
ANNUAL REPORT 2017

(For the year ended March 31, 2017)

OKI Group Values

The OKI Group Action Principles we enacted in September 2016 give formal expression to values shared by all OKI Group executives and employees. Amid large changes in the business environment, we seek to embed these principles as extensively as we can into our practices with the commitments expressed in the OKI Group Charter of Corporate Conduct and the OKI Group Code of Conduct as the cornerstones of our corporate activities. We seek to realize our corporate philosophy by striving to embody our vision.

Corporate Philosophy

The people of OKI, true to the company's "enterprising spirit," are committed to creating superior network solutions and providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age.

Vision

The OKI Group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of "Mono-zukuri" and "Koto-zukuri."

*Mono-zukuri: to have the spirit and mind-set to innovate, create and improve products

*Koto-zukuri: to work together, proactively seeking opportunities that deliver value to customers

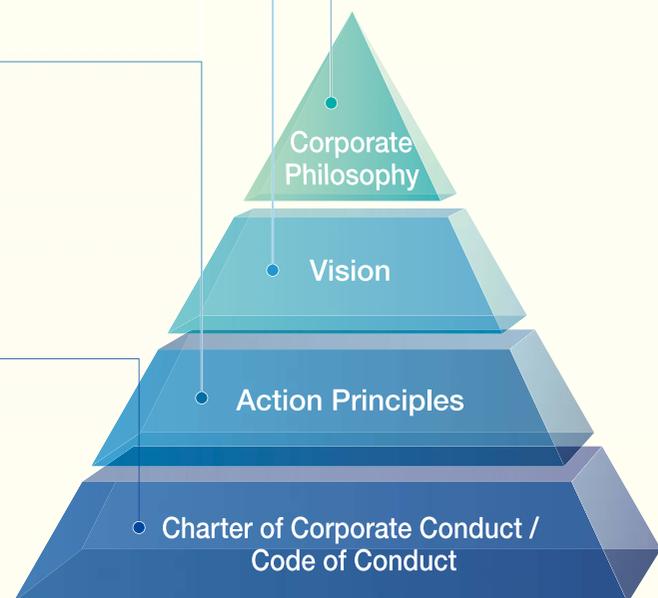
Action Principles

- Act with integrity
- Challenge and drive change
- Perform with speed and agility
- Be passionate, and determined to succeed
- Proactively encourage excellence as "Team OKI"

OKI Group Charter of Corporate Conduct/ OKI Group Code of Conduct

OKI Group Charter of Corporate Conduct
CSR activities OKI Group must accomplish based on its corporate philosophy

OKI Group Code of Conduct
Codes of conduct executives and employees must conform to in accordance to OKI Group Charter of Corporate Conduct



Profile

Founded in 1881, Meikosha, Ltd. was the forerunner of today's OKI and Japan's first telecommunications equipment manufacturer. Meikosha's success came from the company's "enterprising spirit" to attempt to become the first domestic manufacturer of telephones only five years after Alexander Graham Bell's invention of the telephone in 1876.

Underpinned by this "enterprising spirit," which has been nurtured and passed down throughout the Company's long history, OKI has developed and provided a succession of products that have contributed to the development of today's information society. Always in the vanguard of technology innovation, OKI began selling computers containing Japan's first domestically developed core memories, developed the world's first cash recycling automated teller machine (ATM) that recycles deposited bills as funds for withdrawals, developed LED printers, and introduced the first Voice-over-Internet Protocol (VoIP) system to the Japanese market.

As a company that supports social infrastructural development, OKI will quickly grasp and incorporate the needs of the market into the development of products that satisfy customers, while contributing to the development of an information society. Guided by its brand statement, "Open up your dreams," OKI will diligently strive to achieve the dreams and hopes of stakeholders, to become the preferred global partner of choice and achieve continuous growth.

Open up your dreams

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Editorial Policy

- Annual Report 2017 is published with the aim of disseminating useful information to investors and other stakeholders.
- In addition to OKI Group's financial information such as business activities and results for fiscal year 2016, this annual report also includes information about our environmental, social, and governance (ESG) initiatives.
- For specifics on our policies and systems in the areas of environmental and social matters, please visit our website.

FINANCIAL AND NON-FINANCIAL HIGHLIGHTS

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

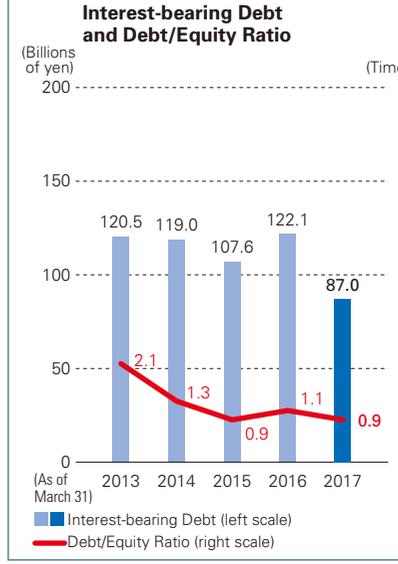
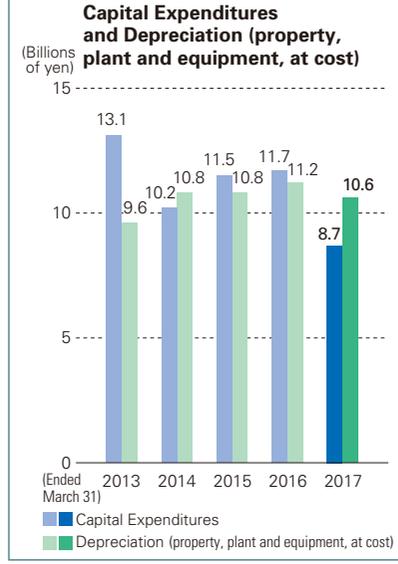
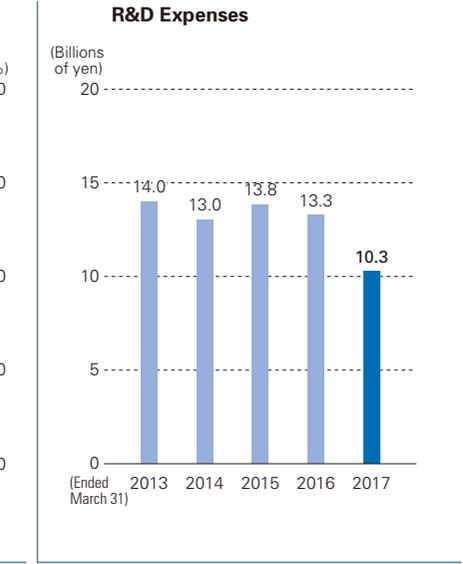
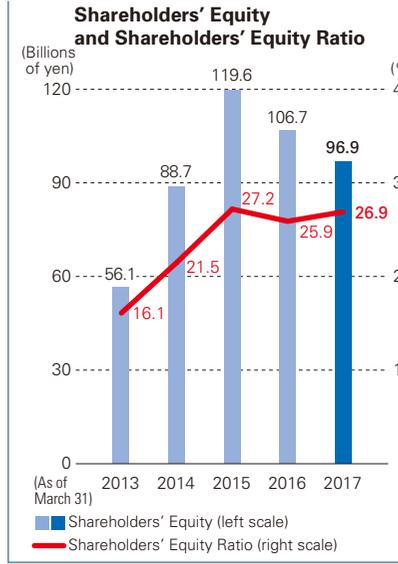
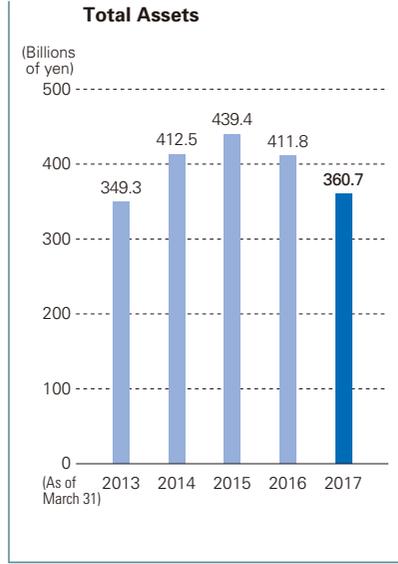
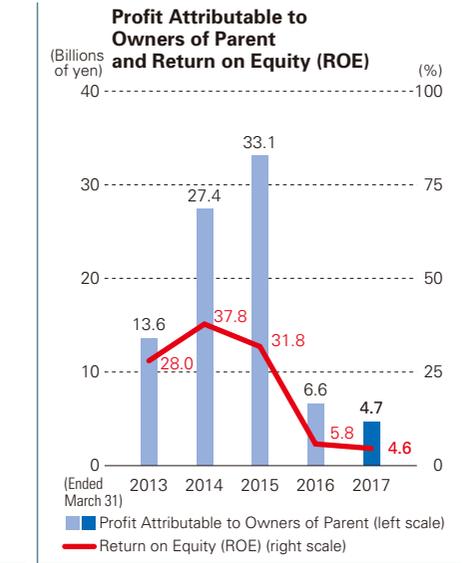
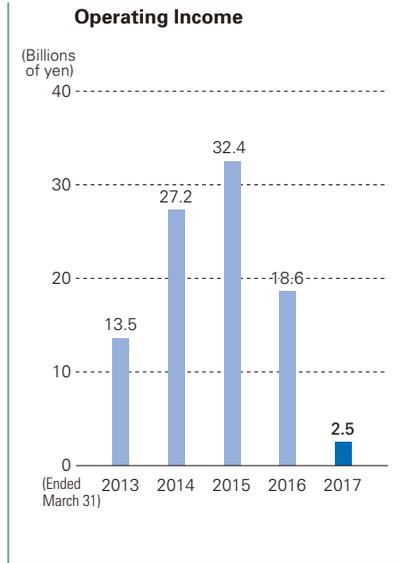
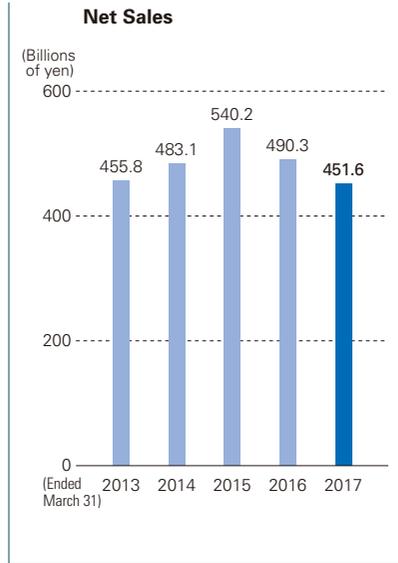
Ended March 31	Millions of yen					Thousands of U.S. dollars (Note 1)	
	2013	2014	2015	2016	2017	2017	
For the year							
Net sales	¥ 455,824	¥ 483,112	¥ 540,153	¥ 490,314	¥ 451,627	\$ 4,032,383	
Operating income	13,475	27,196	32,415	18,594	2,545	22,723	
Profit attributable to owners of parent	13,599	27,359	33,091	6,609	4,691	41,883	
Net cash (used in) provided by operating activities	(11,619)	31,868	40,999	(3,573)	41,967	374,705	
Net cash (used in) provided by investing activities	(9,214)	(13,977)	(18,583)	(13,762)	7,588	67,750	
Free cash flow	(20,833)	17,890	22,415	(17,335)	49,555	442,455	
At the year end							
Total assets	¥ 349,322	¥ 412,514	¥ 439,358	¥ 411,776	¥ 360,724	\$ 3,220,750	
Shareholders' equity	56,072	88,735	119,626	106,733	96,878	864,982	
Interest-bearing debt	120,524	119,004	107,570	122,084	87,012	776,892	
Ratios							
Return on assets (ROA) (%)	3.8	7.2	7.8	1.6	1.2		
Return on equity (ROE) (%)	28.0	37.8	31.8	5.8	4.6		
Shareholders' equity (%)	16.1	21.5	27.2	25.9	26.9		
						U.S. dollars (Note 1)	
						Yen	
Per share amounts (Note 2)							
Net income	¥ 17.24	¥ 36.21	¥ 40.03	¥ 76.10	¥ 54.03	\$ 0.48	
Net assets (shareholders' equity, excluding warrants and non-controlling interests in consolidated subsidiaries)	34.40	79.32	137.74	1,229.09	1,115.68	9.96	
Cash dividends	—	3.00	5.00	50.00	50.00	0.44	
Non-financial data							
Number of employees	17,459	21,090	20,653	20,190	19,464		
Employment rate of challenged people (%)	1.99	2.17	2.12	2.13	2.15		
Ratio of manager-level females (non-consolidated, %)	1.98	2.14	2.42	2.60	3.17		
Greenhouse gases from our business activities (tons of CO ₂)	94,017	103,706	100,646	96,908	93,852		

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, 2017.

Note 2: With an effective date of October 1, 2016, a one-for-ten stock consolidation was implemented. Attendant with this, net income per share, net assets per share and cash dividends per share have been calculated on the assumption that this stock consolidation was carried out at the beginning of the fiscal year ended March 31, 2016.

Forward-looking Statements

This annual report contains forward-looking statements concerning the OKI Group's future plans, financial targets, technologies, products, services and performance. These forward-looking statements represent assumptions and beliefs based on data and calculation methods currently available to OKI as of the date of publication, and therefore OKI does not guarantee the accuracy of statements are subject to changes attributable to business risks and uncertainties, which may affect OKI's performance and consequently cause actual results to differ from our forecasts.





**Become a Company
with Stable Profitability,
and Establish a Base for
Achieving Sustainable
Growth and Evolution**

A handwritten signature in black ink that reads "S. Kamagami". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Shinya Kamagami
President
Oki Electric Industry Co., Ltd.

The latest digital technologies are giving rise to a new wave of innovation that is appearing in various situations in society. The digital transformation driven by progress in information and communication technology (ICT) is having a large impact on the business environment of our customers. Amid a future where such trends shape the environment, the OKI Group strives to always be a source of reassurance to its customers by providing services and products that contribute to realizing a safe, comfortable society as a company supporting social infrastructure. We seek to earn the trust of our stakeholders through corporate activities to realize sustainable growth and evolution.

Fiscal Year 2016 Business Results

In fiscal year 2016, the final year of Mid-term Business Plan 2016, domestic operations led by the ICT business performed in line with plan but sales volume declined at overseas units of the mechatronics systems business and the printers business. As a result, net sales declined ¥38.7 billion year on year to ¥451.6 billion. Operating income dropped ¥16.1 billion to ¥2.5 billion due to the provision of allowance for doubtful accounts related to the receivables in Chinese ATM business. Owing to the booking of ¥4.8 billion in foreign exchange losses at the level of non-operating expenses, ordinary losses came to ¥2.4 billion, a downswing of ¥13.8 billion. At the net income level, the Company reported extraordinary gains of ¥12.6 billion on the sale of shares of subsidiaries and gains of ¥7.8 billion on the return of assets from retirement benefits trust against losses of

¥2.4 billion on sales of fixed assets and losses of ¥2.5 billion related to the Anti-Monopoly Act. As a result of these factors, profit attributable to owners of parent declined ¥1.9 billion year on year to ¥4.7 billion.

As for our financial position, total assets dropped ¥51.1 billion from the prior fiscal year-end to ¥360.7 billion. Shareholders' equity sank ¥9.8 billion against the level of the prior fiscal year-end to ¥96.9 billion, reflecting the booking of ¥4.7 billion in profit attributable to owners of parent on the one hand and a decline in accumulated other comprehensive income of ¥8.2 billion and ¥4.3 billion for ordinary dividend payments on the other. The shareholders' equity ratio rose one point from the previous fiscal year-end to 26.9% and the DE ratio edged down 0.2 point from the previous fiscal year-end to 0.9 times.

Outlook for Fiscal Year 2017

For fiscal year 2017, the first year of Mid-term Business Plan 2019, the plan targets net sales of ¥455.0 billion, up ¥3.4 billion year on year, operating income of ¥13.0 billion, up ¥10.5 billion, and profit attributable to owners of parent of ¥8.0 billion, up ¥3.3 billion. Following on from Mid-term Business Plan 2016, we aim "to be a company that can secure stable profitability," and establish a base for sustainable growth and evolution.

The outlook by our business segment is as follows. At the ICT business, we are investing to support new businesses we expect to grow over the medium and long term while securing stable earnings at existing businesses. At the mechatronics systems business, with the ATM market trend in China leveling off, we expect improvement in the performance of the subsidiary in Brazil, and ATM sales expansion in other emerging markets. The printers business

is striving to secure stable earnings as its foremost priority as it implements structural reforms. Like it has done so far, the EMS business is working to expand while developing new fields.

FY2017 Targets

Net sales	¥455.0 billion
Operating income	¥13.0 billion
Profit attributable to owners of parent	¥8.0 billion

Review of Mid-term Business Plan 2016

Under Mid-term Business Plan 2016, we set business targets of increasing the shareholders' equity ratio to 30% or more, reducing the DE ratio to 1.0 times or less, and achieving an operating profit margin of 6%, and carried out business activities with the aim of "securing stable profitability" and "realizing sustainable growth."

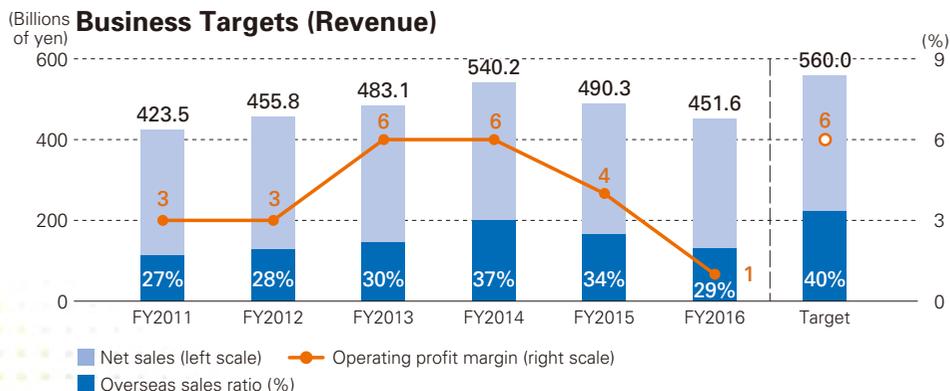
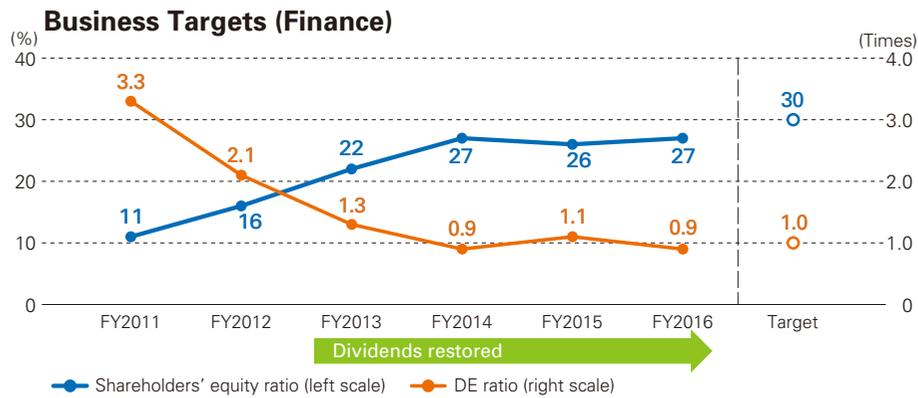
In fiscal year 2016, the plan's final year, the shareholders' equity ratio improved five points and the DE ratio fell below the target for 1.0 times or less, so the financial position clearly improved, reflecting results from activities over the plan's three-year span. Moreover, the profitability of the ICT business improved, the EMS business achieved sustainable growth, and, on the whole, we achieved our plans to sow seeds to foster next-generation social infrastructure fields and growth businesses in emerging markets for the mechatronics systems business.

