



Financial Section

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Six-Year Summary

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

	Millions of yen						Thousands of U.S. dollars (Note 1)
	2007	2006	2005	2004	2003	2002	2007
For the year:							
Net sales	¥718,767	¥680,526	¥688,542	¥654,214	¥585,473	¥604,572	\$6,091,245
Cost of sales	560,817	514,483	504,340	484,455	445,709	490,257	4,752,686
Gross profit	157,949	166,043	184,202	169,759	139,763	114,314	1,338,550
Operating (loss) income	(5,410)	10,593	27,220	21,606	1,368	(27,247)	(45,847)
Other (expenses) income, net	(10,720)	(133)	(8,920)	(19,410)	(4,602)	(29,643)	(90,847)
(Loss) income before income taxes, minority interests and equity in (losses) earnings of affiliates	(16,130)	10,460	18,299	2,195	(3,233)	(56,890)	(136,694)
Net (loss) income	(36,446)	5,058	11,174	1,328	(6,560)	(34,077)	(308,864)
At the year end: (Note 2)							
Total current assets	¥405,161	¥379,135	¥374,278	¥379,374	¥382,369	¥368,582	\$3,433,567
Total investments and long-term receivables	58,025	71,052	61,492	58,615	42,796	49,254	491,737
Property, plant and equipment, net	129,696	125,223	126,470	119,662	136,355	163,844	1,099,118
Other assets	35,515	43,244	44,996	51,333	60,659	69,039	300,974
Total assets	628,398	618,655	607,237	608,986	622,180	650,721	5,325,406
Total current liabilities	318,996	295,865	313,828	311,557	307,489	305,877	2,703,355
Total long-term liabilities	193,428	182,770	163,369	181,645	208,272	231,322	1,639,220
Total net assets	115,973	140,019	130,040	115,782	106,418	113,520	982,822
Common stock	76,940	67,882	67,877	67,862	67,862	67,862	652,033

	Yen						U.S. dollars (Note 1)
	2007	2006	2005	2004	2003	2002	2007
Per share amounts:							
Net (loss) income per share	¥ (56.27)	¥ 8.27	¥ 18.27	¥ 2.17	¥ (10.72)	¥ (55.66)	\$ (0.47)
Cash dividends per share	—	3.00	3.00	—	—	—	—
Number of shareholders	121,000	111,379	99,735	100,778	115,215	107,165	
Number of employees	21,380	21,175	20,410	20,960	22,520	23,597	
Ratios (%): (Note 2)							
Return on equity	(30.0)%	3.9%	9.5%	1.3%	(6.3)%	(26.6)%	
Return on assets	(5.8)	0.8	1.8	0.2	(1.0)	(4.9)	
Shareholders' equity	17.4	21.6	20.4	18.1	16.2	16.6	

Note 1: The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥118=US\$1.00, the approximate exchange rate prevailing on March 31, 2007.

Note 2: Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In this connection the six-year summary has been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Financial Review

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

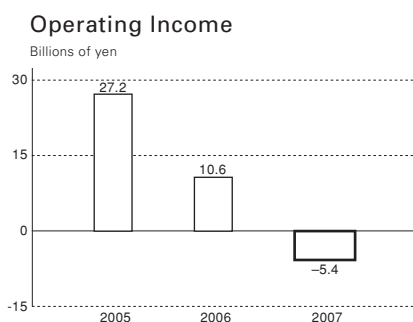
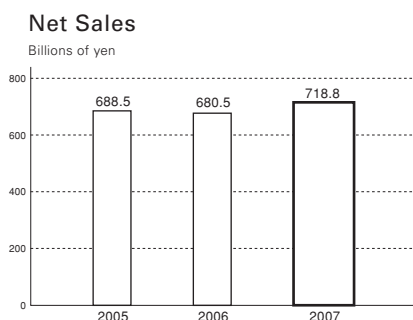
SCOPE OF CONSOLIDATION

In the fiscal year ended March 31, 2007, 17 companies, including 11 equity-method subsidiaries, were newly included in the Group's scope of consolidation, while two other equity-method affiliates remained unchanged from the previous fiscal year. In addition, one company was excluded due to a merger executed by OKI Electric Co., Ltd. ("OKI" or "the Company") for a total of 100 Group companies.

OVERVIEW OF THE FISCAL YEAR ENDED MARCH 31, 2007 Net Sales and Operating Income

In the fiscal year under review, the Japanese economy remained on a generally steady course, supported by an improvement in corporate earnings and an increase in capital investment. The global economy also enjoyed steady ongoing growth. The Company's businesses, however, were challenged by harsh operating conditions. On one hand, sales of financial system business increased owing to a recovery of investment by financial institutions, and sales of color non-impact printers (NIPs) also grew, driven by market expansion. However, a slowdown in investment in fixed-line network systems by telecommunication carriers and weakened sales of driver LSIs due to prolonged inventory reduction of LCD panels put pressure on sales and income. Additionally, cost reduction efforts were not sufficient to offset sales declines due to intensifying competition in a variety of product fields.

As a result, the OKI Group reported consolidated net sales of ¥718.8 billion, up 5.6% compared with the previous fiscal year. Consolidated operating loss was ¥5.4 billion against operating income of ¥10.6 billion in the previous fiscal year.



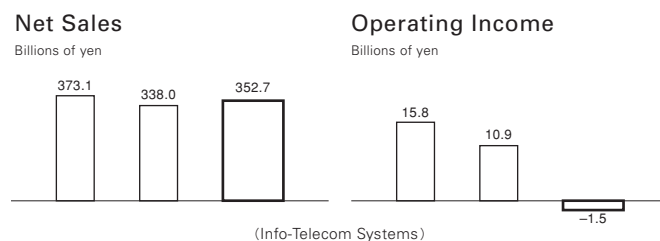
SEGMENT INFORMATION

Info-Telecom Systems

In this segment, business for telecommunication carriers experienced especially tough conditions. Sales in fixed-line network systems decreased, affected by the decline of investment in IP networks and conventional fixed-line communication systems by telecommunication carriers coupled with delayed development of new products. In addition, the full-scale introduction of next-generation networks (NGNs), which were not expected to launch until either the fiscal 2008 or thereafter, contributed to the OKI Group's performance.

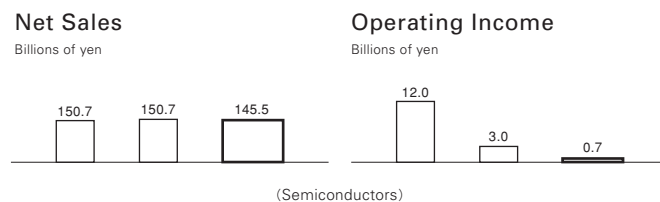
In financial sector market, both ATMs for the South Korean and Chinese markets, and ATMs with enhanced security features were robust. Sales of branch terminals in post offices also increased. In the public sector market, sales of wireless disaster prevention systems for integration into communities were favorable. In the private sector market, sales decreased, mainly in systems for logistics and distribution industries. As such, the OKI Group increased investment in the establishment of sales channels to expand the sales of IP telephony to private companies.

As a result, consolidated segment sales, excluding inter-segment sales, increased 4.3% compared with the previous fiscal year to ¥352.7 billion. Reflecting such factors as price cuts due to harsh competition and insufficient cost reduction efforts, an operating loss of ¥1.5 billion was posted, compared with operating income of ¥10.9 billion in the previous fiscal year.



Semiconductors

In the semiconductor segment, sales of driver LSIs decreased in accordance with prolonged inventory reductions by LED panel manufacturers. Sales of system LSIs for specified customers also declined. On the other hand, P2ROMs for the amusement market and foundry businesses—employing such unique technology as a high-voltage process—were favorable in the fiscal year under review. As a result, consolidated sales in this segment, not including inter-segment sales, decreased 3.5% year on year to ¥145.5 billion. Operating income declined by ¥2.3 billion to ¥0.7 billion.



Printers

In the printer segment, sales of business-use color NIPs increased and was significantly impacted by depreciation of the Japanese yen. In this market, however, intense price competition continued among manufacturers aiming to increase their market share.

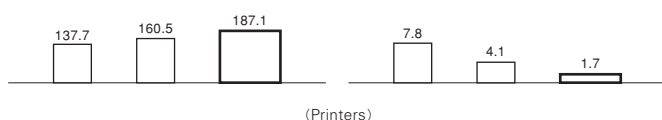
Based on the aforementioned, consolidated sales, excluding inter-segment sales, climbed 16.6% year on year to ¥187.1 billion. Operating income, on the other hand, declined ¥2.4 billion from ¥4.1 billion in the previous fiscal year to ¥1.7 billion. This was attributed mainly to delays in a shift to mid- and high-range printer models with higher profit rates.

Net Sales

Billions of yen

Operating Income

Billions of yen



GEOGRAPHIC SEGMENT INFORMATION

Japan

In the domestic market, despite the downturn of investment in fixed-line systems by telecommunication carriers, sales of financial institution system equipment increased owing to an investment recovery in the financial industry and expansion in the printer market. As a result, sales, excluding inter-segment sales, grew 1.9% year on year to ¥503.9 billion. Delays in business cost reductions by enterprises, and the sales decrease in the telecommunication carrier and semiconductor businesses exerted a negative influence on operating income, which fell ¥17.0 billion from ¥20.6 billion to ¥3.6 billion.

North America

The printer business was robust, although sales in semiconductors declined. Sales decreased 0.5% to ¥65.3 billion. The OKI Group posted an operating loss of ¥0.2 billion, a decrease of ¥1.3 billion, year on year.

Europe

Sales in Europe, not including inter-segment sales, climbed 23.7% to ¥104.9 billion, owing to significant sales increases in the printer and semiconductor businesses. The OKI Group recorded operating income of ¥2.0 billion, an improvement of ¥3.9 billion from an operating loss of ¥1.9 billion in the previous fiscal year.

Asia

Sales in Asia, excluding inter-segment sales, increased 25.8% to ¥44.6 billion due to favorable expansion of sales in ATMs and printers, especially in the Chinese market. Operating income fell ¥0.8 billion to ¥0.7 billion from ¥1.5 billion in the previous fiscal year.

NET INCOME

On account of an ¥16.0 billion, year on year, increase in operating loss and the realization of ¥17.8 billion in deferred tax assets, net loss totaled ¥36.4 billion, a drop of ¥41.5 billion from ¥5.1 billion in net income recorded in the previous fiscal year.

In line with this increase in net loss, net loss per share was ¥56.27 compared to ¥8.27 as net income per share in the previous fiscal year.

FINANCIAL POSITION

Assets, Liabilities and Shareholders' Equity

Compared with the previous fiscal year-end, total assets increased ¥9.7 billion. Main factors were increases of ¥11.4 billion in cash and cash equivalents, ¥14.0 billion in note and accounts receivable and ¥4.5 billion in property, plant and equipment. On the other hand, investments in securities and deferred tax assets decreased ¥12.0 billion and ¥17.8 billion, respectively.

In total liabilities and net assets, retained earnings decreased ¥39.0 billion. Common stock and additional paid-in capital increased ¥18.0 billion, owing to partial exercise of convertible bonds and a ¥16.5 billion increase in interest-bearing debt.

