

CONSOLIDATED BALANCE SHEETS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2018

ASSETS	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current assets:			
Cash and deposits	¥ 48,698	¥ 54,164	\$ 459,415
Notes and accounts receivable	97,936	101,572	923,924
Lease investment assets	8,024	5,430	75,698
Finished goods	17,041	20,423	160,764
Work in process	21,867	19,656	206,292
Raw materials and supplies	21,296	22,502	200,905
Deferred tax assets	5,677	5,454	53,556
Other current assets	10,012	9,679	94,452
Allowance for doubtful receivables	(132)	(7,377)	(1,245)
Total current assets	230,420	231,506	2,173,773
Non-current assets:			
Property, plant and equipment:			
Buildings and structures	21,957	20,449	207,141
Machinery, equipment and vehicle	7,505	7,337	70,801
Tools, furniture and fixtures	9,014	10,004	85,037
Land	13,240	6,780	124,905
Construction in progress	332	211	3,132
Total property, plant and equipment (Note 4)	52,048	44,783	491,018
Intangible assets	9,952	10,891	93,886
Investments and other assets:			
Investments in securities (Note 4)	48,760	49,576	460,000
Asset for retirement benefits	15,357	9,511	144,877
Long-term trade receivables	22,456	18,659	211,849
Other investments and other assets	12,706	7,768	119,867
Allowance for doubtful receivables	(19,924)	(11,971)	(187,962)
Total investments and other assets	79,356	73,544	748,641
Total non-current assets	141,357	129,218	1,333,556
Total assets	¥ 371,778	¥ 360,724	\$ 3,507,339

LIABILITIES	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Current liabilities:			
Notes and accounts payable	¥ 67,124	¥ 58,685	\$ 633,245
Short-term borrowings (Note 4)	58,958	56,882	556,207
Accounts payable, others	19,768	12,389	186,490
Other accrued expenses	21,952	29,499	207,094
Other current liabilities	18,861	19,103	177,933
Total current liabilities	186,666	176,559	1,761,000
Long-term liabilities:			
Long-term debt	22,956	30,129	216,566
Lease obligations	8,950	7,135	84,433
Deferred tax liabilities	17,044	14,683	160,792
Provision for directors' retirement benefits	502	490	4,735
Liability for retirement benefits	27,814	26,199	262,396
Other long-term liabilities	5,700	8,310	53,773
Total long-term liabilities	82,967	86,949	782,707
Total liabilities	269,634	263,509	2,543,716
NET ASSETS			
Shareholders' equity:			
Capital stock	44,000	44,000	415,094
Additional paid-in capital	19,795	19,799	186,745
Retained earnings	45,983	44,434	433,801
Treasury stock, at cost	(563)	(477)	(5,311)
Total shareholders' equity	109,215	107,757	1,030,330
Accumulated other comprehensive income:			
Net unrealized holding gain (loss) on other securities	6,578	5,337	62,056
Gain (loss) on deferred hedges	34	(2)	320
Translation adjustments	(12,203)	(11,702)	(115,122)
Retirement benefits liability adjustments	(3,455)	(4,511)	(32,594)
Total accumulated other comprehensive income	(9,045)	(10,878)	(85,330)
Subscription rights to shares	101	94	952
Non-controlling interests	1,873	242	17,669
Total net assets	102,144	97,215	963,622
Total liabilities and net assets	¥ 371,778	¥ 360,724	\$ 3,507,339

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, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net sales	¥ 438,026	¥ 451,627	\$ 4,132,320
Cost of sales	327,450	337,393	3,089,150
Gross profit	110,576	114,233	1,043,169
Selling, general and administrative expenses (Note 5)	102,854	111,688	970,320
Operating income	7,721	2,545	72,839
Non-operating income			
Interest income	191	354	1,801
Dividend income	1,571	827	14,820
Share of profit of entities accounted for using equity method	563	473	5,311
Dividend income of insurance	353	355	3,330
Other	885	503	8,349
Total non-operating income	3,564	2,514	33,622
Non-operating expenses			
Interest expense	1,559	1,794	14,707
Foreign exchange loss	—	4,764	—
Penalty	325	7	3,066
Other	884	861	8,339
Total non-operating expenses	2,770	7,426	26,132
Ordinary income (loss)	8,515	(2,366)	80,330
Extraordinary income			
Gain on sale of property, plant and equipment	770	178	7,264
Gain on sale of investments in securities	115	1,034	1,084
Gain on sale of shares of subsidiaries and affiliates' stock	—	12,567	—
Gain on sale of contribution in subsidiaries and affiliates	119	—	1,122
Gain on step acquisitions (Note 5)	1,116	—	10,528
Gain on negative goodwill	210	—	1,981
Gain on extinguishment of debts	179	—	1,688
Gain on return of assets from retirement benefits trust	—	7,822	—
Total extraordinary income	2,512	21,602	23,698
Extraordinary loss			
Loss on sale and disposition of property, plant and equipment	373	3,086	3,518
Business structure improvement expenses (Note 5)	2,526	—	23,830
Loss on Anti-Monopoly Act	—	2,477	—
Total extraordinary loss	2,900	5,563	27,358
Profit before income taxes	8,128	13,672	76,679
Income taxes			
Current	2,561	2,704	24,160
Deferred	(217)	6,530	(2,047)
Total income taxes	2,344	9,235	22,113
Profit	5,783	4,437	54,556
Loss attributable to non-controlling interests	(108)	(254)	(1,018)
Profit attributable to owners of parent	¥ 5,891	¥ 4,691	\$ 55,575

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, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Profit	¥ 5,783	¥ 4,437	\$ 54,556
Other comprehensive income			
Net unrealized holding gain (loss) on other securities	1,332	667	12,566
Gain (loss) on deferred hedges	37	559	349
Translation adjustments	(495)	496	(4,669)
Retirement benefits liability adjustments	956	(10,543)	9,018
Share of other comprehensive income of entities accounted for using equity method	(8)	30	(75)
Total other comprehensive income (Note 6)	1,821	(8,788)	17,179
Comprehensive income	¥ 7,605	¥ (4,351)	\$ 71,745
Comprehensive income attributable to:			
Owners of the parent	¥ 7,725	¥ (4,033)	\$ 72,877
Non-controlling interests	¥ (119)	¥ (318)	\$ (1,122)

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, 2018

	Shareholders' equity					Accumulated other comprehensive income							
	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
	Millions of yen												
Balance at March 31, 2016	¥ 44,000	¥ 21,673	¥ 44,255	¥ (468)	¥ 109,460	¥ 4,642	¥ (562)	¥ (12,835)	¥ 6,028	¥ (2,726)	¥ 79	¥ 572	¥ 107,384
Dividends from surplus			(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 of 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)
Net changes in items other than shareholders' equity during the term						695	559	1,133	(10,540)	(8,151)	15	(329)	(8,466)
Net changes during the term	—	(1,873)	179	(8)	(1,702)	695	559	1,133	(10,540)	(8,151)	15	(329)	(10,168)
Balance at March 31, 2017	44,000	19,799	44,434	(477)	107,757	5,337	(2)	(11,702)	(4,511)	(10,878)	94	242	97,215
Dividends from surplus			(4,343)		(4,343)								(4,343)
Profit attributable to owners of parent			5,891		5,891								5,891
Purchases of treasury stock				(99)	(99)								(99)
Disposition of treasury stock		(4)		12	8								8
Change in ownership interest of parent due to transactions with non-controlling interests		0			0								0
Net changes in items other than shareholders' equity during the term						1,240	37	(500)	1,056	1,833	6	1,631	3,471
Net changes during the term	—	(4)	1,548	(86)	1,457	1,240	37	(500)	1,056	1,833	6	1,631	4,929
Balance at March 31, 2018	¥ 44,000	¥ 19,795	¥ 45,983	¥ (563)	¥ 109,215	¥ 6,578	¥ 34	¥ (12,203)	¥ (3,455)	¥ (9,045)	¥ 101	¥ 1,873	¥ 102,144

	Shareholders' equity					Accumulated other comprehensive income							
	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 of U.S. dollars												
Balance at March 31, 2017	\$ 415,094	\$ 186,783	\$ 419,188	\$ (4,500)	\$ 1,016,575	\$ 50,349	\$ (18)	\$ (110,396)	\$ (42,556)	\$ (102,622)	\$ 886	\$ 2,283	\$ 917,122
Dividends from surplus			(40,971)		(40,971)								(40,971)
Profit attributable to owners of parent			55,575		55,575								55,575
Purchases of treasury stock				(933)	(933)								(933)
Disposition of treasury stock		(37)		113	75								75
Change in ownership interest of parent due to transactions with non-controlling interests		0			0								0
Net changes in items other than shareholders' equity during the term						11,698	349	(4,716)	9,962	17,292	56	15,386	32,745
Net changes during the term	—	(37)	14,603	(811)	13,745	11,698	349	(4,716)	9,962	17,292	56	15,386	46,500
Balance at March 31, 2018	\$ 415,094	\$ 186,745	\$ 433,801	\$ (5,311)	\$ 1,030,330	\$ 62,056	\$ 320	\$ (115,122)	\$ (32,594)	\$ (85,330)	\$ 952	\$ 17,669	\$ 963,622