That said, despite attaining the operating profit margin target in the plan's first year, we need to learn from our inability to respond swiftly to rapid changes in the business environment since fiscal year 2015 as earnings at overseas businesses in mechatronic systems and printers flagged, obstructing our efforts to continue to reinforce our earnings

power. We believe this may have stemmed from our inability to reinforce our earning capacity, and looking back, we have broadly speaking identified three causes underlying this setback;

- 1) we were unable to make management decisions in a timely manner in response to rapid shifts in the business environment in overseas markets;
- 2) strategy due diligence and management at overseas businesses, which were the basis for our business decisions, were too optimistic and lacked objectivity; and
- 3) our overall earnings structure had become too reliant on a single market, China.

On this basis, one challenge we see for the new mid-term business plan is to swiftly rebuild the mechatronics systems business and the printers business while accelerating reforms to group governance systems, a process that has been underway since fiscal year 2016. The other main challenge is fostering next-generation social infrastructure fields and growth businesses in emerging markets for the mechatronics systems.



Mid-term Business Plan 2019

►Basic Policies

In May 2017, OKI released Mid-term Business Plan 2019, a three-year plan that ends in fiscal year 2019. "To be a company that can secure stable profitability," we will make reinforcing earning capacity as our top focus and strive to establish a base for achieving sustainable growth and evolution. For that reason, we will bolster our capacity to develop distinctive technologies and products, a source of strength for OKI, as well as reinforce the business know-how we have built up over many years with our customers. By combining these strengths with our partner strategy of making active use of external capabilities concerning co-creation activities that give birth to new businesses as well as business processes, we will succeed in reinforcing earning capacity.

As for business segment strategies, we will secure a baseline earnings level at the ICT business, and swiftly rebuild the earnings power of the mechatronics systems business with the competitive strategic products. At



the printers business, we seek to achieve stable profits through strategic transformation. At the EMS business, which continues to grow smoothly, we will pursue further growth. In addition to these focal points, we aim to create and nurture new growth businesses such as next-generation social infrastructure.

►Business Targets

Mid-term Business Plan 2019 targets an operating profit margin of 6% and shareholders' equity ratio of 30% or more. In fiscal year 2019, the plan's final year, it sets as targets net sales of ¥500.0 billion, operating income of ¥30.0 billion, and shareholders' equity of ¥120.0 billion. While making improvement in profitability via earning capacity reinforcement a priority, we aim to improve our financial position and return a steady level of profits to shareholders.

Business Targets

Operating profit margin	6%
Shareholders' equity ratio	30% or more

Revenue Targets

	FY2016 Results
Net sales	¥451.6 billion
Operating income	¥2.5 billion
Shareholders' equity	¥96.9 billion
Shareholder returns	Dividend of ¥50 per share

Reinforce
earning capacity

FY2019 Targets
¥500.0 billion
¥30.0 billion
¥120.0 billion
Stable dividend

Exchange rate assumptions: ¥110/\$ ¥115/€

▶Business Strategies by Segment

Clarifying what we see as the focus fields for each business, we will carry out business activities. At the ICT business, we aim to create new businesses with the Internet of Things (IoT) as drivers of change while securing stable earnings, mainly from the social infrastructure market as a core business for the OKI Group. At the mechatronics systems business, we aim to expand net sales and earnings by launching strategic products with top-notch cost competitiveness in emerging markets and broadening and

▶Common Measures Supporting Growth

R&D and New Business Creation

We have established two core R&D themes to further refine the technologies in which we excel. The first is “smart sensing” technologies where we draw on technologies we own to harness optical, acoustic and image sensing and analyze in-depth information from the field using advance sensing techniques. The other theme is “humane mechatronics” that achieves optimal personal services that are human friendly based on our view of mechatronic terminals as a contact point between people and society. We plan to make active investments of ¥45.0 billion in the three years to fiscal year 2019 into core R&D themes, including the aforementioned two themes. While working jointly with companies with strengths in specific fields based on distinctive technologies, we will actively harness open innovation with the aim of creating new businesses in our focus markets.

improving our product lineup for the domestic retail market. At the printers business, we are switching to a niche strategy with a focus on the industrial printing market where our capabilities in developing high-function, high-quality products are strengths. At the EMS business, our focus is on the domestic high-end market, and by actively pursuing M&A opportunities and developing new fields such as aviation, aerospace and trial production of electrical components, we look to build up annual sales to the ¥100.0 billion range.

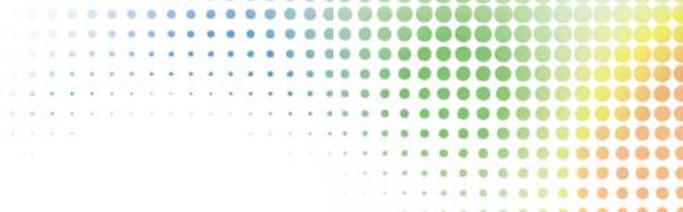
Bolstering Our Human Resources Management and Governance

As for the human resources important for achieving sustainable growth and evolution, a newly launched project team at OKI is also vigorously forging ahead with work style reform, in addition to advancing previously commenced initiatives to promote the role of women in the workplace, which is starting to yield results. We are improving our system for evaluating employee performance to foster a stronger sense of motivation so employees will through their actions assertively step up to the innovation challenge. As for corporate governance, we will reorganize our management environment into simpler frameworks in an effort to build a system that enables effective decision-making through a combination of proactive and defensive forms of governance.

Financial and Investment Policies

Drawing on cash flows and working capital generated through improvements to working capital and greater asset efficiency, we intend to selectively allocate more capital to growth and new businesses, directing ¥45.0 billion to ¥55.0 billion to such businesses in the three years to fiscal year 2019.





Toward Realization of Proactive and Defensive Forms of Governance

In February 2017, the Japan Fair Trade Commission issued a cease and desist order and ordered OKI to pay fines with regards to violations of the Anti-Monopoly Act concerning digital wireless communication systems for firefighting emergency use. Regarding this matter, we would like to extend our deepest apologies for the worries and difficulties it has caused all our stakeholders.

Based on reflection about this matter, OKI will strive to bolster risk management and do as much as it can to embed compliance into practices at the Group level, while working to

strengthen and improve corporate governance to realize higher corporate value over the medium and long term by improving management transparency and fairness and further accelerating decision-making processes. As part of our efforts to achieve this, we have advanced various initiatives that support stronger oversight functions such as ensuring at least two independent outside directors serve on our Board of Directors and establishing the Personnel Affairs and Compensation Advisory Committee. We will continue to debate matters such as a medium-term management strategy aimed at sustainable growth.

To Fulfill Our Social Responsibilities

OKI strives to fulfill its social responsibilities in accordance with its corporate philosophy. The OKI Group Charter of Corporate Conduct and the OKI Group Code of Conduct have been established as the basis for the OKI Group Values, and OKI is working to ensure thoroughgoing adherence to the Charter and the Code. With the aim of advancing proactive initiatives to reduce the Group's environmental impacts, the OKI Group Environmental Vision 2020 sets targets for 2020 in four areas: realization of

low-carbon societies, prevention of pollution, resource circulation, and biodiversity conservation.

As a signatory to the United Nations Global Compact, we continue to work to bolster our activities relating to the Compact's ten principles concerning human rights, labor, the environment, and anti-corruption. Concurrently, we strive to form an accurate recognition of social issues from various angles in our corporate activities so we can contribute to creating a sustainable society.

Returning Profits to Shareholders

OKI endeavors to return profits to shareholders in a continuous and stable manner and regards this as a top management priority. Our dividend payments in fiscal year 2016 were an interim dividend of ¥2 per share and a year-end dividend of ¥30 per share. Taking into account the reverse stock split where ten shares were exchanged for one share on October 1, 2016, the adjusted full-year dividend in fiscal year 2016 came to ¥50 per share. For fiscal year 2017,

based on our business plan and our policy of returning profits to shareholders, we aim to pay an interim dividend of ¥20 per share and a year-end dividend of ¥30 per share for a full-year dividend of ¥50 per share. As a way of improving our financial structure under Mid-term Business Plan 2019, we seek to build up shareholders' equity with a target to raise this ratio to 30% or more. On dividends, our aim is to pay dividends in a stable and continuous manner.

In Conclusion

2017 will mark 136 years since our founding. As we implement Mid-term Business Plan 2019, we think achievement of reinforced earning capacity and being a company that can secure stable profitability will enable us to meet the expectations of all those who support OKI. While pursuing sustainable growth and evolution in the years to come, we will

continue our efforts to build a brighter future connecting generations as we reach our 140th and 150th anniversaries and beyond in the future. I look forward to the continued support and cooperation from all our stakeholders.

August 2017

STRATEGY AT A GLANCE

BUSINESS SEGMENTS

MAIN PRODUCTS AND SERVICES

ICT

Business providing solutions, products and services supporting social infrastructure based on distinctive technologies

- Traffic infrastructure-related systems (flight control systems, ITS-related systems)
 - Disaster-related systems (firefighting-related systems, disaster prevention administrative radio systems for municipalities)
 - Self-defense-related systems
 - Communications equipment for telecom carriers
 - Bank branch systems and centered-administration systems for financial institutions
 - Ticket reservations and issuing systems
 - UC* systems (IP-PBX/business telephones, contact centers, etc.)
 - 920MHz band wireless multi-hop communication systems
 - Maintenance and construction services
- *UC: Unified Communication



Mechatronics Systems

Business offering products and services based on our core mechatronics technology such as ATMs and cash handling equipment

- ATMs
- Cash handling equipment
- Bank branch terminals
- Ticket reservations and issuing terminals
- Check-in terminals
- ATM monitoring and operations services



Printers

Business harnessing our LED technologies to offer printers that match customer needs for markets ranging from offices to industrial printing

- Color LED and monochrome LED printers
- Color LED and monochrome LED multi-function printers (MFPs)
- Dot-impact printers
- Wide format inkjet printers
- Wide format multi-function printers
- LED print heads



EMS

Business offering consigned design & manufacturing services based on our extensive record in social infrastructure equipment

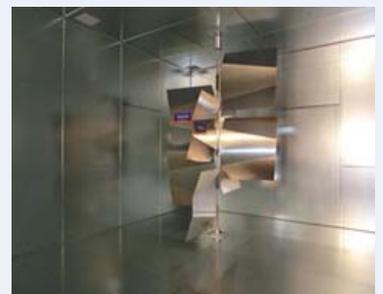
- Consigned design & manufacturing services for communications equipment
- Consigned design & manufacturing services for industrial instruments
- Consigned design & manufacturing services for measuring instruments
- Consigned design & manufacturing services for medical equipment
- Consigned design & manufacturing services for broadcasting, electricity, and traffic-related



Others

Independent business via subsidiaries

- Electronic components
- Power devices
- Precision compact motors
- Reliability testing and environmental conservation-related services

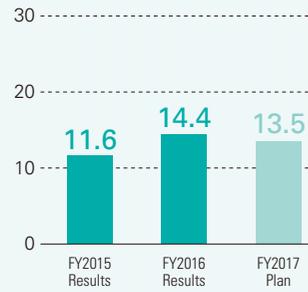
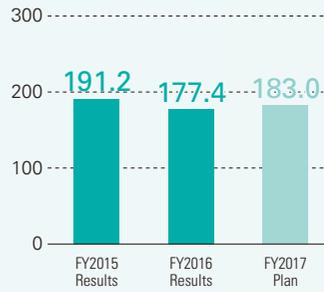
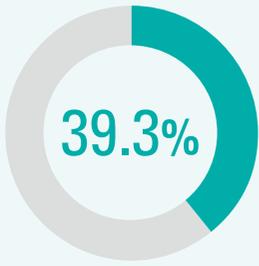


SALES COMPOSITION

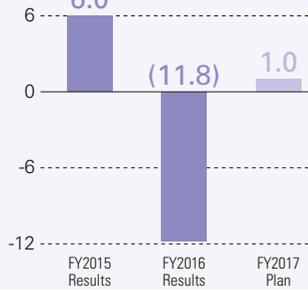
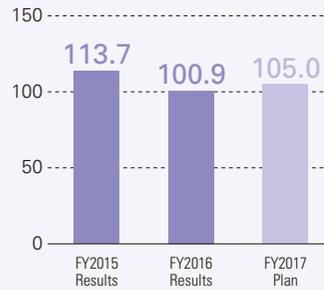
NET SALES (Billions of yen)

OPERATING INCOME (Billions of yen)

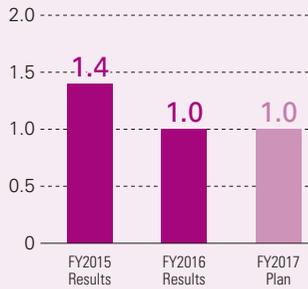
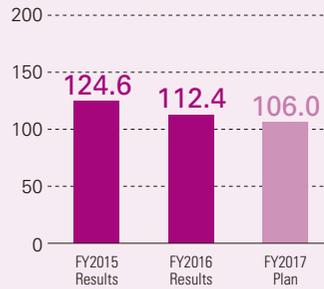
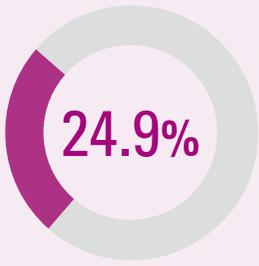
MAJOR CONSOLIDATED SUBSIDIARIES



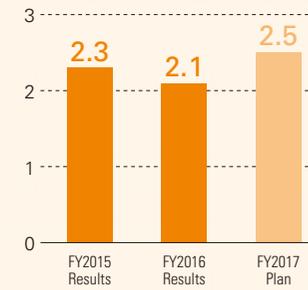
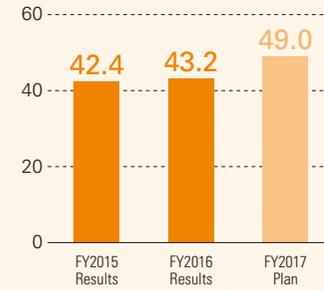
- OKI Customer Adtech
- OKI Software
- OKI Wintech
- Shizuoka OKI



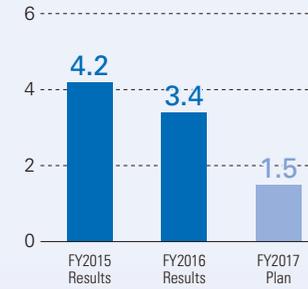
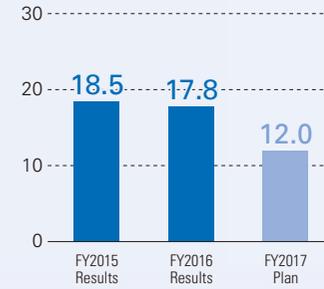
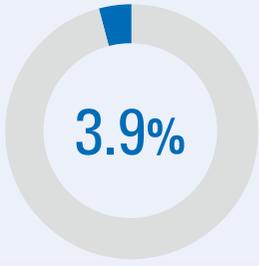
- Japan Business Operations
- OKI Electric Industry (Shenzhen)
- OKI Banking Systems (Shenzhen)
- OKI Brasil



- OKI Data
- OKI Data Infotech
- OKI Data Americas
- OKI Europe
- OKI Data Manufacturing (Thailand)



- Nagano OKI
- OKI Printed Circuits
- OKI Communication Systems
- OKI Circuit Technology
- OKI IDS



- OKI Micro Engineering
- OKI Techno Power Systems
- OKI Engineering

ICT

We aim to achieve sustainable growth by creating new businesses with the digital transformation as drivers of change and by maintaining or expanding stable earnings at core businesses.



Senior Vice President,
Head of ICT Business Division
Masashi Tsuboi

► Fiscal Year 2016 Earnings

Net sales declined 7.2% year on year to ¥177.4 billion. In the enterprise solutions business, sales dropped owing to effect of front-loaded demand in the previous fiscal year in systems for domestic financial institutions. In the corporate solutions business, sales trended steadily on progress in securing new projects. In the telecom systems business, sales declined due to the ending of sales of existing network systems to telecom carriers in the previous fiscal year. In the social infrastructure systems business, sales fell as large projects in public sector systems slumped and demand for switching to digital wireless communication systems for firefighting wound down.

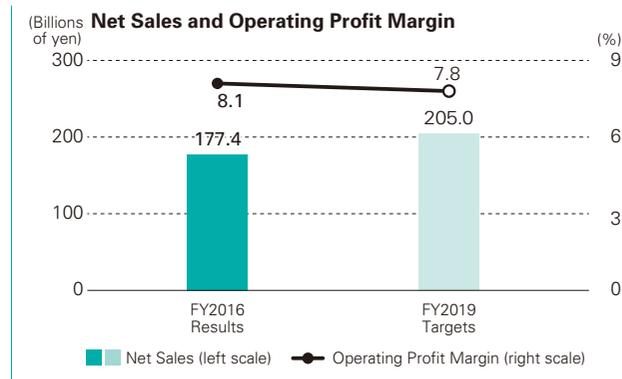
Operating income came to ¥14.4 billion for an operating profit margin of 8.1%. Despite the impact of weaker sales volume, profitability improved thanks to structural reforms. An increase in products expected to drive future growth such as 920MHz band wireless multi-hop systems and an improvement in product mix also contributed.

► Mid-term Business Plan 2019

Through the merger of three business divisions implemented in fiscal year 2016, the ICT business has built a business framework to be an early mover in executing an IoT-based growth strategy. We seek to create new businesses that harness the IoT-based digital transformation as drivers of change, while also raising the earnings baseline by securing large-scale

renewal demand orders in existing markets using merger synergies from this new framework. Combining our technologies in the three areas of sensing, networks and data processing, we seek to address a wide array of social issues in focus fields such as traffic, construction and infrastructure, disaster prevention, medical, finance and retail, and manufacturing.

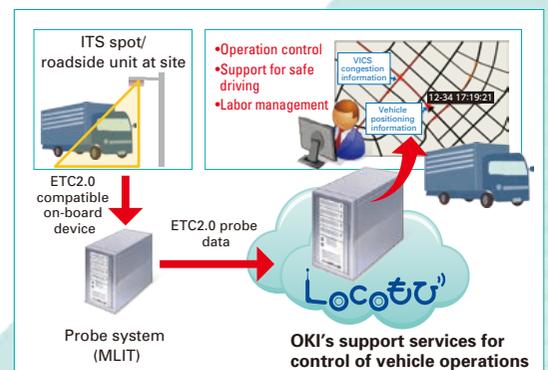
The ICT business aims for net sales of ¥205.0 billion and operating income of ¥16.0 billion in fiscal year 2019 under Mid-term Business Plan 2019, drawing on its strengths in “Mono-zukuri” manufacturing, technology assets, and an installed customer base it has built up over 136 years as an OKI Group core business.



TOPICS

Launched Pilot Social Project “ETC2.0 Services Supporting Control of Vehicle Operations”

OKI, along with Marubeni Corporation, is jointly participating in a pilot social project where the National Institute for Land and Infrastructure Management (NILIM), a national research organization affiliated with Ministry of Land, Infrastructure, Transport and Tourism (MLIT), publicly sought corporate partners. The pilot social project has been running as an experimental service to support control of vehicle operations for logistics companies using ETC2.0 since March 2017. This project provides services supporting control of vehicle operation, including dynamic management, using ETC2.0 probe data. The support service aims to improve operational efficiency, and evaluates the effectiveness of services using ETC2.0.



Conceptual Diagram of Pilot Social Project “ETC2.0 Service Supporting Control of Vehicle Operations”

Mechatronics Systems

We are a global supplier of products based on mechatronics technologies, and seek to return to growth by developing emerging markets and expanding sales of cash handling equipment in the domestic retail market.



Senior Vice President,
Head of Mechatronics
Systems Business Division

Kenichi Tamura

► Fiscal Year 2016 Earnings

Net sales declined 11.2% year on year to ¥100.9 billion. ATM sales for China declined sharply on the loss of the two months sales we had in the previous fiscal year to our local partner, as well as the demand in large urban centers leveling off. At businesses in emerging markets, the economy in Brazil has continued to slow since fiscal year 2015, so customers are curtailing investment, causing sales there to decline. In other regions, sales grew steadily, led by Southeast Asia. At our domestic business, in contrast, sales of cash handling equipment to service industries were robust.