CASH FLOWS

In the fiscal year under review, net cash provided by operating activities increased ¥1.1 billion to ¥16.1 billion from ¥15.0 billion in the previous fiscal year, mainly due to an improvement in working capital.

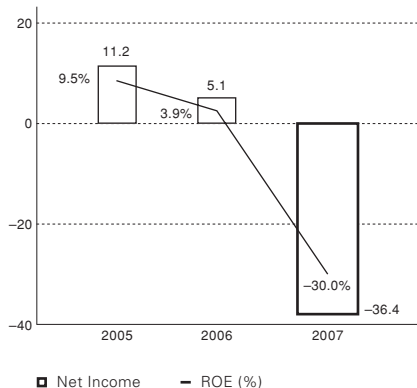
Net cash used in investing activities narrowed ¥6.3 billion to ¥34.9 billion from ¥28.6 billion in the previous fiscal year. This was attributed to a drop in gain on sale of investments in securities.

Free cash flows, which are the total of cash flows from operating and investing activities, were negative, totaling ¥18.8 billion, a ¥5.2 billion downturn from the previous fiscal year.

Net cash provided by financing activities amounted to ¥28.1 billion. This was due to issuance of convertible bonds and long-term debt against the redemption of bonds and the repayment of long-term debt.

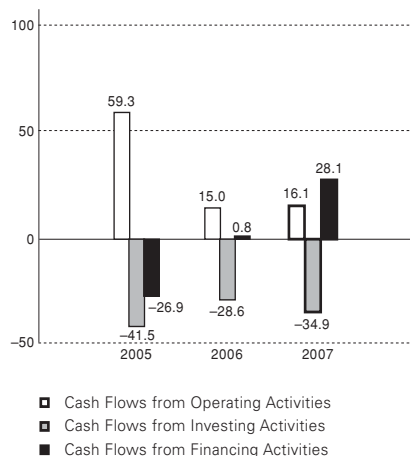
Net Income / Return on Equity [ROE]

Billions of yen



Cash Flows

Billions of yen



As a result of these cash flow movements, cash and cash equivalents as of March 31, 2007 were ¥49.8 billion. This represents a year-on-year increase of ¥11.4 billion compared with the previous fiscal year-end total of ¥38.4 billion.

CAPITAL EXPENDITURES, DEPRECIATION AND RESEARCH AND DEVELOPMENT EXPENSES

As a result of expanded investment toward strengthening semiconductor production, capital expenditures as a whole increased by ¥4.2 billion to ¥37.7 billion. Depreciation of property, plant and equipment increased by ¥0.6 billion to ¥27.3 billion. Research and development expenses also grew by ¥1.7 billion to ¥21.3 billion.

OUTLOOK FOR THE YEAR ENDING MARCH 31, 2008

The Japanese economy is exhibiting clearer signs of a recovery, supported by improvements in the corporate sector. Despite this favorable outlook, however, the OKI Group remains cautious about a rapidly changing operating environment typified by increasingly hurried globalization, domestic market saturation, and the fervent pursuit of investment efficiency by customers.

Within this environment, the OKI Group is exerting efforts to raise the earning capacity of its Info-Telecom Systems segment. To this end, it plans to consolidate low-profit businesses, strengthen Company competitiveness, expand its software service business by creating a global software development structure, and grow overseas businesses by newly establishing a dedicated overseas structure. In businesses targeting the information market, the Group is looking to bolster its earnings power through the thorough promotion of cost reduction measures relating to mainstay products such as home-use subscriber devices and IP-PBX for companies. In the finance business market, OKI aims to further strengthen overseas ATM business development with a keen focus on markets in China and South Korea. It will base these efforts on its strengths in mechatronics technologies. Furthermore, in regard to public-sector information systems, OKI will liquidate underperforming businesses as well as reevaluate its cost structure in order to strengthen its earnings capabilities.

As a result of these efforts, OKI is forecasting a ¥12.3 billion increase in sales in the Info-Telecom Systems segment, to ¥365.0 billion, year on year. Likewise, we anticipate operating income to improve by ¥5.0 billion to ¥3.5 billion.

With a focus on boosting profitability in the Semiconductor segment, OKI will work to reduce fixed and fluctuating costs, as well as to implement an optimal shift of human resources. Specifically, OKI will pursue cost reductions in the large TFT driver business while using differentiated technologies to take the lead in this competitive market. Furthermore, with an emphasis on system LSIs and ASICs, OKI will shift its business focus to the development of high-added-value businesses supported by an amalgamation of Group strengths, while at the same time working to consolidate underperforming businesses. Through these efforts, we foresee a ¥4.5 billion increase in Semiconductor segment sales, year on year, to ¥150.0 billion. Operating income is expected to amount to ¥5.0 billion, an increase of ¥4.3 billion.

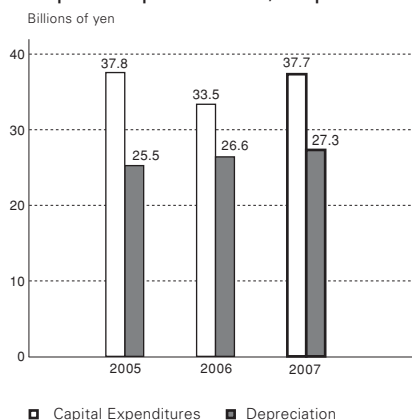
In the Printer segment, which is dominated by color NIPs, OKI is accelerating efforts to instigate a shift away from low-end printer models to mid- and high-range models targeting business development in the SMB market. In addition to bringing about cost reductions in the dot-impact printer business, OKI will seek to bolster its sales capabilities by introducing new printers to China, where market expansion is anticipated. As a result, Printer segment sales are anticipated to rise by ¥7.9 billion to ¥195.0 billion, with a ¥3.3 billion increase in operating income to ¥5.0 billion.

In other segments, the OKI Group is anticipating sales of ¥40.0 billion and operating income of ¥3.5 billion.

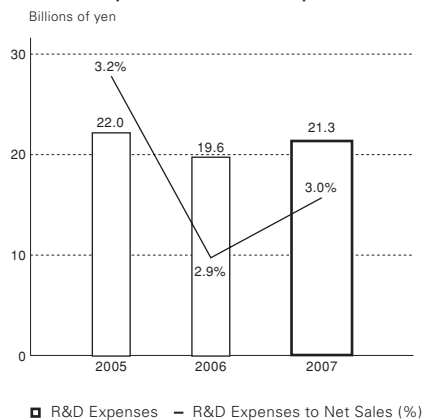
As a result, consolidated net sales for the fiscal year ending March 31, 2008 are expected to reach ¥750.0 billion. Operating income is forecast at ¥8.0 billion, with net income of ¥1.0 billion.

Forecasts for the fiscal year ending March 31, 2008 are based on exchange rates of ¥115 to U.S.\$1.00 and ¥150 to one euro.

Capital Expenditures / Depreciation



R&D Expenses / R&D Expenses to Net Sales



Performance Forecasts for the Fiscal Year Ending March 31, 2008

(Billions of yen unless otherwise stated)

Net Sales	Operating Income	Net Income	Net Income per Share (Yen)
¥750.0	¥8.0	¥1.0	¥1.46

BUSINESS AND OTHER RISKS

The following items are business and other risks recognized by the OKI Group and its consolidated subsidiaries as those that may significantly influence investors' judgment. OKI is aware of the potential impact these risks may have if any were to occur and is implementing measures to avoid such occurrence, as well as to minimize the weight of their impact should they occur.

(1) Political and Economic Trends

Demand for the OKI Group's products is subject to political and economic trends in the individual countries and regions in which they are sold. Accordingly, economic recession and the resulting contraction in demand in the OKI Group's principal operating markets of Japan, North America, Europe and Asia may impact its business performance and financial position.

(2) Sudden Technological Innovation

The OKI Group's principal business segments comprising Info-Telecom Systems, Semiconductors and Printers are subject to rapid technological innovation. Accordingly, the OKI Group strives to preserve its competitive advantage through new technology and product research and development. In the event, however, the OKI Group is unable to keep pace with new innovations in technology and products, is burdened with obsolete products, and is unable to deliver products and services that appeal to customers, its performance and financial position may be affected.

(3) Market Trends

- 1 The product and geographical markets in which the OKI Group operates are subject to frequent entry by new participants and persistent competition. In an effort to secure competitive advantage, the OKI Group strives to enhance product development and reduce costs. In the event the OKI Group is unable to implement effective product development and cost rationalization measures and fails to maintain and secure sufficient market share, business performance and financial position may be affected.
- 2 The performance of the Info-Telecom Systems segment is subject to a variety of factors including: (1) changes in investment trends by financial institutions due to revisions of financial regulation, poor performance and other factors; (2) changes in investment trends by telecommunication carriers owing to amendments to telecommunication regulations, shifts in business strategy and other factors, and; (3) a significant decline in public-sector investment due to national and local government policies.
- 3 The semiconductor market in which the OKI Group operates is characterized by turbulent fluctuations. While the OKI Group makes every effort to establish and develop a business structure that is resilient to movements in the market, in the event of a substantial unforeseen drop in demand or price deterioration, the Semiconductor segment's performance may be affected.

- 4 The printer market, a core component of the OKI Group's field of operations, is experiencing intense price competition, particularly in color printers. In an effort to secure a strong market position and profitability, the OKI Group is endeavoring to develop new products and reduce costs. Despite these efforts, continued downward revisions to product prices may impact the Printer segment's performance.

(4) Raw Material and Component Procurement

The OKI Group procures a variety of raw materials and components in support of its manufacturing activities. The ability to ensure timely product shipment, avoid delays in product delivery and minimize opportunity loss is dependent upon the stable supply of raw materials, components, specialized parts and alternative components. The OKI Group's performance and financial position may therefore be affected in the event stable supply cannot be maintained.

The OKI Group is reliant upon the direct and indirect supply of crude oil and materials, such as metals, as a part of its manufacturing activities. A sharp rise in the price of these and other key materials may impact the OKI Group's performance and financial position.

(5) Product Defects and Delays in Delivery

Despite every effort to maintain quality assurance, the OKI Group is unable to eliminate all possibility of product and service defects. In the event of a product or service defect, the OKI Group may be liable for damages. In addition, any incidence of defect may impact the OKI Group's reputation and standing and contribute to a drop in demand. In either case, the OKI Group's performance and financial position may be affected.

While the OKI Group adopts complete and thorough measures to ensure the timely delivery of its products and services, unforeseen incidents in design, material procurement and production control may lead to a delay in shipment. In this case, the OKI Group may become liable for the payment of damages.

(6) Success or Failure of Strategic Alliances

The OKI Group is aggressively engaged with other companies in strategic alliances in research and development, manufacturing, sales and other activities. While the OKI Group only enters into and maintains such alliances with the utmost caution, there may in theory be instances where the OKI Group is not able to obtain the desired cooperation from the strategic partner in business strategy, production and technical development, funds procurement or other activity, or where the alliance does not yield satisfactory results. The OKI Group's performance and financial condition may be adversely affected by such an event.