CONSOLIDATED STATEMENTS OF CASH FLOWS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Year ended March 31, 2018

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash flows from operating activities:			
Profit before income taxes	¥ 8,128	¥ 13,672	\$ 76,679
Depreciation and amortization	12,978	13,991	122,433
Gain on step acquisitions	(1,116)	—	(10,528)
Gain on return of assets from retirement benefits trust	—	(7,822)	—
Increase in provisions	1,152	13,244	10,867
Interest and dividend income	(1,762)	(1,182)	(16,622)
Interest expense	1,559	1,794	14,707
Loss on disposition of fixed assets	(397)	2,907	(3,745)
Decrease in notes and accounts receivable	5,576	30,440	52,603
Decrease in inventories	3,296	15,515	31,094
Increase (decrease) in notes and accounts payable	7,593	(1,040)	71,632
Increase in accounts payable, others	7,540	1,400	71,132
Decrease in other accrued expenses	(7,885)	(3,684)	(74,386)
Decrease in long-term trade receivables	(3,174)	(17,803)	(29,943)
Other, net	(14,013)	(16,361)	(132,198)
Subtotal	19,475	45,072	183,726
Interest and dividend income received	1,761	1,181	16,613
Interest expense paid	(1,496)	(1,842)	(14,113)
Income taxes paid	(2,176)	(2,445)	(20,528)
Antimonopoly act related loss paid	(1,985)	—	(18,726)
Net cash provided by operating activities	15,578	41,967	146,962
Cash flows from investing activities:			
Purchases of property, plant and equipment	(6,801)	(8,773)	(64,160)
Proceeds from sales of property, plant and equipment	2,745	5,760	25,896
Purchases of intangible assets	(2,638)	(5,194)	(24,886)
Purchase of shares of subsidiaries resulting in change of scope of consolidation (Note 8)	(3,199)	—	(30,179)
Proceeds from sales of shares of subsidiaries resulting in change of scope of consolidation	—	14,218	—
Other payments	(1,217)	(1,760)	(11,481)
Other proceeds	626	3,337	5,905
Net cash (used in) provided by investing activities	(10,485)	7,588	(98,915)
Cash flows from financing activities:			
Decrease in short-term borrowings	(598)	(13,360)	(5,641)
Proceeds from long-term debt	15,000	—	141,509
Repayments of long-term debt	(18,894)	(22,418)	(178,245)
Dividends paid	(4,322)	(4,317)	(40,773)
Repayments of lease obligations	(2,724)	(2,660)	(25,698)
Other, net	28	(1,227)	264
Net cash used in financing activities	(11,512)	(43,985)	(108,603)
Effect of exchange rate changes on cash and cash equivalents	(79)	(117)	(745)
Net (decrease) increase in cash and cash equivalents	(6,498)	5,453	(61,301)
Cash and cash equivalents at beginning of the year	51,980	46,322	490,377
Cash of newly consolidated subsidiaries at beginning of the year	—	205	—
Cash and cash equivalents at end of the year (Note 8)	¥ 45,481	¥ 51,980	\$ 429,066

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, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1) Basis of Preparing Consolidated Financial Statements

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

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

The 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 ¥106 = U.S.\$1.00, the approximate exchange rate prevailing at March 31, 2018. 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.

In addition, certain reclassifications of previously reported amounts have been made to conform to the current year presentation.

2) Scope of consolidation

All 84 subsidiaries are included in the scope of consolidation.

Oki Electric Cable Co., Ltd., and its subsidiaries which used to be an affiliated company to which the equity method was applied became subsidiaries of the Company since the Company obtained additional shares of Oki Electric Cable Co., Ltd., and have therefore been included in the scope of consolidation for the fiscal year under review. Furthermore, the following companies were excluded from the scope of consolidation for the fiscal year under review: OKI Digital Imaging Corporation, which merged with Oki Data Corporation, a consolidated subsidiary; OPM Co., Ltd., which merged with the Company; Shibaura Oki Electric Construction Co., Ltd., which merged with Otem Co., Ltd., a consolidated subsidiary; OKI SYSTEMS (DEUTSCHLAND) GMBH and 11 other companies, which merged with OKI EUROPE LTD; and Oki Electric Technology (Kunshan) Co., Ltd., whose all shares were sold off. The company name of Otem Co., Ltd. has been changed to Oki Alestech Co., Ltd.

3) Application of equity method

The equity method is applied to three out of the five affiliated companies.

TOWN NETWORK SERVICE Corporation and other one company are not applied the equity method as these companies have little influence and have no significance on profit or loss and retained earnings.

Oki Electric Cable Co., Ltd. was excluded from the scope of equity method because it became a subsidiary due to the Company obtaining additional shares.

4) Matters concerning account settlement dates of consolidated subsidiaries

Among consolidated subsidiaries, OKI BRASIL INDÚSTRIA E COMÉRCIO DE PRODUTOS E TECNOLOGIA EM AUTOMAÇÃO S.A. and seven other companies have fiscal years ending on December 31, and consolidated financial statements were previously prepared using the financial statements of these companies as of that fiscal year end date. Adjustments were previously made to consolidated accounts to account for important transactions

involving those companies that occur between the end of those companies' fiscal year-end date and the end of the consolidated fiscal. However, for the fiscal year under review, those companies have changed the method to perform provisional closing on the consolidated closing date in order to make more appropriate disclosure of consolidated financial statements.

Because of this change, during the fiscal year under review, which is the transitional fiscal year, the hypothetical fiscal years of these companies cover the 15 month period from January 1, 2017, through March 31, 2018.

5) Accounting standards

(1) Valuation standards and methods for significant assets

(i) Securities

The Company and its domestic consolidated subsidiaries value securities in accordance with how they are held as indicated below. Overseas consolidated subsidiaries apply the lower of cost or fair value.

Other securities:

Marketable securities:

Stated at fair value based on the market price at the end of the fiscal year. (Any difference between book value and fair value is included in net assets; sales costs are calculated by the moving average method.)

Non-marketable securities:

Stated at cost based on the moving average method.

(ii) Inventories

The Company and its domestic consolidated subsidiaries evaluate inventories as follows, and overseas consolidated subsidiaries primarily apply the lower of cost or fair value.

Finished goods:

Stated at cost based on the moving average method. (Balance sheet values are measured by the method of devaluing the book price to reflect declines in profitability.)

Work in process:

Stated at cost based on the specific identification method. (Balance sheet values are measured by the method of devaluing the book price to reflect declines in profitability.)

Raw materials and supplies:

Stated at cost based on the moving average method. (Balance sheet values are measured by the method of devaluing the book price to reflect declines in profitability.)

(iii) Derivatives

Stated at fair value.

(2) Depreciation and amortization

(i) Property, plant and equipment (excluding lease assets)

The Company and its domestic consolidated subsidiaries apply the declining-balance method; overseas consolidated subsidiaries primarily apply the straight-line method.

(ii) Intangible assets (excluding lease assets)

The Company and its domestic consolidated subsidiaries apply the straight-line method.

For software sold in the market, amortization is based on the estimated amounts of sales in the estimated number of years for sales (3 years). For software for internal use, the straight-line method, based on the estimated useful life (mainly 5 years), is used.

Overseas consolidated subsidiaries apply the straight-line method.

