



Financial Section

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Five-Year Summary

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

	Millions of yen					Thousands of U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	2008
For the year:						
Net sales	¥719,677	¥718,767	¥680,526	¥688,542	¥654,214	\$7,196,770
Cost of sales	554,343	560,817	514,483	504,340	484,455	5,543,430
Gross profit	165,334	157,949	166,043	184,202	169,759	1,653,340
Operating income (loss)	6,200	(5,410)	10,593	27,220	21,606	62,000
Other (expenses) income, net	(1,337)	(10,720)	(133)	(8,920)	(19,410)	(13,370)
Income (loss) before income taxes, minority interests and equity in earnings (losses) of affiliates	4,863	(16,130)	10,460	18,299	2,195	48,630
Net income (loss)	567	(36,446)	5,058	11,174	1,328	5,670
At the year end: (Note 2)						
Total current assets	¥374,334	¥405,161	¥379,135	¥374,278	¥379,374	\$3,743,340
Total investments and long-term receivables	33,653	58,025	71,052	61,492	58,615	336,530
Property, plant and equipment, net	125,788	129,696	125,223	126,470	119,662	1,257,880
Other assets	37,043	35,515	43,244	44,996	51,333	370,430
Total assets	570,819	628,398	618,655	607,237	608,986	5,708,190
Total current liabilities	311,180	318,996	295,865	313,828	311,557	3,311,800
Total long-term liabilities	158,262	193,428	182,770	163,369	181,645	1,582,620
Total net assets	101,376	115,973	140,019	130,040	115,782	1,013,760
Common stock	76,940	76,940	67,882	67,877	67,862	769,400

	Yen					U.S. dollars (Note 1)
	2008	2007	2006	2005	2004	2008
Per share amounts:						
Net income (loss) per share	¥ 0.83	¥ (56.27)	¥ 8.27	¥ 18.27	¥ 2.17	\$ (0.00)
Cash dividends per share	—	—	3.00	3.00	—	—
Number of shareholders	112,658	121,000	111,379	99,735	100,778	
Number of employees	22,640	21,380	21,175	20,410	20,960	
Ratios (%): (Note 2)						
Return on equity	0.6%	(30.0)%	3.9%	9.5%	1.3%	
Return on assets	0.1	(5.8)	0.8	1.8	0.2	
Shareholders' equity	16.6	17.4	21.6	20.4	18.1	

Note 1: The U.S. dollar amounts in this annual report are translated from yen, for convenience only, at ¥100=US\$1.00, the approximate exchange rate prevailing on March 31, 2008.

Note 2: Effective the year ended March 31, 2007, the Company adopted an accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In this connection the five-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, 2008, 11 companies were newly included in the Group's scope of consolidation bringing the total of subsidiary companies to 99. In addition, one affiliate was newly included, bringing the total of equity-method affiliates to three.

OVERVIEW OF THE FISCAL YEAR ENDED MARCH 31, 2008

Net Sales and Operating Income

In the fiscal year under review, a slowdown in the rate of economic growth became increasingly evident due mainly to the impact of sub-prime loan issues in the United States and the high cost of crude oil. On the domestic front, difficult conditions began to cloud the Japanese economy as financial institutions incurred subprime loan-related losses, export activity declined on the back of the yen's appreciation against the U.S. dollar, and the overall operating environment fell victim to a sharp surge in raw material prices, a weak stock market and other negative factors. In contrast to these difficult circumstances, newly emerging countries continued to experience high rates of economic growth, while conditions in Europe remained firm.

Under these circumstances, business results in the industries in which the OKI Group operates were mixed. In the finance industry, OKI expanded its ATM business in China. Sales were also strong in the domestic financial systems business. While certain carriers took up next-generation network (NGN) services, activities in the telecommunications industry were characterized by persistent investment cutbacks in fixed-line network systems. Conditions in the semiconductor industry were harsh due mainly to intense global competition. And, despite overall growth in the printer industry, sales of color non-impact printers (NIP), which had enjoyed sudden growth, saw a partial decline.

As a result, consolidated net sales, excluding inter-segment sales, edged up 0.1% compared with the previous fiscal year to ¥719.7 billion. In addition to improved profitability in color NIPs, consolidated operating income was ¥6.2 billion, a turnaround of ¥11.6 billion from the operating loss of ¥5.4 billion in the previous fiscal year due to steady efforts to implement short-term structural reform measures.

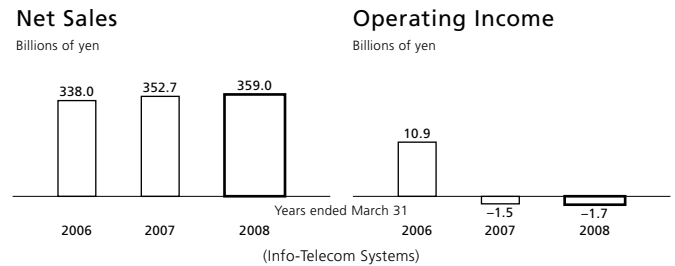


SEGMENT INFORMATION

Info-Telecom Systems

In the financial systems business, ATM shipments to China increased more than four times the level recorded in the previous fiscal year. On the domestic front, the Group also benefited from a recovery, mainly due to demand for ATM replacements, as well as from increased sales to the postal service. As a result, sales in this segment increased year on year. Results in the information systems business were boosted by system sales growth to the corporate sector. In the telecom system business, however, sales declined, impacted by persistent cutbacks in fixed-line network systems investment by various carriers as well as accelerated selection and focus initiatives centering on the withdrawal from low-profit businesses. Contributions from the full-scale introduction of NGNs did not materialize as expected. The OKI Group anticipates these benefits to accrue from the second half of the fiscal year ending March 31, 2009.

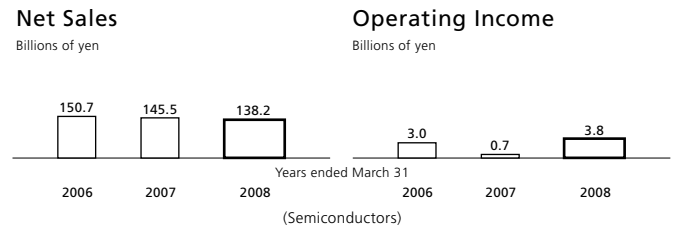
Taking the aforementioned into consideration, consolidated segment sales, excluding inter-segment sales, increased 1.8% compared with the previous fiscal year to ¥359.0 billion. Buffeted by the drop in telecom system business sales, this segment incurred an operating loss of ¥1.7 billion, up from ¥1.5 billion in the previous fiscal year.



Semiconductors

In the semiconductor segment, sales in the logic business declined. The drop in results was attributable to the impact of product lifecycles on LSIs for small- and mid-sized panels and weak demand for base-band LSIs for PHS application in China. In the fiscal year under review, OKI took steps to rationalize product development in low-profit system LSIs resulting in lower sales. On a positive note, P2ROMs for the amusement market and foundry businesses that employ such unique technology as high-voltage processes performed well.

