

ANNUAL REPORT 2018

(For the year ended March 31, 2018)



About OKI

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"

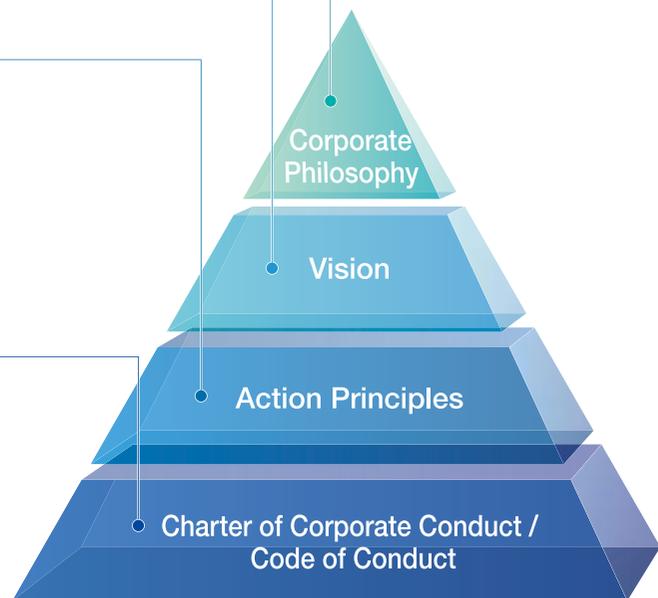
OKI Group Charter of Corporate Conduct/ OKI Group Code of Conduct

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

CONTENTS

ABOUT OKI

- 1 OKI Group Values
- 2 Profile
- 3 Financial and Non-Financial Highlights

TO OUR STAKEHOLDERS

- 5 To Our Stakeholders

STRATEGY

- 9 Special Feature 1: OKI's Activities for the Creation of Innovation Aimed at Achieving the SDGs
- 11 At A Glance
- 13 Overview of Operations
 - 13 ICT
 - 15 Mechatronics Systems
 - 16 Printers
 - 17 EMS

- 18 Special Feature 2: "Mono-zukuri" Capabilities of the OKI Group

- 19 Research and Development

ESG SUPPORTS CORPORATE VALUE

- 21 OKI Group ESG Supports Corporate Value
- 23 Consideration for the Environment
- 25 Responsibilities to Our Customers
- 26 Responsibilities to Our Employees
- 27 Responsibilities to Our Shareholders and Investors
- 28 Responsibilities to Our Suppliers and Business Partners
- 28 Responsibilities to Communities and Society
- 29 Corporate Governance
- 31 Interview with Hideichi Kawasaki, Chairman of the Board
- 32 Messages from Newly Appointed Outside Directors

- 33 Risk Management/Compliance

- 34 Information Security

- 35 Management

DATA SECTION

- 37 Consolidated Balance Sheets
- 39 Consolidated Statements of Income
- 40 Consolidated Statements of Comprehensive Income
- 41 Consolidated Statements of Changes in Net Assets
- 42 Consolidated Statements of Cash Flows
- 43 Notes to Consolidated Financial Statements
- 67 Report of Independent Auditors
- 69 Investor Information
- 70 Company Profile

Editorial Policy

- Annual Report 2018 is published with the aim of disseminating useful information to investors and other stakeholders.
- 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)	
	2014	2015	2016	2017	2018	2018	
For the year							
Net sales	¥ 483,112	¥ 540,153	¥ 490,314	¥ 451,627	¥ 438,026	\$ 4,132,320	
Operating income	27,196	32,415	18,594	2,545	7,721	72,839	
Profit attributable to owners of parent	27,359	33,091	6,609	4,691	5,891	55,575	
Net cash (used in) provided by operating activities	31,868	40,999	(3,573)	41,967	15,578	146,962	
Net cash (used in) provided by investing activities	(13,977)	(18,583)	(13,762)	7,588	(10,485)	(98,915)	
Free cash flow	17,890	22,415	(17,335)	49,555	5,092	48,037	
At the year end							
Total assets	¥ 412,514	¥ 439,358	¥ 411,776	¥ 360,724	¥ 371,778	\$ 3,507,339	
Shareholders' equity	88,735	119,626	106,733	96,878	100,169	944,990	
Interest-bearing debt	119,004	107,570	122,084	87,012	81,915	772,783	
Ratios							
Return on assets (ROA) (%)	7.2	7.8	1.6	1.2	1.6		
Return on equity (ROE) (%)	37.8	31.8	5.8	4.6	6.0		
Shareholders' equity (%)	21.5	27.2	25.9	26.9	26.9		

Per share amounts ^(Note 2)	Yen					U.S. dollars (Note 1)	
	¥	¥	¥	¥	¥	\$	
Net income	36.21	40.03	76.10	54.03	67.86	0.64	
Net assets (shareholders' equity, excluding warrants and non-controlling interests in consolidated subsidiaries)	79.32	137.74	1,229.09	1,115.68	1,154.03	10.88	
Cash dividends	3.00	5.00	50.00	50.00	50.00	0.47	

Non-financial data

Number of employees	21,090	20,653	20,190	19,464	18,978
Employment rate of challenged people (%)	2.17	2.12	2.13	2.15	2.27
Ratio of manager-level females (%) ^(Note 3)	2.14	2.42	2.60	3.17	2.58
Greenhouse gases from our business activities (ten thousand tons of CO ₂) ^(Note 4)	10.58	10.00	9.69	9.06	8.54

Note 1: The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥106 = US\$1.00, the approximate exchange rate prevailing on March 31, 2018.

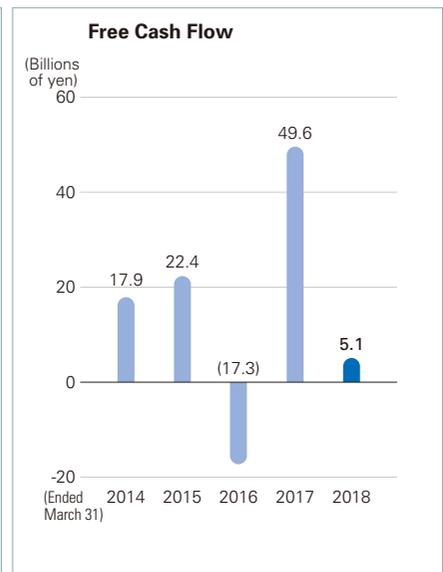
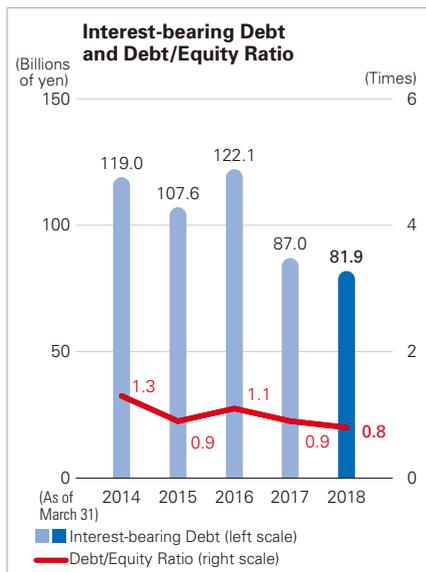
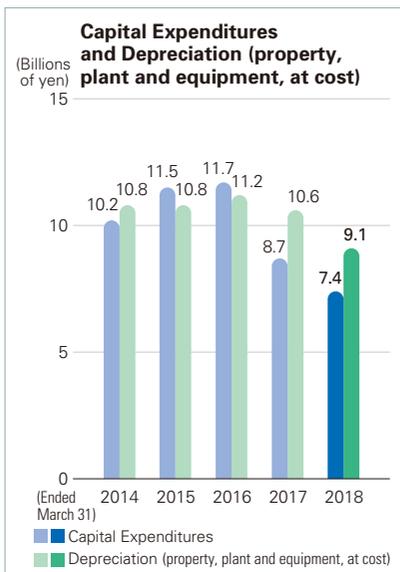
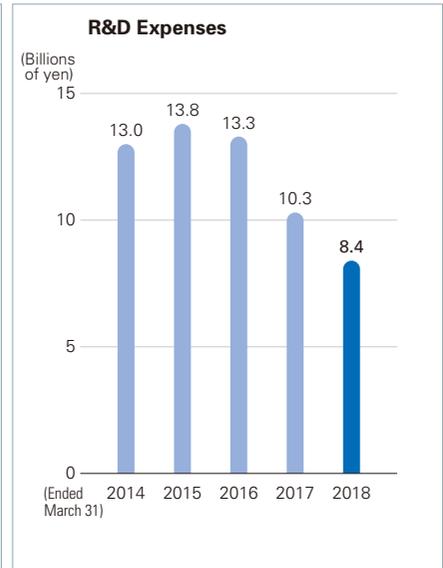
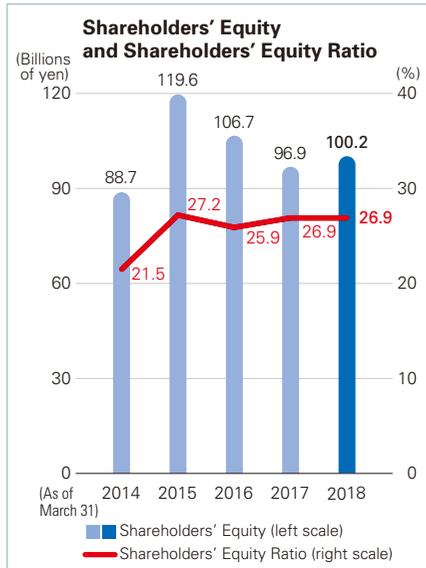
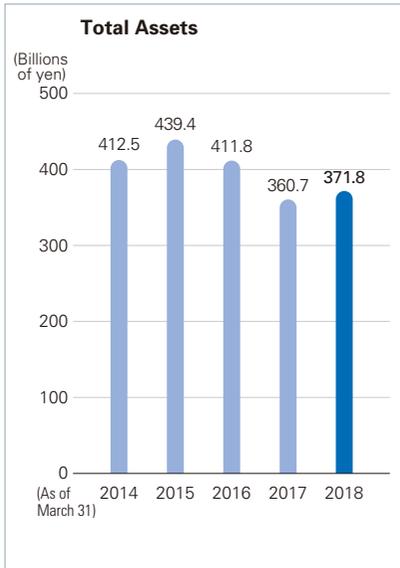
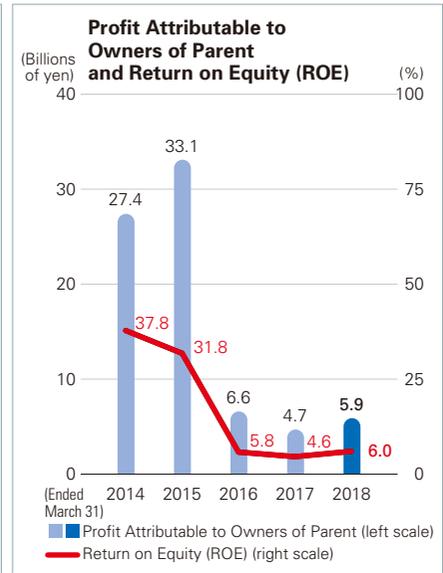
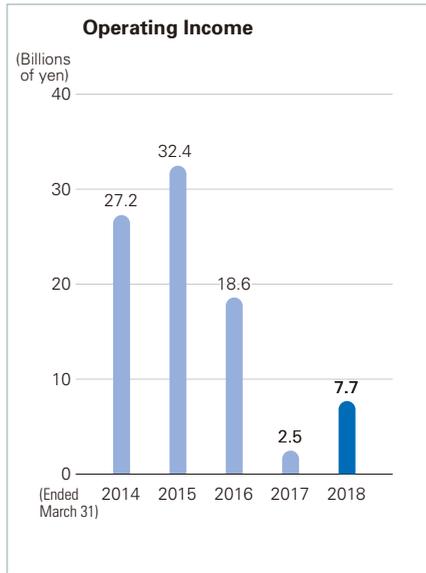
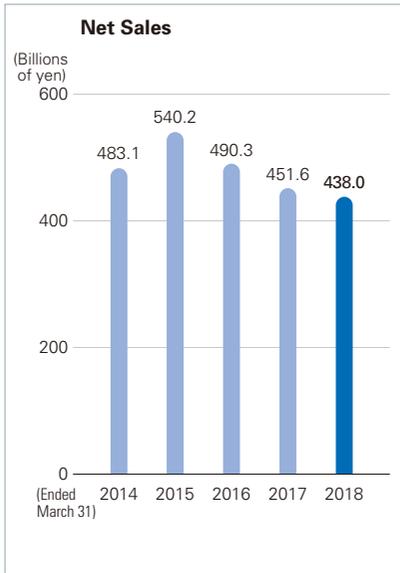
Note 2: With an effective date of October 1, 2016, a one-for-ten stock consolidation was implemented. Attendant with this, per share amounts have been calculated on the assumption that this stock consolidation was carried out at the beginning of the fiscal year ended March 31, 2016.