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- (iii) Lease assets
Lease assets relating to finance lease transactions that do not transfer ownership are depreciated over the lease contract's lifetime by the straight-line method, assuming the residual value is zero.
In addition, finance lease transactions that do not transfer ownership and have a commencement date prior to March 31, 2008 are accounted for on a basis similar to ordinary rental transactions.
- (3) Basis of provision
- (i) Allowance for doubtful receivables
To prepare for any losses of accounts receivable and loans, the Company and its domestic consolidated subsidiaries calculate the amount of potential loss by using the historical loss ratio for non-classified loans/receivables and individual assessment for classified loans/receivables. Overseas consolidated subsidiaries calculate the amount of potential losses by individually assessing the possibility of collection for specific loans/receivables.
- (ii) Provision for directors' retirement benefits
Certain consolidated subsidiaries record the necessary amount at the end of the year in accordance with company's internal rules to prepare for the payment of directors' retirement allowance.
- (4) Method of accounting for retirement benefits
- (i) Attributing expected retirement benefits to a period
The estimated amount of retirement benefits for employees is attributed to each period by the benefit formula method.
- (ii) 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 (10 to 13 years) determined by 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 (10 to 13 years) determined by the average remaining years of service of employees at the time of accrual in each fiscal year. Amortization of such gains and losses commences in the following fiscal year.
- (5) Recognition of revenue and costs
Recognition of revenue relating to contract work and software development contracts
- (i) Revenue from those with results in progress before the end of the fiscal year
Percentage-of-completion method (The progress ratio of construction is estimated by the cost proportion method.)
- (ii) Other revenue
Inspection basis (completed-contract method for certain domestic consolidated subsidiaries)
- (6) Hedge accounting methods
- (i) Method of hedge accounting
Deferred hedging is applied. Allocation treatment is applied for forward exchange contracts and currency swap contracts eligible for allocation treatment. Special treatment is applied to interest rate swaps that meet requirements for special treatment.
- (ii) Hedging instruments and hedged items
Forward exchange contracts and currency swap contracts are used to hedge fluctuations of exchange rates on credits and debts in foreign currencies. Interest rate swaps are employed to hedge fluctuations of market interest rates on variable-rate long-term debt.
- (iii) Hedging policy
Derivative transactions are used to hedge fluctuations of market rates on credits and debts.
- (iv) Assessment method of the effectiveness of hedges
To determine the effectiveness of hedges, the Company compares the accumulated total of market fluctuations or cash flow fluctuations for the targets of hedging and that of the market fluctuations or the cash flow fluctuations for the means of hedging, during the period from the start of hedging to the assessment. The Company then makes a decision based on the changes of the two.
- (7) Amortization of goodwill and amortization period
Goodwill is amortized using the straight-line method over its useful life. (mainly five years)
- (8) Cash equivalents
All highly liquid investments, 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.
- (9) Other important matters in preparation of consolidated financial statements
- (i) Accounting processing of consumption tax
The tax-exclusion method is used for accounting of consumption tax and local consumption tax.
- (ii) Application of consolidated tax payment
The consolidated tax payment is applied.

2. UNAPPLIED ACCOUNTING STANDARDS

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 30, 2018) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30, March 30, 2018)

1) Summary

The International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB) jointly developed comprehensive accounting standards for revenue recognition, and announced “Revenues arising from contracts with customers” (IFRS 15 in the IASB and Topic 606 in the FASB) publicly in May, 2014. Considering the situation that “IFRS 15 is applied from the fiscal year beginning on after January 1, 2018” and “Topic 606 is applied from the fiscal year beginning on after December 15, 2017”, Accounting Standards Board of Japan (ASBJ) developed a comprehensive accounting standard for revenue recognition and

announced it publicly with guidance.

The basic policies for developing accounting standards for revenue recognition by the ASBJ are as follows. (1) In order to enable comparison between financial statements, we adopt the basic principles of IFRS 15 and establish accounting standards. (2) In the case where there are items that should be taken into consideration in practice that have been carried out in Japan, substitute treatment is added to the extent that comparability is not impaired.

2) Expected date to apply

It will be applied from the beginning of the fiscal year ending March 2022.

3) Impact of application of accounting standard

The impact on the consolidated financial statements is currently being evaluated.

3. ADDITIONAL INFORMATION

Oki Banking Systems (Shenzhen) Co., Ltd., an OKI Group consolidated subsidiary, has filed a request for arbitration against Shenzhen Yihua Computer Industrial Co., Ltd. on October 10, 2015, demanding payment of accounts receivable of RMB 1,115,463 thousand or ¥18,873 million (\$178,047 thousand) and compensation of damages. Currently, the South China International Economic and Trade Arbitration Commission continues to review the matter.

In consideration of the status of litigation, since the period for collecting the receivables is expected to lengthen, an allowance for doubtful receivables of ¥11,480 million (\$108,301 thousand) was recorded at the end of the fiscal year.

4. CONSOLIDATED BALANCE SHEET

1) Accumulated depreciation for Property, plant and equipment

Accumulated depreciation for Property, plant and equipment at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Accumulated depreciation	¥ 159,972	¥ 145,631	\$ 1,509,169

2) Assets pledged as collateral and Liabilities collateralized by the above assets

Assets pledged as collateral at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investments in securities	¥ 17,759	¥ 14,957	\$ 167,537

Liabilities collateralized by the above assets at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Short-term borrowings	¥ 7,000	¥ 3,500	\$ 66,037

3) Investments in unconsolidated subsidiaries and affiliates

Investments in unconsolidated subsidiaries and affiliates at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investments in securities	¥ 2,258	¥ 5,486	\$ 21,301

4) Liabilities for guarantee

Guarantee for borrowings by employees at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Guarantee for borrowings by employees	¥ 172	¥ 229	\$ 1,622

5) The unexecuted balance of overdraft

The Group has concluded an overdraft agreement with transaction banks etc. for efficient procurement of working capital.

The unexecuted balance of overdraft at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total overdraft amount	¥ 53,092	¥ 54,984	\$ 500,867
Amount of borrowing execution balance	21,515	25,566	202,971
Net	¥ 31,577	¥ 29,417	\$ 297,896

5. CONSOLIDATED STATEMENT OF INCOMES

1) Research and development expenses

Research and development expenses for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Selling, general and administrative expenses	¥ 8,350	¥ 10,275	\$ 78,773

2) Gain on step acquisitions

For the year ended March 31, 2018, the Company acquired shares of Oki Electric Cable Co., LTD. and recorded a gain on step acquisitions of ¥1,116 million (\$10,528 thousand).

3) Business structure improvement expenses

For the year ended March 31, 2018, the subsidiaries in printer business recorded losses for restructuring related costs.

The nature of the losses are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018		2018
Special retirement expenses	¥ 1,658		\$ 15,641
Consulting expenses	418		3,943
Penalty fee	289		2,726
Other	161		1,518
Total	¥ 2,526		\$ 23,830

6. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Amounts reclassified to profit (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Net unrealized holding gain (loss) on other securities:			
Amount arising during the year	¥ 2,050	¥ 1,855	\$ 19,339
Reclassification adjustments	(117)	(908)	(1,103)
Before tax effect	1,933	946	18,235
Tax effect	(601)	(278)	(5,669)
Net unrealized holding gain (loss) on other securities	1,332	667	12,566
Gain (loss) on deferred hedges:			
Amount arising during the year	52	576	490
Asset acquisition cost adjustments	—	(16)	—
Before tax effect	52	559	490
Tax effect	(15)	0	(141)
Gain (loss) on deferred hedges	37	559	349
Translation adjustments:			
Amount arising during the year	(429)	486	(4,047)
Reclassification adjustments	(65)	10	(613)
Translation adjustments	(495)	496	(4,669)
Retirement benefits liability adjustments:			
Amount arising during the year	1,443	(4,022)	13,613
Reclassification adjustments	(758)	(10,874)	(7,150)
Before tax effect	685	(14,897)	6,462
Tax effect	271	4,354	2,556
Retirement benefits liability adjustments	956	(10,543)	9,018
Share of other comprehensive income of entities accounted for using equity method:			
Amount arising during the year	27	(3)	254
Reclassification adjustments	(35)	33	(330)
Share of other comprehensive income of entities accounted for using equity method	(8)	30	(75)
Total other comprehensive income	¥ 1,821	¥ (8,788)	\$ 17,179

7. SHAREHOLDERS' EQUITY

Matters concerning class and total number of shares outstanding during the years ended March 31, 2018 and 2017 were as follows:

	Thousands of shares			
	2018			
	March 31, 2017	Increase in the year	Decrease in the year	March 31, 2018
Shares outstanding:				
Common stock	87,217	—	—	87,217
Total	87,217	—	—	87,217
Treasury stock:				
Common stock	384	43	9	417
Total	384	43	9	417

*1 The increases of treasury stock were due to an increase in the Company's stock held by a consolidated subsidiary attributable to the Company and purchase of shares less than one trading unit.

*2 The decrease of treasury stock was due to the exercise of stock options.

	Thousands of shares			
	2017			
	March 31, 2016	Increase in the year	Decrease in the year	March 31, 2017
Shares outstanding:				
Common stock	872,176	—	784,958	87,217
Total	872,176	—	784,958	87,217
Treasury stock:				
Common stock	3,782	20	3,419	384
Total	3,782	20	3,419	384

*1 The Company consolidated ten shares of common stock into one share of common stock as of October 1, 2016.

*2 The decrease of shares outstanding was due to stock consolidation.

*3 The increases of treasury stock were due to purchase of odd lot shares accompanying stock consolidation and purchase of shares of less than one trading unit.

*4 The decrease of treasury stock was due to stock consolidation.