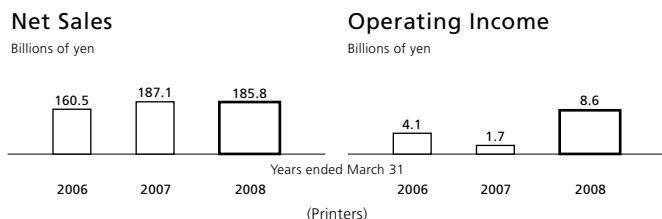
As a result, consolidated sales in this segment, not including inter-segment sales, decreased 5.0% year on year to ¥138.2 billion. Operating income, on the other hand, surged ¥3.1 billion from ¥0.7 billion to ¥3.8 billion reflecting successful efforts to cutback low-profit products as well as fixed and variable operating costs.



Printers

In the printer segment, proactive steps were taken to shift to mid- and high-end business-use color NIPs. This ultimately led to a drop in shipments of low-end, low-profit models. On the other hand, sales of consumables rose compared with the previous fiscal year. Accounting for these factors, earnings in the printer segment improved substantially.

Fluctuations in foreign currency exchange rates also contributed to higher profits. In particular the weak yen against the euro produced a positive effect. Based on the aforementioned, consolidated segment sales, excluding inter-segment sales, edged down 0.7% year on year to ¥185.8 billion. Operating income on the other hand jumped ¥6.9 billion from ¥1.7 billion to ¥8.6 billion year on year.



GEOGRAPHIC SEGMENT INFORMATION

Japan

In the domestic market, despite the downturn in telecom system business sales, ATM replacement demand growth in the finance sector and an upswing in postal services sales and sales to the corporate sector drove the OKI Group's performance in Japan. As a result, consolidated sales in Japan, excluding inter-segment sales, edged up 1.5% compared with the previous fiscal year to ¥511.2 billion. Operating income surged ¥6.8 billion from ¥3.6 billion to ¥10.4 billion fanned by cutbacks in procurement costs and fixed expenses.

North America

In addition to a drop in shipments of low-end models in the printer segment, semiconductor business sales declined year on year. As a result, consolidated sales in North America, excluding inter-segment sales, fell 9.4% compared with the previous fiscal year to ¥59.2 billion. The OKI Group posted an operating loss of ¥2.0 billion, a ¥1.8 billion further deterioration from the operating loss of ¥0.2 billion in the previous fiscal year.

Europe

Consolidated sales in Europe, not including inter-segment sales, edged down 0.2% year on year to ¥104.7 billion. In the fiscal year under review, sales of printers increased, while sales in the semiconductor business declined. Buoyed by successful efforts to reduce costs, the proactive shift from low-end to mid- and high-end printers and the positive effect of foreign currency exchange rate movements, operating income improved ¥1.7 billion from ¥2.0 billion to ¥3.7 billion.

Asia

In Asia, the OKI Group experienced increased ATM sales mainly in China against a drop in semiconductor business results. As a result, consolidated sales in the region, excluding inter-segment sales, were ¥44.6 billion, unchanged from the previous fiscal year. Operating income was ¥1.7 billion, up ¥1.0 billion from ¥0.7 billion in the previous fiscal year. This was mainly attributable to cost reduction measures and the drop in sales of low-profit products.

NET INCOME

Impacted mainly by the realization of deferred tax assets, the OKI Group posted a net loss of ¥36.4 billion in the fiscal year ended March 31, 2007. In the fiscal year under review, however, the Group recorded a significant turnaround of ¥37.0 billion for net income of ¥0.6 billion. In line with this improvement in net income, net income per share was ¥0.83 compared with a net loss per share of ¥56.27 in the previous fiscal year.

FINANCIAL POSITION

Assets and Liabilities

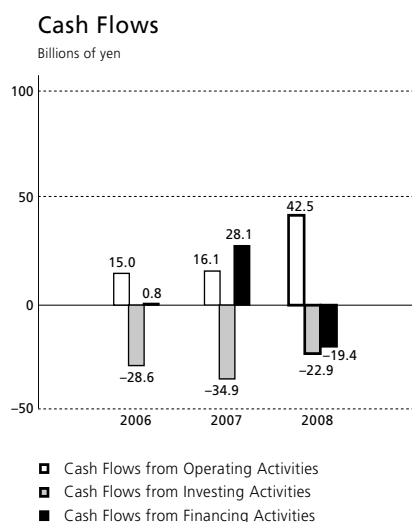
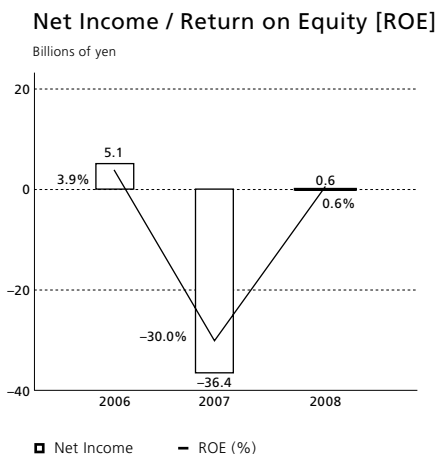
Compared with the previous fiscal year-end, total assets declined ¥57.6 billion. In current assets, the major component was inventories, which contracted ¥28.7 billion, while in fixed assets, property, plant and equipment and other investments in securities fell ¥3.9 billion and ¥21.4 billion, respectively.

Total liabilities declined ¥43.0 billion compared with March 31, 2007. On a year-on-year basis, interest-bearing debt fell ¥17.4 billion from ¥284.8 billion to ¥267.4 billion. Notes and accounts payable and retirement benefits decreased ¥14.5 billion and ¥5.0 billion, respectively.

CASH FLOWS

Net cash provided by operating activities climbed ¥26.4 billion from ¥16.1 billion to ¥42.5 billion. In addition to the turnaround to net income, this improvement in working capital was attributable to the decrease in inventories.

Net cash used in investing activities narrowed ¥12.0 billion to ¥22.9 billion from ¥34.9 billion in the previous fiscal year. In the fiscal year under review, the OKI Group benefited from an increase in proceeds from sales of property, plant and equipment.



Free cash flows, which are the total of cash from operating activities and investing activities, were positive, totaling ¥19.7 billion, a turnaround of ¥38.5 billion from negative cash flows in the previous fiscal year of ¥18.8 billion.

Net cash used in financing activities amounted to ¥19.4 billion. This was mainly attributable to the redemption of corporate bonds and the contracted repayment of long-term debt.

Accounting for the aforementioned activities, cash and cash equivalents as of the fiscal year-end stood at ¥49.8 billion, unchanged from the previous fiscal year-end.