Note 3: Non-consolidated data for 2014-2017, consolidated data for 2018.

Note 4: Figures for previous years have been adjusted to reflect a more elaborative scope of CO₂ emissions and the optimization of CO₂ emission coefficients. We disclose environment-related data in the OKI Group Environmental Report and on our website.
<http://www.oki.com/en/eco/>

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.



TO OUR STAKEHOLDERS

**From the past to the future,
we are contributing to the
realization of a sustainable society.**



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

Shinya Kamagami
President
Oki Electric Industry Co., Ltd.

Creating Safer and More Convenient Social Infrastructure through “Mono-zukuri” and “Koto-zukuri”^{*1}

OKI celebrates its 137th year in 2018. Over the course of our long history, we have managed our business in good faith in line with our 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.”

While they generally go unnoticed, OKI’s technologies and products are employed in numerous fields and—in the broadest sense of the word—social infrastructure, across both public and private sectors. For example, we work with air and land traffic safety, disaster prevention systems, fire-fighting systems, and systems for public offices and financial institutions. I take pride in the fact that our activities have fulfilled our social responsibilities as a company that supports safe, secure, and comfortable lifestyles for everyone.

As we celebrate 150 years, and continue to aim further beyond, our current basic idea of “Continuous efforts will build a brighter future” conveys my feelings as a manager to continually link up our activities of the past with those in the future.

There are many excellent companies in Japan that can be counted among the best in the world, but there are not so many that have a history going back more than 130 years.

One of our shareholders once told me the following. “Companies with a long history have obviously seen countless significant changes in their operating environment over the years, but only those that withstood those changes and adapted are left standing today.”

My take on this is that behind the history of such companies is the fruits of persistent efforts to overcome numerous hardships, which explains the reasons for their existence and mission as companies serving a useful purpose in society.

The term “continuous^{*2}” as it appears in the aforementioned phrase “continuous efforts will build a brighter future” represents OKI’s background and identity as a tele-

communications firm that developed and manufactured Japan’s first telephone and “continues to connect” people and companies with audio, optical, and video technologies.

The digital transformation is currently sweeping society and the IoT market in which everything is “connected” continues to rapidly expand in anticipation of the 5G age. Moreover, social issues unique to Japan continue to materialize—such as labor shortages, the declining birthrate, and the aging population—and considerable expectations now rest on the use of ICT technologies to solve these problems.

Not only does OKI possess reliable technology backed by a solid track record in the area of “connectivity,” we also have acoustic and image-sensing technologies honed over many years, as well as expertise in analyzing and leveraging big data. Based on these technological strengths, I believe OKI has what it takes to achieve sustainable growth as a corporation needed more than ever by society. We will achieve that growth by helping solve various problems through co-creation with numerous customers who have supported our efforts for the last 137 years.

It is also my understanding that this kind of fundamental approach by the OKI Group, as well as our corporate stance and initiatives, is consistent with the Sustainable Development Goals (SDGs) of the United Nations, a collection of key goals ratified by all 193 UN member states in September 2015.

As a signatory to the United Nations Global Compact, the OKI Group will continue to implement initiatives to tackle global social issues highlighted in the SDGs and contribute to their achievement by offering various products and services. To this end, we will push ahead with developing groundbreaking solutions and implementing drastic reforms by investing in innovation. For our stakeholders, we hope to meet their expectations as we make every effort to further strengthen our relationships. Looking ahead, we intend to set targets for priority issues and incorporate sustainable goals into our corporate management to achieve a greater level of effectiveness.

^{*1} Please see the notes (*) on page 1 for “Mono-zukuri” and “Koto-zukuri.”

^{*2} When translated into Japanese, the word “continuous” often implies “connecting.”

Fiscal Year 2017 Business Results and Review

In fiscal year 2017, the first year of Mid-term Business Plan 2019, the ICT and EMS businesses remained solid for the most part. Sales and profits in the Printer business were boosted by the weak yen, but in the Mechatronics Systems business ATM sales overseas were weak. As a result, net sales declined ¥13.6 billion year on year to ¥438.0 billion. Despite the sales volume decline, operating income rose ¥5.2 billion year on year to ¥7.7 billion owing to the absence of the one-off loss recorded last fiscal year.

Ordinary income improved ¥10.9 billion year on year to ¥8.5 billion mainly thanks to the recording of ¥0.2 billion in foreign exchange gains versus a ¥4.8 billion foreign exchange loss last fiscal year. Profit attributable to owners of parent increased ¥1.2 billion year on year to ¥5.9 billion.

As for our financial position, total assets rose ¥11.1 billion from the prior fiscal year-end to ¥371.8 billion. Shareholders' equity increased ¥3.3 billion against the level of the prior fiscal year-end to ¥100.2 billion, reflecting the recording of ¥5.9 billion in profit attributable to owners of parent and a ¥1.9 billion increase in accumulated other comprehensive income on the one hand, and ¥4.3 billion for ordinary dividend payments on the other. The Company's financial health remains unchanged with the shareholders' equity ratio still at 26.9%,

the same as last fiscal year, while the DE ratio improved 0.1 times year on year to 0.8 times.

Looking back on the progress made in fiscal year 2017, the slump in ATM sales in overseas markets in the Mechatronics Systems business had a significant impact on full-year Group earnings. Unfortunately, in Brazil, even though we delivered our cash recycling ATMs to state-owned banks, follow-up orders did not materialize. Earnings in this business did not improve because the pace of growth in the cash recycling ATM market was slower than we had expected. In India too, sales volume came in below plan owing to the impact of tougher competition. Even in China, in addition to sluggish market growth, the emergence of local vendors means we see little hope up ahead of achieving similar sales volume to that of a few years ago. In light of this situation, in fiscal year 2018 we intend to partially reorganize our strategy in Mid-term Business Plan 2019 for the Mechatronics Systems business and implement structural reforms.

Conversely, in our EMS business, a strategic focus area, we scaled up our operations by making Oki Electric Cable Co., Ltd. a wholly-owned subsidiary and successfully laid the foundations for securing orders in new potential growth fields, such as factory automation (FA).

Awareness of Business Environment

The market and economic environments surrounding the OKI Group are currently changing dramatically. In particular, I think OKI's businesses will be affected significantly by the digital transformations, the shift toward a cashless society, the shift toward a paperless society, structural reforms in the banking industry, and the arrival of the 5G age.

The shift towards cashless payments is already quite prominent in China and other countries around the world, and we expect this trend to gain momentum in Japan as payment services diversify and revision of cash-handling costs. Structural reforms in the banking industry are also giving rise to a plethora of unprecedented changes, including branch closures and staff cutbacks with the aim of streamlining operations, as well as possible ATM integrations between

megabanks. These changes are occurring in tandem with the burgeoning digital transformation, which could act to crimp OKI's existing products and services, such as ATMs and systems for financial institutions. On the other hand, I think these developments will also yield new business opportunities for the development of devices that can accept any payment service and new financial services in regions where no brick-and-mortar stores exist.

Furthermore, I think the arrival of the age of 5G networks and the continual IoT-driven connectivity of every device will present a chance for OKI to harness its strengths in edge regions. There, we have a track record of device installations as a result of many years in the telecommunications infrastructure business tailoring to the needs of our customers. The move towards paperless society and declining demand for printing (as a result of more people using smartphones and mobile devices) also poses a threat to our printer business, but by shifting our focus from office printing to the industrial printing market, we will continue to develop new products and unearth new markets in which the features of OKI's LED printers can really shine.

Even in the midst of these notable changes to our business environment, we at the OKI Group will continue to accurately understand and flexibly respond to the ever-changing needs of society and offer our customers new products and services that help solve social problems.



Outlook for Fiscal Year 2018

As already mentioned, our business results were generally in line with the plan in fiscal year 2017 except for ATM sales overseas, which markedly dented the OKI Group's overall earnings. In fiscal year 2018, we will make every effort to get the OKI Group back on a sustainable growth path by adopting the policies shown to the right.

In the ICT business, we will further strengthen the numerous IoT-related co-creation businesses we launched last fiscal year and steadily generate earnings in existing businesses. In the Mechatronics Systems business, we aim to quickly turn earnings around by aligning our overseas business strategy and implementing structural reforms. This involves branching out into a module partner business in addition to direct sales of finished products. In the Printer business, we have mostly completed the build-out of a system to facilitate our shift in focus towards the industry printing market in the last fiscal year, so in fiscal year 2018 we aim to boost sales in this area. In the EMS business, we expect the brisk performance from last fiscal year to continue and aim to further expand operations driven by potential synergies with OKI Electric Cable.

Accordingly, for fiscal year 2018 we are targeting net sales of ¥450.0 billion (up ¥12.0 billion year on year), operating income of ¥14.0 billion (up ¥6.3 billion), ordinary income of ¥13.0 billion (up ¥4.5 billion), and profit attributable to owners of parent of ¥5.0 billion (down ¥0.9 billion). This plan also factors in extraordinary losses of roughly ¥5.0 billion mainly in connection with structural reform costs in the Mechatronics Systems business.

Returning Profits to Shareholders

Our dividend payments in fiscal year 2017 were an interim dividend of ¥20 per share and a year-end dividend of ¥30 per share. For fiscal year 2018, based on our stable dividend policy in our Mid-term Business Plan 2019, we aim to pay a

FY2018 Policies	
Get back on a sustainable growth path	
ICT	Expand performance in the co-creation business leveraging IoT
Mechatronics Systems	Align strategy and promptly return to break-even
Printers	Increase new sales in the industry printing market
EMS	Accelerate growth through synergies with OKI Electric Cable
Continue to stabilize and strengthen the financial base, and sustain steady shareholder returns	

FY2018 Targets	
Net sales	¥450.0 billion
Operating income	¥14.0 billion
Profit attributable to owners of parent	¥5.0 billion

full-year dividend of ¥50 per share at fiscal year-end. OKI will endeavor to return profits to our shareholders in a continuous and stable manner as a top management priority.

In Conclusion

The business environment surrounding the OKI Group changed substantially in fiscal year 2017. Things are expected to keep changing at a hectic pace up ahead. That said, I think keeping close tabs on these changes, as well as achieving our goals by steadily pushing ahead with initiatives aimed at reinforcing our earning capacity and being a company that can secure stable profitability are what all

our stakeholders call for from the OKI Group. In fiscal year 2018 we will make every effort to get all our businesses back on a growth path and accelerate initiatives aimed at future growth. I look forward to the continued support and cooperation from all our stakeholders.

August 2018

OKI'S ACTIVITIES FOR THE CREATION OF INNOVATION AIMED AT ACHIEVING THE SDGs

OKI undertakes a number of initiatives aimed at creating innovation through co-creation efforts with partners in order to realize the Sustainable Development Goals (SDGs) set by the United Nations.

Launch of Innovation Promotion Division

On April 1, 2018, the Innovation Promotion Division was established within the Corporate Infrastructure Group. Its mission is to create innovation together with our co-creation partners, transform our in-house innovation culture, and help accelerate the launch of new businesses.