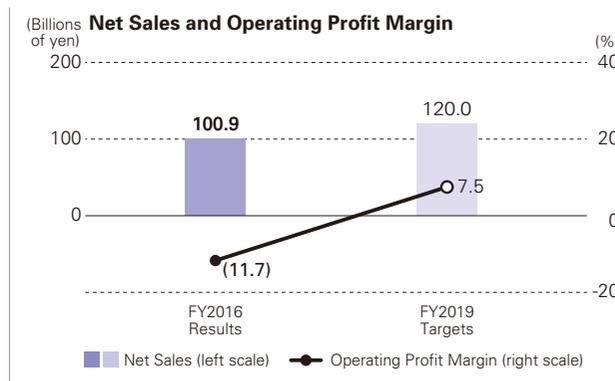
Operating losses came to ¥11.8 billion. This reflected the impact of production adjustments due to lower sales volume and inventory corrections, in addition to the provision of an allowance for doubtful accounts related to the receivables at the Chinese ATM business.

► Mid-term Business Plan 2019

At the mechatronics systems business, we expect earnings to lag as we rebuild our businesses in Brazil and China through fiscal year 2017 under Mid-term Business Plan 2019. From fiscal year 2018 onward, plan calls for the subsidiary in Brazil to move into profit and earnings at the China business to stabilize. In emerging markets, especially India and Southeast Asia, we plan to launch strategic products that compete effectively on cost with the aim of expanding our businesses. Along with coordinating and cooperating

with our sales and maintenance partners to turn our global business framework into an effective, reliable system, we will proceed with the restructuring of our overseas production sites with the aim of further bolstering our cost competitiveness.

In contrast, we are stepping up our approach to the domestic retail market, improving and expanding our product lineup, with cash handling equipment as our mainstay. Through such initiatives, the mechatronics systems business aims to achieve net sales of ¥120.0 billion and operating income of ¥9.0 billion in fiscal year 2019 under Mid-term Business Plan 2019.



TOPICS

Launched Strategic “ATM-Recycler G8” for Emerging Markets

We have commenced sales of “ATM-Recycler G8,” a new cash recycling ATM for overseas markets. This new model is a strategic product with higher speed and greater capacity for responding to growing cash demand and higher future scalability. As part of its plans to further expand its mechatronics systems business overseas, OKI plans to sell 150,000 units of this model over the next five years in emerging markets such as India and Southeast Asia, where market expansion is expected.



ATM-Recycler G8

Web site <http://www.oki.com/en/press/2017/05/z17009e.html>

Printers

We seek to bolster our profitability by switching to a niche strategy focused on the industrial printing market.



Senior Vice President
President, Oki Data
Corporation

Toru Hatano

► Fiscal Year 2016 Earnings

Net sales declined 9.8% year on year to ¥112.4 billion. Although there was a boost from consolidating OKI Data Infotech Corporation, which was established in October 2015, the printer market environment continued to deteriorate. In LED printers, this meant a sideways trend in shipment volumes of high-value-added strategic products such as color multifunction printers (MFPs) and a slump in single-function printers (SFPs), which account for a high ratio of overall printer sales. In addition, progressive yen strengthening was a millstone depressing sales.

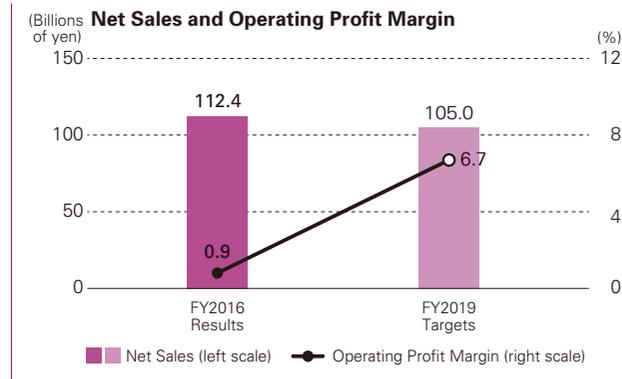
Operating income dipped ¥0.4 billion year on year to ¥1.0 billion. The decline reflected lower sales volumes in existing products and the downward pressure on sales from a stronger yen but thanks to an improved product mix and thoroughgoing efforts to streamline fixed costs, the business stayed profitable.

► Mid-term Business Plan 2019

The environment facing the printer market continues to be challenging due to slumping office printing demand and stiffer price competition. Under Mid-term Business Plan 2019, we intend to focus on streamlining in the office printing market and shifting to development of niche segments in the industrial printing market to secure stable profitability at the printers business. We aim to secure our market position, leveraging our ability to realize high-quality printing on

multiple media ranging from wide format to compact label printing as a source of competitiveness. Attendant with this strategic transformation, we will narrow down our product lineup for offices and restructure our overseas sales companies, production footprint and head office functions in a bid to make our organization lighter and nimbler. Leveraging OKI's strength in LED technology, we will bolster our competitiveness and expand external sales of LED print heads.

Mid-term Business Plan 2019 envisions the printer business securing stable earnings without reliance on large-scale sales, and on this basis, it aims for net sales of ¥105.0 billion and operating income of ¥7.0 billion in fiscal year 2019.



TOPICS

Succession of New Wide-Format Printers Launched

OKI Data Infotech launched a succession of new wide format printers in fiscal year 2016. Two models are in the wide format inkjet printer category: the ColorPainter™ E-54s and E-64s. Six models are in the wide format LED multifunction printer category: the Teriostar LP-2060 and LP-2060-MF, Teriostar LP-1050 and LP-1050-MF, and Teriostar LP-1150 and LP-1150-MF. Through these new product launches, we improved and expanded our wide format printer lineup. The printers business aims to continue to expand sales to industrial printing markets in Japan and overseas.



ColorPainter E-54s

Web site <http://www.oki.com/en/press/2016/09/z16036e.html>

EMS

With our proprietary high-end electronics manufacturing services, we aim to expand annual sales to ¥100.0 billion, leveraging our strength in combining high-mix, low-volume manufacturing with high quality and reliability.



Executive Officer, Head of Electronics Manufacturing Services Business Division

Yoshiyuki Nakano

► Fiscal Year 2016 Earnings

Net sales rose 1.9% year on year to ¥43.2 billion. Despite the effects of a delay in consignment orders from a large existing customer, the overall trend at the business was steady. In orders for the measuring instruments market, the EMS business added new customers and increased sales through M&A. Operating income declined ¥0.2 billion year on year to ¥2.1 billion.

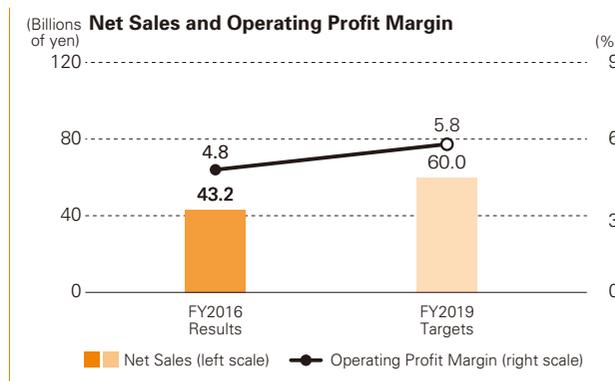
► Mid-term Business Plan 2019

Since its founding, the EMS business has grown steadily as a specialist business that draws on the comprehensive “Monozukuri” capabilities OKI has honed over many years. What we see as key market trends to watch are the downtrend in domestic production and the shift to overseas production, so we expect opportunities for customers to use EMS to increase. The EMS business draws on OKI’s strength in providing one-stop design and production consignment service and the brand power it has built up in the market to delve deeper in pursuit of customers in the tele communications, industrial applications, measurement instruments and medical sectors. Moreover, we aim to develop the field of trial production of electrical components, an area that is expected to grow over the medium and long terms, even as we ramp up sales in the field of aviation and aerospace.

Combining these efforts with active pursuit of M&A opportunities in keeping with our approach so far, we seek to secure new customers and technologies and expand capacity. On the

latter point, we plan to invest ¥5.0 billion over three years to bolster production capacity. We will further strengthen our Monozukuri capabilities by obtaining more certifications for standards across the Group as a whole and investing in high-density mounting and quality assurance technology while we work to reinforce marketing activities through group collaboration.

We will focus on the domestic high-end market, where we excel, while staying close to our customers so we can understand their needs. Under Mid-term Business Plan 2019, the EMS business targets net sales of ¥60.0 billion and operating income of ¥3.5 billion in fiscal year 2019, with the aim of expanding sales to ¥100.0 billion as soon as is practicable.



TOPICS

Reinforcing Our Printed Circuit Board Business

We acquired the printed circuit board (PCB) business of Nippon Avionics Co., Ltd. It primarily supplies high degree-of-difficulty, high reliability PCBs for aviation and aerospace uses as well as for semiconductor inspection equipment. The acquisition is aimed at leveraging synergies with OKI’s stronghold in PCBs for high-end products and propelling the EMS business to share leadership in the domestic market for large-scale, multilayer circuit boards. We will also work to strengthen the EMS business by expanding consignment orders for integrated production that goes from PCBs through to final product assembly.



The PCB business acquired from Nippon Avionics has been relocated to OKI Circuit Technology.

Web site <http://www.oki.com/en/press/2016/07/z16020e.html>

Promoting Co-Creation and Open Innovation Aimed at Creating New Businesses

Supporting digital transformation for customers, the OKI Group promotes the development of new integrated technologies in its stronghold of contact regions between physical reality and digital spaces from the viewpoint of “connected society,” “connected lifestyles,” and “connected manufacturing” to advance further down the path of digital transformation.

From a “connected society” standpoint, we aim to establish “smart sensing” technologies that integrate our strengths in sensing technologies and networks in conjunction with our know-how in data analysis. From a “connected lifestyles” standpoint, we aim to develop “humane mechatronics” technologies that integrate our strengths in mechatronics, human-machine interface (HMI) and dialogue-oriented artificial intelligence (AI) systems. From a “connected manufacturing” standpoint, we aim to establish “various kinds, various volume production” technologies that integrate our production technologies and augmented reality (AR) and virtual reality (VR) applications with our strength in data use.

1. “Smart Sensing” Technologies for a “Connected Society”

OKI has strengths in three necessary elements for the Internet of Things (IoT): sensing technologies, networks, and data analysis. While developing more advanced forms of these technologies, we seek to realize a “connected society” by organically linking these elements together to collect and analyze in real time in-depth information from the field, which was not possible until recently.

Sensing

OKI has developed optical fiber sensing technology that detects distortions in optical fibers, their temperature, and the distribution of signal oscillations in real time from minute changes in optical signals detected with high precision. Optical fiber installations make it possible to detect fires across a wide area, monitor the condition of structures, and detect trespassing in real time. These technologies, along with the imaging and radio sensing technology we have developed over the years, will contribute to social infrastructure monitoring.

Networks

OKI developed the world’s first 920MHz band wireless multi-hop network technology with low power consumption requirements that can be scaled up for large systems. This versatility allows various sensors and equipment to be connected to the network regardless of the environment. We expect combining this with 5G technology such as optical transmission and data analysis technologies will lead to applications in the field of structure monitoring.

Data Analysis

OKI is accumulating data from sensing technologies in fields such as traffic, disaster prevention and manufacturing. Through analysis of these massive data collections, we are working to develop technologies that extract in-depth information from the field.

2. “Humane Mechatronics” Technologies for “Connected Lifestyles”

OKI is working to develop new humane mechatronics technologies that integrate HMI and dialogue-oriented AI technologies with OKI-developed mechatronics for various terminals such as ATMs, printers, ticket vending machines and KIOSK terminals.

There are many OKI terminals connected to networks with interfaces that enable end users to operate them directly. Whereas hardware has often been designed for single functions such as cash deposits and withdrawals, printing, and dispensing train tickets, we are now pursuing work aimed at developing advanced terminals that combine multiple services in concert with the surrounding environment and user status while communicating with users. We aim to create communication terminals that provide services while staying close to users and talking to them so the terminals can sense what they want, rather than users turning to installed terminals for specific purposes.

3. “Connected Manufacturing” Technologies for “Various Kinds, Various Volume Production”

Our production facilities are used to manufacture not only OKI-branded products but also to manufacture the products of other companies on consignment in ways that meet our standards for reliability and quality. Our strengths are not just our mass production lines, but also the flexibility in responding to customer needs for low-volume runs that range from a few units to several million units.

By combining AR and VR technologies with such production technologies, we aim to realize “various kinds, various volume production” technologies that can respond in real time to an even wider variety of needs.

For example, we aim to achieve high efficiency in performing an ever changing series of tasks for small-lot consignments where we harness AR technologies to superimpose on sub-assemblies by displaying sub-assembly instructions for each task set. Moreover, leveraging VR technologies, we aim a situation, in which a beginner or even an unexperienced person at the location can handle maintenance tasks at the same level as a veteran engineer by having a veteran engineer remotely communicates maintenance task instructions.

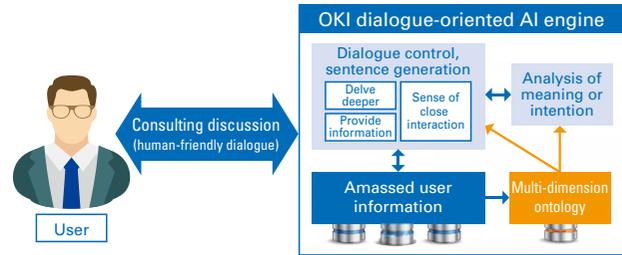
TOPICS 1 Dialogue-Oriented AI Technology Draws Out Hopes and Genuine Needs of Users

OKI has developed several dialogue-oriented AI technologies that integrate proprietary natural language processing technology and knowledge processing technology.

Today, it is testing several kinds of dialogue systems with an eye to commercial potential: one uses frequently asked questions (FAQ) to respond to user inquiries in a Q&A format; another keeps chatting with users in steps with their utterances; and another is a voice-operated instruction system that works on smartphones and computers. Apart from these, OKI is developing a dialogue-oriented AI system with embedded expert knowledge for consulting-type discussions. With unique ways of expressing knowledge using multi-dimensional ontology technology* (patent protected) and knowledge and discussion know-how like that of experts, this system can ask the proper probing questions, provide information, and interact with users in the same way as experts do, enabling us to construct human-friendly services

and systems. Through this system, users are able to engage in dialogue with the system in a more natural manner.

*Multi-dimension ontology technology: Technology that adapts the knowledge it calls upon dynamically in the midst of a discussion in response to contextual information about users it has accumulated.



Comment from Engineers

The dialogue-oriented AI system draws on OKI's nearly 30 years of R&D in natural language processing technology and knowledge processing technology as well as its product development experience. We feel very pleased to be able to deliver such a system to our customers. In step with further advances in the dialogue-oriented AI system, we plan to focus on developing technologies that retrieve the knowledge it needs for dialogue from existing texts (manuals, other materials) and dialogue logs.

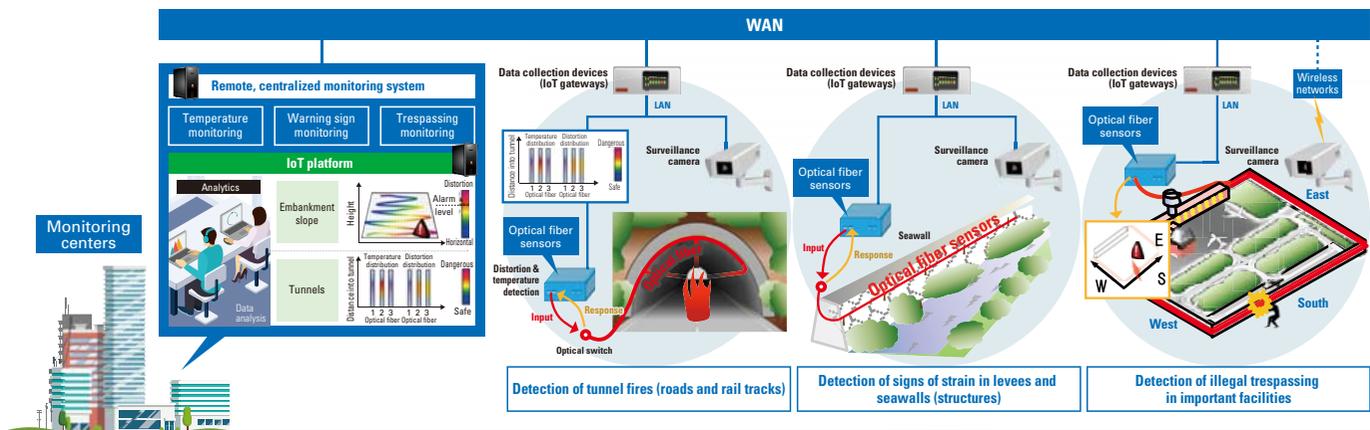
TOPICS 2 Optical Fiber Sensing Technology for Advanced Social Infrastructure Management and Facility Security

OKI has developed a wide array of optical fiber sensing technologies that it expects to apply to detecting illegal trespassing into important facilities and to real-time condition monitoring of large-scale structures with temperature-tracking and distortion-sensing technologies.

Toward sensing temperature and distortion, proprietary OKI formats are applied in the core light detection components. It is able to provide at a low cost advanced measurement technology that had been out of reach in the past such as real-time distribution measurements of dynamic strain in large-scale structures. Moreover, OKI succeeded this time in developing unique oscillation detection

technology that can accurately detect irregular vibrations in optical fibers induced by interaction with trespassers. Combined with high-level analysis technology such as AI, it is expected to eliminate false alarms, which had been a concern with illegal trespassing detection applications, contributing to stronger security at important facilities such as airports and electric power plants.

OKI will centrally manage the sensing data collected from optical fiber sensors and other devices via local-area networks (LAN) and wide-area networks (WAN) on an IoT platform with the aim of developing monitoring systems that enable an even higher level of organic sensing.



Comment from Engineers

One unique attribute of optical fiber sensing technology is it can ascertain in real time an overall view of the status of broad expanses that run along installed optical fiber without requiring many sensors. We are working to develop high-reliability sensing technology and data-mining technology that makes full use of the strength of optical fiber sensing technology to unerringly detect illegal trespassing into important facilities like airports and electric power plants and monitor conditions at aging bridges, tunnels and other infrastructure.

