79,469**	86,055	**709,544**
Other current assets (Note 9)	**10,780**	12,932	**96,250**
Total current assets	**277,630**	293,629	**2,478,839**
Investments and long-term receivables:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	**6,182**	6,236	**55,196**
Other investments in securities (Notes 3, 6 and 7)	**26,583**	32,509	**237,348**
Asset for retirement benefits (Note 8)	**27,286**	30,478	**243,625**
Other long-term receivables	**1,108**	824	**9,892**
Less: Allowance for doubtful receivables	**(818)**	(820)	**(7,303)**
Total investments and long-term receivables	**60,343**	69,228	**538,776**
Property, plant and equipment, at cost:			
Land	**13,079**	12,461	**116,776**
Buildings	**78,563**	77,351	**701,455**
Machinery and equipment	**120,356**	120,363	**1,074,607**
Construction in progress	**576**	785	**5,142**
	212,577	210,961	**1,898,008**
Less: Accumulated depreciation	**(155,885)**	(153,785)	**(1,391,830)**
Property, plant and equipment, net	**56,691**	57,176	**506,169**
Other assets (Note 9)	**17,111**	19,323	**152,776**
Total assets	**¥ 411,776**	¥ 439,358	**$ 3,676,571**

LIABILITIES	Millions of yen 2016	2015	Thousands of U.S. dollars (Note 2) 2016
Current liabilities:			
Short-term borrowings (Notes 6 and 7)	**¥ 50,597**	¥ 44,981	**$ 451,758**
Current portion of long-term debt (Notes 6 and 7)	**22,095**	18,348	**197,276**
Notes and accounts payable (Note 7):			
Unconsolidated subsidiaries and affiliates	**586**	689	**5,232**
Other	**79,684**	93,780	**711,464**
Other accrued expenses (Note 7)	**33,265**	38,589	**297,008**
Other current liabilities (Note 9)	**12,932**	15,191	**115,464**
Total current liabilities	**199,162**	211,580	**1,778,232**
Long-term liabilities:			
Long-term debt (Notes 6 and 7)	**49,391**	44,241	**440,991**
Liability for retirement benefits (Note 8)	**25,304**	23,196	**225,928**
Other long-term liabilities (Note 9)	**30,532**	38,924	**272,607**
Total long-term liabilities	**105,228**	106,362	**939,535**
Total liabilities	**304,391**	317,943	**2,717,776**
NET ASSETS			
Shareholders' equity (Notes 10 and 17)**:**			
Capital stock: Authorized—2,400,000,000 shares Common stock: Issued—872,176,028 shares in 2016 and 2015	**44,000**	44,000	**392,857**
Additional paid-in capital	**21,673**	21,554	**193,508**
Retained earnings	**44,255**	41,989	**395,133**
Less: Treasury stock, at cost: 3,782,833 shares in 2016 and 3,705,236 shares in 2015	**(468)**	(453)	**(4,178)**
Total shareholders' equity	**109,460**	107,090	**977,321**
Accumulated other comprehensive income:			
Net unrealized holding gain on other securities	**4,642**	8,291	**41,446**
Loss on deferred hedges	**(562)**	(72)	**(5,017)**
Translation adjustments	**(12,835)**	(10,433)	**(114,598)**
Retirement benefits liability adjustments	**6,028**	14,750	**53,821**
Total accumulated other comprehensive income	**(2,726)**	12,536	**(24,339)**
Subscription rights to shares	**79**	79	**705**
Non-controlling interests	**572**	1,708	**5,107**
Total net assets	**107,384**	121,414	**958,785**
Contingent liabilities (Note 16)			
Total liabilities and net assets	**¥ 411,776**	¥ 439,358	**$ 3,676,571**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF INCOME