1 Innovation Management Reform Activities About "Yume Pro"

We launched a new project called "Yume Pro," which aims to create new innovation that unlocks the challenges and opens up the dreams of society and our customers. "Yume" is the word for "dream" in Japanese, therefore the name of this project is linked to our corporate slogan "Open up your dreams." "Pro" is taken from our three main objectives, "program," "project," and "professional." "Yume Pro" has three main characteristics. Firstly, it focuses on the social issues highlighted in the SDGs. By fusing the SDGs with OKI Group's 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,'" we aim to identify issues that even our customers have yet to notice and launch co-creation projects to come up with solutions together.



Logo image of Yume Pro

Secondly, we will be hosting workshops that should prove useful in solving the problems of our customers who agree to work with us on the "Yume Pro". We aim to be recognized as a "dependable innovation partner" through this project.

Finally, we have put in place a framework to enable smooth commercialization. In addition to assigning a Chief Innovation Officer (CINO), we have established the Innovation Promotion Division within the Corporate Infrastructure Group to foster innovation professionals. Based on an internal system whereby the Innovation Promotion Division works closely with business section and marketing & sales section, we secure budgets to implement PoC*1 under the lean startup*2 method. Furthermore, we have a system in place to strengthen

in-house innovation training, enhance innovation literacy, and quickly hand over a project to the business unit in charge for commercialization following a customer's approval of the solution and concept.

"Yume Pro" website

http://www.oki.com/en/yume_pro/

*1 PoC (Proof of Concept): A simple test to demonstrate the feasibility of a new concept or theory.

*2 Lean Startup: A methodology for launching a business with minimal costs and short lead time.

2 Examples of OKI's Activities for Creating Innovation

In November 2017 we held an "Ideathon" to come up with ideas together with our co-creation partners. In December 2017 and again in April 2018, we held SDGs workshops for our management team with the cooperation of the United Nations Development Programme (UNDP).



Participating directors and executive officers at an SDGs workshop



OKI "Ideathon" participants

3 Co-creation Activities at Innovation Room

In May 2018, we opened our innovation room "Yume ST" on the second floor of our Toranomon head office. Yume ST is an open space where we host workshops and seminars with our co-creation partners. We look forward to welcoming many visitors to Yume ST.



Innovation room "Yume ST"

4 Transforming Innovation Culture

OKI provides opportunities for face-to-face talks with the president and training sessions with around 1,000 participants in order to instill activities for creating innovation in the entire Group.

Business Targets of Mid-term Business Plan 2019

Operating profit margin 6%

Shareholders' equity ratio 30% or more

2019

SDGs



Innovation

Management Engine

2017

SUSTAINABLE DEVELOPMENT GOALS

17 GOALS TO TRANSFORM OUR WORLD



Sustainable Development Goals

The Sustainable Development Goals (SDGs) are a collection of 17 global goals and 169 targets set by the United Nations in 2015 for achievement by 2030. OKI continues to promote activities for creating new innovation through co-creation with partners.

Basic Policies of Mid-term Business Plan 2019

Reinforce earning capacity

Focus on OKI's advantages



Partner strategies

ICT

Secure stable profitability, Create new businesses

▶ P13

Printers

Secure stable profitability by strategic transformation

▶ P16

Mechatronics Systems

Get back on a growth path

▶ P15

EMS

The points along the way to turn EMS into ¥100.0 billion business

▶ P17

TOPIC

OKI named a 2018 Thomson Reuters Top 100 Global Technology Leader

<http://www.oki.com/en/press/2018/01/z17084e.html>

Reference:

Thomson Reuters The Top 100 Global Technology Leaders

<https://www.thomsonreuters.com/content/dam/ewp-m/documents/thomsonreuters/en/pdf/reports/thomson-reuters-top-100-global-tech-leaders-report.pdf>

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
- Cables, flexible printed circuits (FPC), and customized power supplies
- Reliability testing and environmental conservation-related services



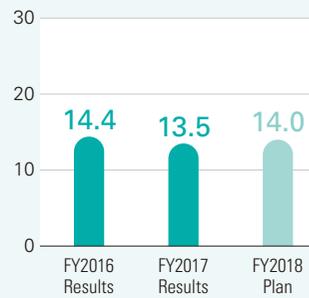
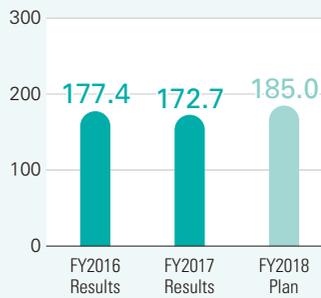
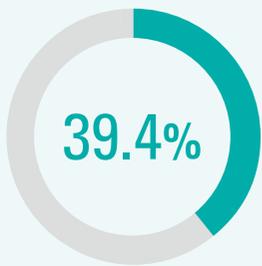
Web site <http://www.oki.com/en/products/>

SALES COMPOSITION

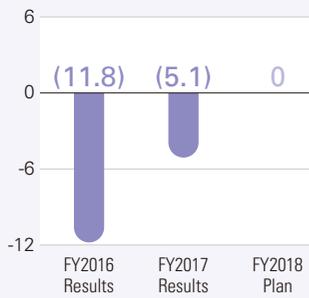
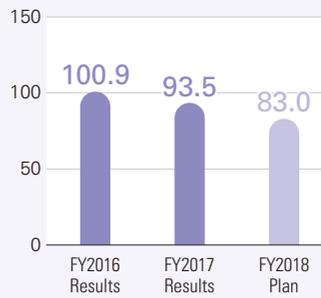
NET SALES (Billions of yen)

OPERATING INCOME (Billions of yen)

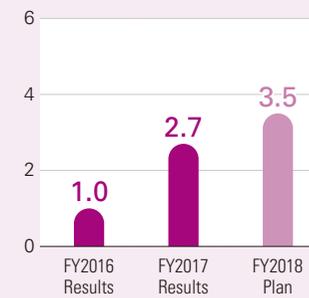
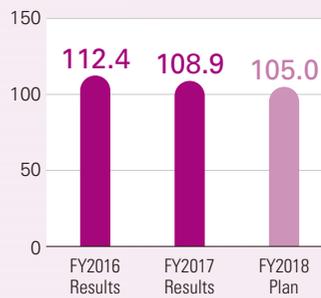
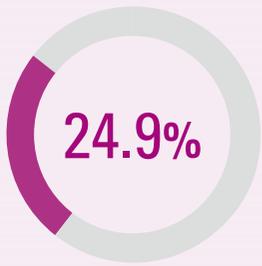
MAJOR CONSOLIDATED SUBSIDIARIES



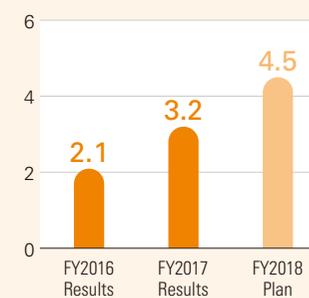
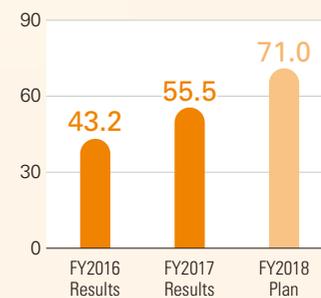
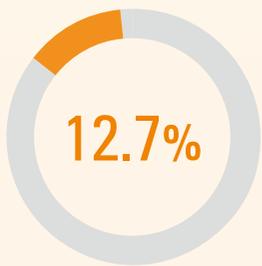
- OKI Customer Adtech
- OKI Software
- OKI Wintech
- Shizuoka OKI



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



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



- Nagano OKI
- OKI Printed Circuits
- OKI Communication Systems
- OKI Circuit Technology
- OKI IDS
- OKI Electric Cable
- OKI Engineering
- OKI Techno Power Systems

*FY2017 results for the EMS business have been restated.

*The business segments above do not include "Others" segment which consists mainly of independent businesses of OKI subsidiaries.

OVERVIEW OF OPERATIONS

ICT

We aim to achieve sustainable growth by generating new businesses through co-creation with partner firms and developing products that strengthen our IoT business platforms.

Senior Vice President,
Head of ICT
Business Group

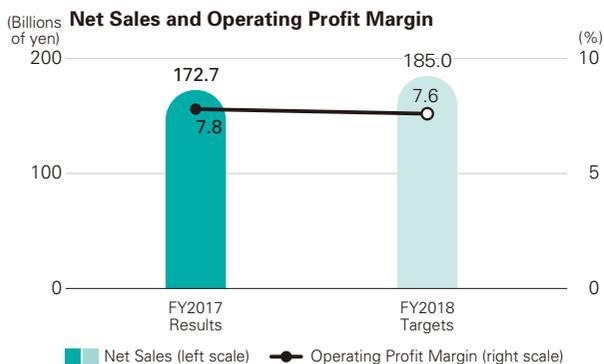
Masashi Tsuboi



Fiscal Year 2017 Business Results

Net sales declined ¥4.7 billion or 2.6% year on year to ¥172.7 billion. Although some public sector projects were brisk, sales declined mainly due to the winding down of transport-related projects that had continued since fiscal year 2016, a decline in disaster-prevention projects for local governments, and some projects, mainly for network systems, being pushed forward to fiscal year 2018.

Operating income came to ¥13.5 billion, a decrease of ¥0.9 billion year on year, as the decline in sales was compensated for by product mix improvement and reduced costs.



Outlook for Fiscal Year 2018 and Future Strategy

In the ICT business in fiscal year 2018 we are targeting net sales of ¥185.0 billion and operating income of ¥14.0 billion. While we anticipate an increase in projects from a public agency, we are also aiming to secure more financial systems and social infrastructure systems, such as for roads. We are also planning to ramp up our R&D investments in order to bolster our business in transport-related fields and IoT platform-driven co-creation businesses with a view to ensuring future growth.

As a core business of the OKI Group, the ICT business has generated stable earnings and cash flow owing to an installed customer base it has built up over 137 years. As digital transformation continues to accelerate, we expect to see a dramatic rise in the number of network-connected devices and subsequently, further expansion in the scale of the domestic IoT market. As a result, we think our business domains in the ICT business will also continue to expand along with advancements in co-creation.

In our co-creation business with partner firms that we accelerated the launch of in fiscal year 2017, we currently have ongoing projects with 49 companies. We are stepping up product development to strengthen IoT business platform by harnessing integrated technologies in our expert fields of data processing, sensing, and networks. In transport solutions,

TOPICS 1

Established Next-generation Transport Business Hub “ITS Test Course”

We opened an “ITS Test Course” on the premises of our Honjo Plant with the aim of providing a better environment to test our technology in the area of infrastructure-cooperative ITS* services. With the arrival of ETC 2.0 compatible on-board devices, services to help drivers drive safely and avoid traffic congestion have already commenced and we predict they will be promoted for many other uses up ahead, such as paying parking fees and controlling vehicle operations, in addition to accelerating initiatives towards automated driving. OKI will utilize this test course to contribute to the development of next-generation transport solutions.



Tape-cutting ceremony to commemorate the opening of the ITS Test Course

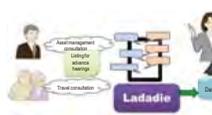
*ITS: Intelligent Transport Systems

IoT Business Platforms

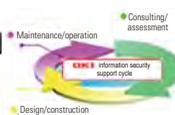
Data processing/ operations



ITS service
LocoMobi® 2.0



AI interaction engine
Ladadie™



EXaaS™ managed
security service



Integrated operation
management solution
Opt-AI



Store-operation
improvement support
solution VisIoT™

Networks



Image IoT gateway
(AISION™)



920MHz band
wireless multi-hop power-saving
technology SmartHop®



Wireless acceleration sensor system

Sensing/ Devices



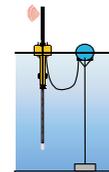
Fiber-optic sensor



AI assistant terminal



Networked ultrasonic
water-level gauge



Coast-monitoring buoy



CARPHIN V multibeam
depth sounder

a key focus area for the ICT business, we are asserting our dominance in the infrastructure-cooperative ITS market by, for example, setting up an ITS test course at our Honjo Plant and bringing to market our ITS service “LocoMobi2.0.” Through such initiatives, we seek to solve various challenges associated with vehicle operations including logistics.