CAPITAL EXPENDITURES, DEPRECIATION AND RESEARCH AND DEVELOPMENT EXPENSES

As a short-term structural reform measure, the OKI Group cutback its capital expenditure from estimates set at the beginning of the period. As a result investment decreased ¥12.3 billion year on year to ¥25.4 billion. Depreciation of property, plant and equipment declined ¥0.5 billion to ¥26.8 billion in line with the drop in capital expenditures. Research and development expenses also contracted ¥3.1 billion year on year to ¥18.2 billion.

OUTLOOK FOR THE YEAR ENDING MARCH 31, 2009

During the fiscal year under review, the U.S. economy showed clear-cut signs of deceleration on the back of the subprime loan issue and crude oil price hikes. In addition, the European economy was stagnant, with rising fears about inflation. While robust growth in emerging markets is expected to continue, the economic outlook for post-Beijing Olympic China appears anemic due to the impact of economic trends in the United States and Europe. The Japanese economy is also anticipated to slow, reflecting the weak performance of exporting companies caused by the U.S. economic decline and the strong yen. Furthermore, the business environment surrounding the OKI Group is intensifying against the backdrop of accelerating global competition and the saturation of the domestic market.

Under these circumstances, the OKI Group will continue to pursue its Mid-term Business Plan announced in October 2007, working to implement structural reform initiatives aimed at enhancing earnings capacity.

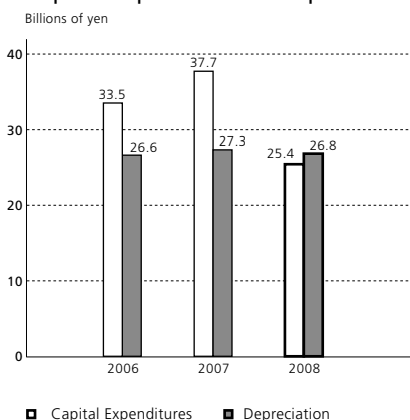
In the fiscal year ending March 31, 2009, the OKI Group is anticipating sales to contract ¥22.0 billion year on year in the Info-Telecom Systems segment to ¥337.0 billion. Operating income, on the other hand, is expected to climb ¥9.7 billion to ¥8.0 billion. On an individual market basis, overall sales to financial systems businesses are forecast to fall, with earnings unchanged from the fiscal year under review. While sales to financial institutions are expected to remain firm on the back of continued demand growth in China, sales to the postal service are anticipated to fall sharply as demand settles following privatization. In businesses targeting the telecom system market, earnings are forecast to improve. This is attributable to efforts undertaken during the fiscal year under review to accelerate business selection and focus initiatives, resulting in lower sales in unprofitable businesses and models. Furthermore, OKI expects to increase equipment sales in line with the continued advance of broadband networks, generating an overall upswing in revenue and earnings. In the information systems business, OKI forecasts a drop in revenue and an increase in earnings owing mainly to selected orders in low-profit projects and efforts to commercialize the equipment business.

In the semiconductors segment, OKI is forecasting a ¥74.2 billion year-on-year decline in sales to ¥64.0 billion and a ¥4.8 billion worsening in operating income to a ¥1.0 billion operating loss. Sales and operating income in this segment are anticipated to decline in the second half of fiscal 2009, due to the signing of a definitive agreement with Rohm Co., Ltd. to transfer shares of its semiconductor subsidiary. OKI announced it has signed a basic agreement to transfer shares of its semiconductor business to Rohm on May 28, 2008. Further details can be found on our web site.

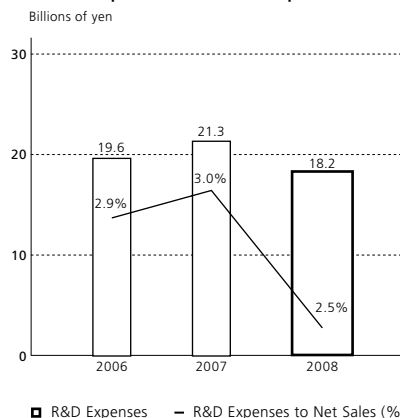
In the Printer segment, we will target revenue and earnings growth by promoting further sales of consumables. To this end, OKI will aggressively launch new high-value-added products to the market while strengthening sales of printers in markets where consumable prices are appropriately set. Through these means, segment sales are anticipated to climb ¥4.2 billion to ¥190.0 billion while operating income is forecast to decline ¥1.6 billion to ¥7.0 billion.

In other segments, the OKI Group is forecasting sales of ¥38.0 billion and operating income of ¥1.0 billion. As a result, overall Group sales for the fiscal year ending March 31, 2009 are estimated to total ¥629.0 billion. Consolidated operating income is forecast at ¥7.0 billion.

Capital Expenditures / Depreciation



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



In the fiscal year ending March 31, 2009, the OKI Group intends to post an extraordinary loss on inventory devaluation of ¥13.5 billion. This is attributable to a change in accounting treatment for inventory valuation. As a result, a consolidated net loss amounting to ¥17.5 billion is forecast.

OKI's business performance is expected to be further impacted by some factors including profit and loss from the share transfer for the semiconductor subsidiary. OKI will disclose the detailed information when it comes into clear view.

Performance Forecasts for the Fiscal Year Ending March 31, 2009

(Billions of yen unless otherwise stated)

Net Sales	Operating Income	Net Income	Net Income per Share (Yen)
¥629.0	¥7.0	¥-17.5	¥-25.62

BUSINESS AND OTHER RISKS

The following items are business and other risks recognized by the OKI Group 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, the resulting contraction in demand in the OKI Group's principal operating markets of Japan, North America, Europe and Asia and changes in the import-export policy for foreign products may impact its business performance and financial position.

(2) Sudden Technological Innovation

The OKI Group's principal business segments comprising Info-Telecom Systems, Printers and Other Products 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, that 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 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, abrupt fluctuation of foreign currency exchange rates 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 and political turmoil, 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 securing the patents required to develop new products. 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 or any unexpected changes occur, 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 Disasters

The OKI Group conducts periodic inspections and implements a variety of accident, disaster and fire prevention measures to minimize stoppages of its production line. However, there is no guarantee that the OKI Group will be able to completely prevent accidents as well as natural and other disasters that negatively affect the operations of its production facilities. Moreover, natural and other disasters in the countries where the OKI Group conducts marketing operations may adversely impact the 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 Group's ability to raise working capital.

