

FINANCIAL SECTION

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FINANCIAL REVIEW

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

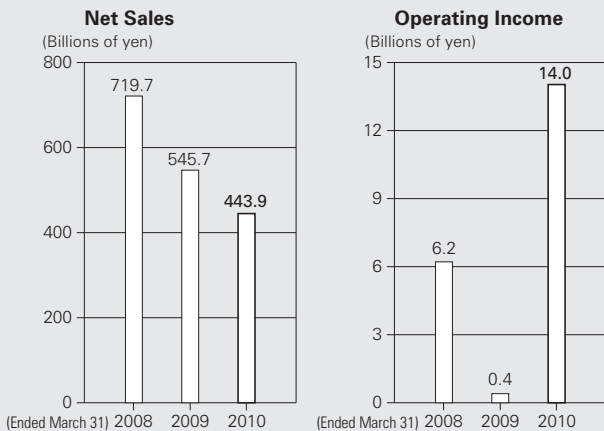
OVERVIEW OF THE FISCAL YEAR ENDED MARCH 31, 2010

NET SALES AND OPERATING INCOME

In the fiscal year under review, the global economy showed steady albeit moderate recovery, having emerged from the worst of the financial crisis that began in the latter half of 2008. Although situations differed according to region, the global economy also benefited from economic stimulus measures adopted by various nations and recovery in corporate performances. In Japan, full-fledged economic recovery is expected to require some more time due to factors such as ongoing deflationary trends and aggravation of high unemployment rates. This is despite signs of recovery in corporate capital expenditures and personal consumption.

Amid this business environment, the OKI Group sought to revamp its business structure in order to establish a strong management platform capable of generating stable profits. One of its measures is to "accelerate business selection and concentration." In line with this, OKI established a semiconductor business subsidiary in October 2008 and transferred 95% of its shares in that subsidiary to ROHM Co., Ltd. Due to the impact of that transfer, consolidated net sales decreased ¥54.1 billion year on year, while operating income improved ¥5.1 billion.

Excluding this impact, consolidated net sales decreased 9.7% from the previous fiscal year, to ¥443.9 billion. The decline resulted largely from completion of ATM replacements for the domestic retail markets and large-scale projects for bank branch systems. Other factors included the effects of the yen's appreciation and economic recession, which caused the corporate business and the components-related business of subsidiaries to languish. However, operating income increased ¥8.4 billion year on year to ¥14.0 billion, as efforts to reduce procurement and production costs and optimize fixed costs compensated for the negative effects of volume decline and sales prices, as well as the strong yen.



SEGMENT INFORMATION

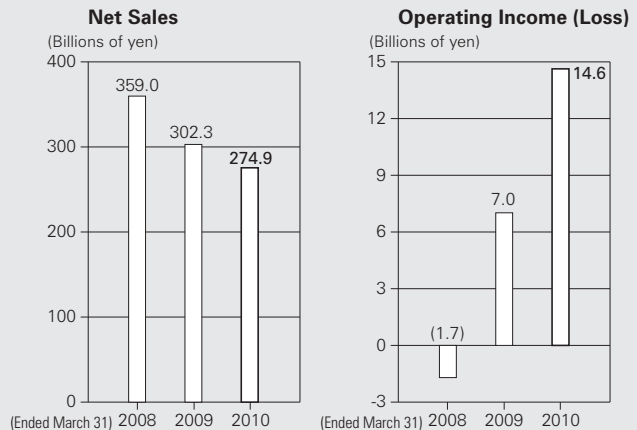
Info-Telecom Systems

In the Info-Telecom Systems segment, sales declined 9.1% year on year to ¥274.9 billion. In the financial systems business, overall sales declined because ATM replacements for the domestic retail markets and large-scale bank branch system projects had run their course, which outweighed increased sales of ATMs to China. In the telecom systems business, OKI reported an increase in shipments of GE-PON systems to telecom carriers. Due to its "accelerate business selection and concentration" initiatives, however, OKI reduced the number of unprofitable models, causing overall sales in the telecom systems business to remain mostly unchanged. In the information systems business, overall sales

declined year on year due to investment restraint among corporate customers, especially in the manufacturing sector, reflecting economic recession. This was despite an increase in sales to government agencies.

Operating income in this segment rose ¥7.6 billion year on year to ¥14.6 billion, as reductions in procurement and production costs and optimization of fixed costs compensated for the downward impact of volume decline on profit.