From 2020 the next-generation 5G network supporting ultra-high-speed, ultra-low-delay, and multiple simultaneous connections is expected to be rolled out in earnest. Owing to this technology, we expect to be able to realize real-time controls in areas such as automated driving vehicles and remote control of medical robots. To make such a society a reality, we will need to beef up existing network infrastructure that OKI has contributed to thus far in order to address the growing volume of traffic. And given the importance of edge

networks that connect a wide-range of IoT devices, including vehicles, we think significant business opportunities lie await in areas where OKI excels, such as ETC and “SmartHop.”

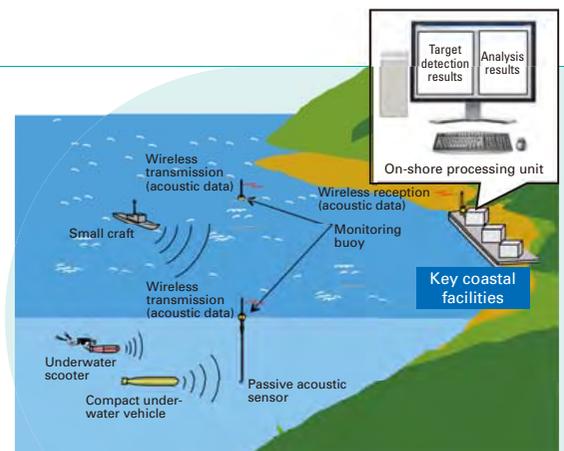
In addition, as an initiative aimed at new growth opportunities, we are aiming to create new businesses in fields that harness maritime and acoustic technologies. We aim to create and roll out higher-value-added solutions through sequential expansion of solutions such as maritime resources development, coastal monitoring, and facilities monitoring by leveraging maritime and acoustic technologies developed over many years for self-defense systems.

The ICT business will continue to help solve the challenges of society and underpin sustainable growth in the OKI Group by delivering solutions to support social infrastructure as a company specializing in IoT.

TOPICS2

Developed an “Underwater Acoustic Coastal Monitoring System” and Started Evaluation Kit Deliveries

By harnessing acoustic sensing technology, we developed an “Underwater Acoustic Coastal Monitoring System” to detect in real-time any intrusions toward key coastal facilities by unidentified objects or persons on or in the water. While crisis management systems at key facilities continue to be enhanced, measures to prevent intrusion from the sea, compared to intrusion on land, are lagging way behind. Monitoring threats to key plants or infrastructure facilities like power plants or airports located in coastal areas enables us to take border controls.



Conceptual image of “Underwater Acoustic Coastal Monitoring System” in operation

Mechatronics Systems

We seek a quick turnaround in earnings by partially reviewing our business strategies in response to changes in the market environment, branching out into the sales of ATM modules overseas, and strengthening our domestic service business.

Senior Vice President,
Head of Mechatronics
Systems Business Group
Kenichi Tamura



Fiscal Year 2017 Business Results

Net sales declined ¥7.4 billion or 7.3% year on year to ¥93.5 billion. The decline in sales owed to the impact of weak ATM sales in overseas markets, despite a sales boost from the standardization of the fiscal periods of our Brazilian subsidiaries. While we aimed to expand sales of our new “ATM-Recycler G8” in overseas emerging markets, our delayed market entry meant we were unable to respond quickly enough to the rapidly changing business environment, including tougher competition, lower prices, and market stagnation owing to the increased use of cashless payments. In the domestic market, sales of cash handling equipment for small and medium businesses in the retail market were brisk.

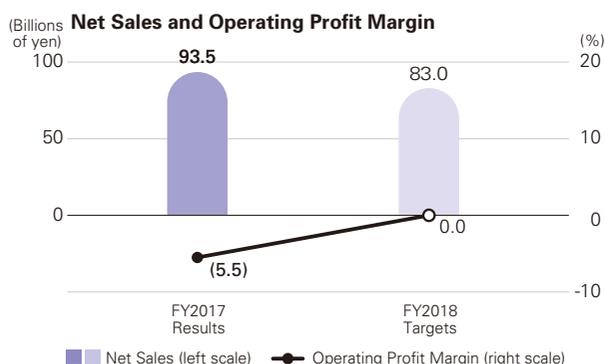
Despite the sales volume decline, operating loss narrowed ¥6.7 billion year on year to ¥5.1 billion owing to the

absence of the one-off loss recorded previous fiscal year for the provision of an allowance for doubtful accounts.

Outlook for Fiscal Year 2018 and Future Strategy

In the Mechatronics Systems business in fiscal year 2018, we are targeting net sales of ¥83.0 billion and break-even operating income. In addition to partially reviewing our strategies outlined in Mid-term Business Plan 2019 in response to changes in the market environment, we aim for a quick improvement in earnings by undertaking drastic structural reforms.

Firstly, in the overseas ATM business, in light of market conditions, we are branching out into the sales of core modules to partners on an OEM basis in addition to traditional direct sales of ATM finished products. In conjunction with this, we are proceeding to restructure our sales structure and production sites. In our domestic business, in order to respond to changes in the market environment, notably the spread of cashless payments and the diversification of transaction services, we aim to transform our business model from providing equipment to providing service infrastructure including recurring revenue business. Moreover, to realize a quick return to profitability, we are implementing a number of short-term measures, such as shifting our domestic workforce to growth sectors, streamlining our human resources at our overseas sites, mainly in Brazil, employing variable cost measures, and reviewing the timing and content of our investments. Our aim in fiscal year 2018 is to arrest the losses in the Mechatronics Systems business, focus on rebuilding a business structure that can generate revenue, and create a roadmap for a return to growth.



TOPICS

Sales Launch of Change-dispensing Electronic Money Charger

We commenced sales of our “CZ-20 Series” electronic money charger for stores in the retail distribution and food & beverage industries. The machine is capable of giving change, meaning customers who only have large denomination notes can easily charge their pre-paid cards with a minimum of ¥1,000. The machine is operated easily via a touch screen and notes fed in are recycled and dispensed, thereby contributing to enhanced customer convenience and more efficient cash register operations.



CZ-20 Series

Printers

We continue to steadily shift our business to the industrial printing market and further bolster earnings power acquired through structural reforms.

Senior Vice President
President, Oki Data
Corporation

Toru Hatano



Fiscal Year 2017 Business Results

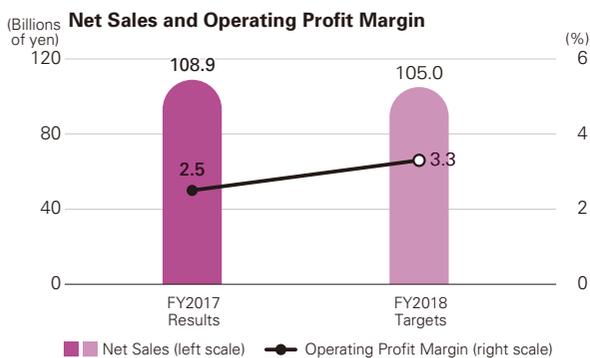
Net sales declined ¥3.5 billion or 3.1% year on year to ¥108.9 billion. Despite a boost from yen depreciation, net sales declined due to diminished sales in the office printing market as we continue to shift our focus towards the industrial printing market.

Operating income rose ¥1.7 billion year on year to ¥2.7 billion due to the effect of business structural reforms and a weaker yen. As part of our structural reforms, we endeavored to reduce costs through reviewing and streamlining our organization, which included turning some sales subsidiaries in Europe into branch offices and relocating the head office of our North American sales subsidiary.

Outlook for Fiscal Year 2018 and Future Strategy

In the Printers business in fiscal year 2018 we are targeting net sales of ¥105.0 billion and operating income of ¥3.5 billion. As the market continues to shrink due to going paperless, we are continuing to shift our business to the industrial printing market, a process we started in fiscal year 2017, and aim to build out a business structure capable of steadily generating profits with sales in the vicinity of ¥100.0 billion. In industry-vertical markets that use a lot of consumables, we are striving to expand profits with the sales of consumables by aiming to secure even more new businesses in the medical and distribution fields where we have a track record. As for special-purpose/wide-format printers, we will launch new unique products in fiscal year 2018 that leverage our strengths in LED technology, including a label printer and ticket printer. The sales of the printer hardware will shore up earnings in the Printers business.

We will also improve and beef up our global sales structure as we expand into more industries. By implementing these measures, we aim to shift our business focus from offices to industrial printing, accelerate the strengthening of our resources, and establish a business framework that can deliver sales and profit growth in fiscal year 2019.



TOPICS

Supplied LED Printers to Major US Drugstore Chain Walgreens

The major drugstore chain Walgreens, which operates around 8,000 stores in the US, has adopted our “C931e” LED printer. Drugstores in the US offer on-demand printing services for photo books and greeting cards. Walgreens was impressed with the features of our LED printer, namely its high-definition, high-quality printing and the ability to print on multiple media, including both sides of thick paper. In fiscal year 2017, 2,000 units were installed for use. Going forward, we will work on expanding sales in industry-vertical markets by leveraging the features of our LED printers.



C931e

EMS

We are accelerating growth with the aim of achieving net sales of ¥100.0 billion in fiscal year 2022 by further strengthening our one-stop services, from sales to design, manufacturing, and evaluation.

Executive Vice President,
Head of Electronics
Manufacturing Services
Business Group

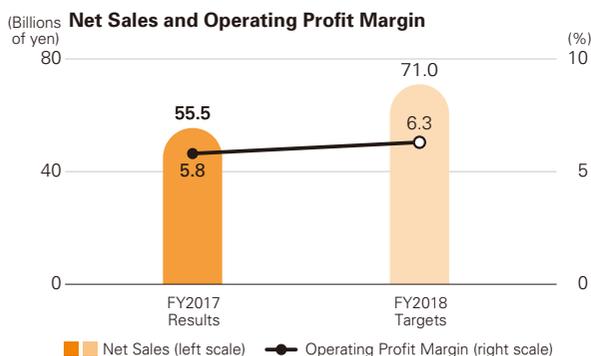
Masasuke Kishi



Fiscal Year 2017 Business Results

Net sales increased ¥4.5 billion or 10.5% year on year to ¥47.7 billion owing to brisk performances mainly in the printed circuit board (PCB) business chiefly for use in semiconductor-related equipment. Operating income inched up ¥0.1 billion year on year to ¥2.2 billion on increased sales volume. Despite the year on year growth in sales and profit supported by a favorable market environment, the operating profit margin declined against a backdrop of higher capital expenditure and surging component prices.

Due to the business segment's reorganization in fiscal year 2018, adjusted and restated sales and operating income in fiscal year 2017 came to ¥55.5 billion and ¥3.2 billion, respectively.



Outlook for Fiscal Year 2018 and Future Strategy

In the EMS business in fiscal year 2018, we are targeting net sales of ¥71.0 billion and operating income of ¥4.5 billion. In 2017, we reinforced our one-stop services from sales to design, manufacturing, and evaluation by incorporating into the EMS business segment consolidated subsidiaries, including OKI Electric Cable (OEC), following a tender offer. In addition, we will work to expand sales through cross-selling to our existing EMS customers and customers of OEC in the company's expert field of FA, and further promote the design, manufacturing, and consignment of high-end products by harnessing the comprehensive capabilities of the OKI Group.

In the PCB business with regard to aviation and aerospace applications, we acquired the only full Japan Aerospace Exploration Agency (JAXA) certification in Japan and put in place a system geared to expanding this business avenue. In addition to aviation and aerospace fields, we plan on making a full-fledged entry into the new market of trial production of electrical components field.