(14) Changes to Accounting Standards

The OKI Group 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 OKI Group constantly appraises the financial situation of its customers and sets aside an adequate amount of allowances based on its 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 dispose of 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, 2008 and 2007

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Current assets:			
Cash and cash equivalents	¥ 49,846	¥ 49,800	\$ 498,460
Time deposits	148	—	1,480
Marketable securities (Note 3)	—	101	—
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	5,187	6,807	51,870
Other	170,615	173,815	1,706,150
Less: Allowance for doubtful receivables	(1,585)	(1,904)	(15,850)
Inventories (Note 4)	138,853	167,513	1,388,530
Other current assets (Note 8)	11,268	9,028	112,680
Total current assets	374,334	405,161	3,743,340
Investments and long-term receivables:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	9,060	11,703	90,600
Other investments in securities (Note 3)	26,173	47,360	261,730
Other long-term receivables	1,474	1,675	14,740
Less: Allowance for doubtful receivables	(3,055)	(2,712)	(30,550)
Total investments and long-term receivables	33,653	58,025	336,530
Property, plant and equipment, at cost (Notes 6 and 10):			
Land	15,788	15,760	157,880
Buildings	143,689	128,139	1,436,890
Machinery and equipment	480,144	495,944	4,801,440
Construction in progress	337	837	3,370
	639,959	640,681	6,399,590
Less: Accumulated depreciation	(514,171)	(510,985)	(5,141,710)
Property, plant and equipment, net	125,788	129,696	1,257,880
Other assets (Note 8)	37,043	35,515	370,430
Total assets	¥ 570,819	¥ 628,398	\$ 5,708,190

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 2)
	2008	2007	2008
Current liabilities:			
Short-term borrowings (Note 6)	¥ 98,798	¥ 98,643	\$ 987,980
Current portion of long-term debt (Note 6)	53,935	43,666	539,350
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	3,271	5,506	32,710
Other	91,342	107,832	913,420
Accrued income taxes	—	1,749	—
Other accrued expenses	46,186	47,339	461,860
Other current liabilities (Note 8)	17,645	14,259	176,450
Total current liabilities	311,180	318,996	3,111,800
Long-term liabilities:			
Long-term debt (Note 6)	114,646	142,530	1,146,460
Retirement benefits (Note 7)	40,887	45,658	408,870
Other long-term liabilities (Note 8)	2,727	5,239	27,270
Total long-term liabilities	158,262	193,428	1,582,620
Total liabilities	469,443	512,425	4,694,430
NET ASSETS			
Shareholders' equity (Notes 9 and 18):			
Common stock:			
Authorized—2,400,000,000 shares			
Issued—684,256,778 shares in 2008 and 2007	76,940	76,940	769,400
Additional paid-in capital	46,744	46,744	467,440
Accumulated deficit	(20,991)	(22,375)	(209,910)
Less: Treasury stock, at cost:			
1,184,635 shares in 2008 and 1,069,266 shares in 2007	(344)	(320)	(3,440)
Total shareholders' equity	102,348	100,989	1,023,480
Valuation, translation adjustments and other:			
Net unrealized holding gain on other securities	695	14,377	6,950
Loss on deferred hedges	(271)	(368)	(2,710)
Translation adjustments	(8,132)	(5,595)	(81,320)
Total valuation, translation adjustments and other	(7,708)	8,412	(77,080)
Warrants	79	32	790
Minority interests in consolidated subsidiaries	6,656	6,538	66,560
Total net assets	101,376	115,973	1,013,760
Contingent liabilities (Note 17)			
Total liabilities and net assets	¥570,819	¥628,398	\$5,708,190

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, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	2008
Net sales	¥719,677	¥718,767	¥680,526	\$7,196,770
Cost of sales	554,343	560,817	514,483	5,543,430
Gross profit	165,334	157,949	166,043	1,653,340
Selling, general and administrative expenses	159,134	163,359	155,449	1,591,340
Operating income (loss)	6,200	(5,410)	10,593	62,000
Other (expenses) income:				
Interest expense	(6,953)	(6,820)	(6,171)	(69,530)
Interest and dividend income	1,413	1,500	1,837	14,130
Foreign exchange (loss) gain, net	(2,481)	—	1,403	(24,810)
Gain on sale of investments in securities	4,238	3,362	8,043	42,380
Write-downs of investments in unconsolidated subsidiaries and other investments in securities	—	(2,130)	—	—
Gain (loss) on sale and disposition of property, plant and equipment	5,216	(785)	1,045	52,160
Loss on impairment of fixed assets (Note 12)	—	—	(2,973)	—
Loss on natural disaster (Note 13)	—	—	(856)	—
Gain on contribution of securities to a pension trust	3,822	—	—	38,220
Write-downs of inventories	(3,407)	—	—	(34,070)
Special retirement payments	(1,380)	(884)	(1,442)	(13,800)
Loss on business restructuring (Note 14)	—	(2,335)	—	—
Other, net	(1,805)	(2,626)	(1,019)	(18,050)
	(1,337)	(10,720)	(133)	(13,370)
Income (loss) before income taxes, minority interests and equity in earnings (losses) of affiliates	4,863	(16,130)	10,460	48,630
Income taxes (Note 8):				
Current	2,784	2,152	1,579	27,840
Deferred	1,281	17,813	3,773	12,810
	4,065	19,966	5,352	40,650
Income (loss) before minority interests and equity in earnings (losses) of affiliates	797	(36,096)	5,107	7,970
Minority interests in earnings of consolidated subsidiaries	(369)	(274)	(211)	(3,690)
Equity in earnings (losses) of affiliates	140	(75)	161	1,400
Net income (loss) (Note 18)	¥ 567	¥ (36,446)	¥ 5,058	\$ 5,670