Info-Telecom Systems

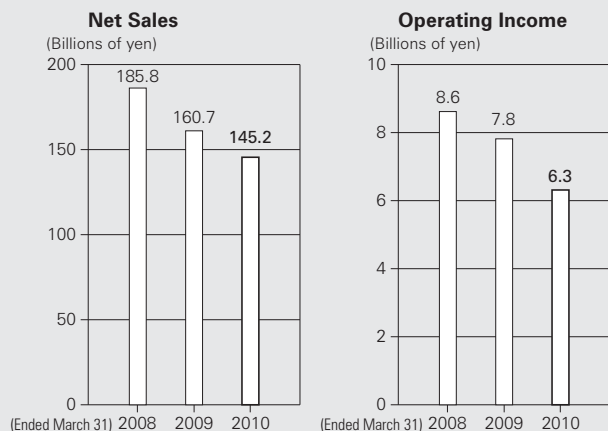


Printers

In the Printers segment, sales declined 9.7% year on year to ¥145.2 billion. The appreciation of the yen had a ¥9.5 billion negative effect on segment sales. By product, sales of business-use color printers (Color NIP) were down due to falling unit sales prices and restraint in color printing outlays caused by economic recession. This was despite an increase in unit sales, owing to the introduction of new model multifunction printers (MFP). Meanwhile, sales of monochrome printers (Mono NIP) increased thanks to higher unit sales stemming from the introduction of new models and sales promotion activities in Europe, which compensated for declines in unit sales prices. Sales of dot-impact printers (SIDM) declined due to contraction of the overall world market.

Operating income in this segment fell ¥1.5 billion year on year to ¥6.3 billion, as efforts to reduce procurement and production costs and optimize fixed costs failed to outweigh the negative effects of fluctuating exchange rates and volume decline on profit and drops in sales prices.

Printers



Other

This segment mainly comprises OKI subsidiaries. During the year, the components-related business remained weak given the economic deterioration since the latter half of 2008. Accordingly, consolidated segment sales fell 16.4% year on year to ¥23.8 billion. However, operating loss declined ¥1.0 billion from the previous fiscal year, to ¥0.4 billion, as optimization of fixed costs compensated for the downward impact of volume decline on profit.

GEOGRAPHIC SEGMENT INFORMATION

The transfer of shares in the semiconductor subsidiary had an impact on OKI's performances in each region.

Japan

In the domestic market, OKI recorded an increase in sales of GE-PON systems to telecom carriers and information systems to government agencies. However, its performance was negatively affected by various factors, including; decreased sales in the semiconductor segment, ATM replacements for the retail markets and large-scale bank branch system projects having run their course; the withdrawal from low-profit businesses in the telecom systems business based on the measure to "accelerate business selection and concentration"; lower sales of systems to the corporate sector due to economic recession; and decreases in production contracts under consignment and subsidiaries' sales. Accordingly, consolidated sales in Japan declined 19.2% year on year to ¥311.2 billion. Operating income increased ¥15.0 billion year on year to ¥18.3 billion, owing to improved profitability due to reductions in procurement and production costs and optimization of fixed costs, as well as withdrawal from low-profit businesses despite the downward impact of the sales decline on profit.

North America

During the fiscal year under review, OKI's performance in North America was affected by several factors, including decreased sales in Semiconductors segment, the impact of the strong yen against the U.S. dollar on the Printers segment, a lower shipment volume of SIDM due to overall market contraction, and the beefing up of the printers business. As a result, consolidated sales in North America dropped 36.6% from the previous fiscal year, to

¥26.2 billion. Operating loss improved ¥1.3 billion year on year to ¥1.0 billion, owing to optimization of fixed costs, reductions of procurement and production costs in the printers business, which absorbed the impact of lower profit due to decreased sales.

Europe

In the European market, OKI's performance in the Printers segment was impacted by the strong yen against the euro as well as the decreased shipment of SIDM due to overall market contraction. Despite a sales increase owing to the introduction of MFP to OKI's Color NIP lineup, as well as the introduction of new items and sales promotion activities to bolster Mono NIP sales, consolidated sales in Europe declined 8.9% year on year to ¥80.5 billion. Operating income dropped ¥1.1 billion from the previous fiscal year, to ¥1.4 billion, due to restraint in color printing outlays caused by economic recession, as well as lower sales prices and the yen's appreciation against the euro. This was despite the positive impact of fixed cost optimization, together with reduced procurement and production costs in the printers business.