(7) Overseas Business Activities

The OKI Group is engaged in business activities across a variety of countries and regions. Accordingly, it is subject to a number of risks specific to overseas business activities, including country risk and foreign currency fluctuation risk. In the implementation of its business, the OKI Group takes all necessary care to avoid and minimize risks. In particular the OKI Group enters into forward currency and currency swap contracts to minimize the risk of short-term movements in foreign currencies. Notwithstanding the aforementioned, a sharp appreciation of the yen against the United States dollar and the euro may affect the OKI Group's performance and financial position.

The OKI Group operates production sites in Thailand and China. The OKI Group's performance and financial position may therefore be affected in the event of economic recession, movements in local currency exchange rates and unforeseen circumstances in either of these countries.

(8) Patents and Intellectual Property

The OKI Group strives to protect its patents and to secure new patents with the aim of differentiating the OKI Group from its competitors. Failure to do so may impact the performance of relevant businesses. The OKI Group is also active in developing new products and securing the right to use other companies' patents. In the event the OKI Group is unable to secure patents or rights, or secures patents or rights under unfavorable terms and conditions, its performance and financial position may be affected.

The OKI Group endeavors to comply with patents held by third parties. It is not, however, in a position to completely guarantee the OKI Group will not violate intellectual property rights held by another party. In the event the OKI Group is involved in a claim relating to the violation of intellectual property rights, it is likely to incur legal and other expenses. In the event the OKI Group is found to have breached intellectual property rights held by another party, then it is likely to incur damages. In either event, the performance and financial position of the OKI Group may be affected.

(9) Statutory and Regulatory Compliance

The OKI Group is subject to statutory and regulatory requirements, business and investment application and approval, export restrictions relating to national security and other factors, import regulations including customs and taxation and a variety of government ordinances in each of the countries and regions in which it operates. The OKI Group is also subject to statutory and regulatory requirements relating to commerce, antitrust, patents and intellectual property rights, taxation, foreign currency, the environment and recycling. In the event the OKI Group is unable to comply with any of the aforementioned, the possibility exists its activities would be restricted or suspended. Accordingly, the aforementioned and other statutory and regulatory requirements may impact the OKI Group's performance and financial position.

(10) Natural and Other Disaster

The OKI Group conducts periodic inspections and implements a variety of accident, disaster and fire prevention measures to minimize stoppages of its production line. There is, however, no complete guarantee that accidents, disasters and fire that would impact the production line can be prevented.

In particular, stoppages to the OKI Group's semiconductor production lines located in Hachioji (Tokyo), Miyazaki Prefecture, Miyagi Prefecture and Thailand due to earthquake, wide and flood damage or power blackout may affect the OKI Group's performance and financial position.

(11) Information Management

Although the OKI Group implements defense measures to protect its internal systems against computer viruses and the leakage of information, the Group cannot guarantee complete protection from system failure and information leakage attributable to human error, new virus strains and other like causes. The Group, therefore, faces the risk of cumulative losses should there be a breach in the information management structure.

(12) Procurement and Training of Human Resources

The ability to secure and foster high-quality human resources is a key factor in ensuring further growth as a stable earnings company. Accordingly, the OKI Group strives to recruit capable employees at every level, including new graduates and mid-career employees. In an effort to foster quality human resources, the OKI Group also conducts on-the-job training, education and a variety of training activities. In the event the OKI Group is unable to secure and foster high-quality human resources or a number of key employees leave the OKI Group, future growth may be affected.

(13) Interest-Rate Fluctuations

Although the OKI Group has been reducing its interest-bearing debt, it is still susceptible to changes in interest rates. The OKI Group utilizes interest-rate swaps and other instruments to manage the risks of interest-rate fluctuations. However, there is a possibility that interest charges may suffer an increase associated with a rise in interest rates and that the increased cost of raising capital would adversely affect the Company's ability to raise working capital.

(14) Changes to Accounting Standards

The Company makes consolidated and non-consolidated financial statements in accordance with accounting standards generally recognized as fair and accurate. Should changes to accounting standards occur, there is a possibility that the OKI Group's performance and financial position may be adversely affected.

(15) Debt Recovery

While the Company constantly appraises the financial situation of its customers and makes provision for bad debts after the Balance Sheet date, a sudden deterioration in the financial condition of a major customer could exert a negative influence on the OKI Group's performance.

(16) Impairment Loss on Fixed Assets

In the event that it becomes necessary for the OKI Group to record an impairment loss on fixed assets such as tangible and intangible fixed assets, investment and other assets, and assets under finance leases, the Group's performance and financial position may be adversely affected.

(17) Deferred Tax Assets

The OKI Group amortizes deferred assets against retained losses carried forward and temporary differences as appropriate. In the event the OKI Group is unable to liquidate deferred tax assets due to the decline in taxable income brought on by fluctuations in its business results, the OKI Group's performance may be affected.

(18) Retirement Benefit Obligations

The OKI Group provides for retirement benefit obligations based on a discount rate established using actuarial calculations. Accordingly, a significant change in the discount rate and other preconditions and assumptions that lead to an increase in the retirement benefit obligation may impact the OKI Group's performance and financial position.

Consolidated Balance Sheets

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
As of March 31, 2007 and 2006

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Current assets:			
Cash and cash equivalents	¥ 49,800	¥ 38,419	\$ 422,033
Marketable securities (Note 3)	101	500	855
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	6,807	11,787	57,686
Other	173,815	153,699	1,473,008
Less: Allowance for doubtful receivables	(1,904)	(1,842)	(16,135)
Inventories (Note 4)	167,513	166,899	1,419,601
Other current assets (Note 8)	9,028	9,671	76,508
Total current assets	405,161	379,135	3,433,567
Investments and long-term receivables:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	11,717	15,643	99,296
Other investments in securities (Note 3)	47,360	57,900	401,355
Other long-term receivables	1,660	3,089	14,067
Less: Allowance for doubtful receivables	(2,712)	(5,581)	(22,983)
Total investments and long-term receivables	58,025	71,052	491,737
Property, plant and equipment (Notes 6 and 10):			
Land	15,760	15,940	133,559
Buildings	128,139	124,515	1,085,923
Machinery and equipment	495,944	482,365	4,202,915
Construction in progress	837	431	7,093
	640,681	623,253	5,429,500
Less: Accumulated depreciation	(510,985)	(498,030)	(4,330,381)
Property, plant and equipment, net	129,696	125,223	1,099,118
Other assets (Note 8)	35,515	43,244	300,974
Total assets	¥ 628,398	¥ 618,655	\$ 5,325,406

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 2)
	2007	2006	2007
Current liabilities:			
Short-term borrowings (Note 6)	¥ 98,643	¥ 79,412	\$ 835,957
Current portion of long-term debt (Note 6)	43,666	56,665	370,050
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	5,506	6,370	46,661
Other	107,832	98,130	913,830
Accrued income taxes	1,749	1,182	14,822
Other accrued expenses	47,339	44,350	401,177
Other current liabilities (Note 8)	14,259	9,752	120,838
Total current liabilities	318,996	295,865	2,703,355
Long-term liabilities:			
Long-term debt (Note 6)	142,530	132,229	1,207,881
Retirement benefits (Note 7)	45,658	42,897	386,932
Other long-term liabilities (Note 8)	5,239	7,644	44,398
Total long-term liabilities	193,428	182,770	1,639,220
Total liabilities	512,425	478,636	4,342,584
NET ASSETS			
Shareholders' equity (Notes 9 and 18):			
Common stock:			
Authorized—2,400,000,000 shares			
Issued—684,256,778 shares in 2007 and 612,371,797 shares in 2006	76,940	67,882	652,033
Additional paid-in capital	46,744	37,801	396,135
(Accumulated deficit) retained earnings	(22,375)	16,580	(189,618)
Less: Treasury stock, at cost:			
1,069,266 shares in 2007 and 915,526 shares in 2006	(320)	(280)	(2,711)
Total shareholders' equity	100,989	121,984	855,838
Valuation, translation adjustments and other:			
Net unrealized holding gain on other securities	14,377	19,113	121,838
Loss on deferred hedges	(368)	(204)	(3,118)
Translation adjustments	(5,595)	(7,210)	(47,415)
Total valuation, translation adjustments and other	8,412	11,698	71,288
Warrants	32	—	271
Minority interests in consolidated subsidiaries	6,538	6,335	55,406
Total net assets	115,973	140,019	982,822
Contingent liabilities (Note 17)			
Total liabilities and net assets	¥628,398	¥618,655	\$5,325,406

The accompanying notes are an integral part of these statements.

Consolidated Statements of Operations

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2006	2005	2007
Net sales	¥718,767	¥680,526	¥688,542	\$6,091,245
Cost of sales	560,817	514,483	504,340	4,752,686
Gross profit	157,949	166,043	184,202	1,338,550
Selling, general and administrative expenses	163,359	155,449	156,982	1,384,398
Operating (loss) income	(5,410)	10,593	27,220	(45,847)
Other (expenses) income:				
Interest expense	(6,820)	(6,171)	(6,724)	(57,796)
Interest and dividend income	1,500	1,837	1,323	12,711
Foreign exchange gain, net	—	1,403	561	—
Gain on sale of investments in securities	3,362	8,043	3,037	28,491
Write-downs of investments in unconsolidated subsidiaries and other investments in securities	(2,130)	—	(1,193)	(18,050)
(Loss) gain on sale and disposition of property, plant and equipment	(785)	1,045	(1,300)	(6,652)
Loss on impairment of fixed assets (Note 12)	—	(2,973)	—	—
Loss on natural disaster (Note 13)	—	(856)	—	—
Special retirement payments	(884)	(1,442)	(2,363)	(7,491)
Loss on business restructuring (Note 14)	(2,335)	—	—	(19,788)
Other, net	(2,626)	(1,019)	(2,261)	(22,254)
	(10,720)	(133)	(8,920)	(90,847)
(Loss) income before income taxes, minority interests and equity in (losses) earnings of affiliates	(16,130)	10,460	18,299	(136,694)
Income taxes (Note 8):				
Current	2,152	1,579	2,695	18,237
Deferred	17,813	3,773	4,377	150,957
	19,966	5,352	7,072	169,203
(Loss) income before minority interests and equity in (losses) earnings of affiliates	(36,096)	5,107	11,226	(305,898)
Minority interests in earnings of consolidated subsidiaries	(274)	(211)	(297)	(2,322)
Equity in (losses) earnings of affiliates	(75)	161	245	(635)
Net (loss) income (Note 18)	¥ (36,446)	¥ 5,058	¥ 11,174	\$ (308,864)

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
Years ended March 31, 2007, 2006 and 2005