OKI GROUP ESG SUPPORTS CORPORATE VALUE

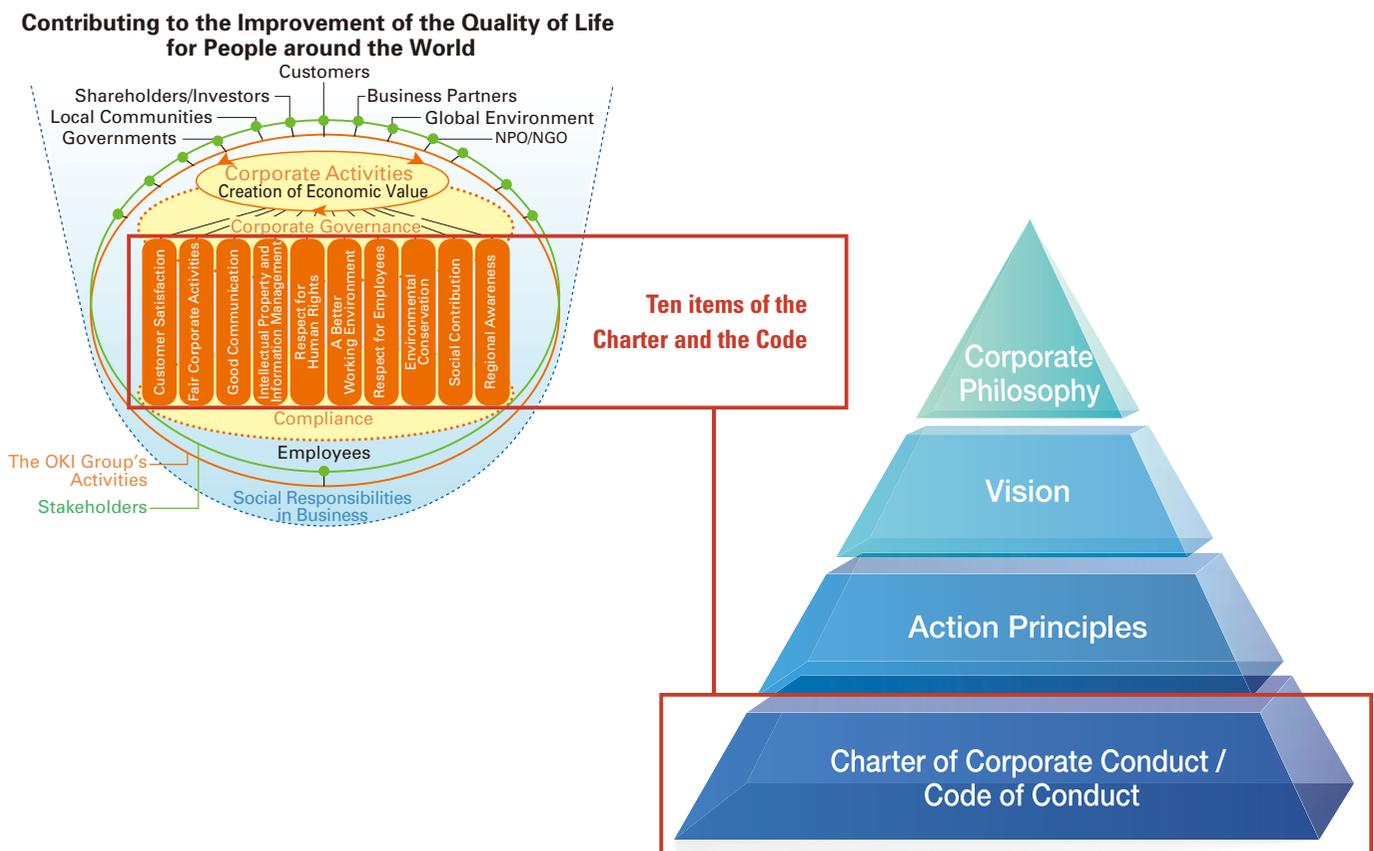
The OKI Group’s initiatives of corporate social responsibility focus on contributing to the improvement of the quality of life for people around the world through sound corporate activities based on our corporate philosophy. Based on recognition of global social problems, we work to advance environmental, social and governance (ESG) initiatives that support our corporate value.

The OKI Group, as described in its corporate philosophy, aims at contributing to people around the world through its core business, namely the provision of products and services that can serve the development of the information age. What underlies the Group’s CSR initiatives is our commitment to the pursuit and fulfillment of this idea.

Based on this recognition, we enacted the OKI Group Charter of Corporate Conduct to ensure the Group as a whole fulfills its social responsibilities precisely in ways that comport with the Group’s corporate philosophy. In addition, in accordance with the Charter, OKI set up the OKI Group Code of Conduct to be conformed to by all OKI executives

and employees. This Code of Conduct has been adopted across all Group companies and incorporated into OKI’s educational programs. The Charter and the Code are regarded as the basis for OKI Group Values that all Group executives and employees hold in esteem in their pursuit of increasing corporate value (see page 1 to read OKI Group Values).

The OKI Group is advancing ESG initiatives while reconfirming what social responsibilities the Group ought to fulfill in light of accepted global norms such as the United Nations Global Compact and ISO26000, an international standard on social responsibility as well as the expectations that all our stakeholders direct toward us.



The OKI Group Charter of Corporate Conduct and the OKI Group Code of Conduct are regarded as the basis for OKI Group Values.

OKI Group Charter of Corporate Conduct

For the betterment of corporate value, the OKI Group (Oki Electric Industry Co., Ltd. and members of its group of companies) seeks to provide satisfaction to its customers at all times and to become a trusted partner for our stakeholders, including shareholders and investors, employees, customers and suppliers, and the local societies of the areas in which it operates. In addition to complying with all related laws and regulations, the OKI Group will implement sound corporate activities consistent with social norms, and contribute to the improvement of the quality of life for people around the world.

■ Customer Satisfaction

The OKI Group is dedicated to developing and providing products and services that ensure continued customer satisfaction, in full consideration of safety and ease of use.

■ Fair Corporate Activities

The OKI Group conducts appropriate transactions and works to ensure fair, transparent, and free competition.

■ Good Communication

The OKI Group engages with society through a variety of interactions, and discloses company information in manners that are appropriate and fair.

■ Intellectual Property and Information Management

The OKI Group recognizes the importance of intellectual property, and properly manages and protects company and customer information, including personal information.

■ Respect for Human Rights

The OKI Group respects the human rights of all persons involved in its corporate activities and eliminates illicit discrimination of any kind. It does not allow child labor nor forced labor.

■ A Better Working Environment

The OKI Group ensures and maintains a safe and comfortable working environment for all employees.

■ Respect for Employees

Respecting the individuality of each employee, the OKI Group creates a corporate culture in which its personnel are encouraged to engage challenges facing the group with courage and determination.

■ Environmental Conservation

In order to realize and pass on a better global environment, the OKI Group promotes environmental management and makes efforts to conserve the environment through its products and its business activities.

■ Social Contribution

As a good corporate citizen, the OKI Group implements social contribution activities dedicated to the betterment of society.

■ Regional Awareness

The OKI Group endeavors to build a positive relationship and grow together with local societies, respecting the cultures and customs of the countries and regions in which it operates.

Participation in the United Nations Global Compact

In May 2010, OKI signed the United Nations Global Compact to declare its support for the Compact. It also became a member of the Global Compact Network Japan, which is a local network in Japan. The OKI Group supports the Global Compact's 10 principles in the areas of human rights, labor, environment, and anti-corruption, and will work to contribute to creating a sustainable society.



The Ten Principles of the UN Global Compact

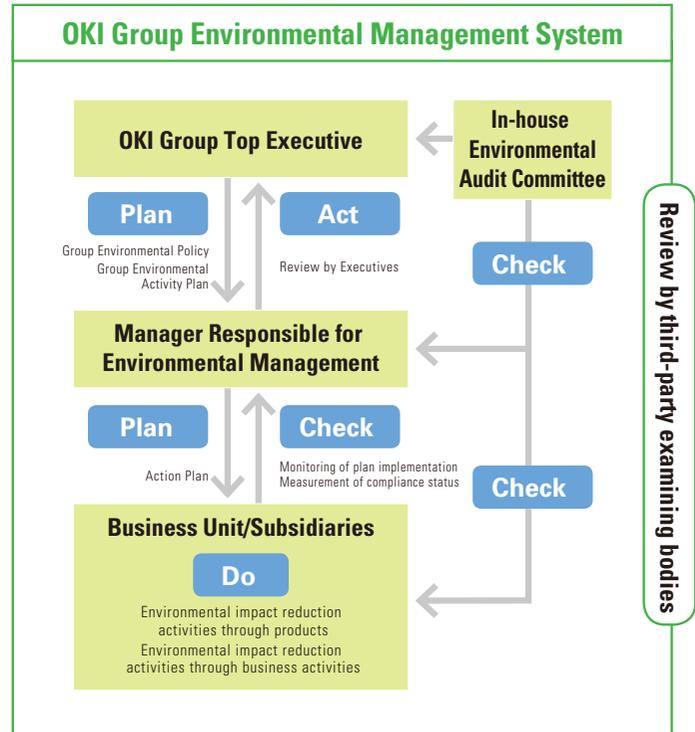
Human Rights	Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2: make sure that they are not complicit in human rights abuses.
Labor	Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4: the elimination of all forms of forced and compulsory labor;
	Principle 5: the effective abolition of child labor; and
	Principle 6: the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7: Businesses should support a precautionary approach to environmental challenges;
	Principle 8: undertake initiatives to promote greater environmental responsibility; and
	Principle 9: encourage the development and diffusion of environmentally friendly technologies.
Anti-corruption	Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

CONSIDERATION FOR THE ENVIRONMENT

On the basis of the “OKI Group Environmental Policy” developed by taking environmental issues into consideration, the OKI Group plans specific activities and implements them under the banner of “OKI Group Environmental Vision 2020,” which comprises four themes. Moreover, we operate environmental management systems for the entire Group as the foundation of our environmental management.

OKI Group Environmental Vision 2020

- 1. Realization of low-carbon societies**
Maximize energy consumption efficiency in the business operations, and reduce energy consumption by 8% per nominal sales (corresponds to 12% reduction per real sales) from fiscal 2012. Contribute to the realization of low-carbon societies by continuously providing environmentally friendly products and services.
- 2. Prevention of pollution**
Reduce emission of chemical substances, that can adversely affect people’s health and environment, into the atmosphere and water system by 8% per nominal sales (corresponds to 15.5% reduction per real sales) from fiscal 2012.
- 3. Resource circulation**
Increase the amount of recycling of used products by 25% from fiscal 2012. In addition, minimize the new input resources through expanded recycling of waste materials, reduced input material during production and promotion of environmentally friendly designs.
- 4. Biodiversity conservation**
Engage in conservation and sustainable use of biodiversity through prevention of global warming, prevention of air and water pollution caused by chemical substances, expansion of recycling processes and minimization of new input resources.



OKI Group Main Environmental Activity Plan (Fiscal Year 2016): Targets and Achievements

Category	Activity Content	Fiscal 2016 Targets → Outcome
Realization of low-carbon societies		
Products	Development of energy-saving products	20% or more of developed products → 28% (energy saving of 21% or more over conventional products)
Business activities	Energy-savings in workplaces (plants and offices)	Reduction of 8% or more → 1.1% reduction (consumption vs. FY2012*1)
Prevention of pollution		
Products	Development of products complying with regulations on chemical substances in products	40 or more products → 73 products
	Ensuring legal compliance by supporting the new standard survey form (chemical substance management system/management procedure manual)	Support for chemSHERPA: Start of operation → started in July
Business activities	Reduction of chemical substance emissions from plants (atmosphere/water/soil)	Reduction of 22% or more → 10.9% increase (consumption vs. FY2012*2)
	Compliance with chemical substance related regulations (atmosphere/water/soil)	Compliance with legal audits; zero legal violations → achieved
Resource circulation		
Products	Recycling of used products	Over 4,000t → 3,969t
	Development of easily recyclable products	30 or more products → 32 products
Business activities	Reduction and appropriate disposal of waste	Recycling rate 80% or more → 63%
	Streamlining of resource input	Improvement of 17% or more → 8.8% improvement (consumption vs. FY2012*3)
Common		
Biodiversity conservation	Realization of low-carbon societies/Prevention of pollution/Resource circulation	Promotion of the above initiatives

*1 Energy consumption (converted in crude oil: kℓ)/consolidated sales (100 million yen)

*2 Chemical substance emissions (t)/output (100 million yen)

*3 Resource input (t)/output (100 million yen)

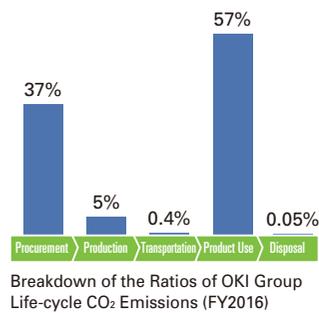
Implementing Life-cycle Environmental Management

The OKI Group applies environmental management from a life-cycle perspective across its entire supply chain in Japan and overseas. We obtained survey data on environmental impacts at each stage from procurement to production, transportation, product use and disposal, carried out attribute-based analysis of our products and workplaces, and reflected our analysis into our environmental management.

Breakdown of Life-cycle CO₂ Emissions and the Product Characteristics Approach

Product use accounts for the largest proportion of life-cycle CO₂ emissions of the entire supply chain of the OKI Group.

In order to realize a reduction in energy consumption at the time of product use, measures in line with product characteristics are necessary. For example, for products that cycle between standby and startup and whose power consumption fluctuates according to the throughput, such as ATM products and printers, we have set the development theme as reducing power consumption during standby and startup. Meanwhile, for products that operate continuously with constant electric power consumption, such as communication equipment, we are taking measures to achieve a fixed reduction in electricity consumption.



Environment Measures according to Site Characteristics

We implement environmental measures according to workplace characteristics and apply what we learned from cases where initiatives proved effective to develop models that can be applied to similar sites with the aim of optimizing the Group as a whole.

Processing plants are characterized by continuous operation of production facilities and air conditioning equipment. For these we are working to achieve a fixed reduction in energy consumption. The assembly plants has the characteristic of energy consumption fluctuating according to production volume. Here we are promoting efficiency through measures such as flexible changes of layout and cell production in response to high-mix low-volume manufacturing. In our large offices, we are promoting the upgrade of air-conditioning

equipment and lighting fixtures, and in smaller offices we are making improvements centered on operational aspects.

Savings Energy and Resources with Environmentally Friendly Designs

The internal certification system the OKI Group built to designate products with outstanding environmental performance as “OKI Eco Products” includes, in particular, a three-level ranking of energy-saving performance with the highest rank going to products that are 50% or more energy efficient than conventional products. An example of a product that met our standards for the highest rank, the “OKI Eco Products Double Plus” registration, is the CrosCore2, an office communication system that reduces energy use by as much as 78% compared with conventional products by substantially reducing voltage types suitable for units linked to this office communication system to a few standard types. Moreover, the CrosCore2 realizes a 34% reduction in weight versus conventional products via revisions to the internal layout of the hardware and material quality and eases environmental impact at the transportation stage by sharply reducing the amount of packing materials used for transportation.



OKI Eco Products Double Plus

Introduction of the New Chemical Substance Survey from “chemSHERPA”

The OKI Group manages chemical substances in products it ships and components it procures by continuing to make improvements to internal Group systems. In fiscal 2016, we made our IT system COSMOS compatible with chemSHERPA, a common scheme for exchanging information on chemical substances contained in products and parts.

“chemSHERPA” was developed by the Ministry of Economy, Trade and Industry as a tool that enables comprehensive compliance with domestic and international laws and regulations on chemical substances in products. In the OKI Group, information on “chemSHERPA” is registered in “COSMOS,” and shared during the processes of design, procurement, production, etc. This realizes the management of information, regulatory compliance, and the streamlining of tabulation and reporting work.

Environmental Impact Reduction Activities and Benefits for Business in the Context of Life-cycle

	Procurement	Production	Transportation	Product Use	Disposal
Reduction of environmental impact	<ul style="list-style-type: none"> Optimization of procurement volumes → Energy-saving/prevention of chemical pollution Procurement of components that do not contain hazardous substances → Prevention of pollution/legal compliance 	<ul style="list-style-type: none"> Improvement of production efficiency → Energy-saving/resource conservation Reduction of chemical substance usage and emission → Prevention of pollution/legal compliance 	<ul style="list-style-type: none"> Improvement of transportation efficiency → Prevention of global warming/resource depletion Reduction of packing materials → Resource cycling/reduction of waste 	<ul style="list-style-type: none"> Power-saving/reduced size and weight of products → Prevention of global warming/resource depletion Reduction of chemical substances content in products → prevention of pollution 	<ul style="list-style-type: none"> Recycling of used products → Improvement of recycling rate/reduction of final disposal volume/prevention of pollution via substances contained
Benefits for business	<ul style="list-style-type: none"> Reduction of procurement costs and inventory Prevention of loss of sales opportunities and business continuity by legal compliance 	<ul style="list-style-type: none"> Reduction of production costs Business continuity through legal compliance 	<ul style="list-style-type: none"> Reduction of transportation costs Enhance response to customer delivery dates Improve efficiency of delivery/installation work 	<ul style="list-style-type: none"> Improvement of customer satisfaction by streamlining of customer energy consumption/supporting customer compliance with the Act on Rationalizing Energy Use/reducing the size and weight of products 	<ul style="list-style-type: none"> Elimination of third-party products through collection of end-of-use products/improvement of corporate value by improved regulatory compliance

Details of the OKI Group’s environmental activities are provided in the “OKI Group Environmental Report” and on our website.



Website “Environmental Conservation”

<http://www.oki.com/en/eco/>

RESPONSIBILITIES TO OUR CUSTOMERS

Under its quality philosophy of “providing products that always make customers happy,” the OKI Group is moving ahead with initiatives that pay sufficient heed to safety concerns and user-friendliness in developing and providing products and services so they elicit customer satisfaction.

Quality Assurance System and Management

The “Quality Assurance Regulations,” the most significant rules among all quality-related rules and regulations of the company, defines OKI’s quality philosophy, responsibility and authority. Specific rules for activities based on these regulations are incorporated into the quality management system and operated in accordance with the nature of each operation. We have obtained ISO9001 certification at almost all our production sites, and have built the most appropriate quality control system for each production line or product.

Based on our “Product Safety Basic Policy,” OKI has made various efforts to ensure product safety, including the incorporation of provisions about product safety into agreements with our suppliers. For in the event of product accident, we have put in place rules to cope with any accident as the Group in a coordinated way. Also, continuous efforts are being made in each operation to incorporate the customers’ voices, which are received through daily communication and the surveys on their satisfaction levels, to improve our products, services and systems.

Supporting Enhancement of Manufacturing

We at OKI brought together our engineering functions, such as production control, product safety, environment and intellectual property, in the Engineering Support Center (ESC) established in our Corporate (head office). We now use these gathered functions to support manufacturing in business sections and Group companies.

Taking production control as one of its functions, the ESC holds the “OKI Group Production Reform Awards Presentation Meetings.” These provide a forum for those responsible for production innovation initiatives at bases in Japan and overseas to share outstanding initiatives within the Group and promote adoption of such initiatives at similar Group units. The number of initiatives leveraging IoT to improve productivity has increased in the past few years. At the ESC-sponsored conference held in December 2016, representatives of eight divisions gave presentations on the sub-theme of “Toward a ‘Visible, Connected, Living’ Factory.”



Projection Assembly System (PAS), a production support system that received first prize

Initiative to Improve Customer Satisfaction in Maintenance Service

With the aim of improving the technical capabilities of customer engineers (CE), which are responsible for equipment maintenance starting with repair work for customers, and improving how effectively CEs respond to customers, OKI

Customer Adtech, a maintenance service company, organizes an “IT Technology Contest” each year.

At the 23rd contest held in November 2016, 20 CEs selected from business offices and subsidiaries across Japan competed in two carefully orchestrated scenarios—an ATM installation job and responding to problems in a network for color LED multifunction printers—on the basis of their technical skill and how well they could explain the situation to customers.



CE at the “IT Technology Contest”

Universal Design Initiatives

The OKI Group defines universal design as the achievement of a higher level of usability (basic user friendliness) and accessibility (consideration of elderly and disabled, etc.) in products and services so that all customers can use them properly, effectively and satisfactorily. User opinions gathered in verification experiments etc. are reflected in our products and services. For Automated Teller Machines (ATMs), one of our core products, we are working to improve operability by integrating universal design techniques such as handsets for the visually impaired that enable them to operate ATMs using audio guidance, an ergonomic design that allows wheelchair users to move in closer to ATMs, and the use of universal design fonts*1.

In September 2016, our ATMs for Japan Post Bank Co., Ltd. passed a color universal design (CUD)*2 verification test performed by NPO Color Universal Design Organization and received CUD recognition. The installation of these ATMs, which can display instructions in 16 languages so more people can use them, at FamilyMart convenience stores across Japan has proceeded gradually since commencing in January 2017.



*1 Universal design fonts: These fonts are designed in pursuit of typographic legibility and readability from the standpoint of universal design.

*2 CUD: This is an approach applied to products, services and information as well as buildings, facilities and environments so they are accessible to more people regardless of differences in how they perceive color.

RESPONSIBILITIES TO OUR EMPLOYEES

Believing that protection of each employee’s human rights underlies all business activities, we work for thorough implementation through training and other such activities. We strive to build work environments with respect for diversity founded on our vision for human resources of “Pride, Passion, and Sincerity.”

Initiatives to Promote Diversity

The OKI Group recognizes it is vital to enable each employee in our diverse workforce to perform at the full height of his or her capabilities so the Group can continuously advance and respond to a changing social environment. We thus promote diversity, and supporting the success of women in the workplace, in particular, is a priority.