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	**2016**
Net sales	**¥ 490,314**	¥ 540,153	**$ 4,377,803**
Cost of sales	**361,250**	399,647	**3,225,446**
Gross profit	**129,064**	140,506	**1,152,357**
Selling, general and administrative expenses	**110,469**	108,090	**986,330**
Operating income	**18,594**	32,415	**166,017**
Other income (expenses):			
Interest expense	**(1,990)**	(2,357)	**(17,767)**
Interest and dividend income	**1,180**	1,057	**10,535**
Equity in earnings of affiliates	**423**	652	**3,776**
Foreign exchange gain (loss), net	**(6,374)**	7,035	**(56,910)**
Insurance dividend	**335**	270	**2,991**
Litigation expenses	**(376)**	(223)	**(3,357)**
Gain on sale of investments in securities	**1,935**	225	**17,276**
Loss on sale and disposal of property, plant and equipment	**(305)**	(621)	**(2,723)**
Loss on impairment of fixed assets (Note 12)	**(1,059)**	—	**(9,455)**
Provision for environmental measures (Note 13)	**(247)**	—	**(2,205)**
Other, net	**(424)**	(921)	**(3,785)**
	(6,905)	5,116	**(61,651)**
Profit before income taxes	**11,689**	37,532	**104,366**
Income taxes (Note 9):			
Current	**1,916**	7,725	**17,107**
Deferred	**4,495**	(2,359)	**40,133**
	6,412	5,365	**57,250**
Profit	**5,277**	32,166	**47,116**
Loss attributable to non-controlling interests	**(1,332)**	(924)	**(11,892)**
Profit attributable to owners of parent (Note 17)	**¥ 6,609**	¥ 33,091	**$ 59,008**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	**2016**
Profit (loss)	**¥ 5,277**	¥ 32,166	**$ 47,116**
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	**(3,627)**	3,930	**(32,383)**
Gain (loss) on deferred hedges	**(489)**	317	**(4,366)**
Translation adjustments	**(2,688)**	(82)	**(24,000)**
Retirement benefits liability adjustments	**(8,899)**	3,148	**(79,455)**
Share of other comprehensive income of equity-method affiliates	**155**	(17)	**1,383**
Total other comprehensive income	**(15,548)**	7,295	**(138,821)**
Comprehensive income	**¥ (10,271)**	¥ 39,462	**$ (91,705)**
Comprehensive income attributable to:			
Owners of the parent	**¥ (8,653)**	¥ 40,395	**$ (77,258)**
Non-controlling interests	**¥ (1,617)**	¥ (932)	**$ (14,437)**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2016

		Shareholders' equity					Accumulated other comprehensive income							
	Numbers of shares issued	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding (loss) gain on other securities	(Loss) gain on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	(Thousands)													Millions of yen
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
Cumulative effects of changes in accounting policies (Note 1)				(4,522)		(4,522)								(4,522)
Restated balance at April 1, 2014	731,468	44,000	21,554	13,860	(432)	78,982	4,333	(389)	(10,358)	11,644	5,230	79	3,104	87,396
Cash dividends paid				(4,962)		(4,962)								(4,962)
Profit attributable to owners of parent				33,091		33,091								33,091
Purchases of treasury stock					(21)	(21)								(21)
Changes in scope of consolidation				0		0								0
Other, net	140,707						3,958	317	(75)	3,106	7,305	—	(1,395)	5,910
Net changes during the year	140,707	—	—	28,129	(21)	28,107	3,958	317	(75)	3,106	7,305	—	(1,395)	34,018
Balance at March 31, 2015	**872,176**	**44,000**	**21,554**	**41,989**	**(453)**	**107,090**	**8,291**	**(72)**	**(10,433)**	**14,750**	**12,536**	**79**	**1,708**	**121,414**
Cash dividends paid				**(4,343)**		**(4,343)**								**(4,343)**
Profit attributable to owners of parent				**6,609**		**6,609**								**6,609**
Purchases of treasury stock					**(14)**	**(14)**								**(14)**
Change in parent's ownership interests arising from capital increase of consolidated subsidiary			**118**			**118**								**118**
Other, net							**(3,649)**	**(489)**	**(2,402)**	**(8,722)**	**(15,262)**	**—**	**(1,136)**	**(16,399)**
Net changes during the year	**—**	**—**	**118**	**2,265**	**(14)**	**2,369**	**(3,649)**	**(489)**	**(2,402)**	**(8,722)**	**(15,262)**	**—**	**(1,136)**	**(14,030)**
Balance at March 31, 2016	**872,176**	**¥ 44,000**	**¥ 21,673**	**¥ 44,255**	**¥ (468)**	**¥ 109,460**	**¥ 4,642**	**¥ (562)**	**¥ (12,835)**	**¥ 6,028**	**¥ (2,726)**	**¥ 79**	**¥ 572**	**¥ 107,384**

		Shareholders' equity					Accumulated other comprehensive income							
	Numbers of shares issued	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Total shareholders' equity	Net unrealized holding (loss) gain on other securities	(Loss) gain on deferred hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Subscription rights to shares	Non-controlling interests	Total net assets
	(Thousands)													Thousands of U.S. dollars (Note 2)
Balance at March 31, 2015	**872,176**	**$ 392,857**	**$ 192,446**	**$ 374,901**	**$ (4,044)**	**$ 956,160**	**$ 74,026**	**$ (642)**	**$ (93,151)**	**$ 131,696**	**$ 111,928**	**$ 705**	**$ 15,250**	**$ 1,084,053**
Cash dividends paid				**(38,776)**		**(38,776)**								**(38,776)**
Profit attributable to owners of parent				**59,008**		**59,008**								**59,008**
Purchases of treasury stock					**(125)**	**(125)**								**(125)**
Change in parent's ownership interests arising from capital increase of consolidated subsidiary			**1,053**			**1,053**								**1,053**
Other, net							**(32,580)**	**(4,366)**	**(21,446)**	**(77,875)**	**(136,267)**	**—**	**(10,142)**	**(146,419)**
Net changes during the year	**—**	**—**	**1,053**	**20,223**	**(125)**	**21,151**	**(32,580)**	**(4,366)**	**(21,446)**	**(77,875)**	**(136,267)**	**—**	**(10,142)**	**(125,267)**
Balance at March 31, 2016	**872,176**	**$ 392,857**	**$ 193,508**	**$ 395,133**	**$ (4,178)**	**$ 977,321**	**$ 41,446**	**$ (5,017)**	**$ (114,598)**	**$ 53,821**	**$ (24,339)**	**$ 705**	**$ 5,107**	**$ 958,785**