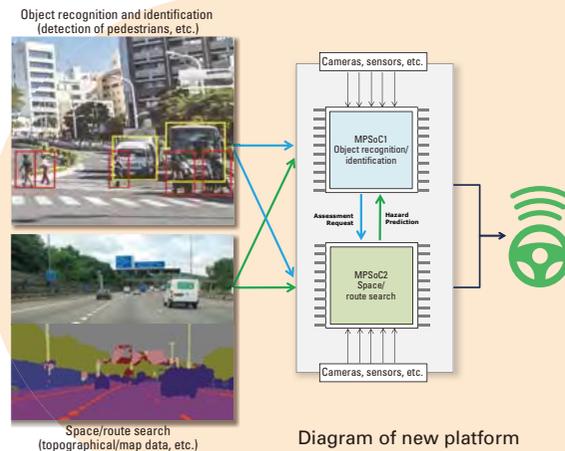
Furthermore, we plan to raise our three-year capital expenditure to ¥8.0 billion from the ¥5.0 billion originally slated in Mid-term Business Plan 2019, boost production line capacity for PCBs, which are benefiting from brisk demand from semiconductor-related equipment makers, and upgrade facilities at OEC. These efforts should secure all the increased business opportunities with customers. We will also leverage M&A opportunities up ahead to accelerate growth with the aim of expanding net sales to ¥100.0 billion in fiscal year 2022.

TOPICS

Joint Development of New Platform for Developing AI-driven Advanced Automated Driving Technologies

In cooperation with Avnet, Inc., we jointly developed a new type of development platform optimized for developing next-generation advanced automated driving technologies. The design is based on an open platform that can interface with next-generation ITS and process large volumes of data at high speeds required for SAE Level 4/5* autonomous driving systems. The platform can also detect obstacles 800 meters away, a requirement for stopping safely when driving at high speeds, and is equipped with full component specifications needed to enable automated driving functionality.

*SAE Level 4/5: Developed by the US NPO Society of Automotive Engineers to define levels of autonomous driving. Level 4 is defined as a high-level of automated driving, while Level 5 is fully automated.



*Space/route search source: University of Cambridge

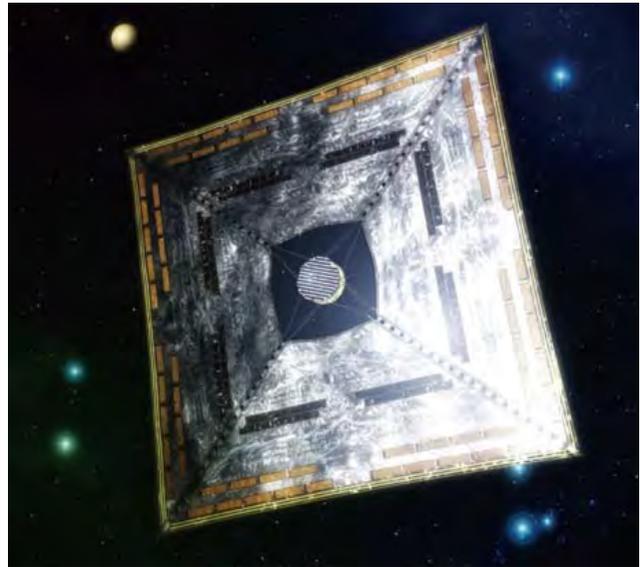
“MONO-ZUKURI” CAPABILITIES OF THE OKI GROUP

The OKI Group’s “Mono-zukuri” capabilities enable us to develop products with our proprietary technologies and realize production efficiency through daily improvement activities and originality and ingenuity.

OKI Electric Cable’s Production Line Capable of Manufacturing Super-long FPCs

Powered by the sun’s rays, a giant solar sail unfolds and begins navigating space. OKI Electric Cable (OEC)’s FPC was selected by the JAXA for use on the solar-powered sail of its Small Solar Power Sail Demonstrator “IKAROS” launched in May 2010. While FPCs are usually around 500mm long, OEC’s industry-leading production line is capable of manufacturing super-long FPCs up to 100m in length. A 14-meter FPC attached to the sail serves as the wiring, connecting the solar cells and various sensors on the thin-film face of the IKAROS, which unfolded to form a giant square sail when it reached outer space.

The IKAROS was the world’s first demonstration of interplanetary space travel powered solely by the sun’s radiation, and it continues to navigate space after having completed all of its scheduled and additional missions. This shows that OEC’s FPCs are used not only in everyday electronic devices such as mobile phones and digital cameras, but they can also play a part in aerospace equipment by being able to withstand the harsh environment of space.



Small Solar Power Sail Demonstrator “IKAROS”
Image Provided by Japan Aerospace Exploration Agency (JAXA)

Development of New Production System Driven by Robots and Reinforcement Learning AI

OKI Data developed a new production system for LED modules by harnessing artificial intelligence (AI) to operate general purpose robots.

In employing AI, it developed a proprietary system to simulate on-site operation at the plant and incorporated the “reinforcement learning” method made famous by the AI program AlphaGo, which was developed to play the board game Go. As a result, we were able to dramatically shorten the learning period down to about five minutes with AI, instead of more than two years, which is how long it would take if learning was to be acquired from actual robot operation. We achieved this by having the AI itself learn from narrowing down optimal choices by analyzing large swathes of data. As a result of having the AI-driven robot repeatedly perform tasks on a daily basis with the aim of shortening the time required to complete such tasks, we recorded some significant results, including a roughly 15% reduction in total working time compared to a human worker. In addition to

applying this achievement throughout the company, we intend to continue this line of development with the aim of further improving productivity.



AI-operated robot

RESEARCH AND DEVELOPMENT

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 AI/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 AI/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 zero energy ultrasonic water-level gauge which monitors river water levels using solar power, 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 AI/data analysis technologies will lead to applications in the field of structure monitoring.

AI/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, VR and AI/data analysis 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 to be able to handle the maintenance tasks at the same level as proficient engineers, even by a beginner or an unexperienced person at the work site by having a task instruction remotely from such an experienced engineer.

1 Initiatives for AI Technology to Bridge between Physical Reality and Digital Spaces

The OKI Group boasts strengths in contact regions between physical reality and digital spaces. In these areas, our objective for the kind of AI we are working on is to make the interface between reality and digital more sophisticated.

In the field of image IoT, we are working on developing AI technology that has high environment resistance and excels in high-speed, lightweight recognition processing at edges where data is obtained from the real world. This kind of technology is applied in fields such as transport and logistics in which the OKI Group possesses ample data and know-how.

In order to make interaction with humans more sophisticated, we are also working on technologies like abnormal behavior recognition, emotion recognition, and dialogue-oriented AI technologies. By fusing these technologies with our mainstay mechatronics technology, we aim to make the point of contact between humans and mechatronics equipment more amiable and also deliver services that are flexible according to the circumstances of each person. In order to link real business practices, which demand accountability, with AI, where the processes from which answers are derived tend to exhibit a black-box nature, we are endeavoring

to elicit accountable and highly accurate results by combining theoretical man-made models with machine learning. This will make it easier for AI to be employed in businesses and operations that demand accountability.

In light of the speed at which AI technology is advancing, we will not necessarily restrict R&D to our in-house programs, but also aim to propel initiatives with a sense of urgency and include open innovation with universities and startup firms.



Comment from Engineers

We believe AI to be a key technology in solving societal issues such as labor shortages and workstyle improvements. For this reason, we engage in AI-related R&D on a daily basis. Developing AI that works in real world requires observation and understanding of the mechanisms of people's actions, devices, and society, which is certainly a field where the OKI Group's accumulated knowledge can be harnessed.

2 Fiber-optic Sensing Technology to Instantly Detect Abnormalities at Multiple Points, Including Production Line Temperature and Bridge Distortion

The OKI Group is developing fiber-optic sensing technology to enable real-time, multipoint distribution measurements of temperature and distortion at social infrastructure facilities like production lines and bridges.

Our proprietary technologies are applied to the core optical detection components to realize real-time, multipoint measurement technology that had been out of reach in the past. Our "fiber-optic sensors" evaluation kits that employ this technology can carry out wide-ranging distribution measurements

at spatial resolution of one meter. By instantly detecting abnormalities, this technology contributes to ensuring security and safety at social infrastructure facilities and customer assets.

The sensing data are centrally managed 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. We also hope to contribute to solving issues in a broad range of fields by combining the aforementioned technology with high-level analysis technology such as AI.

Temperature distribution measurement for heat treatment processes or large spaces



- Yields improvement and product traceability management realized by temperature distribution measurement inside manufacturing equipment
- Temperature management of large plants

Detection of abnormal temperatures, such as in tunnels or multi-purpose ducts



- Early fire prevention measures utilizing detection of location of fires or abnormal heat

Distortion measurement of infrastructure facilities



- Distortion measurement, inspection, and monitoring during bridge construction
- Monitoring of wire rope tension, etc.

Comment from Engineers

With the aim of realizing a sustainable society, we are shifting away from a society based on "throwaway" culture and towards a society that stresses the need for maintenance. We are working on developing a system that monitors the "health" of social infrastructure and customer assets by harnessing fiber-optic sensing technology to ascertain in real time the status of broad expanses running along optical fiber.

OKI GROUP ESG SUPPORTS CORPORATE VALUE

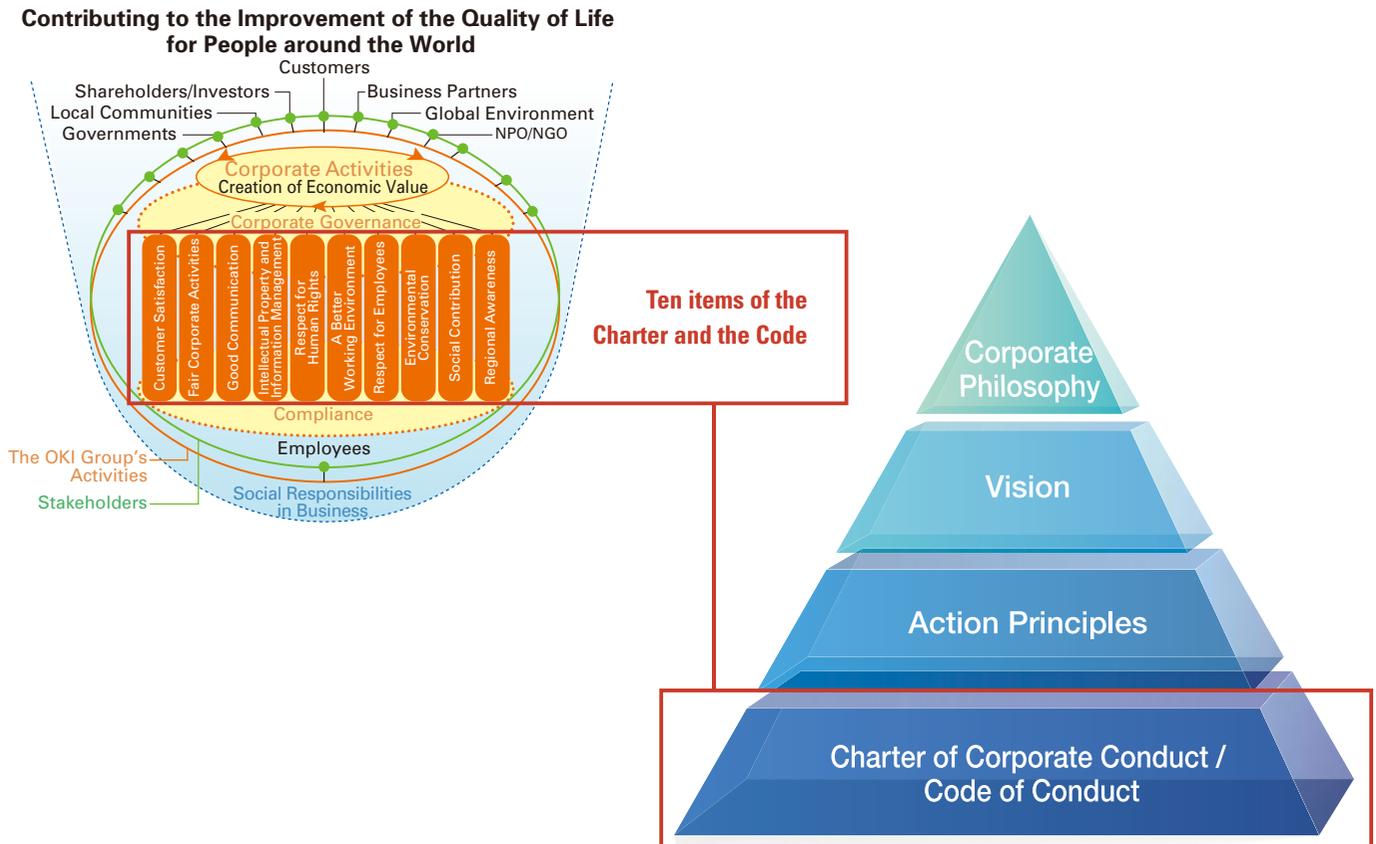
The OKI Group's initiatives of corporate social responsibility focus on contributing to the improvement of the quality of life for people around the world through sound corporate activities based on our corporate philosophy. Based on recognition of global social problems, we work to advance environmental, 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 various global norms such as the United Nations Global Compact and the Sustainable Development Goals (SDGs), as well as the expectations that all our stakeholders direct toward us.