In our action plan based on the “Act of Promotion of Women’s Participation and Advancement in the Workplace” that came into effect in April 2016, we set the following targets for 2020: (1) increase the ratio of women among all new graduate hires to 20% or more; and (2) double the ratio of female manager-level employees to 4%. We are also taking other steps to cultivate female leaders such as providing them with training.

In fiscal year 2016, we achieved 27.6%, our target ratio of women among all new graduate hires. Accordingly, in May 2017, OKI received “Eruboshi” company certification by the Ministry of Health, Labour and Welfare (MHLW) for the excellent implementation status of its initiatives aimed at promoting the role of women in the workplace.



OKI Group seminar to support advancement of women (December 2016)

Female Executives and Employees (as of April 1, 2017)

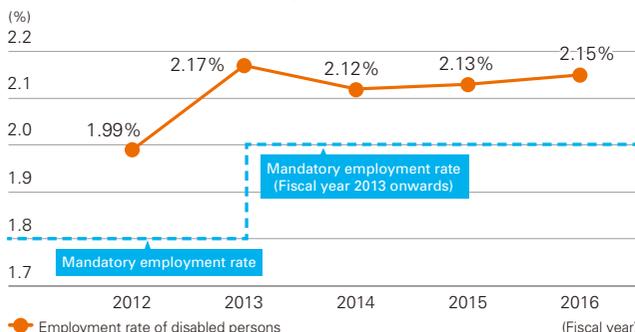
	OKI	OKI Group (Domestic)
Female employee ratio	12.2%	12.3%
Ratio of female employees at the rank of manager-level	3.1%	2.5%
Number of female executives	2	6 (includes 2 at OKI)

Promoting Employment of Challenged People

The OKI Group has been working to employ challenged people, especially in OKI WorkWel, a special purpose subsidiary* of the Group, which promotes telework for the severely disabled. The percentage of challenged employees at the Group in fiscal year 2016 was 2.15%.

*Special purpose subsidiary: Company established to provide special considerations for the employment of disabled people, as defined in the Act on Employment Promotion etc. of Persons with Disabilities.

Employment Rates of Challenged People



Promotion of Work-Life Balance

OKI established the “Work-Life Balance Promotion Committee,” comprised of labor union and management members, to confirm employee work hours and the status of paid vacation use, and promote work-life balance by increasing and improving a variety of systems relating to raising children and nursing the elderly. In January 2017, the initiatives in our fourth action plan in response to the requirements of the Act on Advancement of Measures to Support Raising Next-Generation Children were recognized, and OKI received the platinum “Kurumin” special certification from the Tokyo Labor Bureau, which recognized it as an excellent “supporting company for child-raising.”



Labor Safety and Health, and Health Promotion Initiatives

OKI established “Safety and Health Committees” in each region, with members from management and the labor union. These strengthen the safety and health system, create labor injuries and accidents prevention plan, patrol workplaces, provide safety and health training, etc. The Central Safety and Health Committee shares information on situations and initiatives in each region. OKI’s fiscal year 2016 incidence rate of occupational accidents* was 0.00.

Furthermore, the OKI Group promotes initiatives to support mental and physical health. In particular, we provide employees support for mental health such as promoting the use of self-care support tools and setting up a consultation counter to provide access to industrial doctors. In February 2017, OKI was certified as an Excellent Enterprise of Health and Productivity Management—White 500 by the Ministry of Economy, Trade and Industry (METI) as a large corporation that actively practices health-oriented management.

*Incidence rate of occupational accidents: Number of casualties due to occupational accidents per million man-hours worked.

Column

Awarded Special Encouragement Prize for Companies Promoting Telework

In November 2016, OKI WorkWel received the Kagayaku Telework Prize, a special encouragement prize, from the MHLW as a company promoting telework. The prize is awarded to companies that show remarkable results in realizing work-life balance for workers using telecommuting. Using a communication system developed in-house, 48 severely disabled workers work from home in 21 prefectures across Japan as of June 2017, performing assignments for OKI WorkWel such as building websites, preparing illustrations and crafting designs.

RESPONSIBILITIES TO OUR SHAREHOLDERS AND INVESTORS

The OKI Group strives to disclose useful information such as our management strategy and business achievements to all our shareholders and investors in a timely and proper manner.

OKI Group's Investor Relations Activities

The OKI Group appropriately discloses useful information to shareholders and investors in a timely manner, including corporate information, management strategies and operating results. The purposes of our IR activities are to improve management transparency, build trust with our shareholders and investors, and thus improve our corporate value. Our dedicated IR unit leads these activities proactively. The Group also makes every effort to prevent insider trading in order to protect shareholders and investors, and help ensure the integrity of securities markets. We will further promote the disclosure of information in a responsive and appropriate manner while complying with the revisions of the Companies Act, the Financial Instruments and Exchange Act and the timely disclosure rules of the Tokyo Stock Exchange. We are striving to deliver easily understood information more quickly.

Greater Communication with Institutional Investors

Fully aware that managing efficiency and corporate value improvements are linked to receptiveness of market needs that can be made use of appropriately in management and business activities, our management team at OKI—starting with the president—is pursuing all forms of communication with institutional investors and analysts, such as interacting with them at financial result/management briefings and IR meetings.

As for specific initiatives in fiscal year 2016, we actively met with investors in IR meetings in Europe, North America, and Asia and participated in domestic IR conferences organized by securities firms as well. Through opportunities such as plant tours and small meetings with overseas and domestic investors and analysts, we explained our management policies and business conditions. Our executives, including outside directors, actively participate in such



The IR meeting where we presented our strategies

investor engagement activities.

In May 2017, we hosted an IR meeting to present our business strategies, where the president offered an overview of Mid-term Business Plan 2019 and the head of each business division presented the policies of each business within the context of the new business plan.

Communication via Our IR Website and OKI e-mail Newsletter

We at OKI are posting on our website Japanese and English versions of a diverse range of IR information, like financial result data, to ensure that we maintain an open and fair broadcasting of IR information. In March 2017, we refurbished our website with the aim of making it easier to use for all our investors.

In November 2016, the OKI Group IR website won a commendation award for “Internet IR Award 2016” released by Daiwa Investor Relations Co., Ltd. And, just like last year, we won a bronze prize for “Gomez IR Site Comprehensive Ranking 2016” released by Gomez Consulting (Gomez) under Morningstar Japan K.K. in November, 2016.



OKI Group IR website for all our investors

We compile filing information for Tokyo Stock Exchange and financial result information, press releases on new products and services and updates of information on our IR site, and send out as required the compiled data in e-mails in Japanese and English to some 1,100 people, such as institutional investors.

Thorough Prevention of Insider Trading

In order to protect shareholders and investors and gain the trust of securities markets, we in the OKI Group clearly state in our OKI Group Code of Conduct that we will neither buy nor sell stock or other securities based on insider information, nor provide any such information to other parties. We strive to prevent insider trading.

Status of Our SRI Index Inclusion

A socially responsible investing (SRI) index is a stock index which looks at ESG approach as important evaluation criteria in addition to financial aspects. As of June 2017, OKI is listed as a constituent in the two SRI indexes below, having met their selection criteria.

SNAM Sustainability Index

SOMPO Japan Nipponkoa Asset Management (SNAM) launched the SNAM Sustainability Index in August 2012 for SRI funds aimed at pension funds and institutional investors that invest a wide range of companies that rank highly for their ESG initiatives.



Morningstar Socially Responsible Investment Index (MS-SRI)

The Morningstar Socially Responsible Investment Index (MS-SRI) is the first socially responsible investment index in Japan. Morningstar Japan K.K. selects 150 companies from among listed companies in Japan by assessing their social responsibility, and converts their stock prices into the index.



RESPONSIBILITIES TO OUR SUPPLIERS AND BUSINESS PARTNERS

To promote fair corporate activities in response to the voice of stakeholders, cooperation from suppliers is essential. OKI strives to build trusting relationships with its suppliers and business partners and promotes CSR procurement initiatives.

Promoting CSR Procurement

“OKI Group Procurement Policies” reflect three basic points: “We will select suppliers in a fair and honest manner,” “We will promote procuring activities that incorporate the concepts of CSR,” and “In addition to pursuing appropriate levels of quality and cost, we will work to ensure a stable procurement of materials.” Based on the OKI Group Supply Chain CSR Deployment Guidebook*, we implement CSR procurement surveys both in Japan and overseas. We also conducted a follow-up survey in fiscal year 2016 to confirm progress on initiatives at domestic suppliers we had surveyed in the past. We provide survey findings to each supplier as a form of feedback and request them to make necessary corrections.

*Our guidebook conforms to the Supply-Chain CSR Deployment Guidebook published by Japan Electronics and Information Technology Industries Association (JEITA).

OKI Group Procurement Policies List of Requests for Suppliers

1. Compliance with laws, regulations and societal norms
 - Compliance with laws and regulations related to production and sale of materials, environmental laws and regulations, laws and regulations related to product safety, laws and regulations related to labor, occupational health and safety, and other laws and regulations
 - Prohibition of child labor and forced labor
 - Prohibition of discrimination by race, gender, or other characteristic
 - Realizing a safe and sanitary working environment
 - Prohibition of deviation from fair business practices
2. Environmental considerations
3. Sound and stable business management
4. Appropriate levels of quality and cost, and stable supply
5. Appropriate management and protection of information
6. Cooperation for continuous supply
7. Basic policy for conflict minerals

RESPONSIBILITIES TO COMMUNITIES AND SOCIETY

As good corporate citizens, we think, act, and pursue social contribution activities with broad public support to achieve a truly affluent society. We in the OKI Group take an organized stance to promote support of community contributions and employee volunteer work.

Ongoing Reconstruction Support for Disaster-Affected Areas

The OKI Group is engaged in ongoing support activities to help reconstruct disaster-afflicted areas. In fiscal year 2016, our employees participated in “Collective Action for Recovery from the Great East Japan Earthquake” (Watari Town, Miyagi Prefecture) sponsored by Global Compact Network Japan. In Shichigahama Town in Miyagi Prefecture, where volunteer activities have been carried out continuously since fiscal year 2011, our employees participated in shoreline cleanups. We also support the activities of website “Kasesurumon,” which was established with the aim of supporting reconstruction after the Kumamoto earthquakes.

donated our 27th vehicle for collecting blood donations to the Kumamoto JRCS blood center in Kumamoto Prefecture.

Implementing Volunteer Activities for Environmental Preservation at Home and Overseas

At OKI Group sites at home and overseas, we implement ongoing volunteer programs for employees to contribute to activities with an environmental conservation purpose.



An employee-volunteer participates in a tree planting event in Thailand

Donating through “The OKI 100 Yen Fund of Love”

We in the OKI Group have made various assistance efforts through “The OKI 100 Yen Fund of Love,” used to support the actions of volunteer groups. The participants in the fund include executives and employees of the member companies of the OKI Group (29 companies as of April 2017) who agree with the purport of the program. As a part of this, we have provided ongoing support to the blood program of the Japanese Red Cross Society (JRCS). In February 2017, we

Environmental Conservative Activities in Fiscal Year 2016

Activity location	Overview
Japan (Gunma Prefecture, Shizuoka Prefecture, Nagano Prefecture)	A total of 196 employees participated in four tree planting volunteer activities such as cutting and periodic thinning at <i>satoyama</i> forested areas.
Thailand (Saraburi Province)	Employees and their family members, 230 in total, participated in planting 6,000 saplings deemed to be nationally designated protected tree varieties in an area where trees had been felled in September.
Thailand (Prachuap Khiri Khan Province)	Employees, 75 in total, helped plant 300 mangrove trees in a marine national park on the coast in July.
China (Shenzhen, Guangdong Province)	Employees taught classes at a local elementary school relating to environmental conservation in June.

CORPORATE GOVERNANCE

The OKI Group recognizes sustainable growth and increasing corporate value over mid- and long-term as its most important management priorities in earning the trust of its various stakeholders. To this end, we are working to bolster and enhance corporate governance based on our fundamental policies, including “enhancement of management fairness and transparency,” “timely decision-making processes,” and “full compliance and fortification of risk management.”

Corporate Governance Structure

OKI maintains a corporate auditor system, with the Board of Directors and the Audit & Supervisory Board. With an executive officer system in place, it strives to promote timely decision making processes by separating business execution and oversight. It endeavors to improve the fairness and transparency of management by nominating outside directors to the Board as well as setting up a voluntary committee on nomination, remuneration, etc. so as to ensure effective supervision from an independent and objective standpoint. In addition to objective audits by Audit & Supervisory Board members and the Audit & Supervisory Board, OKI seeks to bolster risk management and ensure rigorous compliance via the Risk Management Committee, which includes outside directors.

Board of Directors

The Board of Directors in principle meets once a month but can call extraordinary meetings when necessary, and is responsible for deciding fundamental management policies and other important matters and overseeing business execution. To enhance management fairness and transparency, three of the Board’s seven members are outside directors with a high level of independence. The chairman presides over meetings of the Board of Directors. To clarify management responsibility for each fiscal year, directors are appointed for single-year terms.

Audit & Supervisory Board

The Audit & Supervisory Board comprises four Audit & Supervisory Board members, two of which are outside Audit & Supervisory Board members with a high level of independence. Based on audit policies, methods, etc. decided at Audit & Supervisory Board meetings, Audit & Supervisory Board members attend Board of Directors’ meetings and other important meetings, verify the content of reports received from directors, etc., and conduct investigations into matters concerning the Company’s operations, financial status, etc. Collaborating closely with outside directors, the Internal Auditing Division, and the accounting auditors, Audit & Supervisory Board members audit the performance of duties by directors.

Executive Officer System

OKI appoints executive officers to implement operations in accordance with management policies determined by the Board of Directors so as to separate the functions of business execution and oversight of management and promote timely decision-making processes. Moreover, to assist the president in making decisions, the Company has established the Management Committee.

Utilization of Voluntary Committees

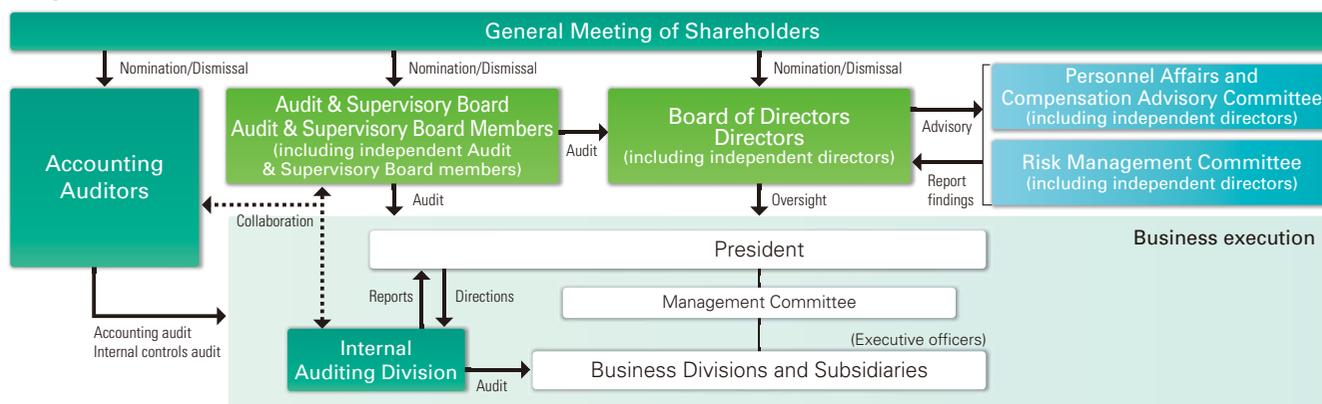
OKI has established the Personnel Affairs and Compensation Advisory Committee as a voluntary committee to secure transparency in the decision-making processes for appointments of board members and executive officers and remuneration for them. Outside directors play leading roles on the committee. After deliberating from an objective perspective on appointments or dismissals of board members and executive officers as well as the structure and level of their compensation etc., the committee reports its findings to the Board of Directors.

Moreover, with the establishment of the Risk Management Committee, where outside directors and Audit & Supervisory Board members attend as advisors, to grasp the risks attendant with business execution and respond to them unerringly, OKI strives to promote rigorous compliance and reinforce risk management.

Internal Auditing

The Internal Auditing Division is tasked with internal audit and its staff comprises eight people dedicated exclusively to this function, seven of which are internal auditors. The division must accurately perceive the actual state of compliance risk management across businesses and functions in the OKI Group, and on that basis conduct internal audits for the purpose of identifying and preventing mistakes and errors as well as corruption in the operation of internal control systems with the goal of supporting operational improvements.

Corporate Governance Structure



Response to Corporate Governance Code

OKI filed a “Corporate Governance Report” presenting its response to the Corporate Governance Code to the Tokyo Stock Exchange in December 2015 and has since filed updates as appropriate. As of June 2017, we have implemented all the principles in the Code apart from supplementary principle 4-11-3 on effectiveness evaluations of the Board of Directors and disclosure of results overviews.

Regarding the effectiveness of Board of Directors based on the results of a survey of directors and Audit & Supervisory Board members, the Board discussed and confirmed a structure for fostering lively debate has been

established. The survey found multiple outside directors and Audit & Supervisory Board members offer suggestions that draw on their expertise as one source of more active debate. It also found an increase in fiscal year 2016 versus the previous fiscal year in the number of important reports on businesses from executive officers stimulated debate on medium-term management strategy. As part of an ongoing effort to analyze and evaluate the overall effectiveness of the Board of Directors, we will work to improve and increase evaluation viewpoints and processes and disclose summaries of evaluation findings.

Main Disclosure Items Based on Principles in the Corporate Governance Code

Cross shareholdings	Apart from stocks held for pure investment purposes, OKI works to strengthen, maintain, and build relationships with business partners and alliance partners and, on this basis, OKI holds shares in those parties where it recognizes it is conducive to increasing corporate value over mid- and long-term. As for voting rights as to its cross shareholdings, OKI exercises them on the basis of whether actions are suitable for the investee company as well as whether doing so increases OKI's corporate value over mid- and long-term.
Policies and procedures for determining compensation for management and directors	Aiming to promote transparent processes and ensure objective judgments concerning decisions on the selection of directors and executive officers and their compensation, OKI established the “Personnel Affairs and Compensation Advisory Committee” comprising five members, including three outside directors. The committee deliberates on the structure and level of compensation for directors and executive officers and reports its findings to the Board of Directors. In fiscal year 2016, the compensation system for directors and executive officers was refurbished to shift management toward setting stretch goals and focusing on the medium and long terms so the OKI Group can achieve sustainable growth. The new compensation system comprises basic compensation, annual incentives linked to earnings in a single fiscal year, and medium-and-long-term incentives.
Policies and procedures for electing management and nominating candidates for directors and Audit & Supervisory Board members	The aforementioned “Personnel Affairs and Compensation Advisory Committee” deliberates on personnel decisions involving directors and executive officers and report its findings to the Board of Directors. Regarding personnel decisions involving candidates for the Audit & Supervisory Board, the committee offers its view to Audit & Supervisory Board members. In nominations and elections, OKI takes into consideration whether candidates satisfy the following requirements as well as legal eligibility: “good character, capacity for insight, high ethical standards, fairness, and integrity as well as a strong law-abiding spirit.” OKI seeks those who can “execute their duties toward the realization of the OKI Group's corporate philosophy and continuous improvement of corporate value.”
Policies concerning constructive dialogue with shareholders	Recognizing that proper use of input from investors on management and business activities can translate into greater management efficiency and increase corporate value, the president and the chief financial officer key roles in engaging in dialogue with shareholders, and the dedicated Investor Relations unit performs a supporting role. Directors, including outside directors, actively participate in such discussions with shareholders. Information disclosure forms the basis for dialogue, and OKI discloses information in a fair, timely, and appropriate manner while rigorously disseminating information on strict management of inside information in accordance with rules and regulations.

In recognition of ongoing responsibilities to all of its stakeholders and in keeping with the spirit of the Corporate Governance Code, OKI is working to achieve sustainable growth and increase corporate value over mid- and long-term.

INTERVIEWS WITH OUTSIDE DIRECTORS

Three outside directors with a high level of independence on OKI's Board of Directors use their expertise to support strong and effective governance.