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2016	2015	**2016**
Cash flows from operating activities:			
Profit attributable to owners of parents	**¥ 6,609**	¥ 33,091	**$ 59,008**
Adjustments to reconcile profit attributable to owners of parent to net cash (used in) provided by operating activities:			
Depreciation and amortization	**14,382**	14,464	**128,410**
Loss on impairment of fixed assets	**1,059**	9	**9,455**
(Reversal of) provisions	**466**	(1,945)	**4,160**
Equity in earnings of affiliates	**(423)**	(652)	**(3,776)**
Gain on sale of investments in securities	**(1,928)**	(224)	**(17,214)**
Loss on sale and disposition of property, plant and equipment	**305**	590	**2,723**
Deferred income taxes	**4,495**	(2,359)	**40,133**
Other, net	**2,968**	(2,010)	**26,500**
Changes in operating assets and liabilities:			
Notes and accounts receivable	**(8,743)**	8,693	**(78,062)**
Inventories	**3,539**	3,905	**31,598**
Notes and accounts payable	**(4,784)**	(8,906)	**(42,714)**
Accrued income taxes	**(5,021)**	2,229	**(44,830)**
Other accrued expenses	**(2,079)**	356	**(18,562)**
Other assets and liabilities	**(14,419)**	(6,241)	**(128,741)**
Net cash (used in) provided by operating activities	**(3,573)**	40,999	**(31,901)**
Cash flows from investing activities:			
Increase in investments and other long-term receivables	**(240)**	(1,656)	**(2,142)**
Purchases of property, plant and equipment	**(11,598)**	(10,598)	**(103,553)**
Purchases of intangible assets	**(2,630)**	(3,931)	**(23,482)**
Proceeds from sales of investment securities	**2,680**	319	**23,928**
Purchases of investment in subsidiaries resulting in change in scope of consolidation	**—**	(2,717)	**—**
Payment for businesses acquired	**(1,973)**	—	**(17,616)**
Net cash used in investing activities	**(13,762)**	(18,583)	**(122,875)**
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	**6,622**	(12,442)	**59,125**
Issuance of long-term debt	**28,537**	48,460	**254,794**
Repayment of long-term debt	**(19,249)**	(49,637)	**(171,866)**
Proceeds from payment by non-controlling shareholders	**608**	—	**5,428**
Proceeds from sale and lease-back transactions	**1,428**	927	**12,750**
Repayment of lease obligations	**(2,470)**	(3,084)	**(22,053)**
Cash dividends paid	**(4,314)**	(4,917)	**(38,517)**
Other, net	**(23)**	(28)	**(205)**
Net cash provided by (used in) financing activities	**11,138**	(20,724)	**99,446**
Effect of exchange rate changes on cash and cash equivalents	**(1,079)**	997	**(9,633)**
Net (decrease) increase in cash and cash equivalents	**(7,276)**	2,688	**(64,964)**
Cash and cash equivalents at beginning of the year	**53,598**	50,866	**478,553**
Cash of newly consolidated subsidiaries at beginning of the year	**—**	44	**—**
Cash and cash equivalents at end of the year	**¥ 46,322**	¥ 53,598	**$ 413,589**
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	**¥ 1,938**	¥ 2,423	**$ 17,303**
Income taxes	**¥ 6,938**	¥ 5,495	**$ 61,946**

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, 2016

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 shareholder's equity, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of the shareholder's equity 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 and prior service costs
   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 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

The Company and its domestic consolidated subsidiaries adopted "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7), effective from April 1, 2015. As a result, under these revised accounting standards, the accounting treatment for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary and the corresponding accounting for acquisition-related costs were revised. Accounting treatment for adjustments to provisional amounts during measurement period was also changed. In addition, the amendment of the presentation method of profit (loss) attributable to owners of parent, and the change from "minority interest" to "non-controlling interests", were made. The previous year's presentation of the consolidated financial statements was reclassified to reflect these changes in presentation.

The Company applies these revised accounting standards from April 1, 2015 on a prospective basis, based on the transitional provisions.

The impact on the consolidated financial statements was immaterial.