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, 2008, 2007 and 2006

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2008	2007	2006	2008
Cash flows from operating activities:				
Net income (loss)	¥ 567	¥(36,446)	¥ 5,058	\$ 5,670
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	34,743	34,957	34,691	347,430
Loss on impairment of fixed assets	—	—	2,973	—
(Reversal of) provision for retirement benefits, net of payments	(5,340)	2,821	2,651	(53,400)
Contribution of securities to a pension trust (Note 7)	6,324	—	—	63,240
Gain on contribution of securities to a pension trust (Note 7)	(3,822)	—	—	(38,220)
Write-downs of investments in unconsolidated subsidiaries and other investments in securities	—	2,130	—	—
Gain on sale of investments in securities	(4,238)	(3,362)	(8,043)	(42,380)
(Gain) loss on sale and disposition of property, plant and equipment	(5,216)	785	(1,045)	(52,160)
Deferred income taxes	1,281	17,813	3,773	12,810
Other, net	7,354	(1,779)	(802)	73,540
Changes in operating assets and liabilities:				
Notes and accounts receivable	(6,914)	(7,379)	(1,371)	(69,140)
Inventories	24,346	2,686	(15,536)	243,460
Notes and accounts payable	(11,821)	(95)	(5,276)	(118,210)
Accrued income taxes	(461)	798	(1,138)	(4,610)
Other accrued expenses	(506)	2,340	(633)	(5,060)
Other assets and liabilities	6,248	833	(334)	62,480
Net cash provided by operating activities	42,543	16,105	14,965	425,430
Cash flows from investing activities:				
(Increase) decrease in time deposits and marketable securities	(148)	500	30	(1,480)
Increase in investments and other long-term receivables	(6,423)	(8,862)	(1,911)	(64,230)
Purchases of property, plant and equipment	(25,401)	(26,729)	(29,153)	(254,010)
Proceeds from sale of property, plant and equipment	9,185	646	2,808	91,850
Purchases of businesses	(89)	(455)	(328)	(890)
Net cash used in investing activities	(22,876)	(34,900)	(28,555)	(228,760)
Cash flows from financing activities:				
(Decrease) increase in short-term borrowings	(4,898)	15,765	(999)	(48,980)
Issuance of long-term debt	31,394	39,648	70,692	313,940
Repayment of long-term debt	(47,302)	(56,826)	(67,540)	(473,020)
Issuance of bonds	—	29,988	—	—
Cash dividends paid	—	(1,817)	(1,817)	—
Other, net	1,404	1,371	438	14,040
Net cash (used in) provided by financing activities	(19,401)	28,130	774	194,010
Effect of exchange rate changes on cash and cash equivalents	(1,377)	947	714	(13,770)
Net (decrease) increase in cash and cash equivalents	(1,111)	10,283	(12,102)	(11,110)
Cash and cash equivalents at beginning of the year	49,800	38,419	49,411	498,000
Cash and cash equivalents of initially consolidated subsidiaries at beginning of the year	1,316	1,090	1,110	13,160
Cash and cash equivalents of subsidiaries excluded from consolidation	(158)	—	—	(1,580)
Increase in cash and cash equivalents upon merger of an unconsolidated subsidiary with a consolidated subsidiary	—	7	—	—
Cash and cash equivalents at end of the year	¥ 49,846	¥ 49,800	¥ 38,419	\$ 498,460
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 7,084	¥ 6,993	¥ 5,928	\$ 70,840
Income taxes	3,245	1,353	2,717	32,450

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, 2008, 2007 and 2006

	Numbers of shares issued (Thousands)	Shareholders' equity				Total shareholders' equity
		Common stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Treasury stock, at cost	
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 resulting from 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 resulting from decrease 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
Net income				567		567
Purchases of treasury stock					(24)	(24)
Increase resulting from decrease in unfunded retirement benefit obligation with respect to foreign subsidiaries				816		816
Other, net						
Net changes during the year	—	—	—	1,383	(24)	1,359
Balance at March 31, 2008	684,256	¥76,940	¥46,744	¥(20,991)	¥(344)	¥102,348

	Numbers of shares issued (Thousands)	Shareholders' equity				Total shareholders' equity
		Common stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Treasury stock, at cost	
Balance at March 31, 2007	684,256	\$769,400	\$467,440	\$(223,750)	\$(3,200)	\$1,009,890
Net income				5,670		5,670
Purchases of treasury stock					(240)	(240)
Increase resulting from decrease in unfunded retirement benefit obligation with respect to foreign subsidiaries				8,160		8,160
Other, net						
Net changes during the year	—	—	—	13,830	(240)	13,590
Balance at March 31, 2008	684,256	\$769,400	\$467,440	\$(209,910)	\$(3,440)	\$1,023,480

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
						Millions of yen
¥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
						567
						(24)
						816
(13,681)	97	(2,537)	(16,121)	46	117	(15,956)
(13,681)	97	(2,537)	(16,121)	46	117	(14,597)
¥ 695	¥(271)	¥(8,132)	¥ (7,708)	¥79	¥6,656	¥101,376

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
						Thousands of U.S. dollars (Note 2)
\$ 143,770	\$(3,680)	\$(55,950)	\$ 84,120	\$320	\$65,380	\$1,159,730
						5,670
						(240)
						8,160
(136,810)	970	(25,370)	(161,210)	460	1,170	(159,560)
(136,810)	970	(25,370)	(161,210)	460	1,170	(145,970)
\$ 6,950	\$(2,710)	\$(81,320)	\$ (77,080)	\$790	\$66,560	\$1,013,760

Notes to Consolidated Financial Statements

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
March 31, 2008

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 Financial Instruments 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 net assets excluding minority interests in consolidated subsidiaries, are translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding minority interests in consolidated subsidiaries are translated at their historical exchange rates. Differences arising from translation where two exchange rates have been used are presented under translation adjustments as a component of net assets.

(2) Current and non-current monetary assets and liabilities denominated in foreign currencies of the Company and 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, 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 are recorded at cost. Depreciation of property, plant and equipment is principally computed by the declining balance method over the estimated useful lives of the respective assets. However, buildings (excluding leasehold improvements) acquired on or after April 1, 1998 by the Company and 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

Non-cancelable 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 consolidated 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 for financial instruments) 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, 2008, certain domestic consolidated subsidiaries have changed their method of depreciation for property, plant and equipment acquired on or after April 1, 2007 to reflect the revision to the Corporation Tax Law which went into effect on April 1, 2007.

As a result of this change, both operating income and income before income taxes, minority interests and equity in earnings of affiliates decreased by ¥127 million (\$1,270 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

Property, plant and equipment acquired on or before March 31, 2007 are depreciated to their respective memorandum value by the straight-line method over a period of 5 years from the year following the year in which they have been depreciated down to 5% of acquisition cost.

As a result of this change, both operating income and income before income taxes decreased by ¥165 million (\$1,650 thousand) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

(2) Effective the year ended March 31, 2007, the Company adopted an accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. 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 statement of shareholders' equity for the year ended March 31, 2006 has been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

(3) Effective the year ended March 31, 2007, the Company adopted an accounting standard for business combinations and the related implementation guidance.

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

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

These 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.

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

However, because these new accounting standards require that the transition differences arising from their initial adoptions and the actuarial differences be 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 ¥100 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2008. 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, 2008 and 2007 are summarized as follows:

Other securities with quoted market prices

	Millions of yen						Thousands of U.S. dollars		
	2008			2007			2008		
	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	¥ 9,044	¥11,508	¥ 2,463	¥12,434	¥36,333	¥23, 898	\$ 90,440	\$115,080	\$ 24,630
Other	298	339	40	397	507	110	2,980	3,390	400
Subtotal	9,342	11,847	2,504	12,832	36,841	24,008	93,420	118,470	25,040
Other securities whose market value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	6,848	5,584	(1,264)	1,189	1,034	(154)	68,480	55,840	(12,640)
Other	102	101	(0)	102	101	(0)	1,020	1,010	(0)
Subtotal	6,950	5,686	(1,264)	1,291	1,136	(155)	69,500	56,860	(12,640)
Total	¥16,293	¥17,533	¥ 1,239	¥14,123	¥37,977	¥23,853	\$162,930	\$175,330	\$ 12,390