1 Takuma Ishiyama

Outside Directors Interview

Q. From the perspective of a legal expert, what are your thoughts on OKI's governance?

A. OKI has had an outside director on its Board since 2001, and I have also sought to contribute to building stronger, more effective governance since I joined the Board in 2010. I think steps taken in the past few years are bolstering the oversight functions of the Board, such as adding more outside directors and establishing the Personnel Affairs and Compensation Advisory Committee.

As an expert in the Companies Act, where internal controls for business groups have been increasingly important in the past several years, I have gained a strong sense for how difficult it is to ensure governance is working in every corner of a corporate group. The Risk Management Committee, whose meetings I attend as



an advisor, seeks to improve and strengthen compliance and risk management in response to reports it receives from executive officers. Unfortunately, however, we received a cease and desist order from the Japan Fair Trade Commission in the past fiscal year for violations of the Anti-Monopoly Act.

What is important in these kinds of situations is to face them head on and identify the problems so "defensive governance" can be further reinforced over time. This form of governance is meant neither to reinforce restraints, nor to pointlessly dampen the morale of employees on the front lines. I think it is also important to achieve a positive, forward-looking form of Group governance by creating systems that enable an open communication where information is swiftly shared, including with subsidiaries in Japan and overseas, based on thorough education for each rank and position classification, from entry-level programs for new hires on up.

Q. Can you share with us your opinion about the effectiveness of OKI's Board of Directors?

A. I feel the outside directors help energize Board discussions. We each draw on a different knowledge base to offer objective opinions from the perspectives we each bring to the table. The explanatory materials outside directors receive on agenda items before Board meetings have been improved and deepened, so we can now prepare for Board discussions after carefully thinking through what we receive beforehand. Some of these topics are no longer fresh for directors in charge of business execution because they have debated them many times in the past but such topics seem fresh and novel to outside directors who I feel want to spend a little more time on them. I want to continue to carefully check from an objective standpoint whether management decision-making is carried out in appropriate ways that complies with relevant laws, including the steps in the process of determining whether to elevate agenda items to the Board for discussion.

2 Minoru Morio

Outside Directors Interview

Q. In last year's interview for this feature you said the awareness of change at OKI made a strong impression on you. How do you feel about this now after a year has passed?

A. I attend meetings of the Board of Directors, the Personnel Affairs and Compensation Advisory Committee, the Risk

Management Committee and other committees. Based on my experience interacting with many employees through the Board and various committees, I sense change is clearly taking place.

OKI maintains a corporate auditor system (Audit & Supervisory Board), so it is important for the Board of Directors to properly combine both its monitoring and supervisory functions with its management functions. As an outside director, I naturally need to reliably perform a monitoring role but I also want to offer effective advice to management, drawing on my experience in management at other companies. In that sense, I think it was important that we had a spirited debate at Board meetings as we

went through the process of drafting Mid-term Business Plan 2019. I think a culture where issues can be debated openly is taking root at OKI but it will be important to strive always to retain a sense of emotional boldness that seeks innovation so change is not stymied.

Q. From a governance perspective, can you share with us what further initiatives you feel are necessary?

A. It is important to further improve and strengthen our Group governance, especially in our overseas subsidiaries, as highlighted in Mid-term Business Plan 2019. To “reinforce our earning capacity,” we must squarely face past mistakes such as the improper accounting practices at an overseas subsidiary that came to light in 2012 and bolster our systems as an organization so such incidents do not happen again. In terms of compliance, we need to find ways to enable people in the field to speak up when they face difficulties by making greater use of our internal reporting system and other measures, in addition to fostering an ethical perspective in each of our employees.

To achieve stable, sustainable growth, it will be important to develop the next-generation of management leaders. At the Personnel Affairs and Compensation Advisory Committee, along with looking at candidates for promotion to director and executive officer posts, we also

discuss what character attributes we want our future directors and executive officers to have and what career paths should be based on such an approach. To lay the foundation for this approach, we will further clarify the roles of senior ranks and positions such as general managers and executive managers and bolster and improve their education and training to ensure they are sufficiently informed and capable of fulfilling their roles. I think these are important measures for a system of educating and training human resources.



3 Shigeru Asaba

Outside Directors Interview

Q. You accepted a seat on OKI's Board of Directors as an outside director in June 2017. What role do you see for yourself as an outside director with expertise in economics and management strategy?

A. Many Japanese companies, including OKI, draft and execute strategies based on strengths built up over many years of work by their employees. In that sense, I feel it is hard for me as an outside director with the perspective of an academic to provide concrete advice on specific strategies for individual businesses.



That said, I pride myself on having gleaned insights through many years of research into general principles of corporate strategy that are independent of the unique circumstances of industries and individual companies. I think by applying those insights, I can recognize cases where it seems decision-making may well veer outside the standard playbook for strategy, for example. In such cases, I feel I can contribute by offering suggestions. Moreover, daring to ask amateurish questions when people inside the company discuss what is regarded as conventional wisdom inside the company or industry may lead to new realizations.

Q. From the standpoint of “proactive and defensive forms of governance,” what role can you play?

A. I have highlighted some of the corporate scandals over the past few years in my university classes, so I sense how difficult “defensive governance” is. Mr. Ishiyama, a legal expert, focusing on the Companies Act, is another academic serving as an outside director, like me, so I would like to work together with him to find ways we can both make the most of our respective expertise.

Where I think I can contribute more is on “proactive governance,” especially in offering advice on decision-making processes to realize Mid-term Business Plan 2019. When I accepted this post, I looked closely at the makeup of OKI's current businesses and was impressed with how much effort it puts into manufacturing such as the EMS business, which is based on its strong technological capabilities. To “reinforce its earning capacity” in future, however, I think I can offer advice in light of the strategies of other companies I have researched over the years that can identify where added value is created in promoting IoT technologies, for example.

RISK MANAGEMENT/COMPLIANCE

The OKI Group is working to reinforce risk management under the Risk Management Committee. In accordance with our “Compliance Commitment” and “OKI Group Code of Conduct” and, in order to perform corporate activities fairly, we are focusing on the enhancement of training, and we have established consultation and reporting channels.

Advancement of Risk Management

OKI is working to reinforce risk management under the Risk Management Committee (with the president as Committee Chairman, and outside directors and Audit & Supervisory Board members as advisors). The committee deliberates and decides basic policies relating to managing risk that accompany the Group’s business activities. The committee receives reports on risk information that accompany business activities from executive officers and divisions and promotes measures to prevent manifestation of risks.

The compliance risks (risks associated with violation of laws, regulations and in-house rules) requiring common management across the Group are managed by the Compliance Committee (the chair is a chief compliance officer), which oversees the Control Division that registers risks and implements preventive measures within the Group, thereby building and operating the management cycle that carries out regular verification of implementation status. Moreover, in order to discover and rectify improper activities at an early stage, we have established consultation and reporting channels to enable anonymous reports as well as reports to outside directors and Audit & Supervisory Board members at every Group company, and stipulated whistle-blowing regulations such as those about the protection of whistle-blowers.

Emergency/Disaster Response

The OKI Group has established “Safety Countermeasure Committees” at its domestic and overseas sites, as well as at subsidiaries, in order to ensure “protect people’s lives,” “prevent secondary accidents,” “contribute to local communities and foster good relationships with them,” and “continuity of business operations” in the event of disasters. For “continuity of business operations,” each business and corporate (headquarter) division develops a Business Continuity Plan (BCP), based on BCP Development Guidelines. The contents of each BCP are reviewed annually to improve its effectiveness. In fiscal year 2016, OKI implemented training drills relating to BCP activation at sales and business divisions.

Enhancement of Compliance Training

The OKI Group implements training sessions for compliance managers at six sites in Japan for employees at the senior manager level as regular training. Participants learn in these sessions, and roll out the gained knowledge in their business units. The deployment of such knowledge is checked through an e-learning program for all executive officers and employees of the Group. We have tools in place to promote learning and retention of program content such as sharing specific examples through the booklet called “Case Examples of Compliance.”

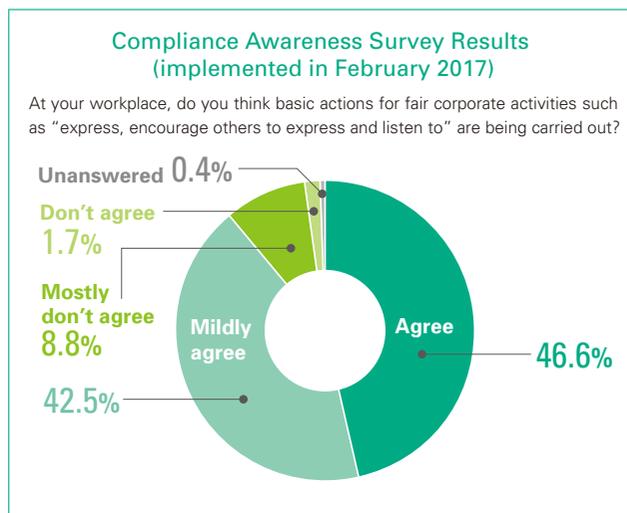
In fiscal year 2016, we offered courses on the theme of personal information protection in the “training sessions for compliance managers.” In addition, in view of onsite inspections in fiscal year 2014 by the Japan Fair Trade Commission

(JFTC), we implemented e-learning courses to reinforce thoroughgoing compliance with the Anti-Monopoly Act.

Participation Rates in Compliance Training Programs (for the OKI Group in Japan) in Fiscal 2016

Training overview	Participation rate
Training sessions for compliance managers (implemented in July-August 2016) Main themes: Personal Information Protection, Contract Basics	100%
e-learning courses on “Anti-Monopoly Act” (implemented from October 2016 to January 2017)	99.9%
The e-learning program (about on-the-job compliance) (implemented from December 2016 to January 2017)	100%

Moreover, we implement fixed-point observations on conduct and awareness relating to compliance of executives and employees, and to make the most of such measures, we implement compliance awareness surveys on an ongoing basis.



Elimination of Anti-Social Forces

In our “Basic Policy for the Establishment of an Internal Control System,” OKI has clearly expressed its firm stance of resolutely preventing any kind of relationship with organized crime across our entire organization by working with the police against anti-social forces. The “OKI Group Code of Conduct” and related regulations declare all employees to be thoroughgoing on this front. We have also compiled a manual on how to respond to organized crime, and our transaction contracts carry a clause for eliminating organized crime.

Approaches to Anti-Corruption

Anti-corruption is principle 10 raised in the United Nations Global Compact, and is a global social issue. We put into practice in fiscal 2013 the “OKI Group Anti-Corruption and Anti-Bribery Policy” in the subsidiaries in and outside of Japan, and are enhancing our approach to anti-corruption.

The “OKI Group Anti-Corruption and Anti-Bribery Policy” sets out fundamental points for carrying out operations properly while complying with the related regulations applicable to each country and region in which the OKI Group operates. As company bylaws, we established specific rules governing the exchange of gifts and receiving/offering entertainment, and we have put into place and administer a system in each company of the Group.

Regarding Cease-and-Desist and Surcharge Orders by JFTC

OKI was subject to an onsite inspection by the JFTC on November 18, 2014 on suspicion of violating the Anti-Monopoly Act concerning products and services relating to digital wireless communication systems for firefighting and emergency use, and was fully cooperative with the inspection. On February 2, 2017, OKI received cease-and-desist and surcharge orders from the JFTC based on the Anti-Monopoly Act, and accepted the orders it received with sincerity and seriousness. OKI is working to further bolster compliance and to do its utmost to adopt comprehensive measures to prevent reoccurrence.

ESG SUPPORTS CORPORATE VALUE INFORMATION SECURITY

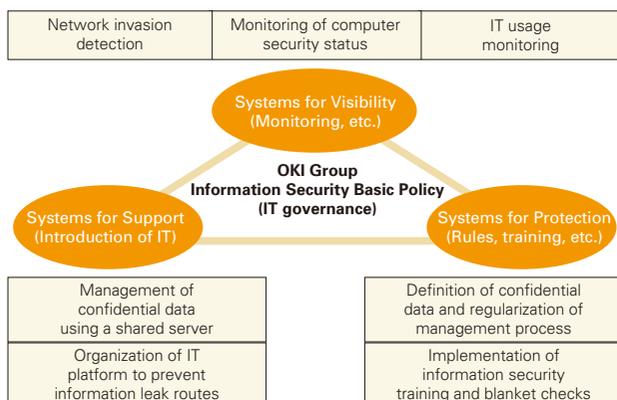
Based on the OKI Group Security Basic Policy, the OKI Group has established a system to ensure information security under the leadership of the Information Security Committee and we work to properly manage and protect company and customer information.

Three Systems of Information Security

In the OKI Group, we use the three systems shown in the diagram below to broadly promote information security measures for computers, networks and information systems. We have established an organization specializing in security incident response called OKI-CSIRT*, which collaborates with external organizations, in order to enhance our preventive measures against threats to computer security in the Group and improve our capacity to respond to them.

In fiscal year 2016, we disseminated pseudo e-mails to all domestic e-mail users to precisely calibrate their responses to targeted e-mail attacks, which are growing ever more sophisticated, and we are implementing training to confirm and correct their responses.

*CSIRT: Computer Security Incident Response Team



Enhanced Actions at Overseas Sites

The OKI Group has promoted information security measures at overseas sites, including such actions as laying down information security guidelines in each country and region, appointing security managers at each site, and adopting control tools. In fiscal year 2016, along with confirming the adoption and compliance status of guidelines, OKI took steps to introduce restrictions over computer operations at all sites to bolster countermeasures against information leaks in China.

Enhancing Protection of Personal Information

We in the OKI Group have enhanced the protection of personal information, based on the Privacy Policy. We have committed to the protection of personal information under the leadership of our Chief Privacy Officer. Privacy managers have been appointed in all divisions and in Group companies. OKI and seven Group companies have acquired PrivacyMark certification as of June 2017.

To respond to the amended Act on the Protection of Personal Information, OKI updated and revised its related rules in June 2017.



MANAGEMENT

(As of June 23, 2017)

Directors



- Apr. 1970 Joined the Company
- Apr. 2001 Executive Officer
- Apr. 2004 Senior Vice President
- Jun. 2005 Managing Director
- Apr. 2009 Senior Executive Vice President, Representative Director
- Jun. 2009 President, Representative Director
- Apr. 2016 Chairman of the Board, Representative Director (current)

Chairman of the Board,
Representative Director
Hideichi Kawasaki



- Apr. 1981 Joined the Company
- Apr. 2011 Executive Officer
- Apr. 2012 Senior Vice President
- Jun. 2014 Senior Vice President and Member of the Board
- Apr. 2016 President, Representative Director (current)

President,
Representative Director
Shinya Kamagami



- Apr. 1980 Joined the Company
- Apr. 2009 Executive Officer
- Apr. 2012 Senior Vice President
- Jun. 2014 Senior Vice President and Member of the Board
- Apr. 2016 Executive Vice President and Member of the Board
- Apr. 2017 Senior Executive Vice President and Member of the Board (current)
Head of Corporate Management Group (current)
Internal Control Administrator (current)
Chief Compliance Officer (current)

Senior Executive Vice President
and Member of the Board
Toshinao Takeuchi



- Apr. 1982 Joined The Fuji Bank, Ltd.
- Apr. 2009 Executive Officer, Mizuho Corporate Bank Ltd
- Apr. 2011 Managing Executive Officer, Mizuho Corporate Bank Ltd.
- Jun. 2014 Managing Executive Officer, Mizuho Financial Group, Inc.
- May 2015 Senior Vice President of the Company
- Apr. 2016 Head of Corporate Planning Group (current)
- Jun. 2016 Senior Vice President and Member of the Board
- Apr. 2017 Executive Vice President and Member of the Board (current)
Chief Financial Officer (current)

Executive Vice President and
Member of the Board
Masayuki Hoshi



- Mar. 1975 Obtained scores for doctorate degrees and resigned from Graduate School of Law, Waseda University
- Jul. 1978 Associate Professor of Faculty of Law, Aichi Gakuin University
- Dec. 1985 Received Degree of LL.D. (Doctor of Laws)
- Apr. 1986 Professor of Faculty of Law, Dokkyo University
- Apr. 1991 Professor of School of Commerce, Waseda University
- May 2003 Registered as Attorney at Law, Daiichi Tokyo Bar Association
- Apr. 2004 Professor of Law School, Nihon University
- Jun. 2010 Outside Director of the Company (current)
- Apr. 2017 Visiting Professor, Nihon University Law School (current)

Director*1
Takuma Ishiyama



- Apr. 1963 Joined Sony Corporation
- Jun. 1988 Director, Sony Corporation
- Jun. 1993 Executive Deputy President, Sony Corporation
- Jun. 2001 Outside Director of the Company
- Jun. 2010 Retired Outside Director of the Company
- Jun. 2013 Outside Director, the Bank of Yokohama, Ltd. (current)
- Jun. 2015 Outside Director of the Company (current)
- Apr. 2016 Outside Director, Concordia Financial Group, Ltd.(current)

Director*1
Minoru Morio



- Apr. 1992 Associate Professor, Faculty of Economics, Gakushuin University
- Mar. 1994 Received Ph.D., Economics from University of Tokyo
- Apr. 1997 Professor, Faculty of Economics, Gakushuin University
- Apr. 2013 Professor, Graduate School of Commerce, Waseda University
- Apr. 2016 Professor, Graduate School of Business and Finance, Waseda University
- Jun. 2016 Outside Director, Nippon Beet Sugar Manufacturing Co., Ltd. (current)
- Sep. 2016 Dean, Graduate School of Business and Finance, Waseda University (current)
- Jun. 2017 Outside Director of the Company (current)

Director*1
Shigeru Asaba

*1 Outside Directors

*2 Outside Audit & Supervisory Board Members

Audit & Supervisory Board Members



Apr. 1975 Joined The Fuji Bank, Ltd.
 Jun. 2004 Director, Oki Wintech Co., Ltd.
 May 2005 Executive Director, Oki Wintech Co., Ltd.
 Apr. 2008 Executive Officer of the Company
 Apr. 2009 Senior Vice President
 Apr. 2012 Executive Vice President
 Jun. 2013 Executive Vice President and Member of the Board
 Jun. 2015 Audit & Supervisory Board Member (current)

Standing Audit & Supervisory Board Member
Hisao Suzuki



Apr. 1978 Joined the Company
 Apr. 2007 Executive Officer
 Apr. 2009 Senior Vice President
 Jun. 2010 Senior Vice President and Member of the Board
 Apr. 2012 Executive Vice President and Member of the Board
 Apr. 2014 President, Representative Director, Oki Customer Adtech Co., Ltd.
 Jun. 2017 Audit & Supervisory Board Member of the Company (current)

Standing Audit & Supervisory Board Member
Sei Yano



Apr. 1970 Joined OMRON Tateisi Electronics Co. (currently OMRON Corporation)
 Jun. 2001 Executive Officer, OMRON Corporation
 Oct. 2007 Senior Executive Director, ADM INC. (currently KAGA DEVICES CO., LTD.)
 Jan. 2008 Senior Executive Vice President, ADM INC.
 Jun. 2012 Outside Audit & Supervisory Board Member of the Company (current)

Audit & Supervisory Board Member*2
Kuninori Hamaguchi



Apr. 1978 Joined The Yasuda Mutual Life Insurance Company (currently Meiji Yasuda Life Insurance Company)
 Apr. 2012 Director, Meiji Yasuda General Insurance Co., Ltd.
 Apr. 2013 Senior Vice President, Meiji Yasuda General Insurance Co., Ltd.
 Jun. 2016 Outside Audit & Supervisory Board Member of the Company (current)

Audit & Supervisory Board Member*2
Yoichi Nitta

Executive Officers



Senior Vice President
Kenichi Tamura



Senior Vice President
Toru Hatano



Senior Vice President
Tetsuya Izaki



Senior Vice President
Masaaki Hashimoto



Senior Vice President
Masashi Tsuboi



Executive Officer
Yoshiyuki Nakano



Executive Officer
Kiyoshi Yokota



Executive Officer
Yuichiro Katagiri



Executive Officer
Toru Miyazawa



Executive Officer
Hiroshi Tsuchiya



Executive Officer
Masashi Fuse



Executive Officer
Yuka Miyagawa



Executive Officer
Akiko Horiguchi



Executive Officer
Hiroshi Tomizawa



Executive Officer
Masatoshi Saito

CONSOLIDATED BALANCE SHEETS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2017