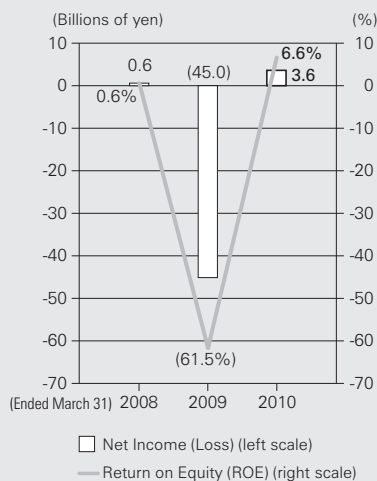
Asia

Consolidated sales in Asia fell 15.0% from the previous fiscal year, to ¥26.1 billion. This was attributable to a sales drop in the Semiconductors segment and a decreased SIDM shipment due to overall market contraction, despite increased ATM shipments to China. Operating income increased ¥0.3 billion from the previous fiscal year, to ¥1.9 billion, thanks to the reduction of fixed, procurement and production costs, which absorbed the impact of lower profit due to decreased sales.

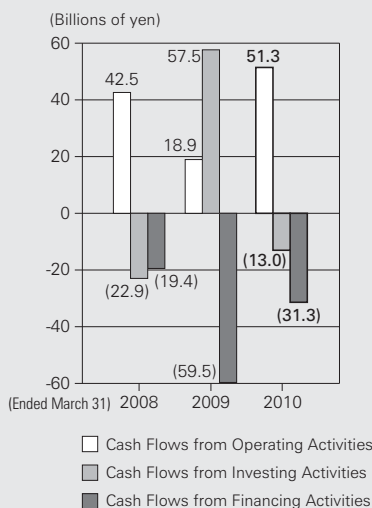
NET INCOME

During the fiscal year under review, OKI recorded a net income of ¥3.6 billion, a positive turnaround of ¥48.6 billion from the previous fiscal year. Main contributory factors included higher operating income and an improvement in non-operating income/expenses, centering on a decline in interest expense, as well as the absence of major extraordinary losses reported in the previous fiscal year, when OKI revamped its business structure and changed its systems. Against this backdrop, net income per share increased ¥71.20 from the previous fiscal year, to ¥5.30.

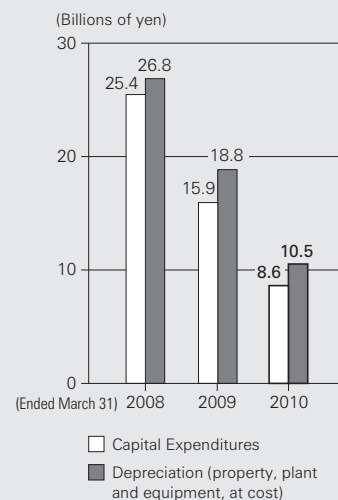
**Net Income (Loss)/
Return on Equity [ROE]**



Cash Flows



**Capital Expenditures/
Depreciation (property, plant
and equipment, at cost)**



FINANCIAL POSITION

ASSETS AND LIABILITIES

At fiscal year-end, total assets decreased ¥13.4 billion year on year to ¥383.6 billion. By contrast, shareholders' equity rose ¥6.0 billion from the previous fiscal year-end, to ¥57.7 billion due to net income of ¥3.6 billion and an increase in valuation, translation adjustments, and other. As a result, the shareholders' equity ratio increased to 15.0%.

Major components of the increase and decrease in assets included a decrease of ¥17.5 billion in inventories, and an increase of ¥14.6 billion in marketable securities among current assets, and a decrease of ¥6.2 billion in non-current assets, centering on property, plant, and equipment.

Total liabilities declined ¥19.5 billion. Interest-bearing debt decreased ¥31.3 billion from ¥203.8 billion of the previous fiscal year to ¥172.5 billion, due mainly to repayment of long-term debt and pre-maturity redemption of corporate bonds. Notes and accounts payable increased ¥2.4 billion, and allowance for retirement benefits rose ¥5.2 billion.