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2007	2006	2005	2007
Cash flows from operating activities:				
Net (loss) income	¥(36,446)	¥ 5,058	¥ 11,174	\$(308,864)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	34,957	34,691	34,245	296,245
Loss on impairment of fixed assets	—	2,973	—	—
Provision for retirement benefits, net of payments	2,821	2,651	4,490	23,906
Write-downs of investments in unconsolidated subsidiaries and other investments in securities	2,130	—	1,193	18,050
Gain on sale of investments in securities	(3,362)	(8,043)	(3,037)	(28,491)
Loss (gain) on sale and disposition of property, plant and equipment	785	(1,045)	1,300	6,652
Deferred income taxes	17,813	3,773	4,377	150,957
Other, net	(1,779)	(802)	1,025	(15,076)
Changes in operating assets and liabilities:				
Notes and accounts receivable	(7,379)	(1,371)	13,620	(62,533)
Inventories	2,686	(15,536)	(9,014)	22,762
Notes and accounts payable	(95)	(5,276)	7,056	(805)
Accrued income taxes	798	(1,138)	923	6,762
Other accrued expenses	2,340	(633)	1,135	19,830
Other assets and liabilities	833	(334)	(9,167)	7,059
Net cash provided by operating activities	16,105	14,965	59,323	136,483
Cash flows from investing activities:				
Decrease in time deposits and marketable securities	500	30	89	4,237
Increase in investments and other long-term receivables	(8,862)	(1,911)	(7,280)	(75,101)
Purchases of property, plant and equipment	(26,729)	(29,153)	(33,926)	(226,516)
Proceeds from sale of property, plant and equipment	646	2,808	1,895	5,474
Payment for purchases of businesses	(455)	(328)	(2,292)	(3,855)
Net cash used in investing activities	(34,900)	(28,555)	(41,514)	(295,762)
Cash flows from financing activities:				
Increase (decrease) in short-term borrowings	15,765	(999)	(6,843)	133,601
Issuance of long-term debt	39,648	70,692	19,182	336,000
Repayment of long-term debt	(56,826)	(67,540)	(59,071)	(481,576)
Issuance of bonds	29,988	—	19,942	254,135
Cash dividends paid	(1,817)	(1,817)	(1)	(15,398)
Other, net	1,371	438	(98)	11,618
Net cash provided by (used in) financing activities	28,130	774	(26,890)	238,389
Effect of exchange rate changes on cash and cash equivalents	947	714	417	8,025
Net increase (decrease) in cash and cash equivalents	10,283	(12,102)	(8,664)	87,144
Cash and cash equivalents at beginning of the year	38,419	49,411	58,075	325,584
Cash and cash equivalents of initially consolidated subsidiaries at beginning of the year	1,090	1,110	—	9,237
Increase in cash and cash equivalents upon merger of an unconsolidated subsidiary with a consolidated subsidiary	7	—	—	59
Cash and cash equivalents at end of the year	¥ 49,800	¥ 38,419	¥ 49,411	\$ 422,033
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 6,993	¥ 5,928	¥ 7,123	\$ 59,262
Income taxes	1,353	2,717	1,771	11,466

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
Years ended March 31, 2007, 2006 and 2005

	Numbers of shares issued (Thousands)	Shareholders' equity				
		Common stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2004	612,221	¥ 67,862	¥ 71,150	¥ (29,685)	¥ (141)	¥ 109,185
Issuance of new shares of common stock	114	15	15			30
Net income				11,174		11,174
Purchases of treasury stock					(75)	(75)
Transfer from additional paid-in capital to (accumulated deficit) retained earnings			(33,369)	33,369		—
Decrease due to exclusion of subsidiaries from consolidation				(4)		(4)
Other, net						
Net changes during the year	114	15	(33,353)	44,539	(75)	11,125
Balance at March 31, 2005	612,335	67,877	37,797	14,854	(217)	120,311
Issuance of new shares of common stock	36	4	4			9
Distributions of retained earnings				(1,834)		(1,834)
Net income				5,058		5,058
Purchases of treasury stock					(62)	(62)
Increase at beginning of the year due to initial consolidation of subsidiaries				308		308
Decrease in unfunded retirement benefit obligation with respect to foreign subsidiaries				(1,805)		(1,805)
Other, net						
Net changes during the year	36	4	4	1,726	(62)	1,672
Balance at March 31, 2006	612,371	67,882	37,801	16,580	(280)	121,984
Issuance of new shares of common stock	71,884	9,057	8,942			18,000
Distributions of retained earnings				(1,834)		(1,834)
Net loss				(36,446)		(36,446)
Purchases of treasury stock					(40)	(40)
Decrease at beginning of the year due to initial consolidation of subsidiaries				(23)		(23)
Increase at beginning of the year due to initial consolidation of subsidiaries accounted for by the equity method				166		166
Decrease at beginning of the year due to initial consolidation of subsidiaries accounted for by the equity method				(1,140)		(1,140)
Increase in unfunded retirement benefit obligation with respect to foreign subsidiaries				322		322
Other, net						
Net changes during the year	71,884	9,057	8,942	(38,955)	(40)	(20,995)
Balance at March 31, 2007	684,256	¥ 76,940	¥ 46,744	¥ (22,375)	¥ (320)	¥ 100,989

	Numbers of shares issued (Thousands)	Shareholders' equity				
		Common stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at March 31, 2006	612,371	\$575,271	\$320,347	\$ 140,508	\$(2,372)	\$1,033,762
Issuance of new shares of common stock	71,884	76,754	75,779			152,542
Distributions of retained earnings				(15,542)		(15,542)
Net loss				(308,864)		(308,864)
Purchases of treasury stock					(338)	(338)
Decrease at beginning of the year due to initial consolidation of subsidiaries				(194)		(194)
Increase at beginning of the year due to initial consolidation of subsidiaries accounted for by the equity method				1,406		1,406
Decrease at beginning of the year due to initial consolidation of subsidiaries accounted for by the equity method				(9,661)		(9,661)
Increase in unfunded retirement benefit obligation with respect to foreign subsidiaries				2,728		2,728
Other, net						
Net changes during the year	71,884	76,754	75,779	(330,127)	(338)	(177,923)
Balance at March 31, 2007	684,256	\$652,033	\$396,135	\$(189,618)	\$(2,711)	\$ 855,838

The accompanying notes are an integral part of these statements.

Valuation, translation adjustments and other						
Net unrealized holding gain on other securities	Loss on deferred hedges	Translation adjustments	Total valuation, translation adjustments and other	Warrants	Minority interests in consolidated subsidiaries	Total net assets
¥ 10,932	¥ (455)	¥ (9,619)	¥ 857	¥ —	¥ 5,739	¥ 115,782
						30
						11,174
						(75)
						—
						(4)
1,508	(321)	1,694	2,881	—	249	3,131
1,508	(321)	1,694	2,881	—	249	14,257
12,441	(776)	(7,925)	3,739	—	5,989	130,040
						9
						(1,834)
						5,058
						(62)
						308
						(1,805)
6,671	572	714	7,959	—	346	8,306
6,671	572	714	7,959	—	346	9,979
19,113	(204)	(7,210)	11,698	—	6,335	140,019
						18,000
						(1,834)
						(36,446)
						(40)
						(23)
						166
						(1,140)
						322
(4,735)	(164)	1,614	(3,285)	32	202	(3,050)
(4,735)	(164)	1,614	(3,285)	32	202	(24,046)
¥ 14,377	¥ (368)	¥ (5,595)	¥ 8,412	¥ 32	¥ 6,538	¥ 115,973

Valuation, translation adjustments and other						
Net unrealized holding gain on other securities	Loss on deferred hedges	Translation adjustments	Total valuation, translation adjustments and other	Warrants	Minority interests in consolidated subsidiaries	Total net assets
\$161,974	\$(1,728)	\$(61,101)	\$ 99,135	\$ —	\$53,686	\$1,186,601
						152,542
						(15,542)
						(308,864)
						(338)
						(194)
						1,406
						(9,661)
						2,728
(40,127)	(1,389)	13,677	(27,838)	271	1,711	(25,847)
(40,127)	(1,389)	13,677	(27,838)	271	1,711	(203,779)
\$121,838	\$(3,118)	\$(47,415)	\$ 71,288	\$271	\$55,406	\$ 982,822

Notes to Consolidated Financial Statements

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
March 31, 2007

1.

SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

Oki Electric Industry Co., Ltd. (the "Company") and its domestic consolidated subsidiaries (collectively and including its overseas subsidiaries, the "Group") maintain their books of account in accordance with accounting standards generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile. The accompanying consolidated financial statements 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 Securities and Exchange Law 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.

Certain amounts from prior years have been reclassified to conform to the current year's presentation. The accompanying consolidated statements of cash flows, which have not been prepared under the same requirements as those specified in the Japanese accounting standard for cash flows, are presented in a format similar to that required under accounting standards generally accepted in the United States, and the concept and format are almost identical to those required under the Japanese standard.

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

The accompanying consolidated financial statements include the accounts of the Company and all significant subsidiaries over which substantial control is exerted either through majority ownership of voting stock and/or by other means. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in certain unconsolidated subsidiaries and significant affiliates are accounted for by the equity method. Other investments in unconsolidated subsidiaries and affiliates are stated at cost or less. Where there has been a permanent decline in the value of such investments, the Company has written them down to reflect the impairment.

(c) Foreign currency transactions

(1) The Company translates the revenue and expense accounts of the overseas consolidated subsidiaries at the average rates of exchange in effect during the year. The balance sheet accounts, except for the components of shareholders' equity, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments as a component of net assets.

(2) Current and noncurrent monetary assets and liabilities denominated in foreign currencies of the Company and its domestic consolidated subsidiaries are translated into yen at the exchange rates in effect at the balance sheet date, except for those hedged by forward foreign exchange contracts which are translated at the contracted rates.

All revenues and expenses are translated at the average rate for the month prior to the transaction.

Gains and losses arising from foreign exchange differences are credited or charged to income in the year in which they are made or incurred, except for those arising from forward foreign exchange contracts pertaining to long-term debt which are deferred and amortized over the periods of the respective contracts.

(d) Cash equivalents

All highly liquid investments, generally with a maturity of three months or less when purchased, which are readily convertible into known amounts of cash and are so near maturity that they represent only an insignificant risk of any change in value attributable to changes in interest rates, are considered cash equivalents.

(e) Securities

Held-to-maturity securities are either amortized or accumulated to face value. Other securities with quoted market prices are carried at market value. The difference between the acquisition cost and the carrying value of other securities, including unrealized gain and loss, net of the applicable income taxes, is recognized as a component of net assets and is reflected as "Net unrealized holding gain on other securities." The cost of other securities sold is computed by the moving average method. Other securities without quoted market prices are stated at cost based on the moving average method.

(f) Inventories

Inventories are principally stated at cost determined by the following methods:

Finished goods - Moving average method

Work in process - Specific identification method

Raw materials and supplies - Last purchase price method

(g) Property, plant and equipment, and depreciation

Property, plant and equipment is recorded at cost. Depreciation of property, plant and equipment is principally computed by the declining balance method over the estimated useful lives of the respective assets. However, buildings (excluding leasehold improvements) acquired after April 1, 1998 by the Company and its domestic consolidated subsidiaries are depreciated by the straight-line method over their respective estimated useful lives. Significant renewals and betterments are capitalized at cost. Maintenance and repairs are charged to income.

(h) Intangible assets and amortization

Intangible assets, including capitalized computer software costs, are amortized by the straight-line method over their respective estimated useful lives.

(i) Leases

Noncancelable leases are primarily accounted for as operating leases (regardless of whether such leases are classified as operating or finance leases), except that leases which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

(j) Retirement benefits

The Group has retirement benefit plans covering substantially all its employees.

An allowance for retirement benefits has been provided for employees' retirement benefits based on an estimate of the projected retirement benefit obligation and the pension fund assets.

The transition difference arising from the initial adoption of the accounting standard for retirement benefits is being amortized over a period of 15 years except for certain domestic consolidated subsidiaries which charged it to income when it was recognized or certain overseas consolidated subsidiaries which charged it directly to retained earnings.