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Current assets:			
Cash on hand and in banks (Note 7):			
Cash and cash equivalents	¥ 51,980	¥ 46,322	\$ 464,107
Other	2,183	1,507	19,491
Notes and accounts receivable (Note 7):			
Unconsolidated subsidiaries and affiliates	1,226	1,426	10,946
Other	112,708	146,438	1,006,321
Less: Allowance for doubtful receivables	(7,377)	(8,314)	(65,866)
Inventories (Note 4)	62,582	79,469	558,767
Other current assets (Note 9)	8,201	10,780	73,223
Total current assets	231,506	277,630	2,067,017
Investments and long-term receivables:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Notes 5 and 7)	5,486	6,182	48,982
Other investments in securities (Notes 3, 6 and 7)	44,178	26,583	394,446
Asset for retirement benefits (Note 8)	9,511	27,286	84,919
Long-term trade receivables (Note 7)	18,659	510	166,598
Other long-term receivables	420	598	3,750
Less: Allowance for doubtful receivables	(11,971)	(818)	(106,883)
Total investments and long-term receivables	66,285	60,343	591,830
Property, plant and equipment, at cost:			
Land	6,780	13,079	60,535
Buildings	71,790	78,563	640,982
Machinery and equipment	111,632	120,356	996,714
Construction in progress	211	576	1,883
	190,414	212,577	1,700,125
Less: Accumulated depreciation	(145,631)	(155,885)	(1,300,276)
Property, plant and equipment, net	44,783	56,691	399,848
Other assets (Note 9)	18,149	17,111	162,044
Total assets	¥ 360,724	¥ 411,776	\$ 3,220,750

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Current liabilities:			
Short-term borrowings (Notes 6 and 7)	¥ 37,986	¥ 50,597	\$ 339,160
Current portion of long-term debt (Notes 6 and 7)	18,895	22,095	168,705
Notes and accounts payable (Note 7):			
Unconsolidated subsidiaries and affiliates	494	586	4,410
Other	73,141	79,684	653,044
Other accrued expenses (Note 7)	29,499	33,265	263,383
Other current liabilities (Note 9)	16,541	12,932	147,687
Total current liabilities	176,559	199,162	1,576,419
Long-term liabilities:			
Long-term debt (Notes 6 and 7)	30,129	49,391	269,008
Liability for retirement benefits (Note 8)	26,690	25,304	238,303
Other long-term liabilities (Note 9)	30,129	30,532	269,008
Total long-term liabilities	86,949	105,228	776,330
Total liabilities	263,509	304,391	2,352,758
NET ASSETS			
Shareholders' equity (Notes 10 and 19):			
Capital stock*			
Authorized—240,000,000 shares			
Common stock*			
Issued—87,217,602 shares in 2017 and 872,176,028 shares in 2016	44,000	44,000	392,857
Additional paid-in capital	19,799	21,673	176,776
Retained earnings	44,434	44,255	396,732
Less: Treasury stock, at cost:			
384,195 shares in 2017 and 3,782,833 shares in 2016	(477)	(468)	(4,258)
Total shareholders' equity	107,757	109,460	962,116
Accumulated other comprehensive income:			
Net unrealized holding gain/loss on other securities	5,337	4,642	47,651
Gain/loss on deferred hedges	(2)	(562)	(17)
Translation adjustments	(11,702)	(12,835)	(104,482)
Retirement benefits liability adjustments	(4,511)	6,028	(40,276)
Total accumulated other comprehensive income	(10,878)	(2,726)	(97,125)
Subscription rights to shares	94	79	839
Non-controlling interests	242	572	2,160
Total net assets	97,215	107,384	867,991
Contingent liabilities (Note 18)			
Total liabilities and net assets	¥ 360,724	¥ 411,776	\$ 3,220,750

*A one-for-ten stock consolidation was made on October 1, 2016. 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, 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Net sales	¥ 451,627	¥ 490,314	\$ 4,032,383
Cost of sales	337,393	361,250	3,012,437
Gross profit	114,233	129,064	1,019,937
Selling, general and administrative expenses (Note 11)	111,688	110,469	997,214
Operating income	2,545	18,594	22,723
Other income (expenses):			
Interest expense	(1,794)	(1,990)	(16,017)
Interest and dividend income	1,182	1,180	10,553
Equity in earnings of affiliates	473	423	4,223
Foreign exchange gain (loss), net	(4,764)	(6,374)	(42,535)
Insurance dividend	355	335	3,169
Gain on sale of investments in securities	1,034	1,935	9,232
Gain on sale of shares of subsidiaries (Note 12)	12,567	—	112,205
Gain on return of assets from retirement benefits trust (Notes 8 and 13)	7,822	—	69,839
Loss on sale and disposal of property, plant and equipment (Note 14)	(2,907)	(305)	(25,955)
Loss on impairment of fixed assets	—	(1,059)	—
Provision for environmental measures	—	(247)	—
Loss on Anti-Monopoly Act (Note 15)	(2,477)	—	(22,116)
Other, net	(364)	(801)	(3,250)
	11,127	(6,905)	99,348
Profit before income taxes	13,672	11,689	122,071
Income taxes (Note 9):			
Current	2,704	1,916	24,142
Deferred	6,530	4,495	58,303
	9,235	6,412	82,455
Profit	4,437	5,277	39,616
Loss attributable to non-controlling interests	(254)	(1,332)	(2,267)
Profit attributable to owners of parent (Note 19)	¥ 4,691	¥ 6,609	\$ 41,883

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, 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Profit	¥ 4,437	¥ 5,277	\$ 39,616
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	667	(3,627)	5,955
Gain (loss) on deferred hedges	559	(489)	4,991
Translation adjustments	496	(2,688)	4,428
Retirement benefits liability adjustments	(10,543)	(8,899)	(94,133)
Share of other comprehensive income of equity-method affiliates	30	155	267
Total other comprehensive income	(8,788)	(15,548)	(78,464)
Comprehensive income	¥ (4,351)	¥ (10,271)	\$ (38,848)
Comprehensive income attributable to:			
Owners of the parent	¥ (4,033)	¥ (8,653)	\$ (36,008)
Non-controlling interests	¥ (318)	¥ (1,617)	\$ (2,839)

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, 2017

	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 gain (loss) on other securities	Gain (loss) 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, 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
Cash dividends paid				(4,343)		(4,343)								(4,343)
Profit attributable to owners of parent				4,691		4,691								4,691
Purchases of treasury stock					(8)	(8)								(8)
Change in scope of consolidation				(168)		(168)								(168)
Change in ownership interest of parent due to transactions with non-controlling interests			(1,873)			(1,873)								(1,873)
Other, net	(784,958)*						695	559	1,133	(10,540)	(8,151)	15	(329)	(8,466)
Net changes during the year	(784,958)	—	(1,873)	179	(8)	(1,702)	695	559	1,133	(10,540)	(8,151)	15	(329)	(10,168)
Balance at March 31, 2017	87,217	¥ 44,000	¥ 19,799	¥ 44,434	¥ (477)	¥ 107,757	¥ 5,337	¥ (2)	¥ (11,702)	¥ (4,511)	¥ (10,878)	¥ 94	¥ 242	¥ 97,215

*A one-for-ten stock consolidation was made on October 1, 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 gain (loss) on other securities	Gain (loss) 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, 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
Cash dividends paid				(38,776)		(38,776)								(38,776)
Profit attributable to owners of parent				41,883		41,883								41,883
Purchases of treasury stock					(71)	(71)								(71)
Change in scope of consolidation				(1,500)		(1,500)								(1,500)
Change in ownership interest of parent due to transactions with non-controlling interests			(16,723)			(16,723)								(16,723)
Other, net	(784,958)						6,205	4,991	10,116	(94,107)	(72,776)	133	(2,937)	(75,589)
Net changes during the year	(784,958)	—	(16,723)	1,598	(71)	(15,196)	6,205	4,991	10,116	(94,107)	(72,776)	133	(2,937)	(90,785)
Balance at March 31, 2017	87,217	\$ 392,857	\$ 176,776	\$ 396,732	\$ (4,258)	\$ 962,116	\$ 47,651	\$ (17)	\$ (104,482)	\$ (40,276)	\$ (97,125)	\$ 839	\$ 2,160	\$ 867,991

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, 2017

	Millions of yen		Thousands of U.S. dollars (Note 2)
	2017	2016	2017
Cash flows from operating activities:			
Profit attributable to owners of parent	¥ 4,691	¥ 6,609	\$ 41,883
Adjustments to reconcile profit attributable to owners of parent to net cash provided by (used in) operating activities:			
Depreciation and amortization	13,991	14,382	124,919
Gain on return of assets from retirement benefits trust	(7,822)	—	(69,839)
Increase in provisions	13,244	466	118,250
Gain on sales of investments in securities	(1,034)	(1,928)	(9,232)
Gain on sales of shares of subsidiaries	(12,567)	—	(112,205)
Loss on disposition of fixed assets	2,907	305	25,955
Deferred income taxes	6,530	4,495	58,303
Other, net	2,697	3,605	24,080
Changes in operating assets and liabilities:			
Notes and accounts receivable	30,440	(8,743)	271,785
Inventories	15,515	3,539	138,526
Notes and accounts payable	(1,040)	(4,784)	(9,285)
Other accrued expenses	(3,684)	(2,079)	(32,892)
Accrued income taxes	258	(5,021)	2,303
Long-term trade receivables	(17,803)	20	(158,955)
Other assets and liabilities	(4,358)	(14,439)	(38,910)
Net cash provided by (used in) operating activities	41,967	(3,573)	374,705
Cash flows from investing activities:			
Purchases of property, plant and equipment	(8,773)	(11,598)	(78,330)
Proceeds from sales of property, plant and equipment	5,760	503	51,428
Proceeds from sales of investments in securities	3,081	2,680	27,508
Purchases of intangible assets	(5,194)	(2,630)	(46,375)
Payment for businesses acquired	—	(1,973)	—
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	14,218	—	126,946
Other, net	(1,504)	(744)	(13,428)
Net cash provided by (used in) investing activities	7,588	(13,762)	67,750
Cash flows from financing activities:			
Increase (decrease) in short-term borrowings	(13,360)	6,622	(119,285)
Proceeds from long-term debt	—	28,537	—
Repayments of long-term debt	(22,418)	(19,249)	(200,160)
Cash dividends paid	(4,317)	(4,314)	(38,544)
Payments for increase in ownership interests in subsidiaries that do not result in change in scope of consolidation	(1,967)	—	(17,562)
Proceeds from payments by non-controlling shareholders	—	608	—
Repayments of lease obligations	(2,660)	(2,470)	(23,750)
Other, net	739	1,404	6,598
Net cash provided by (used in) financing activities	(43,985)	11,138	(392,723)
Effect of exchange rate changes on cash and cash equivalents	(117)	(1,079)	(1,044)
Net increase (decrease) in cash and cash equivalents	5,453	(7,276)	48,687
Cash and cash equivalents at beginning of the year	46,322	53,598	413,589
Cash of newly consolidated subsidiaries at beginning of the year	205	—	1,830
Cash and cash equivalents at end of the year	¥ 51,980	¥ 46,322	\$ 464,107
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	¥ 1,842	¥ 1,938	\$ 16,446
Income taxes	¥ 2,445	¥ 6,938	\$ 21,830

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, 2017

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.

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

The accompanying consolidated financial statements include the accounts of the Company and all 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 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.

(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. 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

Following the revision to the Corporate Tax Act, some subsidiaries in Japan have applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32, June 17, 2016) from the year ended March 31, 2017, and changed the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

The impact of these changes on the consolidated financial statements is 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, 2017. 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, 2017 and 2016 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		
	2017			2016			2017		
	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	¥ 19,867	¥ 11,165	¥ 8,702	¥ 18,065	¥ 10,930	¥ 7,135	\$ 177,383	\$ 99,687	\$ 77,696
Subtotal	19,867	11,165	8,702	18,065	10,930	7,135	177,383	99,687	77,696
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	18,816	19,962	(1,145)	1,440	1,965	(525)	168,000	178,232	(10,223)
Other	—	—	—	5	5	—	—	—	—
Subtotal	18,816	19,967	(1,145)	1,445	1,970	(525)	168,000	178,232	(10,223)
Total	¥ 38,684	¥ 31,128	¥ 7,556	¥ 19,511	¥ 12,900	¥ 6,610	\$ 345,392	\$ 277,928	\$ 67,464

4. INVENTORIES

Inventories at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Finished goods	¥ 20,423	¥ 36,599	\$ 182,348
Work in process	19,656	19,496	175,500
Raw materials and supplies	22,502	23,373	200,910
Total	¥ 62,582	¥ 79,469	\$ 558,767

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Investments stated:			
By the equity method	¥ 5,486	¥ 5,515	\$ 48,982
At cost or less	0	594	0
Advances	—	72	—
Total	¥ 5,486	¥ 6,182	\$ 48,982

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans, principally from banks, at weighted-average interest rates of 1.6% and 1.2% at March 31, 2017 and 2016, respectively:			
Secured	¥ 3,500	¥ 10,000	\$ 31,250
Unsecured	34,486	40,597	307,910
Total	¥ 37,986	¥ 50,597	\$ 339,160

Long-term debts at March 31, 2017 and 2016 were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Loans from banks, insurance companies and government agencies, due through 2020:			
Unsecured	¥ 49,025	¥ 71,487	\$ 437,723
Less: Current portion	(18,895)	(22,095)	(168,705)
Total	¥ 30,129	¥ 49,391	\$ 269,008

At March 31, 2017, short-term borrowings of ¥3,500 million (\$31,250 thousand) were collateralized by investments in securities amounting to ¥14,957 million (\$133,544 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, 2017 were summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2018	¥ 18,895	\$ 168,705
2019	19,102	170,553
2020	10,325	92,187
2021	701	6,258
Total	¥ 49,025	\$ 437,723

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2017 was ¥29,417 million (\$262,651 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, 2017 and 2016 were summarized as follows:

	Millions of yen						Thousands of U.S. dollars		
	2017			2016			2017		
	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	¥ 54,164	¥ 54,164	¥ —	¥ 47,829	¥ 47,829	¥ —	\$ 483,607	\$ 483,607	\$ —
(2) Notes and accounts receivable (*1)	101,572			135,910			906,892		
Allowance for doubtful receivables (*2)	(6,580)			(8,314)			(58,750)		
	94,992	94,992	—	127,596	127,596	—	848,142	848,142	—
(3) Investments in securities (*3)	42,302	41,829	(472)	22,992	22,481	(510)	377,696	373,473	(4,214)
(4) Long-term trade receivables	18,659			510			166,598		
Allowance for doubtful receivables (*2)	(11,747)			(488)			(104,883)		
	6,911	6,911	—	21	21	—	61,705	61,705	—
Total assets	198,370	197,897	(472)	198,440	197,929	(510)	1,771,160	1,766,937	(4,214)
(1) Notes and accounts payable (*4)	58,685	58,685	—	65,477	65,477	—	523,973	523,973	—
(2) Short-term borrowings	37,986	37,986	—	50,597	50,597	—	339,160	339,160	—
(3) Other accrued expenses	29,499	29,499	—	33,265	33,265	—	263,383	263,383	—
(4) Long-term debt (*5)	49,025	49,454	428	71,487	72,265	777	437,723	441,553	3,821
Total liabilities	175,196	175,625	428	220,827	221,605	777	1,564,250	1,568,080	3,821
Derivative transactions (*6)	¥ (90)	¥ (90)	¥ —	¥ 3	¥ 3	¥ —	\$ (803)	\$ (803)	\$ —

*1 The amounts of notes and accounts receivable above excludes insignificant other receivables included in "Notes and accounts receivable" in the consolidated balance sheets.

*2 It comprises the allowance for doubtful receivables in respect to "Notes and accounts receivable," and "Long-term trade receivables."

*3 Investments in securities are included in "Investments in and advances to unconsolidated subsidiaries and affiliates" and "Other investments in securities" in the consolidated balance sheets.

*4 The amounts of notes and accounts payable above excludes insignificant other payables included in "Notes and accounts payable" in the consolidated balance sheets.

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

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

Notes:

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

Assets

(1) Cash 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.

(4) Long-term trade receivables

Fair value of the Long-term trade receivables is based on the amount after deducting the present estimated doubtful receivables from the balance sheet values, as estimated doubtful receivables are calculated based on the present value of loans/receivables.

Liabilities

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

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

(4) Long-term debt

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

Derivative transactions

Described in Note 16.

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

Unlisted equity securities (¥7,274 million (\$64,946 thousand) and ¥9,612 million) at March 31, 2017 and 2016, respectively, are not included in (3) 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Retirement benefit obligation at April 1, 2016 and 2015	¥ 109,538	¥ 112,442	\$ 978,017
Service cost	2,803	2,868	25,026
Interest cost	1,236	1,341	11,035
Actuarial gain/loss	2,414	9	21,553
Retirement benefit paid	(6,380)	(6,766)	(56,964)
Other	(255)	(357)	(2,276)
Retirement benefit obligation at March 31, 2017 and 2016	¥ 109,357	¥ 109,538	\$ 976,401

The changes in plan assets during the year ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Plan assets at April 1, 2016 and 2015	¥ 111,983	¥ 120,103	\$ 999,848
Expected return on plan assets	2,720	2,986	24,285
Actuarial gain/loss	(1,610)	(10,061)	(14,375)
Contributions by the Company and subsidiaries	3,598	4,757	32,125
Retirement benefits paid	(5,155)	(5,801)	(46,026)
Return of assets from retirement benefits trust	(18,717)	—	(167,116)
Other	(151)	—	(1,348)
Plan assets at March 31, 2017 and 2016	¥ 92,668	¥ 111,983	\$ 827,392

*The plan assets include the Company's retirement benefit trust of ¥20,067 million (\$179,169 thousand) and ¥38,983 million for the years ended March 31, 2017 and 2016, 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, 2017 and 2016 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligation	¥ 93,830	¥ 94,864	\$ 837,767
Plan assets at fair value	(92,668)	(111,983)	(827,392)
	1,162	(17,119)	10,375
Unfunded retirement benefit obligation	15,526	14,673	138,625
Net liability for retirement benefits in the balance sheet	¥ 16,688	¥ (2,445)	\$ 149,000
Liability for retirement benefits	26,199	24,841	233,919
Asset for retirement benefits	(9,511)	(27,286)	(84,919)
Net asset for retirement benefits in the balance sheet	¥ 16,688	¥ (2,445)	\$ 149,000

The components of retirement benefit expense for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 2,803	¥ 2,868	\$ 25,026
Interest cost	1,236	1,341	11,035
Expected return on plan assets	(2,720)	(2,986)	(24,285)
Amortization of actuarial gain/loss	(1,673)	(1,727)	(14,937)
Amortization of prior service cost	(1,457)	(1,450)	(13,008)
Other	208	142	1,857
Retirement benefit expense	¥ (1,604)	¥ (1,811)	\$ (14,321)
Gain on return of assets from retirement benefits trust	¥ (7,822)	—	\$ (69,839)

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Prior service cost	¥ (1,481)	¥ (1,450)	\$ (13,223)
Actuarial gain/loss	(13,416)	(11,805)	(119,785)
Total	¥ (14,897)	¥ (13,255)	\$ (133,008)

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized prior service cost	¥ (1,711)	¥ (3,192)	\$ (15,276)
Unrecognized actuarial gain/loss	1,786	(11,630)	15,946
Total	¥ 74	¥ (14,822)	\$ 660

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 were as follows:

	2017	2016
Bonds	41%	42%
Stocks	26	38
Alternative	19	8
Other	13	12
Total*	100%	100%

*The Company's pension and retirement benefit trust consists of 16% of the total plan assets for the year ended March 31, 2017 and 31% of the total plan assets for the year ended March 31, 2016, 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:

	2017	2016
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 ¥2,241 million (\$20,008 thousand) and ¥2,140 million for the years ended March 31, 2017 and 2016, respectively.