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 ¥112 = U.S.$1.00, the approximate exchange rate prevailing at March 31, 2016. 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, 2016 and 2015 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		
	2016			2015			**2016**		
	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	**¥ 18,065**	**¥ 10,930**	**¥ 7,135**	¥ 24,337	¥12,085	¥12,251	**$161,294**	**$ 97,589**	**$ 63,705**
Subtotal	**18,065**	**10,930**	**7,135**	24,337	12,085	12,251	**161,294**	**97,589**	**63,705**
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	**1,440**	**1,965**	**(525)**	1,074	1,322	(248)	**12,857**	**17,544**	**(4,687)**
Other	**5**	**5**	**—**	5	5	—	**44**	**44**	**—**
Subtotal	**1,445**	**1,970**	**(525)**	1,080	1,328	(248)	**12,901**	**17,589**	**(4,687)**
Total	**¥ 19,511**	**¥ 12,900**	**¥ 6,610**	¥ 25,417	¥13,414	¥12,003	**$174,205**	**$115,178**	**$ 59,017**

4. INVENTORIES

Inventories at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Finished goods	**¥ 36,599**	¥ 37,355	**$ 326,776**
Work in process	**19,496**	22,406	**174,071**
Raw materials and supplies	**23,373**	26,293	**208,687**
Total	**¥ 79,469**	¥ 86,055	**$ 709,544**

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Investments stated:			
By the equity method	**¥ 5,515**	¥ 5,162	**$ 49,241**
At cost or less	**594**	849	**5,303**
Advances	**72**	223	**642**
Total	**¥ 6,182**	¥ 6,236	**$ 55,196**

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans, principally from banks, at weighted-average interest rates of 1.2% and 1.3% at March 31, 2016 and 2015, respectively:			
Secured	**¥ 10,000**	¥ 3,500	**$ 89,285**
Unsecured	**40,597**	41,481	**362,473**
Total	**¥ 50,597**	¥ 44,981	**$ 451,758**

Long-term debts at March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Loans from banks, insurance companies and government agencies, due through 2020:			
Secured	**¥ —**	¥ 359	**$ —**
Unsecured	**71,487**	62,230	**638,276**
Subtotal	**71,487**	62,589	**638,276**
Less: Current portion	**(22,095)**	(18,348)	**(197,276)**
Total	**¥ 49,391**	¥ 44,241	**$ 440,991**

At March 31, 2016, ¥10,000 million ($89,285 thousand) of short-term borrowings were collateralized by assets amounting to ¥14,112 million ($126,000 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, 2016 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 22,095	$ 197,276
2018	18,999	169,633
2019	19,209	171,508
2020	10,429	93,116
2021 and thereafter	753	6,723
Total	¥ 71,487	$ 638,276

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2016 was ¥22,585 million ($201,651 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, 2016 and 2015 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2016			2015			**2016**		
	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 on hand and in banks (*1)	**¥ 47,829**	**¥ 47,829**	**¥ —**	¥ 53,632	¥ 53,632	¥ —	**$ 427,044**	**$ 427,044**	**$ —**
(2) Notes and accounts receivable	**135,910**			137,895			**1,213,482**		
Allowance for doubtful receivables (*2)	**(8,314)**			(7,346)			**(74,232)**		
	127,596	**127,596**	**—**	130,549	130,549	—	**1,139,250**	**1,139,250**	**—**
(3) Investments in securities (*3)	**22,992**	**22,481**	**(510)**	28,742	29,803	1,060	**205,285**	**200,723**	**(4,553)**
Total assets	**198,418**	**197,908**	**(510)**	212,924	213,985	1,060	**1,771,589**	**1,767,035**	**(4,553)**
(1) Notes and accounts payable	**65,477**	**65,477**	**—**	79,053	79,053	—	**584,616**	**584,616**	**—**
(2) Short-term borrowings	**50,597**	**50,597**	**—**	44,981	44,981	—	**451,758**	**451,758**	**—**
(3) Other accrued expenses	**33,265**	**33,265**	**—**	36,060	36,060	—	**297,008**	**297,008**	**—**
(4) Long-term debt (*4)	**71,487**	**72,265**	**777**	62,589	62,844	255	**638,276**	**645,223**	**6,937**
Total liabilities	**220,827**	**221,605**	**777**	222,684	222,939	255	**1,971,669**	**1,978,616**	**6,937**
Derivative transactions (*5)	**¥ 3**	**¥ 3**	**¥ —**	¥ 385	¥ 385	¥ —	**$ 26**	**$ 26**	**$ —**

*1 Cash on hand and in banks are included in "Cash and cash equivalents" and "Other" in the consolidated balance sheets.
*2 It comprises the allowance for doubtful receivables in respect to Notes and accounts receivable.
*3 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 on hand and in banks, 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) 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 (¥9,612 million ($85,821 thousand) and ¥9,690 million) at March 31, 2016 and 2015, 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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Retirement benefit obligation at April 1, 2015 and 2014	**¥ 112,442**	¥ 108,713	**$ 1,003,946**
Cumulative effects of changes in accounting policies	**—**	4,862	**—**
Restated balance at the beginning of the year	**112,442**	113,575	**1,003,946**
Service cost	**2,868**	3,006	**25,607**
Interest cost	**1,341**	1,012	**11,973**
Actuarial gain/loss	**9**	106	**80**
Retirement benefit paid	**(6,766)**	(6,971)	**(60,410)**
Prior service cost	**—**	1,700	**—**
Other	**(357)**	12	**(3,187)**
Retirement benefit obligation at March 31, 2016 and 2015	**¥ 109,538**	¥ 112,442	**$ 978,017**