CASH FLOWS

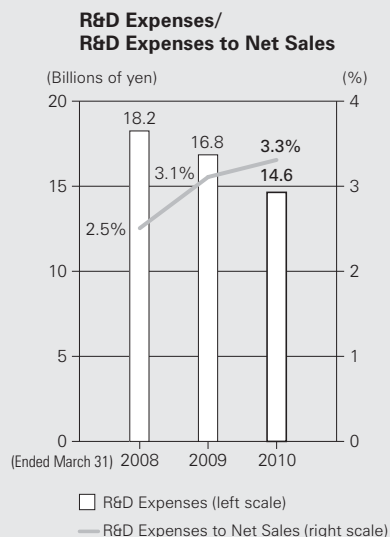
Net cash provided by operating activities amounted to ¥51.3 billion, up ¥32.4 billion from the previous year. This was attributable mainly to income before income taxes and improved working capital.

Net cash used in investing activities totaled ¥13.0 billion, due largely to purchases of property, plant, and equipment. This compares with ¥57.5 billion in net cash provided by investing activities in the previous fiscal year, due to the transfer of the semiconductor business subsidiary's shares.

Free cash flows, which are the sum of cash from operating activities and investing activities, saw a net inflow of ¥38.3 billion, down ¥38.1 billion from the previous year.

Net cash used in financing activities was ¥31.3 billion, down ¥28.2 billion from the previous year. This was due mainly to repayment of long-term debt and pre-maturity redemption of bonds.

The net inflow from operating, investing, and financing activities was ¥7.0 billion, down ¥9.9 billion from the previous year. As a result, cash and cash equivalents at fiscal year-end stood at ¥71.2 billion, up from ¥64.4 billion a year earlier.



CAPITAL EXPENDITURES, DEPRECIATION, AND RESEARCH AND DEVELOPMENT EXPENSES

Capital expenditures, depreciation, and R&D expenses all decreased due to the share transfer of the semiconductor business subsidiary. Excluding the effects of the transfer, capital expenditures declined ¥1.7 billion year on year to ¥8.6 billion, reflecting cutbacks in the planned investment due to sales decline caused by the deteriorated economic environment. Depreciation declined ¥2.5 billion year on year to ¥10.5 billion, reflecting decreased capital expenditures. R&D expenses totaled ¥14.6 billion, down ¥1.1 billion from the previous year.

OUTLOOK FOR FISCAL YEAR ENDING MARCH 31, 2011

In the fiscal year ending March 31, 2011, economic conditions in Japan and overseas are expected to maintain a recovery tone, especially in newly emerging nations. Due to instability in the euro-currency economic block sparked by fiscal problems in Greece, however, foreign exchange and stock markets are fluctuating dramatically, and there are concerns that such factors could impact the general economy.

Under these circumstances, the OKI Group announced its new mid-term business plan up to FY ending March 31, 2013 in February 2010. The basic strategy of the plan is to "establish a business structure which is capable of generating profit stably without depending on sales expansion even under the severe business environment." In the year ending March 31, 2011, the first year of the plan, the Group forecasts consolidated net sales of ¥450 billion, up ¥6.1 billion from the previous fiscal year. Factors boosting sales include an expected increase in sales volume due to the launch of new models of LED printers, expansion of the EMS and services businesses, and increased sales of ATMs in China, where conditions remain favorable. By contrast, we expect sales to be negatively affected by the strong yen and lower sales to government agencies.

Despite ongoing business structural reforms aimed at generating stable profit, the Group forecasts a ¥2.0 billion decline in operating income to ¥12.0 billion, due to the strong yen and falling sales prices, as well as partial optimization of its treatment plans. Although operating income is expected to decline, we forecast a ¥0.9 billion increase in net income, to ¥4.5 billion, owing to improvements in non-operating income/expenses stemming from reductions in interest-bearing debt, as well as improvements in extraordinary income/loss due to such factors as amortization of negative goodwill in Oki Wintech Co., Ltd., which became a wholly owned subsidiary.

Forecast for the fiscal year ending March 31, 2011, calculations were based on the assumption of foreign exchange rates of ¥90 per U.S. dollar and ¥120 per euro.

Performance Forecasts for the Fiscal Year Ending March 31, 2011

(Billions of yen unless otherwise stated)

Net Sales	Operating Income	Net Income	Net Income per Share (Yen)
¥450.0	¥12.0	¥4.5	¥6.22

BUSINESS AND OTHER RISKS

The forecasts and projected operating results contained in this report are based on information available and assumptions deemed rational at the time of preparation, and thus entail inherent uncertainties. Accordingly, investors are cautioned that actual results may differ materially from those projected as a result of a variety of factors. The following items are business and other risks that the OKI Group considers may significantly influence investors' judgments. The following are also major factors that could possibly affect the Group's actual performance.