8. CONSOLIDATED STATEMENTS OF CASH FLOWS

1) Reconciliations of cash and deposits in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Cash and deposits	¥ 48,698	¥ 54,164	\$ 459,415
Time deposits with a maturity of over three months	(256)	(20)	(2,415)
Deposits with restrictions on withdrawals	(2,959)	(2,162)	(27,915)
Cash and cash equivalents	¥ 45,481	¥ 51,980	\$ 429,066

2) Business combinations through additional equity acquisition

During the current fiscal year, the Company newly consolidated Oki Electric Cable Co., Ltd., an affiliated company previously accounted for by the equity method due to the additional acquisition of shares. The assets and liabilities of the consolidated subsidiary at the time of consolidation in connection with the acquisition cost and net cash paid for the acquisition were as follows:

	Millions of yen	Thousands of U.S. dollars
	2018	2018
Current assets	¥ 8,792	\$ 82,943
Non-current assets	12,367	116,669
Current liabilities	(3,566)	(33,641)
Long-term liabilities	(4,175)	(39,386)
Gain on negative goodwill	(210)	(1,981)
Non-controlling interests	(1,774)	(16,735)
Acquisition cost	11,433	107,858
Amount under the equity method before acquisition	(3,795)	(35,801)
Gain on step acquisitions	(1,116)	(10,528)
Acquisition cost of additional acquired shares	6,520	61,509
Cash and cash equivalents of subsidiary	(3,321)	(31,330)
Net cash paid for the acquisition	¥ 3,199	\$ 30,179

3) The content of important non-cash transactions

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
The amount of non-cash transactions on assets and liabilities under finance lease	¥ 4,646	¥ 4,160	\$ 43,830

9. LEASES

1) Finance lease transactions

Out of the finance lease transactions that do not transfer ownership, lease transactions whose lease transaction commencement date was on or prior to March 31, 2008 are accounted for on a basis similar to ordinary rental transactions.

(1) Leased assets

Leased assets held under finance leases accounted for as operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Tools, furniture and fixtures	¥ —	¥ 28	\$ —
Less: Accumulated depreciation	—	25	—
Total	¥ —	¥ 2	\$ —

(2) Minimum leases payments

The minimum leases payments at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ —	¥ 2	\$ —
Due after one year	—	—	—
Total	¥ —	¥ 2	\$ —

(3) Lease expense, depreciation expense and interest expense under finance leases

Lease expense, depreciation expense and interest expense under finance leases for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Lease expense	¥ 3	¥ 2	\$ 28
Depreciation expense	2	2	18
Interest expense	0	0	0

(4) Method of calculating estimated interest expense

Interest expense is computed and allocated to each period using the interest method assuming interest expense to be the excess of total lease payments over the acquisition cost.

2) Operating lease transactions

The minimum rental commitments under non-cancellable operating leases at March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Due within one year	¥ 2,260	¥ 2,326	\$ 21,320
Due after one year	9,220	10,735	86,981
Total	¥ 11,481	¥ 13,061	\$ 108,311

10. FINANCIAL INSTRUMENTS

1) Matters concerning the status of financial instruments

(1) Policy on financial products

Regarding the fund management of the Group, it is based on short-term deposits and highly secure securities. Regarding fund procurement, it is the policy to procure funds through borrowing from financial institutions and corporate bonds. Derivatives are used to avoid the risks described below, and it is the policy not to conduct speculative transactions.

(2) Details of financial products and their risks and risk management system

Credit risk of customers related to trade notes and accounts receivable is managed by conducting credit investigation of business partners in accordance with rules and regulations on accounts receivable management etc. of each company, and we strive to reliably collect trade receivables.

Regarding borrowings, short-term borrowings are primarily fund procurement related to working capital, and long-term debt are financing related to working capital and capital investment. Some of these borrowings have variable interest rates and they are exposed to the risk of interest rate fluctuation, but they are hedged by derivative transactions (interest rate swap transactions).

Derivative transactions are forward exchange contracts and currency swap transactions intended to hedge the foreign exchange risk associated with receivables and payables denominated in foreign currencies and interest rate swap transactions intended to hedge the risk of fluctuation in interest payment on borrowings. Since the method for evaluating the effectiveness of hedging in interest rate swaps meets the requirements for special treatment, the assessment of effectiveness is omitted with that judgment.

The execution and management of derivative transactions are carried out in accordance with internal regulations.

(3) Supplementary explanation on matters concerning fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, the fair value is determined based on reasonable estimates. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in 2. Disclosure concerning fair value of financial instruments are not indicative of the actual market risk involved in derivative transactions.

2) Disclosure concerning fair value of financial instruments

As of March 31, 2018 and 2017, the amount recorded in the consolidated balance sheet, fair value, and the amount of differences are as shown in the table below.

Any item whose fair value is deemed extremely difficult to assess is excluded from the table. (See Note 2 below):

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			2018		
	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference	Amount recorded in balance sheet	Fair value	Difference
(1) Cash and deposits	¥ 48,698	¥ 48,698	¥ —	¥ 54,164	¥ 54,164	¥ —	\$ 459,415	\$ 459,415	\$ —
(2) Notes and accounts receivable	97,936	97,936	—	101,572	101,572	—	923,924	923,924	—
(3) Investments in securities	41,090	41,099	8	42,302	41,829	(472)	387,641	387,726	75
(4) Long-term trade receivables	22,456			18,659			211,849		
Allowance for doubtful receivables ^{(*)1}	(14,835)			(11,747)			(139,952)		
	7,621	7,621	—	6,911	6,911	—	71,896	71,896	—
Total assets	195,346	195,355	8	204,950	204,477	(472)	1,842,886	1,842,971	75
(1) Notes and accounts payable	67,124	67,124	—	58,685	58,685	—	633,245	633,245	—
(2) Short-term borrowings ^{(*)2}	36,964	36,964	—	37,986	37,986	—	348,716	348,716	—
(3) Accounts payable, others	19,768	19,768	—	12,389	12,389	—	186,490	186,490	—
(4) Other accrued expenses	21,952	21,952	—	29,499	29,499	—	207,094	207,094	—
(5) Long-term debt ^{(*)2}	44,950	45,232	281	49,025	49,454	428	424,056	426,716	2,650
Total liabilities	190,760	191,042	281	187,586	188,014	428	1,799,622	1,802,283	2,650
Derivative transactions ^{(*)3}	¥ (102)	¥ (102)	¥ —	¥ (90)	¥ (90)	¥ —	\$ (962)	\$ (962)	\$ —

*1 Allowance for doubtful receivables specifically provided for long-term trade receivables is deducted.

*2 As of March 31, 2018 and 2017, Long-term debt (¥21,994 million (\$207,490 thousand) and ¥18,895 million) that are due within one year are classified as "short-term" borrowings in the consolidated balance sheet.

*3 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. Disclosure concerning methods of calculation of fair value of financial instruments, securities and derivative transactions.

Assets

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

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is determined to be equal to their book value.

(3) Investments in securities

The fair value of investments in securities is based on their prices determined at the financial instruments exchanges, and the fair value of bonds is based on the quotations offered by the correspondent financial institution as of the balance sheet date.

(4) Long-term trade receivables

Fair value of long-term trade receivables is determined by deducting the present estimated doubtful receivables from the book value as estimated doubtful receivables are calculated based on the present value of loans / receivables.

Liabilities

(1) Notes and accounts payable, (2) Short-term borrowings, (3) Account payable, other and (4) Other accrued expenses

These items are settled over a short period of time and their fair value is virtually equal to their book value. Hence, their fair value is determined to be equal to their book value.

(5) Long-term debt

The fair value is based primarily on the method of calculation whereby the sum of principal and interest is discounted by an assumed interest rate based on rates currently available to the Company for similar transactions. Some long-term debt with floating interest rates are prescribed to be subject to special accounting treatment applicable to interest rate swaps (see below). Hence, the fair value of a long-term debt 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 an assumed interest rate based on rates currently available to the Company for similar transactions.