9. INCOME TAXES

Deferred tax assets and liabilities at March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Loss carryforwards	¥ 13,916	¥ 14,515	\$ 124,250
Liability for retirement benefits	12,942	12,836	115,553
Excess of allowance for doubtful receivables and bad debts expenses	4,861	2,261	43,401
Accrued bonuses	3,608	4,301	32,214
Write-downs of inventories	2,504	2,519	22,357
Accounts payable for revision of retirement payment plan	2,235	3,455	19,955
Write-downs of investments on securities	1,884	1,857	16,821
Loss on impairment of fixed assets	1,706	1,739	15,232
Elimination of unrealized intercompany profits	1,559	1,649	13,919
Other	6,921	6,187	61,794
Gross deferred tax assets	52,140	51,324	465,535
Less: Valuation allowance	(44,435)	(41,435)	(396,741)
Total deferred tax assets	7,705	9,889	68,794
Deferred tax liabilities:			
Write-ups of investments in securities	(5,793)	—	(51,723)
Asset for retirement benefits	(4,833)	(9,219)	(43,151)
Net unrealized holding gain on other securities	(2,267)	(1,989)	(20,241)
Taxable unrealized gain on contribution of securities to a pension trust	(1,981)	(3,298)	(17,687)
Other	(983)	(1,074)	(8,776)
Total deferred tax liabilities	(15,858)	(15,582)	(141,589)
Net deferred tax liabilities	¥ (8,153)	¥ (5,693)	\$ (72,794)

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

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Other current assets	¥ 5,454	¥ 6,750	\$ 48,696
Other assets	1,075	1,299	9,598
Other current liabilities	(0)	—	(0)
Other long-term liabilities	(14,683)	(13,742)	(131,098)
Net deferred tax liabilities	¥ (8,153)	¥ (5,693)	\$ (72,794)

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 31% and 33% for the years ended March 31, 2017 and 2016, 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, 2017 and 2016 were summarized as follows:

	2017	2016
Statutory tax rates	31.0 %	33.0 %
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	(1.0)	(2.0)
Permanent nondeductible differences such as entertainment expenses	4.0	7.2
Increase (decrease) in valuation allowance for deferred tax assets	25.0	9.2
Per capita portion of inhabitants' taxes	2.1	2.4
Other, net	6.4	5.1
Effective tax rates	67.5 %	54.9 %

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, 2017 and 2016 were as follows:

Millions of yen		Thousands of U.S. dollars
2017	2016	2017
¥ 10,275	¥ 13,317	\$ 91,741

12. GAIN ON SALE OF SHARES OF SUBSIDIARIES

For the year ended March 31, 2017, the Company sold all the shares of Oki Sensor Device Corporation which was a consolidated subsidiary and recorded gain on sale.

13. GAIN ON RETURN OF ASSETS FROM RETIREMENT BENEFITS TRUST

For the year ended March 31, 2017, the Company canceled part of the trust and received the return of the asset and recorded the corresponding actuarial gain/loss.

14. LOSS ON SALE AND DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

For the year ended March 31, 2017, loss on sale was recorded mainly as the Company sold land and building of training facilities.

15. LOSS ON ANTI-MONOPOLY ACT

For the year ended March 31, 2017, the Company recorded loss for surcharge and relevant costs due to violation of the Anti-Monopoly Act.

16. DERIVATIVES

Derivative transactions at March 31, 2017 and 2016 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			
	2017				2017			
	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	¥ 5,531	¥ —	¥ (217)	¥ (217)	\$ 49,383	\$ —	\$ (1,937)	\$ (1,937)
Buy:								
U.S. Dollars	2,674	—	130	130	23,875	—	1,160	1,160
Total	¥ 8,206	¥ —	¥ (87)	¥ (87)	\$ 73,267	\$ —	\$ (776)	\$ (776)

	Millions of yen			
	2016			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain/loss
Sell:				
Euro	¥ 14,977	¥ —	¥ 816	¥ 816
Brazilian Real	4,059	—	(112)	(112)
Buy:				
U.S. Dollars	2,393	—	(139)	(139)
Total	¥ 21,429	¥ —	¥ 565	¥ 565

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)

Hedged item	Millions of yen			Thousands of U.S. dollars			
	2017			2017			
	Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value	
Sell:							
Euro	Accounts receivable	¥ 12,622	¥ —	¥ 173	\$ 112,696	\$ —	\$ 1,544
Buy:							
U.S. Dollars	Accounts payable	11,172	—	(176)	99,750	—	(1,571)
Total		¥ 23,794	¥ —	¥ (2)	\$ 212,446	\$ —	\$ (17)

Hedged item	Millions of yen			
	2016			
	Contract amount	Contract amount over 1 year	Fair value	
Sell:				
U.S. Dollars	Accounts receivable	¥ 90	¥ —	¥ 0
Euro	Accounts receivable	2,763	—	91
Buy:				
U.S. Dollars	Accounts payable	14,615	—	(654)
Total		¥ 17,469	¥ —	¥ (561)

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

(2) Currency swaps

Hedged item	Millions of yen			Thousands of U.S. dollars			
	2017			2017			
	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	¥ 762	¥ 254	¥ 60	\$ 6,803	\$ 2,267	\$ 535

Hedged item	Millions of yen			
	2016			
	Contract amount	Contract amount over 1 year	Fair value	
Pay Yen/receive U.S. Dollars	Long-term borrowings	¥ 1,270	¥ 762	¥ 102

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		
		2017			2017		
	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	¥ 36,033	¥ 22,172	*	\$ 321,723	\$ 197,964	*

		Millions of yen		
		2016		
	Hedged item	Contract amount	Contract amount over 1 year	Fair value
Pay fixed/receive floating	Long-term borrowings	¥ 50,231	¥ 36,033	*

*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.

17. 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 ¥3 million for the years ended March 31, 2017 and 2016, 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Machinery and equipment	¥ 28	¥ 28	\$ 250
Less: Accumulated depreciation	25	23	223
Total	¥ 2	¥ 4	\$ 17

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
2018	¥ 2	\$ 17
Total	¥ 2	\$ 17

Minimum rental payments subsequent to March 31, 2017 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
2018	¥ 2,326	\$ 20,767
2019 and thereafter	10,735	95,848
Total	¥ 13,061	\$ 116,616

18. CONTINGENT LIABILITIES

Contingent liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
As guarantors of employees' housing loans	¥ 229	¥ 309	\$ 2,044

19. 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.

*A one-for-ten stock consolidation was made on October 1, 2016. Assuming that stocks were consolidated at the beginning of the previous fiscal year, amounts per share is computed.

	Yen		U.S. dollars
	2017	2016	2017
Earnings:			
Basic	¥ 54.03	¥ 76.10	\$ 0.48
Diluted	¥ 54.01	—	\$ 0.48

	Yen		U.S. dollars
	2017	2016	2017
Net assets	¥ 1,115.68	¥ 1,229.09	\$ 9.96

20. STOCK OPTION PLANS

At March 31, 2017, the following employee stock option plans of the Company had been approved by the shareholders:

*A one-for-ten stock consolidation was made on October 1, 2016.

Date of approval by shareholders	June 26, 2007	July 29, 2016
Grantees	9 directors, 10 executive officers, 6 management officials and 1 director of a subsidiary	4 directors and 13 executive officers
Type of shares to be issued	Common stock	Common stock
Number of shares reserved	50,900 shares	55,700 shares
Exercise price	¥ 2,480	¥ 1
Exercisable period	July 1, 2009– June 25, 2017	August 17, 2016– August 16, 2041

21. BUSINESS COMBINATION

Business combinations for the year ended March 31, 2017 consisted of the following:

(Transaction under common control)

At the Board of Directors meeting held on December 27, 2016, the Company resolved to acquire additional shares of OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A.

The Company acquired shares on January 11, 2017.

1. Summary of transaction

a) Name and business of joined company

Name: OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A.

Business: Design, develop, manufacture, sell automated equipment and provide services

b) Date of the business combination

January 11, 2017

c) Legal form of the business combination

Acquisition of shares

d) Name of company after business combination
No change in name

e) Other items related to summary to transaction
As a result of acquiring additional 4.99% of the stock of OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A., the equity has reached 88.77%.

2. Summary of accounting

Based on "Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013), we accounted for this transaction as transactions with non-controlling interests under common control.

3. Items to be noted when additional subsidiary shares are acquired

Acquisition costs

Consideration paid for the acquisition	Cash and deposits	¥ 1,930 million (\$ 17,232 thousand)
Total		¥ 1,930 million (\$ 17,232 thousand)

4. Items related to change in ownership interest of parent due to transactions with non-controlling interests

a) Reason for change in capital surplus
Acquisition of additional subsidiary stock

b) Reduction amount of capital surplus due to transactions with non-controlling interests
¥1,866 million (\$16,660 thousand)

(Business divestiture)

At the Board of Directors meeting held on February 2, 2017, the Company resolved to sell all the shares of Oki Sensor Device Corporation to Mold-Tech Singapore PTE LTD belonging to Standex International Corporation.

The Company sold all shares on March 31, 2017.

1. Summary of business divestiture

a) Name of buyer company
Mold-Tech Singapore PTE LTD

b) Contents of divesting business
Develop, manufacture, sell reed switches and applied product

c) Reason to divest business

OKI group is reassessing the business portfolio and assets to strengthen resources in its focus areas.

Oki Sensor Device Corporation has a worldwide market share for automobiles and home appliance market, so it has contributed to OKI group. But as a result of examining the position of reed switches business and the development of the business in the future, it is possible to generate synergistic effect, so we decided that it would be best to sell shares to Standex International Corporation group.

d) Date of the business divestiture
March 31, 2017

e) Other items related to summary to transaction including legal form
Stock transfer with payment only for cash

2. Summary of accounting

a) Amount of gains / losses transferred
Gain on sales of shares of subsidiaries and associates of ¥12,567 million (\$112,205 thousand)

b) Amount of assets and liabilities of transferred business

Current assets	¥ 3,110 million (\$ 27,767 thousand)
Non-current assets	1,419 million (12,669 thousand)
Total assets	4,529 million (40,437 thousand)
Current liabilities	(1,784) million ((15,928) thousand)
Non-current liabilities	(152) million ((1,357) thousand)
Total liabilities	¥ (1,936) million (\$ (17,285) thousand)

c) Accounting treatment

Based on "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, September 13, 2013), we accounted for this transaction.

3. The segment that contained divesting business

Other (the divesting business is not contained in the reporting segment)

4. Approximate amount of net sales and operating profit on divesting business

Net sales ¥ 5,983 million (\$ 53,419 thousand)
Operating profit ¥ 1,567 million (\$ 13,991 thousand)

22. SEGMENT INFORMATION

Business segments

The Group classifies its businesses into ICT, Mechatronics Systems, Printers and EMS.

*From the year ended March 31, 2017, the segment has been changed from Info-telecom systems, Printers and EMS to ICT, Mechatronics Systems, Printers and EMS. The segment information for the year ended March 31, 2016 is restated into new segments.

The segment information for the years ended March 31, 2017 and 2016 was summarized as follows:

	Millions of yen								
	2017								
	Segments					Other	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
For the year ended March 31									
Sales to third parties	¥ 177,391	¥ 100,923	¥ 112,389	¥ 43,165	¥ 433,870	¥ 17,756	¥ 451,627	¥ —	¥ 451,627
Inter-segment sales and transfers	4,312	1,622	5,617	181	11,733	19,108	30,842	(30,842)	—
Net sales	181,703	102,545	118,007	43,346	445,603	36,865	482,469	(30,842)	451,627
Operating income (loss)	14,385	(11,818)	1,033	2,058	5,659	3,431	9,090	(6,545)	2,545
Total assets	105,583	69,280	67,154	30,900	272,919	20,066	292,986	67,738	360,724
Depreciation and amortization	2,974	3,218	4,063	934	11,191	1,124	12,316	1,245	13,561
Investments in equity-method affiliates	1,937	—	—	—	1,937	30	1,968	3,518	5,486
Increase in property, plant, equipment and intangible assets	¥ 2,554	¥ 4,620	¥ 2,463	¥ 764	¥ 10,403	¥ 1,161	¥ 11,565	¥ 1,209	¥ 12,774

	Millions of yen								
	2016								
	Segments					Other	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
For the year ended March 31									
Sales to third parties	¥ 191,174	¥ 113,667	¥ 124,647	¥ 42,354	¥ 471,843	¥ 18,471	¥ 490,314	¥ —	¥ 490,314
Inter-segment sales and transfers	4,777	1,664	5,580	308	12,330	24,183	36,514	(36,514)	—
Net sales	195,951	115,332	130,228	42,662	484,174	42,655	526,829	(36,514)	490,314
Operating income (loss)	11,627	6,017	1,426	2,284	21,355	4,185	25,541	(6,946)	18,594
Total assets	116,899	95,469	71,652	31,649	315,671	26,439	342,110	69,665	411,776
Depreciation and amortization	3,164	3,296	4,120	1,048	11,630	1,115	12,746	1,243	13,989
Investments in equity-method affiliates	2,102	—	—	—	2,102	30	2,133	3,381	5,515
Increase in property, plant, equipment and intangible assets	¥ 2,984	¥ 4,918	¥ 3,355	¥ 1,010	¥ 12,267	¥ 1,556	¥ 13,824	¥ 1,133	¥ 14,957

	Thousands of U.S. dollars								
	2017								
	Segments					Other	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
For the year ended March 31									
Sales to third parties	\$ 1,583,848	\$ 901,098	\$ 1,003,473	\$ 385,401	\$ 3,873,839	\$ 158,535	\$ 4,032,383	\$ —	\$ 4,032,383
Inter-segment sales and transfers	38,500	14,482	50,151	1,616	104,758	170,607	275,375	(275,375)	—
Net sales	1,622,348	915,580	1,053,633	387,017	3,978,598	329,151	4,307,758	(275,375)	4,032,383
Operating income (loss)	128,437	(105,517)	9,223	18,375	50,526	30,633	81,160	(58,437)	22,723
Total assets	942,705	618,571	599,589	275,892	2,436,776	179,160	2,615,946	604,803	3,220,750
Depreciation and amortization	26,553	28,732	36,276	8,339	99,919	10,035	109,964	11,116	121,080
Investments in equity-method affiliates	17,294	—	—	—	17,294	267	17,571	31,410	48,982
Increase in property, plant, equipment and intangible assets	\$ 22,803	\$ 41,250	\$ 21,991	\$ 6,821	\$ 92,883	\$ 10,366	\$ 103,258	\$ 10,794	\$ 114,053

- (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 ¥6,874 million (\$61,375 thousand) and ¥6,935 million for the years ended March 31, 2017 and 2016, 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 ¥183,130 million (\$1,635,089 thousand) and ¥199,806 million at March 31, 2017 and 2016, respectively.

23. RELATED PARTY INFORMATION

There was no transaction of the Company with Corporate pension for employees for the year ended March 31, 2016.

Transactions of the Company with Corporate pension for employees for the year ended March 31, 2017 was as follows:

(Millions of yen)										
Relationship	Name of Company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions	Financial statement line-item	Amount outstanding at end of year
Corporate pension	Retirement benefit trust	—	—	—	—	Pension assets on retirement benefit accounting	Partial return of assets	¥ 18,717	—	—

(Thousands of U.S. dollars)										
Relationship	Name of Company	Location	Paid-in-Capital or Advance	Description of business	Share of voting rights (%)	Relations with related parties	Description of transaction	Amount of transactions	Financial statement line-item	Amount outstanding at end of year
Corporate pension	Retirement benefit trust	—	—	—	—	Pension assets on retirement benefit accounting	Partial return of assets	\$ 167,116	—	—

24. ADDITIONAL INFORMATION

(Appeal of arbitration by consolidated subsidiary)

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 ¥18,170 million (\$162,232 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).

Considering the fact that the examination is expected to take a long period of time, expenses of ¥10,893 million (\$97,258 thousand) was recorded as allowance for doubtful accounts in the year ended March 31, 2017.

(Application of ASBJ Guidance on Recoverability of Deferred Tax Assets)

The Company and its domestic consolidated subsidiaries adopted "Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, March 28, 2016), effective from April 1, 2016.

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, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

June 23, 2017

INVESTOR INFORMATION

Number of Shares (As of March 31, 2017)

Authorized:	240,000 thousand
Issued:	87,217 thousand
	(including 356 thousand treasury stock)

Number of Shareholders (As of March 31, 2017)

76,771

Stock Exchange Listing

First Section of the Tokyo Stock Exchange

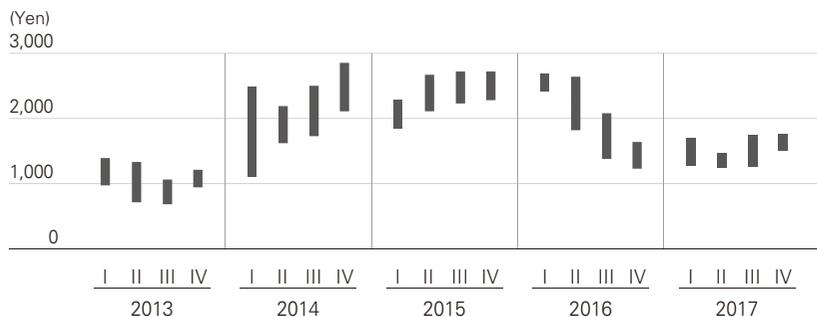
Administrative Agent for the Company's Shareholder Register

Mizuho Trust & Banking Co., Ltd.

Major Shareholders

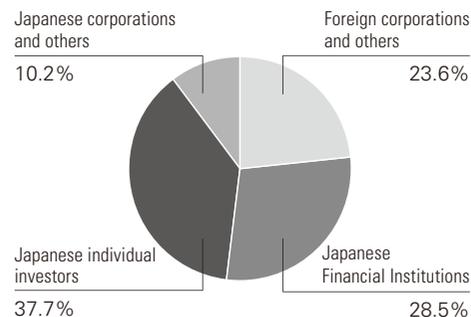
Name of Shareholders	Number of Shares Held (thousands of shares)	Percentage of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (trust account)	3,982	4.6
MSIP CLIENT SECURITIES	3,781	4.3
Japan Trustee Services Bank, Ltd. (trust account)	3,436	3.9
Macquarie Bank Limited . MBL London Branch	2,959	3.4
CHASE MANHATTAN BANK GTS CLIENTS ACCOUNT ESCROW	2,345	2.7
Oki Denki Group Employees' Shareholdings Committee	1,830	2.1
Japan Trustee Services Bank, Ltd. (trust account 9)	1,601	1.8
Japan Trustee Services Bank, Ltd. (trust account 5)	1,591	1.8
Mizuho Bank Ltd.	1,419	1.6
Hulic Co., Ltd.	1,407	1.6

Common Stock Price Range on the Tokyo Stock Exchange (Fiscal Years ended March 31)



*With an effective date of October 1, 2016, a one-for-ten stock consolidation was implemented. Attendant with this, the stock price before October 1, 2016 has been calculated on the assumption that this stock consolidation was carried out.

Breakdown of Shares Held by Shareholder Type (As of March 31, 2017)



- Oki Electric Industry Co., Ltd. aims to be a globally recognized growth company; throughout this annual report, the Company is referred to as OKI.
- All company and product names included in this annual report are trademarks or registered trademarks of each of the companies they represent.

COMPANY PROFILE

Profile (As of March 31, 2017)

Company Name:	Oki Electric Industry Co., Ltd.
Founded:	1881
Company Established:	November 1, 1949
Common Stock:	44,000 million yen
Employees:	19,464 (Consolidated) 4,063 (Non-consolidated)
President, Representative Director:	Shinya Kamagami
Head Office:	1-7-12 Toranomom, Minato-Ku, Tokyo 105-8460, Japan Tel +81-3-3501-3111 URL http://www.oki.com

Contact for Further Information

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