Actuarial gains and losses and prior service cost are amortized by the straight-line method over periods of 13 to 14 years and 14 years, respectively, which are within the estimated average remaining years of service of the participants in the plans. The amortization of such gains and losses is recognized in the year subsequent to the year in which they arise except for certain overseas subsidiaries which charged or credited it directly to retained earnings.

Certain consolidated subsidiaries also provide an allowance for retirement benefits for directors at the amount which would be required to be paid if all directors retired at the balance sheet date based on the Group's internal regulations.

(k) Income taxes

Deferred income taxes are recognized by the asset and liability method under which deferred tax assets and liabilities are determined based on the difference between financial reporting and the tax bases of the assets and liabilities, and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(l) Hedge accounting

Forward foreign exchange contracts are accounted for by deferral hedge accounting which requires that unrealized gains or losses be deferred as assets or liabilities. Forward foreign exchange contracts which meet certain criteria are accounted for by the allocation method which is utilized to hedge against risks arising from fluctuation in foreign currency exchange rates. Interest-rate swaps which meet the required criteria are accounted for by a special method (as stipulated in the accounting standard) as if the interest rates applied to the interest-rate swaps had originally applied to the underlying borrowings. Swap contracts are utilized to hedge market risks which may arise in the future with respect to short-term and long-term loans with variable interest rates.

The Group has developed hedging policies to control various aspects of derivatives transactions, including levels of authorization and transaction volume. Based on these policies, the Group hedges risks arising from fluctuation in foreign currency exchange rates and interest rates. During the period from the inception of a hedge position to the assessment of its effectiveness, the Group reviews the effectiveness of all its hedging policies in order to monitor and control the cumulative cash flows and to respond to any changes in the market.

(m) Changes in Methods of Accounting

(1) Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guid-

ance. In addition, effective the year ended March 31, 2007, the Company is required to prepare consolidated statements of changes in net assets instead of consolidated statements of shareholders' equity. In this connection the previously reported consolidated balance sheet as of March 31, 2006 and the consolidated statements of shareholders' equity for the years ended March 31, 2006 and 2005 have been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Total shareholders' equity under the previous method of presentation amounted to ¥109,771 million (\$930,264 thousand) for the year ended March 31, 2007.

(2) Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for business combinations and the related implementation guidance.

(3) Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for share-based payments and the related implementation guidance. The effect of the adoption of this new standard was to increase operating loss, loss before income taxes, minority interests and equity in losses of affiliates by ¥32 million (\$ 275 thousand) for the year ended March 31, 2007 over the amounts which would have been recorded under the previous method.

(4) In August 2002, the Business Accounting Council of Japan issued "Opinion Concerning Establishment of Accounting Standards for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (ASBJ) issued Financial Accounting Standards Implementation Guidance No. 6, "Implementation Guidance for Accounting Standards for Impairment of Fixed Assets."

These new pronouncements went into effect for fiscal years beginning on or after April 1, 2005.

This standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Companies are required to recognize an impairment loss in their statement of income if certain indicators of asset impairment exist and if the book value of the fixed asset exceeds the undiscounted sum of its future cash flows.

The effect of the adoption of this standard was to decrease income before income taxes, minority interests and equity in earnings of affiliates by ¥2,973 million for the year ended March 31, 2006.

(5) Certain overseas consolidated subsidiaries have adopted the new accounting standards for retirement benefits in their respective countries effective the year ended March 31, 2006. The adoptions of the new accounting standards had no significant impact on net income.

However, because under these new accounting standards, the transition differences arising from the initial adoption of these new accounting standards and the actuarial differences were deducted directly from retained earnings, retained earnings decreased by ¥1,805 million.

2.

U.S. DOLLAR AMOUNTS

The translation of yen amounts into U.S. dollar amounts is included solely for convenience and has been made, as a matter of arithmetic computation only, at ¥118 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2007. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. SECURITIES

Securities with quoted market prices at March 31, 2007 and 2006 are summarized as follows:

Held-to-maturity securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2007			2006			2007		
	Amount recorded in balance sheet	Quoted market price	Difference	Amount recorded in balance sheet	Quoted market price	Difference	Amount recorded in balance sheet	Quoted market price	Difference
Held-to-maturity securities whose market value exceeds amounts recorded in balance sheet:									
Debt securities	¥ —	¥ —	¥ —	¥ 500	¥ 500	¥ 0	\$ —	\$ —	\$ —
Held-to-maturity securities whose market value does not exceed amounts recorded in balance sheet:	—	—	—	—	—	—	—	—	—
Total	¥ —	¥ —	¥ —	¥ 500	¥ 500	¥ 0	\$ —	\$ —	\$ —

Other securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2007			2006			2007		
	Acquisition costs	Amount recorded in balance sheet	Difference	Acquisition costs	Amount recorded in balance sheet	Difference	Acquisition costs	Amount recorded in balance sheet	Difference
Other securities whose market value recorded in balance sheet exceeds their acquisition costs:									
Equity securities	¥12,434	¥36,333	¥23,898	¥12,868	¥45,157	¥32,288	\$105,372	\$307,906	\$202,525
Other	397	507	110	499	553	53	3,364	4,296	932
Subtotal	12,832	36,841	24,008	13,367	45,710	32,342	108,745	312,211	203,457
Other securities whose market value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	1,189	1,034	(154)	302	238	(64)	10,076	8,762	(1,305)
Other	102	101	(0)	—	—	—	864	855	(0)
Subtotal	1,291	1,136	(155)	302	238	(64)	10,940	9,627	(1,313)
Total	¥14,123	¥37,977	¥23,853	¥13,670	¥45,948	¥32,278	\$119,686	\$321,838	\$202,144

Other securities without quoted market prices at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	Amount recorded in the balance sheet		
	2007	2006	2007
Held-to-maturity bonds:			
Local bond	¥ 0	¥ —	\$ 0
Other investments in securities:			
Medium-term government bond fund	¥ 100	¥ 100	\$ 847
Free financial fund	2,803	—	23,754
Money management fund	900	3,701	7,627
Local bond	0	—	0
Unlisted equity securities	8,686	11,046	73,610
Investment in a limited liability joint business partnership	460	600	3,898

4.

INVENTORIES

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Finished goods	¥ 52,419	¥ 53,277	\$ 444,228
Work in process	67,257	69,231	569,974
Raw materials and supplies	47,835	44,392	405,381
	¥167,513	¥166,899	\$1,419,601

5.

INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Investments stated:			
By equity method	¥ 5,226	¥ 4,788	\$44,288
At cost or less	2,234	4,146	18,932
Advances	4,242	6,708	35,949
	¥11,703	¥15,643	\$99,177

6.

SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans, principally from banks, at weighted-average interest rates of 1.8% and 1.3% at March 31, 2007 and 2006, respectively:			
Secured	¥ —	¥ —	\$ —
Unsecured	91,643	79,412	776,635
Commercial paper at weighted-average interest rate of 1.7% at March 31, 2007	7,000	—	59,322
	¥98,643	¥79,412	\$835,957

Long-term debt at March 31, 2007 and 2006 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans from banks, insurance companies and government agencies, due through 2018:			
Secured	¥ 1,230	¥ 1,102	\$ 10,423
Unsecured	143,466	138,292	1,215,813
	144,696	139,394	1,226,237
Unsecured convertible bonds:			
Zero coupon convertible bonds with stock acquisition rights due 2008 (*1)	20,000	20,000	169,491
Zero coupon convertible bonds with stock acquisition rights due 2011 (*2)	12,000	—	101,694
Unsecured bonds in yen:			
3.15% bonds due 2006	—	20,000	—
2.65% bonds due 2007	9,500	9,500	80,508
	186,196	188,894	1,577,932
Less: Current portion	(43,666)	(56,665)	(370,050)
	¥142,530	¥132,229	\$1,207,881

*1 The zero coupon convertible bonds with stock acquisition rights due 2008 (the "Bonds") are exercisable during the period from December 10, 2004 to November 12, 2008 (unless the Bonds are previously redeemed or purchased and cancelled) and entitle the bearer to acquire fully-paid and non-assessable shares of common stock of the Company at a conversion price of ¥ 504 (\$ 4.3) per share.

*2 The zero coupon convertible bonds with stock acquisition rights due 2011 (the "Bonds") are exercisable during the period from June 8, 2006 to June 6, 2011 (unless the Bonds are previously redeemed or purchased and cancelled) and entitle the bearer to acquire fully-paid and non-assessable shares of common stock of the Company at a conversion price of ¥ 291 (\$ 2.4) per share.

The Bonds are subject to certain provisions that permit the conversion price to be adjusted depending on the stock price (¥291 being the lower limit). The conversion price of ¥291 was amended from the initial conversion price of ¥376 and valid after December 25, 2006.

At March 31, 2007, current portion of long-term debt and long-term debt of ¥1,230 million (\$10,423 thousand) in the aggregate were collateralized by property, plant and equipment amounting to ¥2,154 million (\$18,254 thousand).

As is customary in Japan, both short-term and long-term bank loans are made under general agreements which provide that collateral and guarantees (or additional collateral or guarantees, as appropriate) with respect to present and future indebtedness be given at the request of the lending bank, and that the bank shall have the right, as the obligations become due or in the event of default, to offset the obligations with any cash deposited with the bank.

The aggregate annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 43,666	\$ 370,050
2009	48,475	410,805
2010	21,257	180,144
2011	48,446	410,559
2012 and thereafter	24,350	206,355
	¥186,196	\$1,577,932

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2007 was ¥123,557 million (\$1,047,093 thousand).

7.

RETIREMENT BENEFITS

The Group has a noncontributory defined benefit pension plan, tax-qualified pension plans, and lump-sum retirement payment plans which cover substantially all employees who terminate their employment with the Group. Certain foreign consolidated subsidiaries have defined benefit and defined contribution pension plans. In addition, eligible employees, upon termination of their employment with the Group, may receive certain additional payments under the plan.

The Company and 37 domestic consolidated subsidiaries joined the OKI Pension Fund which was established on January 1, 2005.

The following is a summary of the plans.

Retirement benefit obligation at March 31, 2007 and 2006:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligation	¥(166,341)	¥(168,038)	\$(1,409,669)
Fair value of plan assets	86,335	82,999	731,652
Funded status	(80,006)	(85,039)	(678,016)
Transition differences arising from initial adoption of new accounting standard for retirement benefits	34,666	38,999	293,779
Unrecognized actuarial loss	13,022	17,514	110,355
Unrecognized prior service cost	(12,892)	(13,989)	(109,254)
Obligation recognized in the consolidated balance sheets	(45,209)	(42,515)	(383,127)
Prepaid pension cost	9	10	76
Allowance for retirement benefits	¥ (45,218)	¥ (42,525)	\$ (383,203)

Certain domestic consolidated subsidiaries have adopted a simplified method, as permitted, to calculate their projected benefit obligation.