▶ 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

The United Nations Global Compact (UNGC) is a voluntary initiative for participating in the creation of a global framework whereby companies and organizations act as good members of society to realize sustainable growth by demonstrating responsible and creative leadership. Under the commitment of top management, which agrees to subscribe to the 10 principles concerning the protection of human rights, the eradication of unfair labor practices, environmental measures, and anti-corruption, signatory companies and organizations to the UNGC are continuing to make efforts toward these goals.

In May 2010, OKI signed the UNGC to declare its support for the Compact. It also became a member of the Global Compact Network Japan, a local network in Japan. The OKI Group supports the UNGC's 10 principles 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.

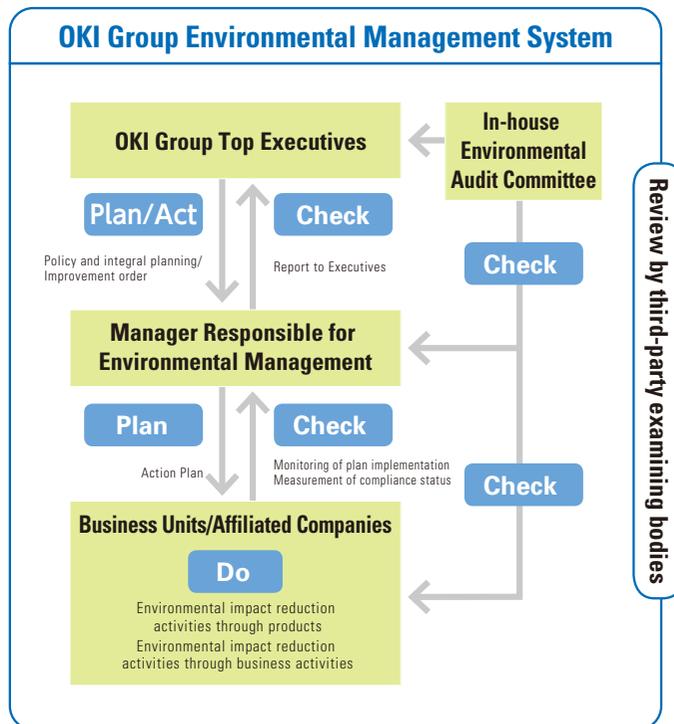
CONSIDERATION FOR THE ENVIRONMENT

On the basis of the “OKI Group Environmental Policy” developed by taking environmental issues into consideration, the OKI Group plans and implements specific activities by setting up goals. Moreover, we operate environmental management systems for the entire Group as the foundation of our environmental management.

OKI Group Environmental Policy

The OKI Group realizes a better global environment by providing products and services that contribute to the development of the information society for the next generation, and passes this down within the group.

- 1. Work to prevent pollution and protect the environment by implementing the OKI Group environmental management.**
 - Take action to provide environment-friendly products and services in all business processes through product planning, manufacturing, and maintenance operations.
 - In business activities, strive to save energy and resources and take action to reduce and recycle waste.
 - Work on biodiversity conservation and sustainable use.
- 2. Comply with applicable environmental legal requirements and regulations, and with customer requirements and other requirements to which the OKI Group subscribes.**
- 3. Adequately implement PDmCA (Plan-Do-multiple Check-Act) in the environmental management system, and take action to advance environmental performance and to continue improvement of its operation system.**
- 4. Disclose environmental information, and make wide contributions to the society by supporting environmental activities.**



OKI Group Main Environment Activity Results (Fiscal Year 2017)

Category	Activity Content	Targets → Outcome
Realization of a low-carbon society		
Products	Development of energy-saving products	20% or more of developed products → 67% (energy saving of 21% or more over conventional products)
Business activities	Energy-savings at workplaces (plants and offices)	Improvement of 15.4% or more → 19.1% improvement (consumption vs. FY2012*1)
Prevention of pollution		
Products	Development of products complying with regulations on chemical substances in products	50 or more products → 56 products
	Ensuring legal compliance by supporting the new standard survey form (chemical substance management system/management procedure manual)	Respond to addition of RoHS prohibited substances → Response function added to IT system Confirm status of compliance with laws and regulations → No legal violations
Business activities	Reduction of chemical substance emissions from plants (atmosphere/water/soil)	Improvement of 27% or more → 38% improvement (chemical substance emission rate vs. FY2012*2)
	Compliance with chemical substance related regulations (atmosphere/water/soil)	Zero legal violations → achieved
Resource circulation		
Products	Recycling of used products	4,000t or more → 2,470t
	Development of easily recyclable products	30 or more products → 40 products
Business activities	Reduction and appropriate disposal of waste/recycling rate	Recycling rate 82% or more → 86%
	Streamlining of resource input	Improvement of 66% or more → 64% improvement (resource input rate vs. FY2012*3)
Common		
Biodiversity conservation	Realization of low-carbon societies/prevention of pollution/resource circulation	Promotion of the above initiatives

In order to accurately reflect the results of the activities, management indicators were reviewed from FY 2017 as shown in *1 - 3 below.

*1 Total of “improvement in energy usage rate × usage rate for entire group” for each workplace

*2 “Emissions/input” of chemical substances

*3 “Disposal amount/input” of primary resource

▶ 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 in an effort to reduce environmental impacts and deliver benefits to business operations at each stage of procurement, production, transportation, product use, and disposal.

• Examples of Initiatives at Procurement and Transportation Stages

OKI Electric Industry (Shenzhen), our manufacturing base in China, successfully halved the amount of cardboard used daily by replacing the cardboard packaging used when transporting procured parts with returnable plastic containers. The packaging of more than 8,000 types of components used for ATM manufacturing was assessed and 3,856 types, or roughly half of the total amount, were selected. For each different component, visits were made to 20 suppliers or more and a process of conducting trials and holding discussions was initiated on both sides. Based on the decision on the details of the returnable containers, such as packaging specifications and rules on returning them, the impact on the environment was reduced while maintaining product quality.

▶ Horizontal Environmental Management Based on 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.

For example, 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. Assembly plants have the characteristic of energy consumption fluctuating according to production volume. Here we are promoting efficiency through measures such as cellular production, one-piece flow production, or changes in layout to accommodate 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.

• Examples of Initiatives at Assembly Plants

At Nagano OKI, where electronic components are mounted on printed circuit boards, even though the amount of glue used to temporarily attach components has decreased mainly because of their increased miniaturization, the high amount of energy used to operate glue curing ovens was still an issue. Nagano OKI therefore took measures to monitor the operation of curing ovens with a sensor, which alerts managers and operators when the oven has not been running for a certain length of time. The oven can then be switched to idle mode. This means that the fixed amount of energy used to operate glue curing ovens is no longer being wasted when production volume fluctuates. The plant was able to reduce energy consumption by 90% on curing ovens alone.



Operators are alerted to equipment operation status by different colored light bulbs

▶ Contributing to Climate Change Adaptions

Owing to the impact of unusual weather in recent years, the likelihood of disasters occurring on a scale much greater than previously thought is growing and cases of flood damage in urban areas due to rising water levels in small- and medium-sized rivers where there are few water gauges are also becoming more common.

Based on our highly accurate “ultrasonic water-level gauge” that has a proven record in river monitoring, OKI and Shizuoka OKI developed a small, light-weight, and all-in-one “zero-energy ultrasonic water-level gauge” that requires no installation of network cables or power supply thanks to its integrated wireless connectivity and solar-power generation. The device’s 920MHz band wireless multi-hop component is characterized by a strong signal, suffers few disconnections, and comes equipped with power-saving functionality based on advanced control technology.



“Zero-energy ultrasonic water-level gauge”

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 emissions → 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 • Shortened the production lead-time • 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. In preparation for 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.

Reinspection of Shipment Inspection Process

In November 2017, the OKI Group performed a reinspection of shipment inspection process at OKI and its manufacturing subsidiaries in Japan and overseas and confirmed there to be no issues. This inspection mainly checks the following three points.

- Proper qualifications of the person conducting inspections
- No issues of compliance with prescribed regulations and rules
- No falsification of shipment data

Furthermore, we conducted on-site examinations of production and shipment inspection processes mainly at sites that manufacture products we think would likely have a significant market impact if problems did arise. We confirmed there to be no inappropriate practices at any of these sites.

With the aim of continuously performing such quality control checks, we plan to draw up relevant guidelines in fiscal 2018 and carry out regular inspections.

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 like 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 24th contest held in November 2017, 20 CEs selected from branches and subsidiaries across Japan competed in their maintenance skills and how well they could explain the situation to customers using actual equipment—a space-saving ATM and a color LED multifunctional printer.



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*.

In March 2018, we installed an ATM that was designed to be easily accessible to wheelchair users at the Taiyo-no-ie Branch of Gamagori Shinkin Bank in Aichi Prefecture. With the cooperation of the bank and leveraging our modular ATM technology, we placed the screen and bank book components of the ATM on a stand to provide convenient access to wheelchair users with ample space underneath for the machine not to hit against their legs, the easily viewable screen, the arrangement of components which made cash withdrawals much easier, etc. We also further ensured the privacy of users by building a booth around the ATM in consideration of the view and flow of wheelchair users.

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



ATM for wheelchair users

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,” 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 taking such steps as providing training to cultivate female leaders and seminars to support advancement of women.

In fiscal year 2017, our ratio of women among all new graduate hires was 28%, meeting our target, which followed the same achievement in the previous fiscal year. Accordingly, in May 2017, OKI received “Eruboshi” grade 3 (the highest) company certification from the Minister of Health, Labour and Welfare (MHLW).



Female Executives and Employees (as of April 1, 2018)

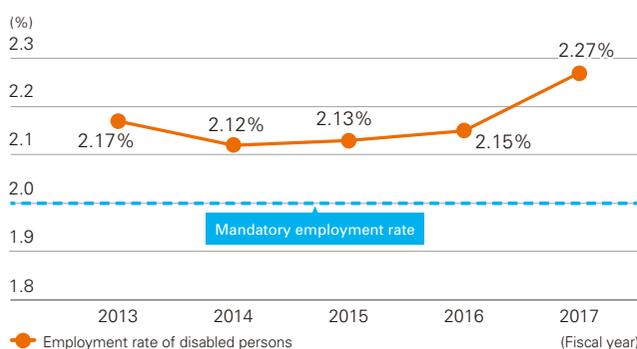
	OKI	OKI Group (Domestic)
Female employee ratio	12.3%	12.6%
Ratio of female employees at the rank of manager-level	3.4%	2.6%
Number of female executives	2	5

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 2017 was 2.27%.

Owing to the use of OKI WorkWel’s in-house developed communication system, 49 severely disabled employees in 19 prefectures across Japan are working from home as

Employment Rates of Challenged People



of June 2018. In November 2017, OKI was presented with the Top Hundred Telework Pioneers, Awards of Minister for Internal Affairs and Communications in recognition of its trailblazing initiatives for the introduction of teleworking.

*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.