Other securities without quoted market prices at March 31, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	Amount recorded in the balance sheet		2008
	2008	2007	
Held-to-maturity bonds:			
Municipal bonds	¥ 0	¥ 0	\$ 0
Other investments in securities:			
Municipal bonds	0	0	0
Medium-term government bond fund	100	100	1,000
Free financial fund	1,410	2,803	14,100
Money management fund	904	900	9,040
Unlisted equity securities	7,398	8,686	73,980
Certificates of deposit	1,200	—	12,000
Investments in a limited liability joint business partnership	369	460	3,690

4. INVENTORIES

Inventories at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Finished goods	¥ 47,336	¥ 52,419	\$ 473,360
Work in process	53,320	67,257	533,200
Raw materials and supplies	38,196	47,835	381,960
	¥138,853	¥167,513	\$1,388,530

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Investments stated:			
By the equity method	¥4,979	¥ 5,226	\$49,790
At cost or less	2,421	2,234	24,210
Advances	1,659	4,242	16,590
	¥9,060	¥11,703	\$90,600

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans, principally from banks, at weighted-average interest rates of 1.9% and 1.8% at March 31, 2008 and 2007, respectively:			
Secured	¥ 4,500	¥ —	\$ 45,000
Unsecured	94,298	91,643	942,980
Commercial paper at a weighted-average interest rate of 1.7% at March 31, 2007	—	7,000	—
	¥98,798	¥98,643	\$987,980

Long-term debt at March 31, 2008 and 2007 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans from banks, insurance companies and government agencies, due through 2018:			
Secured	¥ 358	¥ 1,230	\$ 3,580
Unsecured	136,224	143,466	1,362,240
	136,582	144,696	1,365,820
Unsecured convertible bonds:			
Zero coupon convertible bonds with stock acquisition rights due 2008 ^(*1)	20,000	20,000	200,000
Zero coupon convertible bonds with stock acquisition rights due 2011 ^(*2)	12,000	12,000	120,000
Unsecured bonds in yen:			
2.65% bonds due 2007	—	9,500	—
	168,582	186,196	1,685,820
Less: Current portion	(53,935)	(43,666)	(539,350)
	¥114,646	¥142,530	\$1,146,460

*1 The zero coupon convertible bonds with stock acquisition rights due 2008 are exercisable during the period from December 10, 2004 to November 12, 2008 (unless they 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 (\$5.0) per share.

*2 The zero coupon convertible bonds with stock acquisition rights due 2011 are exercisable during the period from June 8, 2006 to June 6, 2011 (unless they 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 (\$2.9) per share.

These 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 (\$3.7) and valid after December 25, 2006.

At March 31, 2008, current portion of long-term debt and short-term borrowings of ¥4,858 million (\$48,580 thousand) in the aggregate were collateralized by assets amounting to ¥7,765 million (\$77,650 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, 2008 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2009	¥ 53,935	\$ 539,350
2010	28,913	289,130
2011	55,079	550,790
2012	27,502	275,020
2013 and thereafter	3,151	31,510
	¥168,582	\$1,685,820

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2008 was ¥106,053 million (\$1,060,530 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 overseas consolidated subsidiaries have defined benefit and defined contribution pension plans. In addition, the Company has contributed certain securities to a pension trust in a lump-sum retirement payment plans. Furthermore, eligible employees, upon termination of their employment with the Group, may receive certain additional payments under the plans.

The Company and 48 domestic consolidated subsidiaries joined the OKI Pension Fund which was established on January 1, 2005.

The following is a summary of the plans, at March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	¥(170,486)	¥(166,341)	\$(1,704,860)
Fair value of plan assets	88,537	86,335	885,370
Funded status	(81,949)	(80,006)	(819,490)
Transition differences arising from initial adoption of new accounting standard for retirement benefits	30,700	34,666	307,000
Unrecognized actuarial gain or loss	23,100	13,022	231,000
Unrecognized prior service cost	(12,060)	(12,892)	(120,600)
Obligation recognized in the consolidated balance sheets	(40,208)	(45,209)	(402,080)
Prepaid pension cost	7	9	70
Allowance for retirement benefits	¥ (40,216)	¥ (45,218)	\$ (402,160)

- (1) Certain domestic consolidated subsidiaries have applied a simplified method, as permitted, to calculate their projected benefit obligation.
- (2) The above "Allowance for retirement benefits" does not include the "allowance for retirement benefits to directors and statutory auditors." Therefore, it differs from the retirement benefits reported in the accompanying consolidated balance sheets.

Components of net periodic pension cost for the years ended March 31, 2008, 2007 and 2006 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2008	2007	2006	2008
Service cost during the year	¥ 5,602	¥ 5,089	¥ 5,208	\$ 56,020
Interest cost on projected benefit obligation	3,599	3,427	3,850	35,990
Expected return on plan assets	(2,045)	(1,907)	(2,959)	(20,450)
Amortization of obligation at transition	4,395	4,333	4,333	43,950
Amortization of actuarial difference	2,542	2,331	3,638	25,420
Amortization of prior service cost	(1,138)	(1,093)	(1,097)	(11,380)
Net periodic pension cost	¥12,955	¥12,180	¥12,974	\$129,550

- (1) Special retirement payments of ¥1,380 million (\$13,800 thousand), ¥884 million and ¥1,442 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, 2008, 2007 and 2006, 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	
	2008	2007
Discount rate:	2.10%	2.10%
Expected rates of return:	2.30%	2.30%
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 year 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 year 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 charged or credited 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, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Loss carryforwards	¥ 27,618	¥ 26,511	\$ 276,180
Nondeductible accrued bonuses	5,700	5,176	57,000
Nondeductible retirement benefits	18,916	15,189	189,160
Nondeductible write-downs of inventories	3,002	1,811	30,020
Nondeductible loss on impairment of fixed assets	1,685	—	16,850
Other	5,170	8,286	51,700
Gross deferred tax assets	62,094	56,975	620,940
Less: Valuation allowance	(47,545)	(43,498)	(475,450)
Total deferred tax assets	14,548	13,476	145,480
Deferred tax liabilities:			
Nondeductible unrealized gain on contribution of securities to a pension trust	(1,567)	—	(15,670)
Net unrealized holding gain on other securities	(480)	(9,552)	(4,800)
Other	(102)	(119)	(1,020)
Total deferred tax liabilities	(2,149)	(9,672)	(21,490)
Net deferred tax assets	¥ 12,398	¥ 3,804	\$ 123,980

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Other current assets	¥ 7,504	¥ 5,977	\$ 75,040
Other assets	4,922	153	49,220
Other current liabilities	(29)	(21)	(290)
Other long-term liabilities	—	(2,304)	—
Net deferred tax assets	¥12,398	¥ 3,804	\$ 123,980

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, 2008, 2007 and 2006. 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, minority interests and equity in earnings of affiliates for the years ended March 31, 2008 and 2006 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 losses of affiliates was recorded.