Components of net periodic pension cost for the years ended March 31, 2007, 2006 and 2005:

	Millions of yen			Thousands of U.S. dollars
	2007	2006	2005	2007
Service cost during the year	¥ 5,089	¥ 5,208	¥ 5,585	\$ 43,127
Interest cost on projected benefit obligation	3,427	3,850	4,887	29,042
Expected return on plan assets	(1,907)	(2,959)	(2,657)	(16,161)
Amortization of obligation at transition	4,333	4,333	4,511	36,720
Amortization of actuarial difference	2,331	3,638	2,753	19,754
Amortization of prior service cost	(1,093)	(1,097)	(274)	(9,262)
Net periodic pension cost	¥12,180	¥12,974	¥14,807	\$103,220

(1) Special retirement payments of ¥884 million (\$7,491 thousand), ¥1,442 million and ¥1,947 million in the aggregate were paid in addition to the net periodic pension cost presented in the above table for the years ended March 31, 2007, 2006 and 2005, respectively.

(2) The allowance for retirement benefits was determined by the simplified method by certain consolidated subsidiaries and their net periodic pension cost has been included in service cost of benefits earned during the year.

Assumptions used in the actuarial calculation:

	Years ended March 31	
	2007	2006
Discount rate:	2.10%	2.10%
Expected rates of return:	2.30%	4.00%
Amortization period for prior service cost:	14 years (amortized by the straight-line method over a period which falls within the average remaining years of service of the participants in the plans, commencing the year subsequent to the period in which the cost was incurred)	
Amortization period for actuarial difference:	13–14 years (amortized by the straight-line method over a period which falls within the average remaining years of service of the participants in the plans, in the year subsequent to the period in which such difference was incurred) except for certain overseas subsidiaries which charge it directly to retained earnings.	
Amortization period for transition obligation arising from the initial adoption of a new method of accounting:	15 years, except for certain consolidated subsidiaries which charge or credit it to income when incurred, and certain overseas subsidiaries which charge it directly to retained earnings.	

8.

INCOME TAXES

Deferred tax assets and liabilities at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Deferred tax assets:			
Loss carryforwards	¥ 26,511	¥ 15,457	\$ 224,669
Nondeductible accrued bonuses	5,176	5,715	43,864
Nondeductible retirement benefits	15,189	16,600	128,720
Nondeductible write-downs of inventories	1,811	1,622	15,347
Loss on impairment of fixed assets	—	1,218	—
Other	8,286	8,402	70,220
Gross deferred tax assets	56,975	49,017	482,838
Less: Valuation allowance	(43,498)	(17,825)	(368,627)
Total deferred tax assets	13,476	31,191	114,203
Deferred tax liabilities:			
Net unrealized holding gain on other securities	(9,552)	(13,292)	(80,949)
Other	(119)	(105)	(1,008)
Total deferred tax liabilities	(9,672)	(13,397)	(81,966)
Net deferred tax assets	¥ 3,804	¥ 17,793	\$ 32,237

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

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Other current assets	¥ 5,977	¥ 6,508	\$ 50,652
Other assets	153	11,294	1,296
Other current liabilities	(21)	(4)	(177)
Other long-term liabilities	(2,304)	(5)	(19,525)
Net deferred tax assets	¥ 3,804	¥ 17,793	\$ 32,237

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprised corporation tax, inhabitants' taxes and enterprise tax, which, in the aggregate, resulted in a statutory tax rate of approximately 41% for the years ended March 31, 2007, 2006 and 2005. 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 rate and the effective tax rates as a percentage of income before income taxes for the years ended March 31, 2006 and 2005 is summarized as follows, and the corresponding reconciliation for the year ended March 31, 2007 has been omitted since loss before income taxes, minority interests and equity in earnings of affiliates was recorded.

	2007	2006	2005
Statutory tax rates	—	41.0%	41.0%
Additions to (deductions from) income taxes resulting from:			
Increase in valuation allowance for deferred tax assets	—	10.1	4.0
Permanent nondeductible differences such as entertainment expenses	—	6.9	2.9
Permanent differences not recognized for tax purposes such as dividends received	—	(3.5)	(1.0)
Differences between the Company's statutory tax rates and the overseas consolidated subsidiaries' effective tax rates	—	(2.3)	(2.5)
Other, net	—	(1.8)	(6.3)
Effective tax rates	—	50.4%	38.1%

9.

SHAREHOLDERS' EQUITY

The Commercial Code of Japan (the "Code") provides that an amount equal to at least 10% of the amounts to be disbursed as distributions of earnings be appropriated to the legal reserve until the sum of the reserve and additional paid-in capital equals 25% of the common stock account.

The Code also stipulates that, to the extent that the sum of the additional paid-in capital account and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Both the legal reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of shareholders or may be capitalized by resolution of the Board of Directors. In accordance with the Code, the Company has provided a legal reserve which is included in retained earnings.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into

effect on May 1, 2006. The Law provides that amounts from additional paid-in capital and retained earnings may be distributed to the shareholders at any time by resolution of the shareholders or by the Board of Directors if certain provisions are met subject to the extent of the applicable sources of such distributions. The Law further provides that amounts equal to 10% of such distributions be transferred to the capital reserve included in additional paid-in capital or the legal reserve included in retained earnings based on the applicable sources of such distributions until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account.

Pursuant to a resolution of the Board of Directors at a meeting held on May 23, 2006, the Company issued unsecured convertible bonds with stock acquisition rights (the total amount of the bond issuance was ¥18,000 million). Unsecured convertible bonds with stock acquisition rights which were converted fully to shares of common stock as a result of the exercise of rights held by shareholders during the year ended March 31, 2007. As a result, the common stock and additional paid-in capital increased during the year ended March 31, 2007.

10.

DEPRECIATION

Depreciation of property, plant and equipment for the years ended March 31, 2007, 2006 and 2005 was as follows:

Millions of yen			Thousands of U.S. dollars
2007	2006	2005	2007
¥27,263	¥26,590	¥25,549	\$231,042

11.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2007, 2006 and 2005 were as follows:

Millions of yen			Thousands of U.S. dollars
2007	2006	2005	2007
¥21,305	¥19,614	¥21,987	\$180,550

12.

LOSS ON IMPAIRMENT OF FIXED ASSETS

The Company recognized a loss on impairment of fixed assets for the year ended March 31, 2006.

In accordance with the accounting standard for impairment of fixed assets, the Company recognized a loss on impairment of certain fixed assets due to a projected change in their usage, from shared usage within the Company, to the rental of such assets to external third parties. This loss recognition was determined based on the net sale prices of the respective assets.

13.

LOSS ON NATURAL DISASTERS

Due to an earthquake that took place at the coast of Miyagi Prefecture on August 16, 2005, certain production lines of Miyagi Oki Electric Industry Co., Ltd. were suspended and the subsidiary recognized the related loss for the year ended March 31, 2006.

14.

LOSS ON BUSINESS RESTRUCTURING

The Company disposed of a portion of its inventories of maintenance components as a result of the restructuring of the Info-Telecom Systems business.

15.

DERIVATIVES AND HEDGING ACTIVITIES

The Company and its subsidiaries primarily utilize comprehensive forward foreign exchange and currency swap contracts to hedge their exposure to foreign exchange fluctuation relating to their receivables and payables. The Company and its subsidiaries also utilize interest-rate swaps to manage the risks of interest-rate fluctuation and to equalize their financial costs for each fiscal year with regard to short-term and long-term debt at variable interest rates.

As a matter of policy, the Company and its subsidiaries do not

speculate in derivatives which are subject to significant market value fluctuation. The Company and its subsidiaries do not anticipate any credit risk resulting from nonperformance by any of the counterparties because all are financial institutions with high credit ratings. The Company and its subsidiaries have established internal rules for entering into and monitoring derivative transactions which prescribe the managers' duties and the management of these positions as well as a reporting system. Derivatives are controlled on a daily basis by the Financial Section, which has established an internal control system to supervise the procedures and transaction limits, and are confirmed with the respective financial institutions by the Accounting Section.

16.

LEASES

Lease payments relating to finance leases accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥5,137 million (\$43,533 thousand), ¥3,633 million and ¥2,415 million for the years ended March 31, 2007, 2006 and 2005, respectively.

Leased assets held under finance leases accounted for as operating leases were as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Machinery and equipment	¥22,308	¥16,802	\$189,050
Other	3,426	1,142	29,033
Less: Accumulated depreciation	9,304	6,749	78,847
	¥16,430	¥11,195	\$139,237

Depreciation is computed by applying the straight-line method over the estimated useful lives of the related assets assuming that the Company guarantees a nil residual value at the end of the term of each lease.

The following is a schedule of future minimum lease payments under finance leases accounted for as operating leases:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 5,213	\$ 44,177
2009 and thereafter	11,589	98,211
	¥16,803	\$142,398

Minimum rental payments subsequent to March 31, 2007 required under operating leases with noncancelable lease terms in excess of one year are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥ 957	\$ 8,110
2009 and thereafter	382	3,237
	¥1,340	\$11,355

17.

CONTINGENT LIABILITIES

At March 31, 2007, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As endorsers of trade notes discounted and endorsed	¥ 2	\$ 16
As guarantors of indebtedness of:		
Unconsolidated subsidiaries and affiliates	976	8,271
Other	2,270	19,237
	¥3,248	\$27,525

18.

AMOUNTS PER SHARE

In accordance with the accounting standard for earnings per share, basic net (loss) income per share is computed based on the net (loss) income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year assuming full conversion of the convertible bonds. Diluted net income per share for the year ended March 31, 2007 has not been presented because a net loss was recorded. Net assets per share are based on the number of shares of common stock outstanding at the year end.

	Yen			U.S. dollars
	2007	2006	2005	2007
Net (loss) income:				
Basic	¥(56.27)	¥8.27	¥18.27	\$(0.47)
Diluted	—	7.77	17.87	—
		Yen		U.S. dollars
		2007	2006	2007
Net assets		¥160.13	¥218.96	\$1.35

19.

STOCK OPTION PLANS

At March 31, 2007, the following stock option plans of the Company had been approved by the shareholders:

Date of approval by shareholders	June 27, 2002	June 27, 2003	June 29, 2004	June 29, 2005	June 29, 2006
Grantees	9 directors and 14 executive officers	8 directors, 15 executive officers and 12 management officials	9 directors, 12 executive officers, 9 management officials and 4 directors of subsidiaries	9 directors, 12 executive officers, 8 management officials and 3 directors of subsidiaries	10 directors, 11 executive officers, 7 management officials and 1 director of a subsidiary
Type of shares with warrants granted	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares with warrants granted	153,000 shares	815,000 shares	452,000 shares	442,000 shares	342,000 shares
Option price per warrant	¥271	¥384	¥458	¥406	¥277
Exercise period	July 1, 2004– June 30, 2007	July 1, 2005– June 26, 2013	July 1, 2006– June 28, 2014	July 1, 2007– June 28, 2015	July 1, 2008– June 28, 2016

On June 26, 2007, shareholders of the Company approved a stock option plan under which warrants to purchase shares of the Company's common stock were to be granted to the Company's directors, executive officers and to certain management officials as well as to directors of certain subsidiaries in accordance with the Corporation Law of Japan and Item 12 of the Company's Articles of Incorporation. Under the plan, shares of common stock of up to a maximum of 532,000 were granted.