Derivative transactions

Described in Note12

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

Unlisted equity securities at of March 31, 2018 and 2017, 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.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unlisted equity securities	¥ 7,669	¥ 7,274	\$ 72,349

3. Redemption schedule for monetary assets and securities with maturity dates as of March 31, 2018 and 2017:

	Millions of yen			
	2018			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 48,698	¥ —	¥ —	¥ —
Notes and accounts receivable	97,813	122	—	—
Total	¥ 146,512	¥ 122	¥ —	¥ —

	Millions of yen			
	2017			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	¥ 54,164	¥ —	¥ —	¥ —
Notes and accounts receivable	100,271	1,301	—	—
Total	¥ 154,435	¥ 1,301	¥ —	¥ —

	Thousands of U.S. dollars			
	2018			
	Within 1 year	Between 1 and 5 years	Between 5 and 10 years	Over 10 years
Cash and deposits	\$ 459,415	\$ —	\$ —	\$ —
Notes and accounts receivable	922,764	1,150	—	—
Total	\$ 1,382,188	\$ 1,150	\$ —	\$ —

4. Repayment schedule for long-term debt and other interest-bearing debt as of March 31, 2018 and 2017:

	Millions of yen					
	2018					
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 36,964	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	21,994	13,278	3,678	3,000	3,000	—
Total	¥ 58,958	¥ 13,278	¥ 3,678	¥ 3,000	¥ 3,000	¥ —

	Millions of yen					
	2017					
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	¥ 37,986	¥ —	¥ —	¥ —	¥ —	¥ —
Long-term debt	18,895	19,102	10,325	701	—	—
Total	¥ 56,882	¥ 19,102	¥ 10,325	¥ 701	¥ —	¥ —

	Thousands of U.S. dollars					
	2018					
	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years
Short-term borrowings	\$ 348,716	\$ —	\$ —	\$ —	\$ —	\$ —
Long-term debt	207,490	125,264	34,698	28,301	28,301	—
Total	\$ 556,207	\$ 125,264	\$ 34,698	\$ 28,301	\$ 28,301	\$ —

11. SECURITIES

1) Trading Securities

Not applicable

2) Bonds Held to Maturity

Not applicable

3) Other Securities

Securities at March 31, 2018 and 2017 were summarized as follows. Securities for which it is extremely difficult to reasonably measure its fair value are not included in the table below:

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			2018		
	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	¥ 39,135	¥ 29,268	¥ 9,867	¥ 19,867	¥ 11,165	¥ 8,702	\$ 369,198	\$ 276,113	\$ 93,084
Subtotal	39,135	29,268	9,867	19,867	11,165	8,702	369,198	276,113	93,084
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	1,955	2,334	(379)	18,816	19,962	(1,145)	18,443	22,018	(3,575)
Subtotal	1,955	2,334	(379)	18,816	19,962	(1,145)	18,443	22,018	(3,575)
Total	¥ 41,090	¥ 31,602	¥ 9,487	¥ 38,684	¥ 31,128	¥ 7,556	\$ 387,641	\$ 298,132	\$ 89,500

4) Sales of other securities for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen						Thousands of U.S. dollars		
	2018			2017			2018		
	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales	Proceeds from sales	Gain on sales	Loss on sales
Equity securities	¥ 245	¥ 115	¥ —	¥ 1,409	¥ 908	¥ —	\$ 2,311	\$ 1,084	\$ —
Total	¥ 245	¥ 115	¥ —	¥ 1,409	¥ 908	¥ —	\$ 2,311	\$ 1,084	\$ —

5) Impairment losses on securities

Not applicable

When the market value at the end of the fiscal year markedly declines compared to the acquisition cost, we judge the recoverability comprehensively and impair the appropriate amount.

12. DERIVATIVES

Derivative transactions at March 31, 2018 and 2017 were as follows:

1) Derivative transactions which do not qualify for hedge accounting

(i) Currency related

	Millions of yen				Thousands of U.S. dollars			
	2018				2018			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:								
Sell:								
Euro	¥ 9,154	¥ —	¥ (41)	¥ (41)	\$ 86,358	\$ —	\$ (386)	\$ (386)
Buy:								
U.S. dollars	2,640	—	(90)	(90)	24,905	—	(849)	(849)
Euro	3,292	—	(20)	(20)	31,056	—	(188)	(188)
Total	¥ 15,087	¥ —	¥ (152)	¥ (152)	\$ 142,330	\$ —	\$ (1,433)	\$ (1,433)

	Millions of yen			
	2017			
	Contract amount	Contract amount over 1 year	Fair value	Unrealized gain / loss
Forward foreign exchange contract:				
Sell:				
Euro	¥ 5,531	¥ —	¥ (217)	¥ (217)
Buy:				
U.S. dollars	2,674	—	130	130
Total	¥ 8,206	¥ —	¥ (87)	¥ (87)

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

(ii) Interest rate related

Not applicable

2) Derivative transactions which qualify for hedge accounting

(i) Currency related

		Millions of yen			Thousands of U.S. dollars		
		2018			2018		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):							
Sell:							
Euro	Accounts receivable	¥ 11,259	¥ —	¥ 256	\$ 106,216	\$ —	\$ 2,415
Buy:							
U.S. dollars	Accounts payable	9,027	—	(206)	85,160	—	(1,943)
Currency swaps (Special treatment):							
Pay Yen/receive U.S.dollars	Long-term debt	¥ 254	¥ —	¥ 6	\$ 2,396	\$ —	\$ 56
Total		¥ 20,540	¥ —	¥ 56	\$ 193,773	\$ —	\$ 528

		Millions of yen		
		2017		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Forward foreign exchange contract (Principle-based accounting):				
Sell:				
Euro	Accounts receivable	¥ 12,622	¥ —	¥ 173
Buy:				
U.S. dollars	Accounts payable	11,172	—	(176)
Currency swaps (Special treatment):				
Pay Yen/receive U.S.dollars	Long-term debt	¥ 762	¥ 254	¥ 60
Total		¥ 24,557	¥ 254	¥ 58

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

(ii) Interest rate related

		Millions of yen			Thousands of U.S. dollars		
		2018			2018		
Hedged item		Contract amount	Contract amount over 1 year	Fair value	Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):							
Pay fixed/receive floating	Long-term debt	¥ 35,522	¥ 13,651	*	\$ 335,113	\$ 128,783	*

		Millions of yen		
		2017		
Hedged item		Contract amount	Contract amount over 1 year	Fair value
Interest rate swaps (Special treatment):				
Pay fixed/receive floating	Long-term debt	¥ 36,033	¥ 22,172	*

* Derivative transactions subject to special treatment applied to interest rate swaps are treated in combination with long-term debt as hedged items. Hence, their fair value is included in that of long-term debt.

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

13. RETIREMENT BENEFITS

1) The Company and domestic consolidated subsidiaries have funded and 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 and certain consolidated subsidiary. The Company's and certain consolidated subsidiary's plan are 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 and certain consolidated subsidiary set up the retirement benefit trust for defined benefit plans and lump-sum retirement payment plans.

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

The Company's and certain consolidated subsidiaries are members of the OKI corporate pension fund that is a multiemployer pension plans. The following amounts include multiemployer pension plans.

2) Defined benefit plan

(1) The changes in the retirement benefit obligation during the year ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Retirement benefit obligation at April 1, 2017 and 2016	¥ 109,357	¥ 109,538	\$ 1,031,669
Service cost	3,010	2,803	28,396
Interest cost	1,247	1,236	11,764
Actuarial gain / loss	963	2,414	9,084
Retirement benefit paid	(6,899)	(6,380)	(65,084)
Newly consolidated	4,193	—	39,556
Other	(443)	(255)	(4,179)
Retirement benefit obligation at March 31, 2018 and 2017	¥ 111,428	¥ 109,357	\$ 1,051,207

(2) The changes in plan assets during the year ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Plan assets at April 1, 2017 and 2016	¥ 92,668	¥111,983	\$ 874,226
Expected return on plan assets	2,294	2,720	21,641
Actuarial gain / loss	2,413	(1,610)	22,764
Contributions by the Company and subsidiaries	4,113	3,598	38,801
Retirement benefits paid	(5,042)	(5,155)	(47,566)
Return of assets from retirement benefits trust	—	(18,717)	—
Newly consolidated	2,523	—	23,801
Other	—	(151)	—
Plan assets at March 31, 2018 and 2017	¥ 98,971	¥ 92,668	\$ 933,688

(3) The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2018 and 2017 for the Company's and the consolidated subsidiaries' defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Funded retirement benefit obligation	¥ 95,232	¥ 93,830	\$ 898,415
Plan assets at fair value	(98,971)	(92,668)	(933,688)
	(3,739)	1,162	(35,273)
Unfunded retirement benefit obligation	16,196	15,526	152,792
Net liability for retirement benefits in the balance sheet	¥ 12,456	¥ 16,688	\$ 117,509
Liability for retirement benefits	27,814	26,199	262,396
Asset for retirement benefits	(15,357)	(9,511)	(144,877)
Net asset for retirement benefits in the balance sheet	¥ 12,456	¥ 16,688	\$ 117,509

(4) The components of retirement benefit expense for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Service cost	¥ 3,010	¥ 2,803	\$ 28,396
Interest cost	1,247	1,236	11,764
Expected return on plan assets	(2,294)	(2,720)	(21,641)
Amortization of actuarial gain / loss	376	(1,673)	3,547
Amortization of prior service cost	(1,135)	(1,457)	(10,707)
Other	292	208	2,754
Retirement benefit expense	¥ 1,496	¥ (1,604)	\$ 14,113
Gain on return of assets from retirement benefits trust	¥ —	¥ (7,822)	\$ —

(5) The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Prior service cost	¥ (1,135)	¥ (1,481)	\$ (10,707)
Actuarial gain / loss	1,820	(13,416)	17,169
Total	¥ 685	¥ (14,897)	\$ 6,462

(6) The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of March 31, 2018 and 2017 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Unrecognized prior service cost	¥ (576)	¥ (1,711)	\$ (5,433)
Unrecognized actuarial gain / loss	(34)	1,786	(320)
Total	¥ (610)	¥ 74	\$ (5,754)

(7) Plan assets

(i) The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2018 and 2017 were as follows:

	2018	2017
Bonds	37%	41%
Stocks	32	26
Alternative	18	19
Other	13	13
Total*	100%	100%

* The retirement benefit trust consists of 16% of the total plan assets for the year ended March 31, 2018 and 16% of the total plan assets for the year ended March 31, 2017, respectively.