	2008	2007	2006
Statutory tax rate	41.0%	—	41.0%
Additions to (deductions from) income taxes resulting from:			
Increase in valuation allowance for deferred tax assets	80.9	—	10.1
Permanent nondeductible differences such as entertainment expenses	10.8	—	6.9
Permanent differences not recognized for tax purposes such as dividends received	(7.1)	—	(3.5)
Nondeductible temporary differences arising from unrealized profit	(18.2)	—	—
Differences between the Company's statutory tax rate and the overseas consolidated subsidiaries' effective tax rates	(9.3)	—	(2.3)
Other, net	(16.8)	—	(1.8)
Effective tax rates	81.3%	—	50.4%

9.

SHAREHOLDERS' EQUITY

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 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, 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, 2008, 2007 and 2006 was as follows:

Millions of yen			Thousands of U.S. dollars
2008	2007	2006	2008
¥26,841	¥27,263	¥26,590	\$268,410

11.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2008, 2007 and 2006 were as follows:

Millions of yen			Thousands of U.S. dollars
2008	2007	2006	2008
¥18,231	¥21,305	¥19,614	\$182,310

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 during the year ended March 31, 2007.

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 arising from 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 to the derivative transactions 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 ¥6,303 million (\$63,030 thousand), ¥5,137 million and ¥3,633 million for the years ended March 31, 2008, 2007 and 2006, respectively.

Leased assets held under finance leases accounted for as operating leases at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Machinery and equipment	¥24,439	¥22,308	\$244,390
Other	4,305	3,426	43,050
Less: Accumulated depreciation	10,701	9,304	107,010
	¥18,043	¥16,430	\$180,430

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
2009	¥ 5,785	\$ 57,850
2010 and thereafter	12,665	126,650
	¥18,451	\$184,510

Minimum rental payments subsequent to March 31, 2008 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
2009	¥ 1,585	\$ 15,850
2010 and thereafter	10,192	101,920
	¥11,778	\$117,780

17.

CONTINGENT LIABILITIES

At March 31, 2008, the Company and its consolidated subsidiaries had the following contingent liabilities:

	Millions of yen	Thousands of U.S. dollars
As endorsers of trade notes endorsed	¥ 3	\$ 30
As guarantors of employees' housing loans	1,953	19,530
	¥1,956	\$19,560

18.

AMOUNTS PER SHARE

In accordance with the accounting standard for earnings per share, basic net income (loss) per share is computed based on the net income (loss) attributable 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 numbers of shares of common stock outstanding during each year assuming full conversion of the convertible bonds and full exercise of the warrants. 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
	2008	2007	2006	2008
Net income (loss):				
Basic	¥0.83	¥(56.27)	¥8.27	\$0.00
Diluted	0.74	—	7.77	0.00
		Yen		U.S. dollars
		2008	2007	2008
Net assets		¥138.55	¥160.13	\$1.38

19.

STOCK OPTION PLANS

At March 31, 2008, the following stock option plans of the Company had been approved by the shareholders:

Date of approval by shareholders	June 27, 2003	June 29, 2004	June 29, 2005	June 29, 2006	June 26, 2007
Grantees	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	9 directors, 10 executive officers, 6 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	815,000 shares	452,000 shares	442,000 shares	342,000 shares	509,000 shares
Option price per warrant	¥384	¥458	¥406	¥277	¥248
Exercise period	July 1, 2005– June 26, 2013	July 1, 2006– June 28, 2014	July 1, 2007– June 28, 2015	July 1, 2008– June 28, 2016	July 1, 2009– 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, 2008, 2007 and 2006 is summarized as follows:

Year ended March 31,	Millions of yen						
	2008						
	Info-Telecom Systems	Semiconductors	Printers	Other	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥358,983	¥138,185	¥185,760	¥36,748	¥719,677	¥ —	¥719,677
Inter-segment sales and transfers	2,935	3,374	6,614	33,959	46,884	(46,884)	—
Net sales	361,919	141,559	192,375	70,707	766,562	(46,884)	719,677
Operating expenses	363,599	137,712	183,749	66,656	751,718	(38,241)	713,477
Operating income (loss)	¥ (1,680)	¥ 3,847	¥ 8,625	¥ 4,051	¥ 14,843	¥ (8,643)	¥ 6,200
Total assets	¥222,066	¥136,479	¥120,848	¥48,922	¥528,316	¥ 42,502	¥570,819
Depreciation and amortization	¥ 7,163	¥ 15,676	¥ 7,430	¥ 2,275	¥ 32,545	¥ 2,197	¥ 34,743
Capital expenditures	¥ 8,258	¥ 9,812	¥ 4,689	¥ 1,582	¥ 24,343	¥ 1,691	¥ 26,034

Year ended March 31,	Millions of yen						
	2007						
	Info-Telecom Systems	Semiconductors	Printers	Other	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥352,728	¥145,512	¥187,083	¥33,442	¥718,767	¥ —	¥718,767
Inter-segment sales and transfers	2,739	3,736	4,824	29,566	40,866	(40,866)	—
Net 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 income (loss)	¥ (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 and amortization	¥ 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						
	Info-Telecom Systems	Semiconductors	Printers	Other	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥338,048	¥150,723	¥160,483	¥31,271	¥680,526	¥ —	¥680,526
Inter-segment sales and transfers	1,950	5,004	4,844	25,279	37,078	(37,078)	—
Net 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 and amortization	¥ 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,	Thousands of U.S. dollars						
	2008						
	Info-Telecom Systems	Semiconductors	Printers	Other	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	\$3,589,830	\$1,381,850	\$1,857,600	\$367,480	\$7,196,770	\$ —	\$7,196,770
Inter-segment sales and transfers	29,350	33,740	66,140	339,590	468,840	(468,840)	—
Net sales	3,619,190	1,415,590	1,923,750	707,070	7,665,620	(468,840)	7,196,770
Operating expenses	3,635,990	1,377,120	1,837,490	666,560	7,517,180	(382,410)	7,134,770
Operating income (loss)	\$ (16,800)	\$ 38,470	\$ 86,250	\$ 40,510	\$ 148,430	\$ (86,430)	\$ 62,000
Total assets	\$2,220,660	\$1,364,790	\$1,208,480	\$489,220	\$5,283,160	\$ 425,020	\$5,708,190
Depreciation and amortization	\$ 71,630	\$ 156,760	\$ 74,300	\$ 22,750	\$ 325,450	\$ 21,970	\$ 347,430
Capital expenditures	\$ 82,580	\$ 98,120	\$ 46,890	\$ 15,820	\$ 243,430	\$ 16,910	\$ 260,340