The changes in plan assets during the year ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Plan assets at April 1, 2015 and 2014	**¥ 120,103**	¥ 115,995	**$ 1,072,348**
Expected return on plan assets	**2,986**	2,878	**26,660**
Actuarial gain/loss	**(10,061)**	2,293	**(89,830)**
Contributions by the Company and subsidiaries	**4,757**	4,720	**42,473**
Retirement benefits paid	**(5,801)**	(5,785)	**(51,794)**
Plan assets at March 31, 2016 and 2015	**¥ 111,983**	¥ 120,103	**$ 999,848**

*The plan assets include the Company's retirement benefit trust of ¥38,983 million ($348,062 thousand) and ¥48,044 million for the years ended March 31, 2016 and 2015, respectively.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2016 and 2015 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Funded retirement benefit obligation	**¥ 94,864**	¥ 98,239	**$ 847,000**
Plan assets at fair value	**(111,983)**	(120,103)	**(999,848)**
	(17,119)	(21,863)	**(152,848)**
Unfunded retirement benefit obligation	**14,673**	14,203	**131,008**
Net liability for retirement benefits in the balance sheet	**¥ (2,445)**	¥ (7,660)	**$ (21,830)**
Liability for retirement benefits	**24,841**	22,817	**221,794**
Asset for retirement benefits	**(27,286)**	(30,478)	**(243,625)**
Net asset for retirement benefits in the balance sheet	**¥ (2,445)**	¥ (7,660)	**$ (21,830)**

The components of retirement benefit expense for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥ 2,868**	¥ 3,006	**$ 25,607**
Interest cost	**1,341**	1,012	**11,973**
Expected return on plan assets	**(2,986)**	(2,878)	**(26,660)**
Amortization of actuarial gain/loss	**(1,727)**	21	**(15,419)**
Amortization of prior service cost	**(1,450)**	(1,514)	**(12,946)**
Amortization of transition obligation arising from the initial adoption of a new method of accounting	**—**	2,111	**—**
Other	**142**	406	**1,267**
Retirement benefit expense	**¥ (1,811)**	¥ 2,165	**$ (16,169)**

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Prior service cost	**¥ (1,450)**	¥ (3,518)	**$ (12,946)**
Actuarial gain/loss	**(11,805)**	2,598	**(105,401)**
Transition obligation arising from the initial adoption of a new method of accounting	**—**	2,120	**—**
Total	**¥ (13,255)**	¥ 1,200	**$ (118,348)**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ (3,192)**	¥ (4,642)	**$ (28,500)**
Unrecognized actuarial gain/loss	**(11,630)**	(23,435)	**(103,839)**
Total	**¥ (14,822)**	¥ (28,078)	**$ (132,339)**

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2016 and 2015 were as follows:

	2016	2015
Bonds	**42%**	38%
Stocks	**38**	45
Other	**20**	17
Total*	**100%**	100%

*The Company's pension and retirement benefit trust consists of 31% of the total plan assets for the year ended March 31, 2016 and 36% of the total plan assets for the year ended March 31, 2015, 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:

	2016	2015
Discount rate	**0.9%**	0.9%
Expected rate of return on plan assets	**2.5%**	2.5%

The Company and domestic consolidated subsidiaries paid for defined contribution pension plans of ¥2,140 million ($19,107 thousand) and ¥2,130 million for the years ended March 31, 2016 and 2015, respectively.

9. INCOME TAXES

Deferred tax assets and liabilities at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Deferred tax assets:			
Loss carryforwards	**¥ 14,515**	¥ 15,538	**$ 129,598**
Liability for retirement benefits	**12,836**	15,180	**114,607**
Accrued bonuses	**4,301**	4,637	**38,401**
Accounts payable for revision of retirement payment plan	**3,455**	5,075	**30,848**
Write-downs of inventories	**2,519**	2,805	**22,491**
Excess of allowance for doubtful receivables and bad debts expenses	**2,261**	3,126	**20,187**
Write-downs of investments on securities	**1,857**	1,920	**16,580**
Loss on impairment of fixed assets	**1,739**	1,303	**15,526**
Elimination of unrealized intercompany profits	**1,649**	1,637	**14,723**
Other	**6,187**	5,561	**55,241**
Gross deferred tax assets	**51,324**	56,787	**458,250**
Less: Valuation allowance	**(41,435)**	(42,111)	**(369,955)**
Total deferred tax assets	**9,889**	14,676	**88,294**
Deferred tax liabilities:			
Asset for retirement benefits	**(9,219)**	(13,381)	**(82,312)**
Taxable unrealized gain on contribution of securities to a pension trust	**(3,298)**	(3,405)	**(29,446)**
Net unrealized holding gain on other securities	**(1,989)**	(3,758)	**(17,758)**
Other	**(1,074)**	(1,420)	**(9,589)**
Total deferred tax liabilities	**(15,582)**	(21,965)	**(139,125)**
Net deferred tax liabilities	**¥ (5,693)**	¥ (7,289)	**$ (50,830)**