(ii) The expected rate of return on plan assets has been estimated based on the average rate of return on plan assets of the latest 3 years.

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

	2018	2017
Discount rate	0.9%	0.9%
Expected rate of return on plan assets	2.5%	2.5%

3) Defined contribution plan

The Company and domestic consolidated subsidiaries made required contributions to the defined contribution plans of ¥2,234 million (\$21,075 thousand) and ¥2,241 million for the years ended March 31, 2018 and 2017, respectively.

14. STOCK OPTION PLAN

The stock options outstanding as of March 31, 2018 are as follows:

1) The amount and the accounting subject in relation to the stock options existing for the year ended March 31, 2018.

Selling, general and administrative expenses for the years ended March 31, 2018 and 2017 is ¥61 million (\$575 thousand) and ¥47 million, respectively.

2) The amount of income due to cancelled stock options.

Non-operating income for the years ended March 31, 2018 and 2017 is ¥46 million (\$433 thousand) and ¥32 million, respectively.

3) The size of stock option and its circumstances.

Date of approval by shareholders	June 26, 2007	July 29, 2016	July 28, 2017
Grantees	9 directors, 10 executive officers, 6 executive employees participating in execution and 1 subsidiary director	4 directors and 13 executive officers	3 directors and 15 executive officers
Type of shares for which new subscription rights offered (Note below)	50,900 shares of Common stock	55,700 shares of Common stock	61,700 shares of Common stock
After the resolution			
End of the preceding term	50,900 shares	55,700 shares	—
Vested	—	—	61,700 shares
Exercised	—	9,500 shares	—
Cancelled	50,900 shares	—	—
Outstanding	—	46,200 shares	61,700 shares
Date of issuance	July 27, 2007	August 16, 2016	August 15, 2017
Condition of exercising	Fixed term of the right is not given.	Grantees are eligible for a pro-rated portion of their grant if they leave the company during the vesting period.	Grantees are eligible for a pro-rated portion of their grant if they leave the company during the vesting period.
Vesting period	No conditional period required.	April 1, 2016 – March 31, 2017	April 1, 2017 – March 31, 2018
Exercise price	¥2,480 (\$23.39)	¥1 (\$0.00)	¥1 (\$0.00)
Exercisable period	July 1, 2009 – June 25, 2017	August 17, 2016 – August 16, 2041	August 16, 2017 – August 15, 2042
Official price at the date of offered	¥920 (\$8.67)	¥860 (\$8.11)	¥1,000 (\$9.43)

Note: The amount is converted into the number of shares.

4) The evaluation of fair value of stock option

(1) The fair value of stock option value is determined using a Black-Scholes model.

(2) General information and the method of estimation

Date of approval by shareholders	July 28, 2017
Stock market volatility (Note 1 below)	42.63%
Estimated residual period (Note 2 below)	12.5 years
Estimated dividends (Note 3 below)	¥50 (\$0.47) per share
Risk-free rate (Note 4 below)	0.17%

Notes: 1. The figure is calculated from the actual stock prices for the period 12.5 years (from February, 2005 to August, 2017).

2. Because accumulation of data is insufficient and reasonable estimation is difficult, this is estimated on the assumption that it will be exercised at the midpoint of the subscription rights exercise period.

3. This figure is a simple average of actual dividend for the most recent two periods. This is after the consolidation of shares executed on October 1, 2016.

4. The yield of government bond is accordance with estimated residual period.

5) The method of estimating the number of stock options vested

Fundamentally, only the actual number of cancelled stock options is shown as it is difficult to estimate the possible number of cancelled stock options.

15. INCOME TAXES

(1) Deferred tax assets and liabilities at March 31, 2018 and 2017 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Deferred tax assets:			
Loss carryforwards	¥ 15,785	¥ 13,916	\$ 148,915
Liability for retirement benefits	13,344	12,942	125,886
Excess of allowance for doubtful receivables and bad debts expenses	5,071	4,861	47,839
Accrued bonuses	3,772	3,608	35,584
Write-downs of inventories	2,334	2,504	22,018
Write-downs of investments in securities	1,854	1,884	17,490
Elimination of unrealized intercompany profits	1,373	1,559	12,952
Accounts payable for revision of retirement payment plan	1,056	2,235	9,962
Loss on impairment of fixed assets	586	1,706	5,528
Other	5,635	6,921	53,160
Gross deferred tax assets	50,815	52,140	479,386
Less: Valuation allowance	(40,902)	(44,435)	(385,867)
Total deferred tax assets	9,912	7,705	93,509
Deferred tax liabilities:			
Asset for retirement benefits	(6,378)	(4,833)	(60,169)
Write-ups of investments in securities	(5,793)	(5,793)	(54,650)
Net unrealized holding gain on other securities	(2,994)	(2,267)	(28,245)
Taxable unrealized gain on contribution of securities to a pension trust	(1,981)	(1,981)	(18,688)
Other	(2,916)	(983)	(27,509)
Total deferred tax liabilities	(20,063)	(15,858)	(189,273)
Net deferred tax liabilities	¥ (10,150)	¥ (8,153)	\$ (95,754)

(2) 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% for the years ended March 31, 2018 and 2017, 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, 2018 and 2017 are summarized as follows:

	2018	2017
Statutory tax rates	31.0 %	31.0 %
Additions to (deductions from) income taxes resulting from:		
Permanent differences not recognized for tax purposes such as dividends received	(4.4)	(1.0)
Permanent nondeductible differences such as entertainment expenses	7.9	4.0
Increase (decrease) in valuation allowance for deferred tax assets	(34.2)	25.0
Per capita portion of inhabitants' taxes	3.6	2.1
Expiration of loss carried forwards	18.8	—
Other, net	6.1	6.4
Effective tax rates	28.8 %	67.5 %

16. BUSINESS COMBINATION

Business combinations for the year ended March 31, 2018 consisted of the following:

(Business combination via acquisition)

Based on a decision made at the Board of Directors meeting held on October 31, 2017, the company acquired ordinary shares of Oki Electric Cable Co., Ltd. via a takeover bid as stipulated in the Financial Instruments and Exchange Act, in order to make Oki Electric Cable Co., Ltd. a wholly owned subsidiary instead of an affiliated company to which the equity method is applied.

1) Overview of business combination

(1) Name of business overview of company acquired

Name of company acquired: Oki Electric Cable Co., Ltd.

Business overview: Manufacturing and sales of electric cables and electrode wires, and the rental of real estate

(2) Main reason for business combination

Making Oki Electric Cable Co., Ltd. a wholly owned subsidiary will enable the speed of management strategy decision making to be sped up and human resources of the Group to be used to increase the corporate value of Oki Electric Cable Co., Ltd. and strengthen the earnings base of the entire Group.

(3) Date of business combination

December 25, 2017

(4) Legal form of business combination

Cash acquisition of shares

(5) Company name after combination

No change.

(6) Ratio of voting rights acquired

Ratio of voting rights owned before acquisition 37.45%

Additional ratio of voting rights obtained on date of business combination 49.71%

Ratio of voting rights after acquisition 87.17%

(7) Main basis for reaching a decision on business combination

Because the Company obtained the shares through cash acquisition.

2) Performance period of acquired company included in the consolidated financial statement

The performance from January 1, 2018 to March 31, 2018.

Since the acquired company was an affiliated company to which the equity method applied, the performance from April 1, 2017 to December 31, 2017 is recorded as investment earnings based on the equity method.

3) Breakdown of each type of consideration and acquisition cost of the acquired company

Market value of owned shares before acquisition on the date of business combination ￥ 4,912 million (\$ 46,339 thousand)

Cash paid for additional acquisition ￥ 6,520 million (\$ 61,509 thousand)

Acquisition cost ￥ 11,433 million (\$ 107,858 thousand)

4) Major acquisition-related costs

Compensation and fees, etc. for advisors: ￥132 million (\$ 1,245 thousand)

5) Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition

Gain on step acquisitions: ￥1,116 million(\$ 10,528 thousand)

6) Amount of Gain on negative goodwill and the cause

(1) Gain on negative goodwill

￥210 million(\$ 1,981 thousand)

(2) Cause

Since the net asset value exceeded the acquisition cost at the time of business combination, that difference was recorded as Gain on negative goodwill.