- (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 expenses within the Group amounting to ¥9,087 million (\$90,870 thousand), ¥9,927 million and ¥10,362 million for the years ended March 31, 2008, 2007 and 2006, 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 ¥119,507 million (\$1,195,070 thousand), ¥135,221 million and ¥142,288 million at March 31, 2008, 2007 and 2006, respectively.
- (4) Included in depreciation and amortization and capital expenditures are amortization and additions to long-term prepaid expenses, respectively.
- (5) Effective the year ended March 31, 2008, certain domestic consolidated subsidiaries have changed their method of depreciation for property, plant and equipment acquired on or after April 1, 2007 to reflect the revision to the Corporation Tax Law which went into effect on April 1, 2007. As a result of this change, both operating income and income before income taxes, minority interests and equity in earnings of affiliates decreased by ¥127 million (\$1,270 thousand) (while operating loss increased by ¥37 million (\$370 thousand) in Info-Telecom Systems segment, and operating income decreased by ¥30 million (\$300 thousand), ¥3 million (\$30 thousand) and ¥55 million (\$550 thousand) in Semiconductors segment, Printers segment and Other segment, respectively) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method. Property, plant and equipment acquired on or before March 31, 2007 are depreciated to their respective memorandum value by the straight-line method over a period of 5 years from the year following the year in which they have been depreciated down to 5% of acquisition cost. As a result of this change, both operating income and income before income taxes, minority interests and equity in earnings of affiliates decreased by ¥165 million (\$1,650 thousand) (while operating loss increased by ¥51 million (\$510 thousand) in Info-Telecom Systems segment, and operating income decreased by ¥41 million (\$410 thousand), ¥2 million (\$20 thousand) and ¥70 million (\$700 thousand) in Semiconductors segment, Printers segment and Other segment, respectively) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.
- (6) Effective the year ended March 31, 2007, the Company adopted an accounting standard for the presentation of net assets in the balance sheet and the related implementation guidance. In this connection, segment information has been restated to conform to the presentation and disclosure of the consolidated financial statements for the year ended March 31, 2007.

Geographical segments

The geographical segment information of the Company and its consolidated subsidiaries for the years ended March 31, 2008, 2007 and 2006 is outlined as follows:

Year ended March 31,	Millions of yen						
	2008						
	Japan	North America	Europe	Asia	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥511,204	¥59,176	¥104,726	¥ 44,569	¥719,677	¥ —	¥719,677
Inter-area sales	115,705	296	1,946	104,083	222,032	(222,032)	—
Net sales	626,910	59,473	106,673	148,653	941,709	(222,032)	719,677
Operating expenses	616,518	61,503	102,953	146,984	927,960	(214,482)	713,477
Operating income (loss)	¥ 10,391	¥ (2,030)	¥ 3,719	¥ 1,668	¥ 13,749	¥ (7,549)	¥ 6,200
Total assets	¥497,840	¥24,065	¥ 55,079	¥ 47,995	¥624,981	¥ (54,162)	¥570,819

Year ended March 31,	Millions of yen						
	2007						
	Japan	North America	Europe	Asia	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥503,882	¥65,330	¥104,940	¥ 44,612	¥718,767	¥ —	¥718,767
Inter-area sales	131,867	419	2,170	102,035	236,492	(236,492)	—
Net 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	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥494,513	¥65,669	¥84,867	¥ 35,475	¥680,526	¥ —	¥680,526
Inter-area sales	128,245	393	2,397	95,326	226,363	(226,363)	—
Net 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

Year ended March 31,	Thousands of U.S. dollars						
	2008						
	Japan	North America	Europe	Asia	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	\$5,112,040	\$591,760	\$1,047,260	\$ 445,690	\$7,196,770	\$ —	\$7,196,770
Inter-area sales	1,157,050	2,960	19,460	1,040,830	2,220,320	(2,220,320)	—
Net sales	6,269,100	594,730	1,066,730	1,486,530	9,417,090	(2,220,320)	7,196,770
Operating expenses	6,165,180	615,030	1,029,530	1,469,840	9,279,600	(2,144,820)	7,134,770
Operating income (loss)	\$ 103,910	\$ (20,300)	\$ 37,190	\$ 16,680	\$ 137,490	\$ (75,490)	\$ 62,000
Total assets	\$4,978,400	\$240,650	\$ 550,790	\$ 479,950	\$6,249,810	\$ (541,620)	\$5,708,190

(1) 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 ¥242,240 million (\$2,422,400 thousand), ¥259,952 million and ¥237,502 million or 33.7%, 36.2% and 34.9% of consolidated net sales for the years ended March 31, 2008, 2007 and 2006, respectively.

(2) Effective the year ended March 31, 2008, certain domestic consolidated subsidiaries have changed their method of depreciation for property, plant and equipment acquired on or after April 1, 2007 to reflect the revision to the Corporation Tax Law which went into effect on April 1, 2007. As a result of this change, both operating income and income before income taxes, minority interests and equity in earnings of affiliates decreased by ¥127 million (\$1,270 thousand) (while operating income decreased by ¥127 million (\$1,270 thousand) in Japan for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

Property, plant and equipment acquired on or before March 31, 2007 are depreciated to their respective memorandum value by the straight-line method over a period of 5 years from the year following the year in which they have been depreciated down to 5% of acquisition cost. As a result of this change, both operating income and income before income taxes, minority interests and equity in earnings of affiliates decreased by ¥165 million (\$1,650 thousand) (while operating income decreased by ¥165 million (\$1,650 thousand) in Japan for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

21. SUBSEQUENT EVENTS

On May 28, 2008, the Board of Directors of the Company approved a resolution for the spin-off of its semiconductor business through a company split to establish a new company, Oki Semiconductor Co., Ltd., effective October 1, 2008.

In addition, the Company and Rohm Co., Ltd. have reached a basic understanding for the transfer of 95% of Oki Semiconductor Co., Ltd.'s issued shares to Rohm Co., Ltd. The effect of this resolution has been estimated and reflected in the accompanying consolidated financial statements for the year ended March 31, 2008.

Report of Independent Auditors



■ Certified Public Accountants

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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 (the "Company") and consolidated subsidiaries as of March 31, 2008 and 2007, 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, 2008, 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, 2008 and 2007, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2008 in conformity with accounting principles generally accepted in Japan.

As described in Note 1(m), the Company and consolidated subsidiaries adopted an 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 adopted an accounting standard for retirement benefits, effective the year ended March 31, 2006.

As described in Note 21, on May 28, 2008, the Board of Directors of the Company approved a resolution for the spin-off of its semiconductor business through a company split to establish a new company, Oki Semiconductor Co., Ltd., which will take over all rights and obligations of the Company's semiconductor business, effective October 1, 2008. In addition, effective May 28, 2008, the Company and Rohm Co., Ltd. have reached a basic understanding for the transfer of 95% of Oki Semiconductor Co., Ltd.'s issued shares to Rohm Co., Ltd.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2008 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.

June 20, 2008