The stock option price is determined by multiplying the highest of the average final price of the Company's shares of common stock traded on the Tokyo Stock Exchange in the month prior to the date of the granting of the options or the corresponding final share price on the day prior to the granting of the options, or the corresponding final share price on the day prior to the date of the annual general meeting of shareholders by a factor of 1.05.

As outlined in the Company's stock option plan, this exercise price will be adjusted in accordance with a specified formula for stock splits, reverse stock splits or new issuances of shares of common stock issued at less than market price.

The stock options will become exercisable during the period from July 1, 2009 to June 25, 2017.

20.

SEGMENT INFORMATION

Business segments

The Group classifies its businesses into Info-Telecom Systems, Semiconductors, Printers and Other.

The business segment information for the years ended March 31, 2007, 2006 and 2005 is summarized as follows:

Year ended March 31,	Millions of yen						
	2007						Consolidated
	Info-Telecom Systems	Semi-conductors	Printers	Other	Total	Corporate and eliminations	
Sales to third parties	¥352,728	¥145,512	¥187,083	¥33,442	¥718,767	¥ —	¥718,767
Intersegment sales and transfers	2,739	3,736	4,824	29,566	40,866	(40,866)	—
Total sales	355,468	149,248	191,907	63,009	759,633	(40,866)	718,767
Operating expenses	357,008	148,504	190,157	59,980	755,650	(31,473)	724,177
Operating (loss) income	¥ (1,539)	¥ 744	¥ 1,749	¥ 3,028	¥ 3,982	¥ (9,393)	¥ (5,410)
Total assets	¥240,450	¥148,885	¥135,245	¥37,176	¥561,757	¥66,640	¥628,398
Depreciation	¥ 7,532	¥ 16,553	¥ 7,291	¥ 1,384	¥ 32,761	¥ 2,196	¥ 34,957
Capital expenditures	¥ 10,603	¥ 20,115	¥ 8,604	¥ 2,525	¥ 41,848	¥ 1,881	¥ 43,730

Year ended March 31,	Millions of yen						
	2006						Consolidated
	Info-Telecom Systems	Semi-conductors	Printers	Other	Total	Corporate and eliminations	
Sales to third parties	¥338,048	¥150,723	¥160,483	¥31,271	¥680,526	¥ —	¥680,526
Intersegment sales and transfers	1,950	5,004	4,844	25,279	37,078	(37,078)	—
Total sales	339,998	155,728	165,327	56,551	717,605	(37,078)	680,526
Operating expenses	329,075	152,750	161,181	53,736	696,744	(26,811)	669,933
Operating income	¥ 10,922	¥ 2,977	¥ 4,146	¥ 2,814	¥ 20,860	¥(10,267)	¥ 10,593
Total assets	¥248,973	¥145,506	¥116,895	¥34,940	¥546,316	¥ 72,339	¥618,655
Depreciation	¥ 7,622	¥ 16,700	¥ 6,632	¥ 1,236	¥ 32,192	¥ 2,499	¥ 34,691
Loss on impairment of fixed assets	¥ —	¥ —	¥ —	¥ —	¥ —	¥ 2,973	¥ 2,973
Capital expenditures	¥ 9,662	¥ 16,353	¥ 9,415	¥ 1,629	¥ 37,060	¥ 3,401	¥ 40,461

Year ended March 31,	Millions of yen						
	2005						Consolidated
	Info-Telecom Systems	Semi-conductors	Printers	Other	Total	Corporate and eliminations	
Sales to third parties	¥373,132	¥150,721	¥137,710	¥26,977	¥688,542	¥ —	¥688,542
Intersegment sales and transfers	6,714	5,595	1,842	26,047	40,200	(40,200)	—
Total sales	379,847	156,316	139,553	53,024	728,742	(40,200)	688,542
Operating expenses	364,032	144,301	131,791	50,494	690,621	(29,298)	661,322
Operating income	¥ 15,814	¥ 12,014	¥ 7,761	¥ 2,530	¥ 38,121	¥(10,901)	¥ 27,220
Total assets	¥241,039	¥150,662	¥113,396	¥27,684	¥532,781	¥ 74,456	¥607,237
Depreciation	¥ 8,218	¥ 16,758	¥ 6,210	¥ 1,130	¥ 32,317	¥ 1,927	¥ 34,245
Capital expenditures	¥ 9,282	¥ 23,027	¥ 6,977	¥ 1,376	¥ 40,663	¥ 3,886	¥ 44,550

Thousands of U.S. dollars

Year ended March 31,	2007						
	Info-Telecom Systems	Semi-conductors	Printers	Other	Total	Corporate and eliminations	Consolidated
Sales to third parties	\$2,989,220	\$1,233,152	\$1,585,449	\$283,406	\$6,091,245	\$ —	\$6,091,245
Intersegment sales and transfers	23,211	31,661	40,881	250,559	346,322	(346,322)	—
Total sales	3,012,440	1,264,813	1,626,330	533,974	6,437,567	(346,322)	6,091,245
Operating expenses	3,025,491	1,258,508	1,611,500	508,305	6,403,813	(266,720)	6,137,093
Operating (loss) income	\$ (13,042)	\$ 6,305	\$ 14,822	\$ 25,661	\$ 33,745	\$ (79,601)	\$ (45,847)
Total assets	\$2,037,711	\$1,261,737	\$1,146,144	\$315,050	\$4,760,652	\$ 564,745	\$5,325,406
Depreciation	\$ 63,830	\$ 140,279	\$ 61,788	\$ 11,728	\$ 277,635	\$ 18,610	\$ 296,245
Capital expenditures	\$ 89,855	\$ 170,466	\$ 72,915	\$ 21,398	\$ 354,644	\$ 15,940	\$ 370,593

- (1) Business segments are divided into categories based on the nature of the products or services rendered and similarities in sales methodology.
- (2) Eliminations or unallocated amounts of operating expenses consist principally of expenses in the Company's General and Administrative Department and research and development costs within the Group amounting to ¥9,927 million (\$84,127 thousand), ¥10,362 million and ¥10,921 million for the years ended March 31, 2007, 2006 and 2005, respectively.
- (3) Eliminations or unallocated amounts of total assets consist principally of the Company's surplus funds, funds for long-term investments and assets belonging to the General and Administrative Department amounting to ¥135,221 million (\$1,145,940 thousand), ¥142,288 million and ¥162,189 million for the years ended March 31, 2007, 2006, and 2005, respectively.
- (4) Included in depreciation and capital expenditures are amortization and additions to long-term prepaid expenses, respectively.
- (5) Effective the year ended March 31, 2007, the Company has adopted a new accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In this connection the segment information has been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.
- (6) Change in segmentation:
Effective the year ended March 31, 2006, the Company changed its management organization in accordance with the Group's mid-term business plan. As presented above, business segment information for the year ended March 31, 2005 has been restated to reflect the revised segmentation.

Geographical segments

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2007, 2006 and 2005 is outlined as follows:

Year ended March 31,	Millions of yen						
	2007						
	Japan	North America	Europe	Asia	Total	Corporate and eliminations	Consolidated
Sales to third parties	¥503,882	¥65,330	¥104,940	¥ 44,612	¥718,767	¥ —	¥718,767
Interarea sales	131,867	419	2,170	102,035	236,492	(236,492)	—
Total sales	635,750	65,750	107,110	146,648	955,259	(236,492)	718,767
Operating expenses	632,137	65,958	105,091	145,920	949,108	(224,931)	724,177
Operating (loss) income	¥ 3,612	¥ (208)	¥ 2,019	¥ 727	¥ 6,151	¥ (11,561)	¥ (5,410)
Total assets	¥542,988	¥30,747	¥ 60,951	¥ 53,266	¥687,953	¥ (59,554)	¥628,398

Year ended March 31,	Millions of yen						
	2006						
	Japan	North America	Europe	Asia	Total	Corporate and eliminations	Consolidated
Sales to third parties	¥494,513	¥65,669	¥84,867	¥ 35,475	¥680,526	¥ —	¥680,526
Interarea sales	128,245	393	2,397	95,326	226,363	(226,363)	—
Total sales	622,759	66,063	87,265	130,801	906,889	(226,363)	680,526
Operating expenses	602,204	64,934	89,175	129,309	885,624	(215,691)	669,933
Operating income (loss)	¥ 20,554	¥ 1,128	¥ (1,909)	¥ 1,492	¥ 21,265	¥ (10,671)	¥ 10,593
Total assets	¥533,137	¥35,167	¥50,374	¥ 42,695	¥661,375	¥ (42,719)	¥618,655

Millions of yen

Year ended March 31,

	2005						
	Japan	North America	Europe	Asia	Total	Corporate and eliminations	Consolidated
Sales to third parties	¥513,981	¥58,445	¥79,517	¥ 36,597	¥688,542	¥ —	¥688,542
Interarea sales	128,151	431	2,228	80,236	211,048	(211,048)	—
Total sales	642,133	58,876	81,746	116,833	899,590	(211,048)	688,542
Operating expenses	606,116	57,951	80,870	114,410	859,349	(198,027)	661,322
Operating income	¥ 36,016	¥ 924	¥ 875	¥ 2,423	¥ 40,240	¥ (13,020)	¥ 27,220
Total assets	¥508,187	¥24,579	¥50,886	¥ 33,803	¥617,457	¥ (10,219)	¥607,237

Thousands of U.S. dollars

Year ended March 31,

	2007						
	Japan	North America	Europe	Asia	Total	Corporate and eliminations	Consolidated
Sales to third parties	\$4,270,186	\$553,644	\$889,322	\$ 378,067	\$6,091,245	\$ —	\$6,091,245
Interarea sales	1,117,516	3,550	18,389	864,703	2,004,169	(2,004,169)	—
Total sales	5,387,711	557,203	907,711	1,242,779	8,095,415	(2,004,169)	6,091,245
Operating expenses	5,357,093	558,966	890,601	1,236,610	8,043,288	(1,906,194)	6,137,093
Operating (loss) income	\$ 30,610	\$ (1,762)	\$ 17,110	\$ 6,161	\$ 52,127	\$ (97,974)	\$ (45,847)
Total assets	\$4,601,593	\$260,567	\$516,533	\$ 451,406	\$5,830,110	\$ (504,694)	\$5,325,406

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales of the overseas consolidated subsidiaries (other than exports to Japan), totaled ¥259,952 million (\$2,202,983 thousand), ¥237,502 million and ¥203,023 million or 36.2%, 34.9% and 29.5% of consolidated net sales for the years ended March 31, 2007, 2006 and 2005, respectively.

As presented above, geographical segment information for the year ended March 31, 2005 has been restated to reflect the revised segmentation.

Report of Independent Auditors



■ Certified Public Accountants
Hibiya Kokusai Bldg.
2-2-3, Uchisaiwai-cho
Chiyoda-ku, Tokyo, Japan 100-0011
C.P.O. Box 1196, Tokyo, Japan 100-8641

■ Tel: 03 3503 1100
Fax: 03 3503 1197

Report of Independent Auditors

The Board of Directors
Oki Electric Industry Company, Limited

We have audited the accompanying consolidated balance sheets of Oki Electric Industry Company, Limited and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of operations, changes in net assets, and cash flows for each of the three years in the period ended March 31, 2007, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Oki Electric Industry Company, Limited and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2007 in conformity with accounting principles generally accepted in Japan.