Initiatives for Work-Style Reforms

OKI launched its work-style reform project in July 2017. The project aims to create “an organization that can flexibly respond to changes and generate high-added-value” and promotes initiatives based on the basic policy of “changing behavior, awareness, and frameworks, and enhancing productivity.” In fiscal year 2017, in addition to raising awareness and sharing information through manager-level discussions on work-style reforms, the hosting of the “100-Person Committee on Work-Style Reforms,” and launching a portal site, we introduced a teleworking system and established satellite offices.

Promotion of Work-Life Balance

OKI established the “Work-Life Balance Promotion Committee,” comprised of labor union and company 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, 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 company 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 2017 incidence rate of occupational accidents* was 0.22.

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 2018, OKI was certified as an Excellent Enterprise of Health and Productivity Management 2017—White 500, which followed the same certification in the previous year.

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

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 facilitate fair disclosure 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 the past year, 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 individual meetings with overseas and domestic investors and analysts, we explained our management policies and business conditions. In May 2018, we hosted an IR meeting for business strategies during which the president and directors and executive officers in charge of each business gave presentations.

▶ 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 disclosure of IR information, and we continue to improve the site to make it easier for our investors to navigate. As a result, in November 2017, the OKI Group IR website won an award for excellence for "Internet IR Award 2017" released by Daiwa Investor Relations Co., Ltd. Moreover, just like last year, we won a bronze prize for "Gomez IR Site Comprehensive Ranking 2017" released by Gomez Consulting (Gomez) under Morningstar Japan K.K. in October 2017.

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 institutional investors and others.

▶ Addressing Fair Disclosure

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 established disclosure policy and made it public on our website.

● <http://www.oki.com/en/ir/corporate/disclosure.html>



IR meeting for business strategies

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 May 1, 2018, OKI is included as a constituent stock in the Morningstar Socially Responsible Investment Index (MS-SRI).

Morningstar Socially Responsible Investment Index

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. Based on the results of surveys carried out thus far in Japan, we place our suppliers and business partners into groups and regularly check up on the progress of their initiatives. Beginning in fiscal year 2018, we plan to conduct similar periodic surveys on our overseas suppliers and business partners. We provide survey findings to each suppliers 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-affected areas. In Shichigahama Town in Miyagi Prefecture, where we have continued to take part in Great East Japan Earthquake volunteer reconstruction support activities since fiscal year 2011, 30 participants from five OKI Group companies participated in a shoreline cleanup in fiscal year 2017 ahead of the full reopening of the town’s seaside swimming area after being closed for the last seven years. In addition, we participated in the Christmas project, carried out by Japan Philanthropic Association, to send picture books to children in disaster areas and we donated 51 picture books gathered from the OKI Group.

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 (26 companies as of April 2018) who agree with the purport of the program. As a part of this, we provide ongoing support to the blood program of the

Japanese Red Cross Society (JRCS). In March 2018, we donated our 28th vehicle for collecting blood donations to the Kumamoto JRCS blood center in Ehime Prefecture.

Implementing Volunteer Activities for Environmental Preservation at Home and Overseas

At OKI Group sites in Japan and overseas, we implement ongoing volunteer programs for employees to contribute to activities with an environmental conservation purpose. In September 2017 in Thailand’s Saraburi Province, a total 150 OKI employees, public servants of the Ministry of Natural Resources and Environment and other participants planted 6,000 saplings deemed to be nationally designated protected tree varieties in an area where trees had been felled. This was the 10th year in a row this event had been held, bringing the total number of saplings planted to 73,918.



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

CORPORATE GOVERNANCE

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.

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, four of the Board's seven members (including one female member) 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.

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."

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.

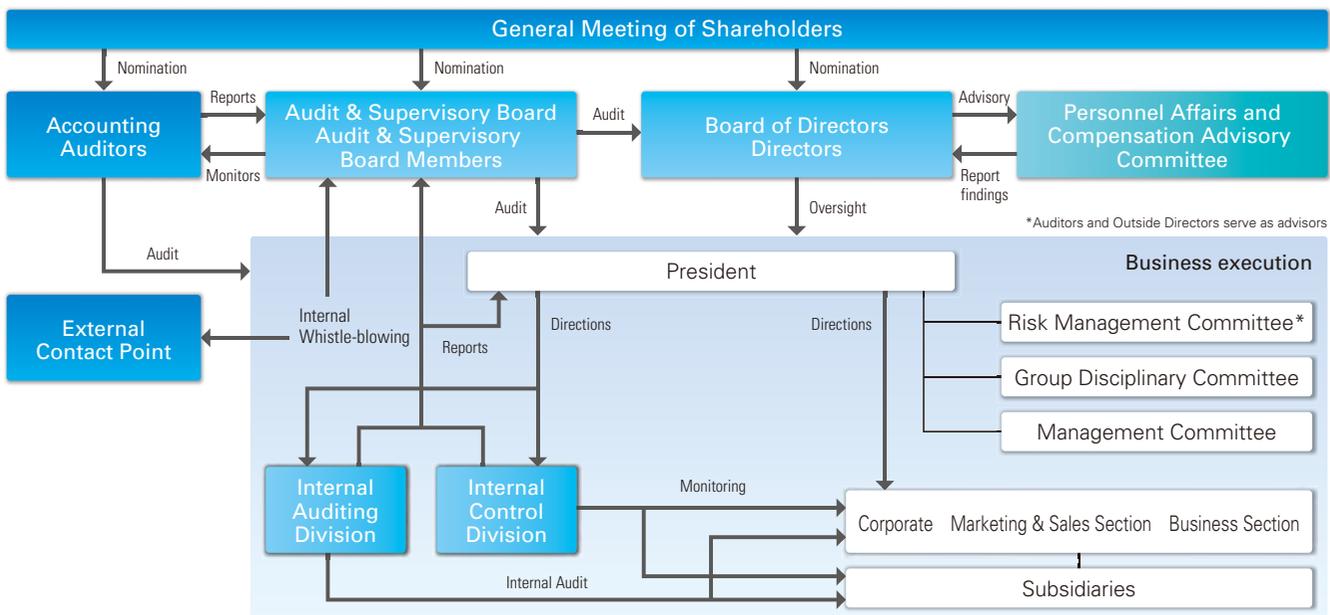
Utilization of Voluntary Committees

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.

Internal Auditing

The Internal Auditing Division is tasked with internal auditing and its staff comprises nine 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



Structure of Board of Directors, Personnel Affairs and Compensation Advisory Committee, and Audit & Supervisory Board

●:Chair △:Advisory role

	Name	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board	
Director	Hideichi Kawasaki	●	○		Chairman of the Board
	Shinya Kamagami	○			Representative Director (President)
	Masayuki Hoshi	○			Director (Executive Vice President)
	Minoru Morio	○	●		Independent Outside Director
	Shigeru Asaba	○	○		
	Tamotsu Saito	○	○		
	Izumi Kawashima	○	○		
Audit & Supervisory Board Member	Hisao Suzuki	△		●	Standing Audit & Supervisory Board Member
	Sei Yano	△		○	
	Kuninori Hamaguchi	△		○	Independent Outside Audit & Supervisory Board Member
	Yoichi Nitta	△		○	

Changes in Corporate Governance Structure

		2014/6	2015/6	2016/6	2017/6	2018/6
Director	Total Number	7	8	7		
	of which, Independent Outside Directors	1	2	3		4
	Chair	President		Chairman		
	Term	2 years	1 year			
Audit & Supervisory Board Member	Total Number	4				
	of which, Independent Outside Audit & Supervisory Board Members	2				
	Term	4 years				
Voluntary Committees		Compensation Committee	Personnel Affairs and Compensation Advisory Committee			

Compensation for the Board Members and Executive Directors

In order to secure transparency and objectiveness in the decision-making processes concerning compensation for officers, the Personnel Affairs and Compensation Advisory Committee deliberates on the structure and level of compensation for directors and executive officers from an objective viewpoint, and reports the results to the Board of Directors.

OKI's basic policy on compensation for directors and executive officers is to serve as incentives for the performance improvement with the aim of the continuous enhancement of the corporate value and the corporate competitiveness while

being the compensation structure that can attract excellent human resources.

The compensation system consists of basic compensation, annual incentive compensation linked to the performance of each fiscal year, and compensation-type stock option as medium- to long-term incentive compensation. These changes have been implemented as part of efforts to develop an environment for a shift to the management focused on "more aggressive goal setting" and "growth over medium- to long-term" in order to achieve "continuous growth" of the OKI Group.

Type	Content of Compensation
Basic compensation	When serving as executive officer concurrently, monetary compensation shall be paid, determined individually tailored to position, followed by duties.
Annual incentive compensation	Monetary compensation shall be paid, determined individually with a linkage with the past fiscal year's consolidated business performance of the OKI Group and that of the division each director/executive officer is responsible for. The amount of payments is 35% of the basic compensation in case that the rate of payments is 100%. The rate of payments is determined within the scope of 0% to 200%, according to a linkage with business performance and the President's qualitative assessment.
Medium- to long-term incentive compensation	Compensation-type stock option shall be granted, around 13% of basic compensation amount, in the view of value sharing with shareholders and the enhancement of corporate value as well as shareholders' value over the medium- to long-term.

Compensation for outside directors consists only of basic compensation. In addition, the appropriateness of the structure and level of compensation is validated utilizing objective evaluation data from external organizations and others.

INTERVIEW WITH HIDEICHI KAWASAKI, CHAIRMAN OF THE BOARD



Lively discussion at meetings of the Board of Directors strengthens OKI's corporate governance and underpins the Company's sustainable growth.

Chairman of the Board
Hideichi Kawasaki

Q. You have continued to chair the Board of Directors as a non-executive director.

A. The significance of the Board of Directors has changed greatly over time and I feel that its importance is still growing. The Board of Directors needs to play a key role in encouraging corporate growth strategies rather than just supervising management, and in particular, I think outside directors are extremely important in this regard.

At OKI we have added one more outside director to the Board this fiscal year. The seven members of the Board now comprise two executive directors and five non-executive directors, four of which are outside directors, including our first-ever female Board member. That said, it is not a simple matter of numbers. It is important that outside directors, in order to play their role in the Board of Directors, make advance preparations so they can invigorate the meetings of the Board of Directors.

Firstly, they need to gain a deep understanding about our Company's business conditions. For example, by taking tours of our business sites and meeting with managers responsible for each of our businesses in order to thoroughly learn about what we do. On top of this, they need to be able to engage in constructive discussions at Board of Directors' meetings, and because I play a key role as a chairman, I always try to stress the importance of establishing an environment in which everyone can speak openly and freely based on their respective points of view. When we are unable to discuss at length matters such as medium- and long-term plans or growth strategies during our regular Board meetings, we find separate opportunities to further our discussions.

Very lively discussions are currently being exchanged at our Board of Directors' meetings and I will do my best to further encourage this trend up ahead.

Q. Please tell us about the evaluation of the overall effectiveness of the Board of Directors disclosed in March 2018.

A. Regarding the effectiveness evaluation, the members of the Board of Directors participated in a questionnaire survey in fiscal year 2016 and continued to discuss this matter, but at the time we determined there to be some inadequacies in the evaluation analysis. We have disclosed the results of the Board's discussions since July 2017 in our Corporate Governance Report.

We ultimately achieved compliance with the Corporate Governance Code by disclosing our effectiveness evaluation and the results summary thereof, but we are mindful not to take "compliance" as our objective in this process. The Board has continued to place an emphasis on the shared awareness of management issues in light of the Company's actual situation. We have also been able to discuss policies for addressing these issues.

Q. How were the evaluation processes and items of evaluation in the survey decided?

A. After a proposal was submitted to the Board of Directors for an evaluation process that involves analyzing the results of a questionnaire survey completed by the directors and Audit and Supervisory Board members in attendance at Board of Directors' meetings, one of our outside directors was of the opinion that individual interviews should also be carried out. We thus decided to adopt these methods.