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Other current assets	**¥ 6,750**	¥ 9,647	**$ 60,267**
Other assets	**1,299**	2,403	**11,598**
Other current liabilities	**—**	0	**—**
Other long-term liabilities	**13,742**	19,340	**122,696**
Net deferred tax liabilities	**¥ (5,693)**	¥ (7,289)	**$ (50,830)**

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 33% and 36% for the years ended March 31, 2016 and 2015, 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 profit (loss) before income taxes for the years ended March 31, 2016 and 2015 were summarized as follows:

	2016	2015
Statutory tax rates	**33.0 %**	36.0 %
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	**(2.0)**	(0.7)
Permanent nondeductible differences such as entertainment expenses	**7.2**	2.3
Increase (decrease) in valuation allowance for deferred tax assets	**9.2**	(58.1)
Per capita portion of inhabitants' taxes	**2.4**	0.8
Downward adjustment of deferred tax assets at the end of the year due to tax rate change	**2.2**	1.0
Other, net	**2.9**	33.0
Effective tax rates	**54.9 %**	14.3 %

The "Act to Partially revise the Income Tax Act and Others" (Act No.15 of 2016) and the "Act to Partially revise the Local Tax and Others" (Act No.13 of 2016) were enacted on March 31, 2016. As a result, the effective statutory tax rate used to measure the Company's deferred tax assets and liabilities was changed from 32.0% to 31.0% for the temporary differences expected to be realized or settled in the year beginning April 1, 2016. The effect of the announced reduction of the effective statutory tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥10 million ($89 thousand) and increase deferred income tax expense by ¥259 million ($2,312 thousand), net unrealized holding gain on other securities by ¥71 million ($633 thousand) and retirement benefits liability adjustments by ¥176 million ($1,571 thousand) as of and for the year ended March 31, 2016.

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, 2016 and 2015 were as follows:

Millions of yen		Thousands of U.S. dollars
2016	2015	**2016**
¥ 13,317	¥ 13,755	**$ 118,901**

12. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the year ended March 31, 2016, along with the deteriorating of economic conditions in Brazil, OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A., a consolidated subsidiary in Brazil, recognized impairment losses of ¥1,032 million ($9,214 thousand) on assets held for operation due to the decline in the profitability. The calculation of impairment losses was based on the assets value in use.

13. PROVISION FOR ENVIRONMENTAL MEASURES

The provision for environmental measures for the year ended March 31, 2016 was estimated and recorded due to the possibility of the future potential losses related to environmental remediation.

14. DERIVATIVES

Derivative transactions at March 31, 2016 and 2015 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			
	2016				**2016**			
	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	**¥14,977**	**¥ —**	**¥ 816**	**¥ 816**	**$ 133,723**	**$ —**	**$ 7,285**	**$ 7,285**
Brazilian Real	**4,059**	**—**	**(112)**	**(112)**	**36,241**	**—**	**(1,000)**	**(1,000)**
Buy:								
U.S. Dollars	**2,393**	**—**	**(139)**	**(139)**	**21,366**	**—**	**(1,241)**	**(1,241)**
Total	**¥21,429**	**¥ —**	**¥ 565**	**¥ 565**	**$ 191,330**	**$ —**	**$ 5,044**	**$ 5,044**

	Millions of yen			
	2015			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Sell:				
Euro	¥ 6,264	¥ —	¥ 395	¥ 395
Buy:				
Pound Sterling	2,674	—	(10)	(10)
Total	¥ 8,938	¥ —	¥ 385	¥ 385

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 (The principle deferral hedge accounting)

		Millions of yen			Thousands of U.S. dollars		
		2016			**2016**		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Sell:							
U.S. Dollars	Accounts receivable	**¥ 90**	**¥ —**	**¥ 0**	**$ 803**	**$ —**	**$ 0**
Euro	Accounts receivable	**2,763**	**—**	**91**	**24,669**	**—**	**812**
Buy:							
U.S. Dollars	Accounts payable	**14,615**	**—**	**(654)**	**130,491**	**—**	**(5,839)**
Total		**¥ 17,469**	**¥ —**	**¥ (561)**	**$ 155,973**	**$ —**	**$ (5,008)**

		Millions of yen		
		2015		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Sell:				
U.S. Dollars	Accounts receivable	¥ 96	¥ —	¥ 0

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

(2) Forward foreign exchange contract (The alternative deferral hedge accounting)

		Millions of yen			Thousands of U.S. dollars		
		2016			**2016**		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Sell:							
U.S. Dollars	Accounts receivable	**¥ 97**	**¥ —**	*****	**$ 866**	**$ —**	*****

* Derivative transactions subject to the alternative deferral hedge accounting applied to forward foreign exchange contract are treated in combination with accounts receivable as hedged items. Hence, their fair value of forward foreign exchange contract is included in that of accounts receivable.