It should be noted, however, that factors that may affect the Group's performance are not limited to these items. The OKI Group 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 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, that the OKI Group is unable to keep pace with technological innovations, 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, its business performance and financial position may be affected.
2. The performance of 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 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 Printers segment's performance.

(4) Raw Materials 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, fund 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 manufacturing and sales 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. 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, political turmoil, movements in local currency exchange rates and unforeseen circumstances in either of these countries.

To minimize foreign currency fluctuation risk, the OKI Group enters into forward currency and currency swap contracts to address fluctuations of the yen against the U.S. dollar and euro. However, the OKI Group cannot guarantee the complete removal of risk, and abrupt fluctuations in foreign currency exchange rates in particular may affect the OKI Group's performance and financial position.

(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 necessary approvals and authorization from third parties for the use of external patents required in the development and manufacture of 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 currencies, 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 that 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 lines. 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, accidents in production lines due to earthquake, wind or flood damage or electric outages as well as 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 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 exceptional 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

The OKI Group maintains interest-bearing debt that is subject to the impact of fluctuations 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, 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 and on expected yield on pension assets. However, such preconditions and assumptions are susceptible to changes in market interest rates and stock market trends, which may cause actual results to differ from such preconditions and assumptions. Such an event could lead to an increase in retirement benefit obligations and impact the OKI Group's performance and financial position.

(19) Stock Price Fluctuations

The OKI Group holds shares in listed companies as part of its investment securities portfolio. Falling share prices may lead to valuation losses or declines in unrealized gains on such holdings, which 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, 2010 and 2009

ASSETS	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Current assets:			
Cash and cash equivalents	¥ 71,156	¥ 64,428	\$ 765,118
Time deposits	1,001	1	10,763
Securities	3,000	—	32,258
Notes and accounts receivable:			
Unconsolidated subsidiaries and affiliates	5,135	4,742	55,215
Other	119,970	120,367	1,290,000
Less: Allowance for doubtful receivables	(1,588)	(1,284)	(17,075)
Inventories (Note 4)	62,826	80,254	675,548
Other current assets (Note 8)	6,615	6,737	71,129
Total current assets	268,117	275,247	2,882,978
Investments and long-term receivables:			
Investments in and advances to unconsolidated subsidiaries and affiliates (Note 5)	7,009	7,546	75,365
Other investments in securities (Notes 3 and 6)	32,585	28,919	350,376
Other long-term receivables	1,564	1,457	16,817
Less: Allowance for doubtful receivables	(3,427)	(3,500)	(36,849)
Total investments and long-term receivables	37,731	34,423	405,709
Property, plant and equipment, at cost (Note 6):			
Land	12,084	12,770	129,935
Buildings	73,140	73,216	786,451
Machinery and equipment	132,545	138,757	1,425,215
Construction in progress	56	786	602
	217,826	225,531	2,342,215
Less: Accumulated depreciation	(161,670)	(164,360)	(1,738,387)
Property, plant and equipment, net	56,155	61,170	603,817
Other assets (Note 8)	21,635	26,121	232,634
Total assets	¥ 383,640	¥ 396,963	\$ 4,125,161

LIABILITIES	Millions of yen		Thousands of U.S. dollars (Note 2)
	2010	2009	2010
Current liabilities:			
Short-term borrowings (Note 6)	¥ 66,122	¥ 83,541	\$ 710,989
Current portion of long-term debt (Note 6)	61,307	25,619	659,215
Notes and accounts payable:			
Unconsolidated subsidiaries and affiliates	3,088	3,159	33,204
Other	58,856	55,390	632,860
Other accrued expenses	23,213	23,379	249,602
Other current liabilities (Note 8)	17,176	14,874	184,688
Total current liabilities	229,765	205,965	2,470,591
Long-term liabilities:			
Long-term debt (Note 6)	45,036	94,605	484,258
Retirement benefits (Note 7)	40,275	35,163	433,064
Other long-term liabilities (Note 8)	3,752	2,545	40,344
Total long-term liabilities	89,064	132,313	957,677
Total liabilities	318,829	338,279	3,428,268
NET ASSETS			
Shareholders' equity (Notes 9 and 21):			
Common stock:			
Authorized—2,400,000,000 shares			
Issued—684,256,778 shares in 2010 and 2009	76,940	76,940	827,311
Additional paid-in capital	46,744	46,744	502,623
Accumulated deficit	(63,534)	(67,153)	(683,161)
Less: Treasury stock, at cost:			
1,833,341 shares in 2010 and 1,343,420 shares in 2009	(408)	(362)	(4,387)
Total shareholders' equity	59,741	56,168	642,376
Valuation, translation adjustments and other:			
Net unrealized holding gain (loss) on other securities	2,095	(593)	22,526
Loss on deferred hedges	(660)	(467)	(7,096)
Translation adjustments	(3,440)	(3,450)	(36,989)
Total valuation, translation adjustments and other	(2,005)	(4,511)	(21,559)
Subscription rights to shares	79	79	849
Minority interests in consolidated subsidiaries	6,994	6,948	75,204
Total net assets	64,810	58,683	696,881
Contingent liabilities (Note 20)			
Total liabilities and net assets	¥ 383,640	¥ 396,963	\$ 4,125,161