As for the items of evaluation in the survey, the Practical Guidelines for Corporate Governance Systems (CGS Guidelines) released in March 2017 were used as a reference. Based on the four categories in the CGS Guidelines regarding the roles of the Board of Directors, the utilization of outside directors, nominating and compensating management, and strengthening management team leadership, evaluation items on the roles of the Board, its structure, and operation were formulated. Issues in these areas were then identified in the form of survey responses.

Q. How do you feel now looking back on the effectiveness evaluation?

A. Going by the issues felt by each director and executive officer, I think having the Board members share their issues and policies was a good accomplishment. In addition, being able to share our expectations for corporate governance through the evaluation was also meaningful.

A key role that the Board of Directors must fulfil in order to enhance corporate value is to devise a bold medium- to long-term business portfolio aimed at growth. In striking the right balance of Board members to achieve this, I think the addition of new members to the Board who possess extensive management experience and appropriate expertise for strengthening governance carries great significance.

MESSAGES FROM NEWLY APPOINTED OUTSIDE DIRECTORS

OKI's corporate governance structure was further strengthened by the appointment of two new outside directors, bringing a high level of expertise to the Board of Directors.

For many years at IHI Corporation I was involved in manufacturing in the aerospace business where I gained experience in planning technological and production strategies, including new products and new businesses, as well as plant location and relocation. Later on, I took charge of company-wide strategies for new businesses, procurement, and manufacturing.

Considering that OKI was founded in 1881 and IHI in 1853, both companies have a long history of contributing to Japan's industrialization and modernization. While the industrial segments they operate in may differ, they share many similarities as manufacturers. Moreover, OKI's vision of being a company that 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" is something I can identify with given its similarity to IHI's vision. Based on these many common points and similarities, I hope for OKI to utilize my accumulated experience and knowledge of corporate governance and I myself hope to do my utmost to contribute even in the slightest.

OKI boasts many competitive products and systems in the growth field of information and telecommunications. The "connected society," "connected lifestyles," and "connected manufacturing" visions promoted by OKI go hand-in-hand with the building of sustainable society and I hope to contribute somewhat as a member of the Board to these Company activities.



Director
Tamotsu Saito



Director
Izumi Kawashima

In June of this year the Tokyo Stock Exchange's Corporate Governance Code was revised for the first time. The amended version strongly reflects the idea of shifting corporate governance away from formality to something of substance.

I have spent many years researching corporate law with a focus on the Companies Act and the Financial Instruments and Exchange Act. One of my main research topics is legislation related to corporate governance based on comparative law studies of the UK and the US. The decision to employ a Board of Directors' structure in which the majority of members are highly independent outside directors says to me that OKI has a strong commitment to strengthening governance. As a member of OKI's Board of Directors, my first objective is to focus on accumulating information about the Company's businesses and hopefully contribute to the increased enhancement of corporate governance by leveraging the knowledge and experience I have honed as an expert in the field of corporate law. And given a flurry of corporate scandals coming to light at leading Japanese manufacturers, I will do everything possible to ensure that the supervision functions of the Board are working adequately with the aim of bolstering and enhancing OKI's compliance structure and internal control systems.

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 contacts.

▶ 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. In fiscal year 2017, we further enhanced this system with the establishment of new external and common contacts for the OKI Group.

▶ 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 2017, we worked on strengthening collaboration between relevant departments from the time an earthquake hits through to BCP activation.

▶ 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” on the Internet.

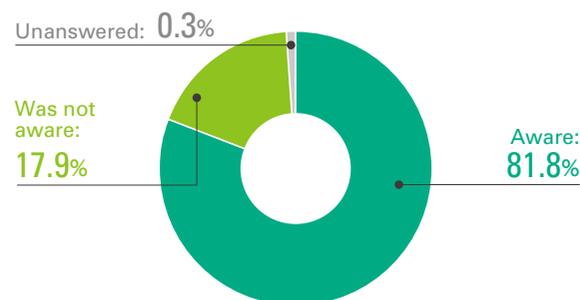
Participation Rates in Compliance Training Programs (for the OKI Group in Japan) in Fiscal 2017

Training overview	Participation rate
Training sessions for compliance managers (implemented in July-August 2017) Main themes: Anti-Monopoly Act, measures against anti-social forces, internal whistle-blowing system	100%
The e-learning program (about on-the-job compliance) (implemented in December 2017 to January 2018)	100%
e-learning courses on “Anti-Monopoly Act” (implemented in February-March 2018)	98.6%

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.

Compliance Awareness Survey Results (implemented in February 2018)

Were you aware that external and common contacts for the OKI Group have been established as part of the internal whistle-blowing system?



▶ Approaches to Anti-Corruption

Anti-corruption is principle 10 raised in the United Nations Global Compact, and is a global social issue. We are promoting anti-corruption initiatives based on the “OKI Group Anti-Corruption and Anti-Bribery Policy” that we put into practice in fiscal year 2013.

The “OKI Group Anti-Corruption and Anti-Bribery Policy” sets out fundamental points for carrying out operations properly while complying with the anti-corruption-related regulations applicable to each country and region in which the OKI Group operates. As company bylaws, we established specific rules for recording the exchange of gifts and receiving/offering entertainment, and compliance with these rules at each Group company is monitored annually by OKI’s Control Division.

Initiatives for Thorough Compliance with Anti-Monopoly Act

In February 2017, the Japan Fair Trade Commission issued a cease and desist order in accordance with the Anti-Monopoly Act and ordered OKI to pay fines with regard to trade related to digital wireless communication systems for firefighting and emergency use. We are working on prevention measures to ensure this never happens again.

In fiscal year 2017, we reviewed our regulations on complying with the Anti-Monopoly Act and implemented a system for recording contact with our competitors. Moreover, in light of this incident, starting with

Anti-Monopoly Act training implemented in April at the same time as fiscal year policy briefing sessions, we are endeavoring to make employees fully aware of our compliance rules by focusing repeatedly on the Anti-Monopoly Act in training sessions for compliance managers, e-learning programs and other occasions.

In addition to continually monitoring the implementation of Anti-Monopoly Act-related rules and improving the effectiveness of our framework, we will strive to generate a sense of compliance awareness by continuing to send out compliance messages from top management.

ESG SUPPORTS CORPORATE VALUE

INFORMATION SECURITY

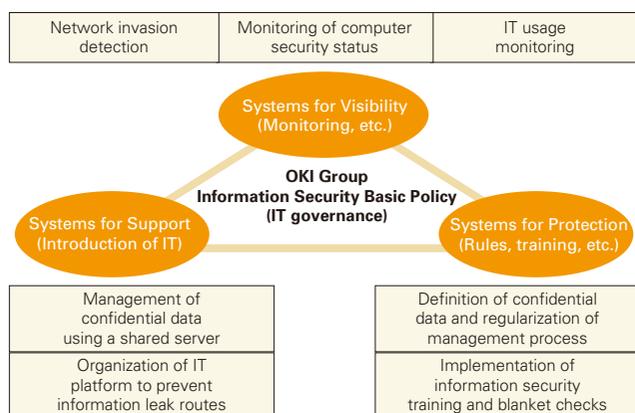
Based on the OKI Group Security Basic Policy, the OKI Group has established a system to ensure information security and works to properly manage and protect company and customer information.

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.

To further enhance the effectiveness of our responses when an incident occurs, in fiscal year 2017 we conducted drills that simulated cyber attacks and information leaks so we could check how our company-wide emergency communication system fared.

*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 2017, we stepped up the targeted e-mail attack drills that we had so far implemented in Japan to include all e-mail users at our sites in Europe, the US, China, and Asia.

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. In addition to revising its related rules in fiscal year 2017 in response to the amended Act on the Protection of Personal Information, OKI examined how it should respond to the EU General Data Protection Regulation (GDPR) and accordingly formulated a policy in May 2018.

OKI and seven Group companies have acquired PrivacyMark certification in Japan as of June 2018.



MANAGEMENT

(As of June 22, 2018)

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
 Jun. 2018 Chairman of the Board (current)

Chairman of the Board
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. 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
 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)
 Jun. 2018 Internal Control Administrator (current) Chief Compliance Officer (current)

Executive Vice President and Member of the Board
Masayuki Hoshi



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.
 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



Apr. 1975 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently IHI Corporation)
 Jun. 2006 Executive Officer, Vice President of Aero-Engine & Space Operations, Ishikawajima-Harima Heavy Industries Co., Ltd.
 Apr. 2008 Director, Executive Officer, President of Aero-Engine & Space Operations, IHI Corporation
 Apr. 2011 Executive Vice President, IHI Corporation
 Apr. 2012 President, Chief Executive Officer, IHI Corporation
 Apr. 2016 Chairman of the Board, IHI Corporation (current)
 Jun. 2017 Outside Director, JAPAN POST INSURANCE Co., Ltd. (current)
 Jun. 2018 Outside Director of the Company (current)

Director*1
Tamotsu Saito



Mar. 1985 Completed Ph. D program without dissertation, Graduate School of Law, Waseda University
 Apr. 1989 Assistant Professor, Faculty of Economics, Gifu Keizai University
 Apr. 1996 Professor, Faculty of Law, Senshu University
 Sep. 2004 Professor, Faculty of Social Sciences, Waseda University (current)
 Jun. 2016 Outside Director, Oki Electric Cable Co., Ltd.
 Jun. 2018 Outside Director of the Company (current)

Director*1
Izumi Kawashima

*1 Outside Directors

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

*2 Outside Audit & Supervisory Board Members

Executive Officers



Executive Vice President
Masasuke Kishi



Senior Vice President
Kenichi Tamura



Senior Vice President
Toru Hatano



Senior Vice President
Masaaki Hashimoto



Senior Vice President
Masashi Tsuboi



Senior Executive Officer
Masashi Fuse



Senior Executive Officer
Masatoshi Saito



Executive Officer
Kiyoshi Yokota



Executive Officer
Yuichiro Katagiri



Executive Officer
Toru Miyazawa



Executive Officer
Hiroshi Tsuchiya



Executive Officer
Yuka Miyagawa



Executive Officer
Akiko Horiguchi



Executive Officer
Hiroshi Tomizawa



Executive Officer
Toshiyuki Yokota



Executive Officer
Hajime Maruo

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							Total net assets
	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	
	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							Total net assets
	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	
	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 sub- scription 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
Otemachi Park Building, 1-1-1 Otemachi, Chiyoda-ku, Tokyo 100-0004, Japan
T: +81 (3) 6212 6800, F: +81 (3) 6212 6801, www.pwc.com/jp/assurance



To the Board of Directors of
Oki Electric Industry Co., Ltd.
Page 2

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

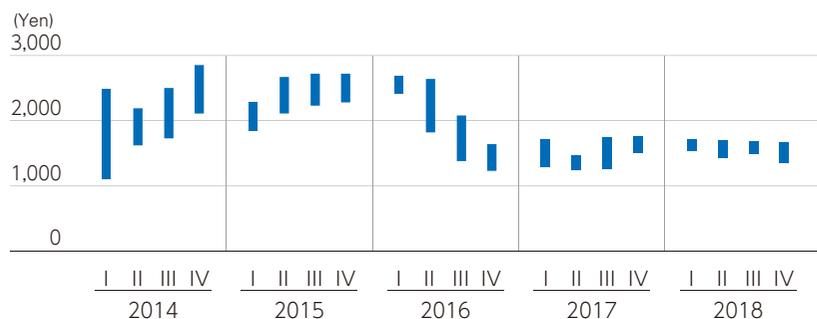
Mizuho Trust & Banking Co., Ltd.

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

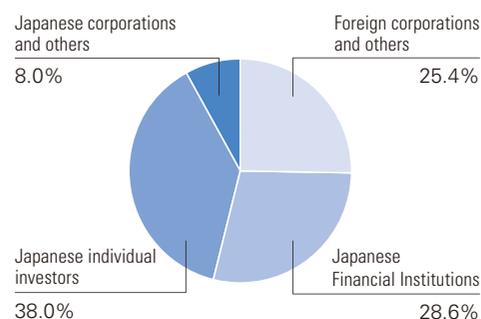
*The shareholding ratio is calculated after excluding 352,250 shares of treasury stock.

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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