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

(3) Currency swaps

		Millions of yen			Thousands of U.S. dollars		
		2016			**2016**		
	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	**¥ 1,270**	**¥ 762**	**¥ 102**	**$ 11,339**	**$ 6,803**	**$ 910**

		Millions of yen		
		2015		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Pay Yen/receive U.S. Dollars	Long-term borrowings	¥ 1,778	¥ 1,270	¥ 278

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

(4) Interest rate swaps

		Millions of yen			Thousands of U.S. dollars		
		2016			**2016**		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Pay fixed/receive floating	Long-term borrowings	**¥ 50,231**	**¥ 36,033**	*****	**$ 448,491**	**$ 321,723**	*****

		Millions of yen		
		2015		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Pay fixed/receive floating	Short-term borrowings	¥ 20,000	¥ —	¥ (72)
	Long-term borrowings	41,314	32,584	*
Total		¥ 61,314	¥ 32,584	¥ (72)

* 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.

15. 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 ¥3 million ($26 thousand) and ¥16 million for the years ended March 31, 2016 and 2015, 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, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Machinery and equipment	**¥ 28**	¥ 28	**$ 250**
Less: Accumulated depreciation	**23**	20	**205**
Total	**¥ 4**	¥ 7	**$ 35**

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
2017	¥ 3	$ 26
2018 and thereafter	2	17
Total	¥ 5	$ 44

Minimum rental payments subsequent to March 31, 2016 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
2017	¥ 2,337	$ 20,866
2018 and thereafter	12,714	113,517
Total	¥ 15,052	$ 134,392

16. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
As guarantors of employees' housing loans	**¥ 309**	¥ 384	**$ 2,758**

17. AMOUNTS PER SHARE

In accordance with the accounting standard for earnings per share, basic earnings per share is computed based on the profit attributable to owners of parent of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted earnings per share is computed based on the profit attributable to owners of parent 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
	2016	2015	**2016**
Earnings:			
Basic	**¥ 7.61**	¥ 40.03	**$ 0.06**
Diluted	**—**	38.13	**—**

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets	**¥ 122.91**	¥ 137.74	**$ 1.09**

18. STOCK OPTION PLANS

At March 31, 2016, the following employee stock option plans of the Company had been approved by the shareholders:

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

19. 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, 2016 and 2015 were summarized as follows:

	Millions of yen							
	2016							
	Segments							
For the year ended March 31	Info-Telecom Systems	Printers	EMS	Subtotal	Other	Total	Adjustments	Consolidated
Sales to third parties	**¥ 304,841**	**¥ 124,647**	**¥ 42,354**	**¥ 471,843**	**¥ 18,471**	**¥ 490,314**	**¥ —**	**¥ 490,314**
Inter-segment sales and transfers	**4,016**	**5,580**	**308**	**9,905**	**24,183**	**34,089**	**(34,089)**	**—**
Net sales	**308,858**	**130,228**	**42,662**	**481,748**	**42,655**	**524,403**	**(34,089)**	**490,314**
Operating income (loss)	**16,533**	**1,426**	**2,284**	**20,243**	**4,185**	**24,429**	**(5,834)**	**18,594**
Total assets	**208,595**	**71,652**	**31,649**	**311,897**	**26,439**	**338,337**	**73,438**	**411,776**
Depreciation and amortization	**6,461**	**4,120**	**1,048**	**11,630**	**1,115**	**12,746**	**1,243**	**13,989**
Amortization of the goodwill	**211**	**—**	**—**	**211**	**—**	**211**	**—**	**211**
Investments in equity-method affiliates	**2,102**	**—**	**—**	**2,102**	**30**	**2,133**	**3,381**	**5,515**
Increase in property, plant, equipment and intangible assets	**¥ 7,902**	**¥ 3,355**	**¥ 1,010**	**¥ 12,267**	**¥ 1,556**	**¥ 13,824**	**¥ 1,133**	**¥ 14,957**

	Millions of yen							
	2015							
	Segments							
For the year ended March 31	Info-Telecom Systems	Printers	EMS	Subtotal	Other	Total	Adjustments	Consolidated
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

For the year ended March 31	Thousands of U.S. dollars							
	2016							
	Segments				Other	Total	Adjustments	Consolidated
	Info-Telecom Systems	Printers	EMS	Subtotal				
Sales to third parties	**$ 2,721,794**	**$ 1,112,919**	**$ 378,160**	**$ 4,212,883**	**$ 164,919**	**$ 4,377,803**	**$ —**	**$ 4,377,803**
Inter-segment sales and transfers	**35,857**	**49,821**	**2,750**	**88,437**	**215,919**	**304,366**	**(304,366)**	**—**
Net sales	**2,757,660**	**1,162,750**	**380,910**	**4,301,321**	**380,848**	**4,682,169**	**(304,366)**	**4,377,803**
Operating income (loss)	**147,616**	**12,732**	**20,392**	**180,741**	**37,366**	**218,116**	**(52,089)**	**166,017**
Total assets	**1,862,455**	**639,750**	**282,580**	**2,784,794**	**236,062**	**3,020,866**	**655,696**	**3,676,571**
Depreciation and amortization	**57,687**	**36,785**	**9,357**	**103,839**	**9,955**	**113,803**	**11,098**	**124,901**
Amortization of the goodwill	**1,883**	**—**	**—**	**1,883**	**—**	**1,883**	**—**	**1,883**
Investments in equity-method affiliates	**18,767**	**—**	**—**	**18,767**	**267**	**19,044**	**30,187**	**49,241**
Increase in property, plant, equipment and intangible assets	**$ 70,553**	**$ 29,955**	**$ 9,017**	**$ 109,526**	**$ 13,892**	**$ 123,428**	**$ 10,116**	**$ 133,544**