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, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Net sales	¥ 443,949	¥ 545,680	¥ 719,677	\$ 4,773,645
Cost of sales	322,560	410,658	554,343	3,468,387
Gross profit	121,388	135,021	165,334	1,305,247
Selling, general and administrative expenses	107,431	134,611	159,134	1,155,172
Operating income	13,957	410	6,200	150,075
Other income (expenses):				
Interest expense	(4,919)	(6,098)	(6,953)	(52,892)
Interest and dividend income	1,109	1,271	1,413	11,924
Royalty income from corporate brand	596	355	15	6,408
Foreign exchange loss, net	(1,251)	(784)	(2,481)	(13,451)
Gain on sale of investments in unconsolidated subsidiaries and other securities	—	509	4,238	—
Compensation received for relocation (Note 11)	—	455	—	—
Gain on transfer of business	298	—	—	3,204
Gain (loss) on sale and disposition of property, plant and equipment	(1,301)	(1,701)	5,216	(13,989)
Loss on impairment of fixed assets (Note 12)	(702)	(210)	(64)	(7,548)
Write-downs of investments in unconsolidated subsidiaries and other securities	(987)	(801)	(200)	(10,612)
Provision of allowance for doubtful accounts	(178)	(654)	(55)	(1,913)
Loss on natural disasters (Note 13)	—	(1,610)	—	—
Gain on contribution of securities to a pension trust	—	—	3,822	—
Special retirement expense (Note 7)	(689)	(2,936)	(1,380)	(7,408)
Write-downs of inventories (Note 14)	—	(10,609)	(3,407)	—
Business structure improvement expenses (Notes 7 and 15)	(222)	(574)	—	(2,387)
Loss on transfer of business and other (Note 16)	—	(5,217)	—	—
Loss on disposition of foreign currency translation adjustments (Note 17)	—	(7,361)	—	—
Other, net	(451)	(840)	(1,500)	(4,849)
	(8,699)	(36,810)	(1,337)	(93,537)
Income (loss) before income taxes, minority interests and equity in earnings (losses) of affiliates	5,258	(36,400)	4,863	56,537
Income taxes (Note 8):				
Current	1,859	2,366	2,784	19,989
Deferred	(451)	5,410	1,281	(4,849)
	1,407	7,776	4,065	15,129
Income (loss) before minority interests and equity in earnings (losses) of affiliates	3,850	(44,176)	797	41,397
Minority interests in earnings of consolidated subsidiaries	(103)	(487)	(369)	(1,107)
Equity in earnings (losses) of affiliates	(127)	(347)	140	(1,365)
Net income (loss) (Note 21)	¥ 3,619	¥ (45,011)	¥ 567	\$ 38,913