As described in Note 1(m), Oki Electric Industry Company, Limited and consolidated subsidiaries have adopted a new accounting standard for the impairment of fixed assets effective the year ended March 31, 2006.

As described in Note 1(m), certain overseas consolidated subsidiaries of the Company have adopted a new accounting standard for retirement benefits effective the year ended March 31, 2006.

As described in Note 20, the Company and consolidated subsidiaries have revised their business segmentation effective the year ended March 31, 2006.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2 to the consolidated financial statements.

Ernst & Young ShinNihon

June 26, 2007

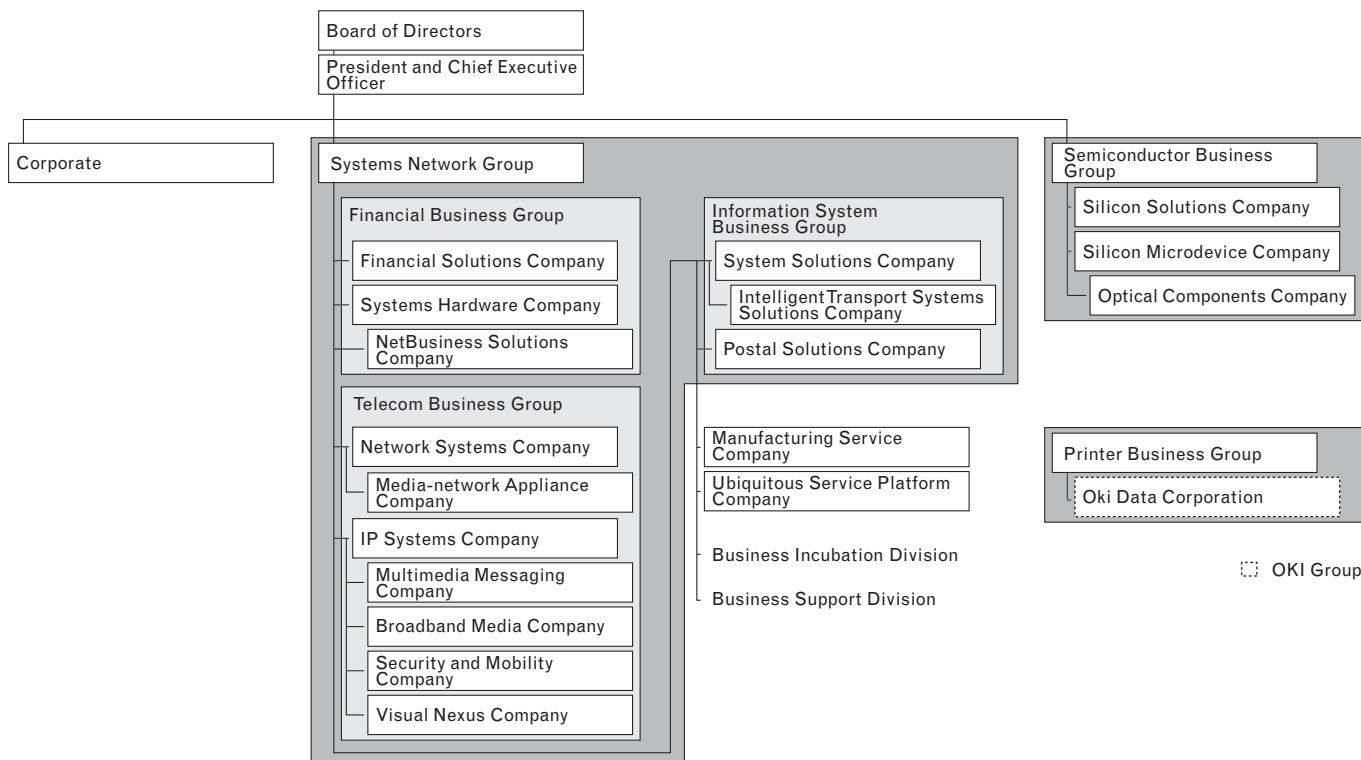
Company Profile

Profile (As of March 31, 2007)

Company Name: **Oki Electric Industry Co., Ltd.**
 Founded: **1881**
 Company Established: **November 1, 1949**
 Common Stock: **76.9 billion**

Employees: **21,380 (Consolidated)**
5,579 (Non-consolidated)
 Head Office: **7-12, Toranomon 1-chome, Minato-ku, Tokyo 105-8460, Japan**
 Tel: **+81-3-3454-2111** URL: **http://www.oki.com/**

Organization (As of June 1, 2007)



Major Subsidiaries and Affiliates

Japan

- Oki Software Co., Ltd.
- Oki Telecommunication Systems Co., Ltd.
- Oki Information Systems Co., Ltd.
- OKICOMTEC Ltd.
- Oki SystemMate Co., Ltd.
- Oki Consulting Solutions Co., Ltd.
- Oki Network Integration Co., Ltd.
- OKI ACCESS Technologies, Co., Ltd.
- Japan Business Operations Co., Ltd.
- Shizuoka Oki Electric Co., Ltd.
- OKI SEATEC CO., LTD.
- Nagano Oki Electric Co., Ltd.
- Oki Network LSI Co., Ltd.
- Oki Micro Design Co., Ltd.
- Oki Technocollage Inc.
- Oki Microelectronics Co., Ltd.
- Miyazaki Oki Electric Co., Ltd.
- Miyagi Oki Electric Co., Ltd.
- Tama Oki Electric Co., Ltd.
- Oki Environment Technologies Inc.
- Oki Data Corporation
- Oki Digital Imaging Corporation
- Oki Data Systems Co., Ltd.
- M L Supply Co., Ltd.
- Oki Customer Adtech Co., Ltd.
- Oki Micro Engineering Co., Ltd.
- Oki PowerTech Co., Ltd.
- Oki Erfolg Co., Ltd.
- Oki Printed Circuits Co., Ltd.
- Oki Sensor Device Corporation
- Oki Communication Systems Co., Ltd.

- Oki Engineering Co., Ltd.
- Oki Logistics Co., Ltd.
- Oki Human Network Co., Ltd.
- OKI ALPHA CREATE, INC.
- Oki Infotech Co., Ltd.
- Mobile Techno Corporation
- Oki Wintech Co., Ltd.
- Oki Electric Cable Co., Ltd.

Americas

- Oki America, Inc.
 - Oki Semiconductor Company
 - Oki Network Technologies
- Oki Data Americas, Inc.
- Oki Data do Brasil Informatica Ltda.
- Oki Data de Mexico, S.A. de C.V.

Europe

- Oki Europe Ltd.
- Oki (UK) Ltd.
- Oki Systems Holding Co., Ltd.
- Oki Systems (UK) Ltd.
- Oki Systems (Denmark) a/s
- Oki Systems (Holland) b.v.
- Oki Systems (Ireland) Ltd.
- Oki Systems (Italia) S.p.A.
- Oki Systems (Norway) A/S
- Oki Systems (Sweden) AB
- OKI Systems (Finland) Oy
- Oki Systemes (France) S.A.
- Oki Systems (Iberica) S.A.U.

- Oki Systems (Deutschland) GmbH
- Oki Systems (Polska) Sp.z.o.o.
- Oki Systems (Magyarország) Kft.
- Oki Systems (Czech & Slovak) s.r.o.
- Oki Systems ve Yaziçi Cozumleri LS
- Oki Electric Europe GmbH
- Oki (France) sarl
- Oki Semiconductor (UK) Ltd.

Asia

- Oki Hong Kong Ltd.
- Oki Electric Industry (Shenzhen) Co., Ltd.
- Oki Electric Technology (Kunshan) Co., Ltd.
- Changzhou OKI-GEG Telecoms Ltd.
- OKI Software Technology Co., Ltd.
- Oki Trading (Beijing) Co., Ltd.
- Oki Data Dalian Co., Ltd.
- Oki Semiconductor Shanghai Co., Ltd.
- Oki Semiconductor Technology Shanghai Co., Ltd.
- Oki Electronics (Hong Kong) Ltd.
- Oki Systems (Hong Kong) Pte. Ltd.
- Oki Semiconductor Taiwan Inc.
- Oki Systems Taiwan Co., Ltd.
- Oki Semiconductor Korea Co., Ltd.
- Oki Systems Korea Co., Ltd.
- Oki Semiconductor Singapore Pte. Ltd.
- Oki Techno Centre (Singapore) Pte. Ltd.
- Oki Data (Singapore) Pte. Ltd.
- Oki Systems (Thailand) Ltd.
- Oki (Thailand) Co., Ltd.
- Oki Data Manufacturing (Thailand) Co., Ltd.
- Oki Precision (Thailand) Co., Ltd.

Investor Information

Number of Shares of Common Stock (As of March 31, 2007)

Authorized: 2,400,000 thousand

Issued: 684,256 thousand (including 1,021 thousand treasury stock)

Number of shareholders (As of March 31, 2007)

121,000

Stock Exchange Listing

First section of the Tokyo Stock Exchange

First section of the Osaka Stock Exchange

Administrative Agent for the Company's Shareholder Register

Mizuho Trust & Banking Co., Ltd.

Transfer Agent for the Company's Shares

Stock Transfer Agency Department

Mizuho Trust & Banking Co., Ltd.

17-7, Saga 1-chome, Koto-ku, Tokyo 135-8722, Japan

Contact for Further Information

Investors Relations

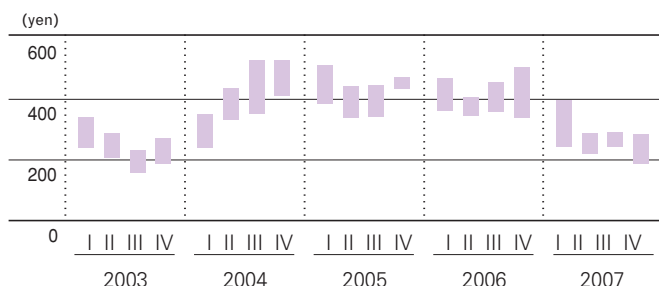
Business Management and Promotion Division

Oki Electric Industry Co., Ltd.

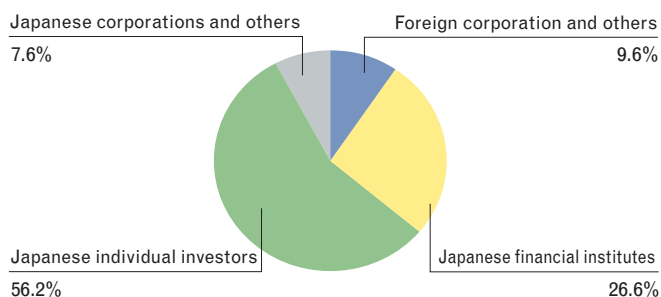
7-12 Toranomon 1-chome, Minato-ku, Tokyo 105-8460, Japan

Tel: +81-3-3501-3111 E-mail: ir-info@oki.com

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



Breakdown of Shares Held by Shareholder Type (As of March 31, 2007)



* 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 such statements. Furthermore, the target figures and other expressions in these 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.



* As part of its efforts to enhance communications with all stakeholders, OKI also publishes corporate social responsibility and environmental reports.

* All company and product names included in this annual report are trademarks or registered trademarks of each of companies they represent.