(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 ¥5,908 million ($52,750 thousand) and ¥5,923 million for the years ended March 31, 2016 and 2015, 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 ¥200,287 million ($1,788,276 thousand) and ¥209,779 million at March 31, 2016 and 2015, respectively.

20. ADDITIONAL INFORMATION

On October 10, 2015, Oki Banking Systems (Shenzhen), a consolidated subsidiary of the Company, submitted a dispute to arbitration demanding payment of outstanding accounts receivable of RMB 1,115,463 thousand or ¥19,397 million ($173,187 thousand) and related damages against a distributor, Shenzhen Yihua Computer Industrial Co., Ltd.

The case is currently under examination by the South China International Economic and Trade Arbitration Commission Shenzhen Court of International Arbitration (SCIA).

21. SUBSEQUENT EVENTS

Change in the Number of Shares per Trading Unit and Share Consolidation

At the Board of Directors' meeting held on May 20, 2016, the Company resolved to submit a proposal on a "Share Consolidation and Change in the Number of Shares per Trading Unit" to the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016. The proposal was approved by resolution of the general meeting of shareholders. The details are as follows:

1. Purpose of Change in the Number of Shares per Trading Unit and Share Consolidation

For the convenience of investors, Japanese stock exchanges announced the "Action Plan for Consolidating Trading Units", aiming to standardize the number of share trading units of domestic companies listed on Japanese stock exchanges to be 100 shares of common stock per 1 trading unit, which is expected to be completed by October 1, 2018.

Based on this action plan, the Company, as a listed company in Japan, resolved to change the number of shares per trading unit from 1,000 shares to 100 shares. The Company has also decided to implement a 10-for-1 share consolidation in order to maintain a consistent price level per trading unit and preserve the number of shareholders' voting rights despite the change in the number of shares per trading unit.

2. Details of Change in the Number of Shares per Trading Unit

The number of shares per trading unit of common stock will be changed from 1,000 shares to 100 shares as of the date of the share consolidation.

3. Details of Share Consolidation

(1) Class of stocks

Common stock

(2) Consolidation method and ratio

On October 1, 2016, 10 shares of common stock will be consolidated into 1 share of common stock, based on the number of shares held by shareholder recorded in the latest shareholder register as of September 30, 2016.

(3) Total number of authorized shares as of the effective date
Based on the consolidation ratio, the total number of authorized shares will be reduced as follows.

Total number of authorized shares (Prior to October 1, 2016)	Total number of authorized shares (On or after October 1, 2016)
2,400,000,000	240,000,000

(4) Change in number of shares as a result of the shares consolidation

Total number of outstanding shares before consolidation (As of March 31, 2016)	872,176,028 shares
Number of shares decreased due to consolidation	784,958,426 shares
Total number of outstanding shares after consolidation (As of October 1, 2016)	87,217,602 shares

"Number of shares decreased due to consolidation" and "Total number of outstanding shares after consolidation" are the theoretical number calculated based on the total number of outstanding shares before the share consolidation and the share consolidation ratio.

(5) Treatment of fractional shares
If fractional shares of less than one share arise as a result of the share consolidation, the Company shall sell them in accordance with the Companies Act. The proceeds from the sale shall then be distributed to the shareholders in proportion to their respective ownership interests.

4. Schedule of Change in the Number of Shares per Trading Unit and Share Consolidation

Resolution at the Board of Directors' meeting	May 20, 2016
Resolution at Ordinary General Meeting of Shareholders	June 24, 2016
Effective Date of Change in the Number of Shares per Trading Unit and Share Consolidation	October 1, 2016

5. Impacts on Per Share Information
Assuming the share consolidation was conducted at April 1, 2014, per share information for the years ended March 31, 2015 and 2016 would be as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net assets per share	**¥ 1,229.09**	¥ 1,377.44	**$ 10.97**
Earnings per share:			
Basic	**¥ 76.10**	¥ 400.34	**$ 0.67**
Diluted	**—**	381.27	**—**

6. Adjustment to Exercise Price of Stock Options
The exercise price of stock options will be adjusted effective October 1, 2016 as a result of the share consolidation.

Resolution at the Board of Directors' meeting	Pre-adjustment exercise price	Post-adjustment exercise price
June 26, 2007	¥ 248	¥ 2,480

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, 2016, and the consolidated statements 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, 2016, 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, 2016