7) The assets acquired and liabilities assumed on the date of business combination

Current assets	¥ 8,792 million (\$ 82,943 thousand)
Non-current assets	12,367 million (116,669 thousand)
Total assets	21,159 million (199,613 thousand)
Current liabilities	(3,566 million) ((33,641 thousand))
Long-term liabilities	(4,175 million) ((39,386 thousand))
Total liabilities	¥ (7,741 million) (\$ (73,028 thousand))

8) Approximate impact amount on the consolidated income statement for the current consolidated fiscal year, assuming that business combination was completed at the beginning of the consolidated fiscal year

Sales	¥ 9,081 million (\$ 85,669 thousand)
Operating income	¥ 789 million (\$ 7,443 thousand)

(Method of calculating approximate amount)

The approximate impact is the difference between Sales and profit and loss information calculated assuming that business combination was completed on the start date of consolidated fiscal year and Sales and profit and loss information in the consolidated income statement of the acquired company.

This note has not received audit certification.

17. SEGMENT INFORMATION

1) Segment Information

(1) Overview of reporting segments

In our reportable segments, the separated financial information of the Company's constituent units is available, and the Board of Directors periodically reviews the information in order to determine the allocation of management resources and evaluate performance of the reportable segments.

The Company conducts the "Information and Communication Technology business", the "Mechatronics System Business" and the "EMS Business". And it has an Oki Data Group (Oki Data Co., Ltd. and its group companies) as an independent management unit and conducts the "Printer Business".

As the Company develops comprehensive domestic and overseas strategies for product instruments handled by each of the above businesses and develops business activities, it treats the above four business as reporting segments.

"Information and Communication Technology Business" conducts business to provide solutions that realize optimization and efficiency of solutions and business processes utilizing IoT.

"Mechatronics System Business" conducts business to provide products and services such as ATM and cash handling machines based on mechatronics technology.

"Printer Business" conducts business to provide printers that make full use of the characteristics of LED technology.

"EMS Business" conducts outsourcing business based on abundant achievements of social infrastructure equipment.

Major products and services belonging to each reporting segment are as follows:

Reporting segments	Major products and services
Information & Communication Technology	Transport infrastructure system, disaster prevention related system, defense related system, communication equipment for telecommunication carriers, financial branch office system, administrative centralized system, reservation ticketing system, IP-PBX, business phone, contact center, 920 MHz multihop wireless system etc.
Mechatronics Systems	ATM, cash handling machine, branch office terminal, reservation ticket issuing terminal, check-in terminal, foreign currency exchange machine, ATM monitoring and operation service etc.
Printer	Color / monochrome LED printer, color / monochrome LED multifunction printer, large format inkjet printer, dot impact printer, etc.
EMS	Consigned design & manufacturing services, printed wiring board, etc.

(2) Calculation method of net sales, profit or loss, assets, liabilities and other items on each reporting segment

The account policies of the reporting segments is the same as those described in "Note 1. Summary of Significant Accounting Policies" and intersegment sales and transfers are calculated at the prevailing market prices.

(3) Information on net sales, profit or loss, assets, liabilities and other items by each reporting segment
Reporting segment information as of March 31, 2018 and 2017 and for the years then ended were as follows:

For the year ended March 31	Millions of yen								
	2018								
	Segments					Other	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	¥ 172,716	¥ 93,542	¥ 108,905	¥ 47,677	¥ 422,841	¥ 15,185	¥ 438,026	¥ —	¥ 438,026
Inter-segment sales and transfers	4,002	2,125	5,815	131	12,075	17,442	29,518	(29,518)	—
Net sales	176,718	95,667	114,721	47,809	434,917	32,627	467,545	(29,518)	438,026
Operating income (loss)	13,513	(5,093)	2,729	2,233	13,382	2,022	15,404	(7,682)	7,721
Total assets	107,468	66,304	64,557	33,732	272,063	40,497	312,560	59,217	371,778
Depreciation and amortization	2,936	2,989	3,208	992	10,127	965	11,092	1,059	12,151
Investments in equity-method affiliates	1,963	—	—	—	1,963	—	1,963	—	1,963
Increase in property, plant, equipment and intangible assets	¥ 3,134	¥ 1,758	¥ 2,052	¥ 1,273	¥ 8,219	¥ 770	¥ 8,989	¥ 1,298	¥ 10,287

For the year ended March 31	Millions of yen								
	2017								
	Segments					Other	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
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

For the year ended March 31	Thousands of U.S. dollars								
	2018								
	Segments					Other	Total	Adjustments	Consolidated
ICT	Mechatronics Systems	Printers	EMS	Subtotal					
Sales to third parties	\$ 1,629,396	\$ 882,471	\$ 1,027,405	\$ 449,783	\$ 3,989,066	\$ 143,254	\$ 4,132,320	\$ —	\$ 4,132,320
Inter-segment sales and transfers	37,754	20,047	54,858	1,235	113,915	164,547	278,471	(278,471)	—
Net sales	1,667,150	902,518	1,082,273	451,028	4,102,990	307,801	4,410,801	(278,471)	4,132,320
Operating income (loss)	127,481	(48,047)	25,745	21,066	126,245	19,075	145,320	(72,471)	72,839
Total assets	1,013,849	625,509	609,028	318,226	2,566,632	382,047	2,948,679	558,650	3,507,339
Depreciation and amortization	27,698	28,198	30,264	9,358	95,537	9,103	104,641	9,990	114,632
Investments in equity-method affiliates	18,518	—	—	—	18,518	—	18,518	—	18,518
Increase in property, plant, equipment and intangible assets	\$ 29,566	\$ 16,584	\$ 19,358	\$ 12,009	\$ 77,537	\$ 7,264	\$ 84,801	\$ 12,245	\$ 97,047

Notes: 1. The category "Other" is a business that is not included in the reporting segments, and is engaged in the provision of utilities and manufacturing and selling other equipment products.

2. The adjustments for segment information above were as follows:

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Operating income (loss)			
Elimination of intersegment transactions	¥ 164	¥ 321	\$ 1,547
Corporate expense*	(7,783)	(6,874)	(73,424)
Fixed asset adjustment	(63)	7	(594)
Total	¥ (7,682)	¥ (6,545)	\$ (72,471)

* Corporate expenses consist principally of expenses in the Company's General and Administrative Department and research and development expenses that are not attributable to the reportable segments.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total assets			
Elimination of intersegment transactions	¥ (116,672)	¥ (113,868)	\$ (1,100,679)
Corporate assets*	177,608	183,130	1,675,547
Fixed asset adjustment	(1,717)	(1,522)	(16,198)
Total	¥ 59,217	¥ 67,738	\$ 558,650

* Corporate assets consist principally of the Company's surplus funds, funds for long-term investments and assets belonging to the General and Administrative Department.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Depreciation and amortization			
Depreciation expense for corporate assets	¥ 1,290	¥ 1,478	\$ 12,169
Fixed asset adjustment	(230)	(232)	(2,169)
Total	¥ 1,059	¥ 1,245	\$ 9,990

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Investments in equity-method affiliates			
Companywide investment amount	¥ —	¥ 3,518	\$ —

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Increase in property, plant, equipment and intangible assets			
Corporate assets	¥ 1,595	¥ 1,442	\$ 15,047
Fixed asset adjustment	(297)	(231)	(2,801)
Total	¥ 1,298	¥ 1,209	\$ 12,245

3. Segment profits (losses) were reconciled to operating income (loss) in the consolidated statements of income.

2) Related information

Related information as of March 31, 2018 and 2017 and for the years then ended were as follows:

(1) Products and service information

Since the same information is disclosed in the segment information, the description is omitted.

(2) Geographic information

(i) Sales

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japan	¥ 320,631	¥ 320,288	\$ 3,024,820
North America	17,422	17,459	164,358
Latin America	23,306	20,682	219,867
Europe	43,622	45,247	411,528
China	16,797	29,401	158,462
Other	16,245	18,548	153,254
Total	¥ 438,026	¥ 451,627	\$ 4,132,320

Note: Sales are classified as country or region based on the customer's location.

(ii) Tangible fixed assets

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Japan	* ¥ —	¥ 40,135	\$ —
Asia	—	3,406	—
Other	—	1,241	—
Total	¥ —	¥ 44,783	\$ —

* Since the amount of tangible fixed assets located in Japan exceeds 90% of the amount of tangible fixed assets on the consolidated balance sheet, the disclosure is omitted.

3) Information on impairment loss of fixed assets by each reporting segment

Year ended March 31, 2017

Not applicable

Year ended March 31, 2018

Not applicable

4) Information on amortization of goodwill and unamortized balance by each reporting segment

Year ended March 31, 2017

The disclosure is omitted due to immateriality.

Year ended March 31, 2018

The disclosure is omitted due to immateriality.

5) Information on gain on negative goodwill by each reporting segment

Year ended March 31, 2017

Not applicable

Year ended March 31, 2018

In the current consolidated fiscal year, ¥210 million (\$1,981 thousand) of gain on negative goodwill was recorded due to additional acquisition of Oki Electric Cable Co., Ltd., an affiliated company previously accounted for by the equity method, as a consolidated subsidiary.

18. RELATED PARTY INFORMATION

Transactions between consolidated financial statement submitting company and related parties

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	—	—	

There were no transactions with related parties for the year ended March 31, 2018.

19. AMOUNTS PER SHARE

	Yen		U.S. dollars
	2018	2017	2018
Net assets per share	¥ 1,154.03	¥ 1,115.68	\$ 10.88
Basic earnings per share	¥ 67.86	¥ 54.03	\$ 0.64
Diluted earnings per share	¥ 67.80	¥ 54.01	\$ 0.63

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

*2 Basic and diluted earnings per share were calculated on the basis of the following data.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Basic earnings per share			
Profit attributable to owners of parent	¥ 5,891	¥ 4,691	\$ 55,575
Amounts not attributable to common stock	—	—	—
Profit attributable to owners of parent related to common stock	¥ 5,891	¥ 4,691	\$ 55,575
Weighted-average number of shares of common stock during the period (thousand shares)	86,826	86,836	
Diluted earnings per share			
Profit attributable adjustment to owners of parent	—	—	—
Increase in number of common stocks (thousand shares)	80	29	
Outline of the residual securities excluded from the calculation of the fully diluted net income per share because they have no dilutive effects	—	1 type of subscription rights to shares	

*3 Net assets per share were calculated on the basis of the following data.

	Millions of yen		Thousands of U.S. dollars
	2018	2017	2018
Total net assets	¥ 102,144	¥ 97,215	\$ 963,622
Amounts deducted from total net assets	¥ 1,974	¥ 337	\$ 18,622
(Subscription rights to shares)	¥ (101)	¥ (94)	\$ (952)
(Non-controlling interests)	¥ (1,873)	¥ (242)	\$ (17,669)
Net assets at the year end to common stock	¥ 100,169	¥ 96,878	\$ 944,990
Common stock at the year end used to calculated of the net assets per share (thousand shares)	86,799	86,833	

20. CONSOLIDATED SUPPLEMENTARY SCHEDULES

1) Schedule of company bonds

Not applicable

2) Schedule of borrowings

	Millions of yen				Thousands of U.S. dollars	
	2018				2018	
	Balance at March 31, 2017	Balance at March 31, 2018	Average interest rate	Term of payment	Balance at March 31, 2017	Balance at March 31, 2018
Short-term borrowings	¥ 37,986	¥ 36,964	1.7%	—	\$ 358,358	\$ 348,716
Long-term debt (Within 1 year)	18,895	21,994	1.5	—	178,254	207,490
Lease obligations (Within 1 year)	2,535	2,749	—	—	23,915	25,933
Long-term debt (Over 1 year)	30,129	22,956	1.4	Sep. 30, 2019 ~ Jan. 31, 2023	284,235	216,566
Lease obligations (Over 1 year)	7,135	8,950	—	Apr. 10, 2019 ~ Apr. 10, 2028	67,311	84,433
Total	¥ 96,683	¥ 93,614	—	—	\$ 912,103	\$ 883,150

Notes: 1. For the "average interest rate", the average interest rate is calculated as the weighted average interest rate of outstanding borrowings as of the end of the fiscal year. As interest is included in some of lease payment, the average interest rate of lease obligations is omitted.

2. The planned amount of repayment within five years after the consolidated closing date of "Long-term debt and Lease obligations (over 1 year)" is as follows:

	Millions of yen				Thousands of U.S. dollars			
	2018				2018			
	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years
Long-term debt	¥ 13,278	¥ 3,678	¥ 3,000	¥ 3,000	\$ 125,264	\$ 34,698	\$ 28,301	\$ 28,301
Lease obligations	2,122	1,908	1,602	1,451	20,018	18,000	15,113	13,688

3) Schedule of Asset Retirement Obligations

The amount of asset retirement obligations at the beginning of this consolidated fiscal year and at the end of the consolidated fiscal year ended March 31. Since it is less than 1 / 100th of the total amount of liabilities and net assets at the end of the fiscal year, note is omitted.

REPORT OF INDEPENDENT AUDITORS

Independent Auditor's Report

To the Board of Directors of
Oki Electric Industry Co., Ltd.

We have audited the accompanying consolidated financial statements of Oki Electric Industry Co., Ltd. ("the Company") and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2018, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in net assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 such internal control as management determines is necessary to enable the preparation of 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 comply with ethical requirements and 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. In making those risk assessments, the auditor considers internal control 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, while the purpose of the financial statement audit is not to express an opinion on the effectiveness of the entity's internal control. 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.

*PricewaterhouseCoopers Aarata LLC
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To the Board of Directors of
Oki Electric Industry Co., Ltd.
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Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as at March 31, 2018, and their financial performance and cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Other matter

The Consolidated financial statements of the Company as at and for the year ended March 31, 2017 were audited by another auditor who expressed an unmodified opinion on those statements on June 23, 2017.

Convenience translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2018 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

PricewaterhouseCoopers Barata LLC

August 24, 2018

INVESTOR INFORMATION

Number of Shares (As of March 31, 2018)

Authorized:	240,000 thousand
Issued:	87,217 thousand
	(including 352 thousand treasury stock)

Number of Shareholders (As of March 31, 2018)

73,825

Stock Exchange Listing

First Section of the Tokyo Stock Exchange

Administrative Agent for the Company's Shareholder Register

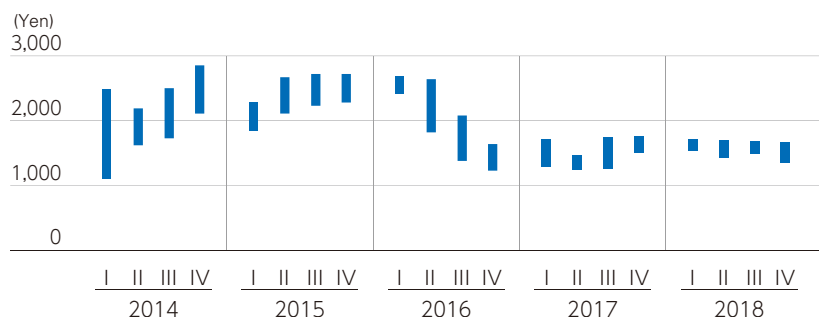
Mizuho Trust & Banking Co., Ltd.

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)	4,718	5.4
MSIP CLIENT SECURITIES	3,778	4.4
Japan Trustee Services Bank, Ltd. (trust account)	3,671	4.2
Oki Denki Group Employees' Shareholdings Committee	1,864	2.2
STATE STREET LONDON CARE OF STATE STREET BANK AND TRUST, BOSTON SSBTC A/C UK LONDON BRANCH CLIENTS- UNITED KINGDOM	1,813	2.1
BNYM FOR GOLDMAN SACHS JAPAN	1,693	2.0
Japan Trustee Services Bank, Ltd. (trust account 5)	1,552	1.8
Mizuho Bank Ltd.	1,419	1.6
Hulic Co., Ltd.	1,407	1.6
Meiji Yasuda Life Insurance Company	1,400	1.6

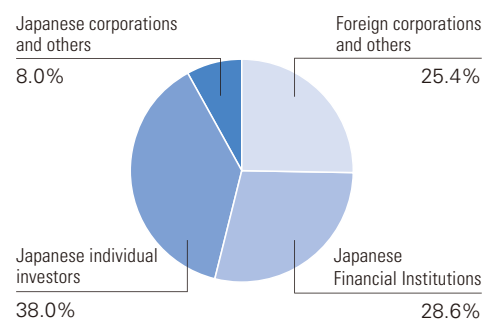
*The shareholding ratio is calculated after excluding 352,250 shares of treasury stock.

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, 2018)



- 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, 2018)

Company Name: Oki Electric Industry Co., Ltd.

Founded: 1881

Company Established: November 1, 1949

Common Stock: 44,000 million yen

Employees: 18,978 (Consolidated)
4,024 (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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E-mail: ir-info@oki.com

IR website: <http://www.oki.com/en/ir>

CSR website: <http://www.oki.com/en/csr>



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We welcome feedback on its contents.