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, 2010, 2009 and 2008

	Millions of yen			Thousands of U.S. dollars (Note 2)
	2010	2009	2008	2010
Cash flows from operating activities:				
Net income (loss)	¥ 3,619	¥ (45,011)	¥ 567	\$ 38,913
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	15,515	25,886	34,743	166,827
Loss on impairment of fixed assets	702	210	64	7,548
(Reversal of) provision for retirement benefits, net of payments	5,103	2,747	(5,340)	54,870
Foreign exchange loss	—	9,313	—	—
Contribution of securities to a pension trust (Note7)	—	—	6,324	—
Gain on contribution of securities to a pension trust (Note7)	—	—	(3,822)	—
Write-downs loss of marketable securities and investment in unconsolidated subsidiaries and other securities	987	801	—	10,612
Gain on sale of investments in unconsolidated subsidiaries and other securities	(4)	(509)	(4,238)	(43)
(Gain) loss on sale and disposition of property, plant and equipment	1,301	1,701	(5,216)	13,989
Deferred income taxes	(451)	5,410	1,281	(4,849)
Loss on disposition of foreign currency translation adjustments	—	7,361	—	—
Other, net	1,790	3,639	7,290	19,247
Changes in operating assets and liabilities:				
Notes and accounts receivable	(1,164)	16,783	(6,914)	(12,516)
Inventories	17,124	20,052	24,346	184,129
Notes and accounts payable	3,475	(19,249)	(11,821)	37,365
Accrued income taxes	260	652	(461)	2,795
Other accrued expenses	(71)	(9,998)	(506)	(763)
Other assets and liabilities	3,102	(851)	6,248	33,354
Net cash provided by operating activities	51,290	18,941	42,543	551,505
Cash flows from investing activities:				
(Increase) decrease in time deposits and marketable securities	(3,999)	146	(148)	(43,000)
Increase in investments and other long-term receivables	(2,756)	(5,590)	(6,423)	(29,634)
Purchases of property, plant and equipment	(8,043)	(17,258)	(25,401)	(86,483)
Proceeds from sale of property, plant and equipment	1,368	371	9,185	14,709
Purchases of businesses	—	—	(89)	—
Sales of business	562	—	—	6,043
Payments for purchase of investments in subsidiaries resulting in change in scope of consolidation	(123)	—	—	(1,322)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	—	79,787	—	—
Net cash (used in) provided by investing activities	(12,992)	57,457	(22,876)	(139,698)
Cash flows from financing activities:				
Decrease in short-term borrowings	(15,878)	(13,891)	(4,898)	(170,731)
Issuance of long-term debt	23,820	19,198	31,394	256,129
Repayment of long-term debt	(38,677)	(67,237)	(47,302)	(415,881)
Other, net	(587)	2,464	1,404	(6,311)
Net cash used in financing activities	(31,323)	(59,466)	(19,401)	(336,806)
Effect of exchange rate changes on cash and cash equivalents	(286)	(2,350)	(1,377)	(3,075)
Net increase (decrease) in cash and cash equivalents	6,688	14,581	(1,111)	71,913
Cash and cash equivalents at beginning of the year	64,428	49,846	49,800	692,774
Cash and cash equivalents of initially consolidated subsidiaries at beginning of the year	—	—	1,316	—
Cash and cash equivalents of subsidiaries excluded from consolidation	—	—	(158)	—
Increase in cash and cash equivalents upon merger of an unconsolidated subsidiary with a consolidated subsidiary	40	—	—	430
Cash and cash equivalents at end of the year	¥ 71,156	¥ 64,428	¥ 49,846	\$ 765,118
Supplemental disclosures of cash flow information:				
Cash paid during the year for:				
Interest	¥ 4,957	¥ 6,137	¥ 7,084	\$ 53,301
Income taxes	1,599	1,713	3,245	17,193

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, 2010, 2009 and 2008

	Shareholders' equity					
	Numbers of shares issued	Common stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)					
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
Effect of changes in accounting policies applied to foreign subsidiaries				(1,042)		(1,042)
Net loss				(45,011)		(45,011)
Purchases of treasury stock					(17)	(17)
Decrease at beginning of the year due to initial consolidation of subsidiaries				(108)		(108)
Other, net						
Net changes during the year	—	—	—	(45,120)	(17)	(45,137)
Balance at March 31, 2009	684,256	76,940	46,744	(67,153)	(362)	56,168
Net income				3,619		3,619
Purchases of treasury stock					(46)	(46)
Other, net						
Net changes during the year	—	—	—	3,619	(46)	3,573
Balance at March 31, 2010	684,256	¥ 76,940	¥ 46,744	¥ (63,534)	¥ (408)	¥ 59,741

	Shareholders' equity					
	Numbers of shares issued	Common stock	Additional paid-in capital	(Accumulated deficit) retained earnings	Treasury stock, at cost	Total shareholders' equity
	(Thousands)					
Balance at March 31, 2009	684,256	\$ 827,311	\$ 502,623	\$(722,075)	\$ (3,892)	\$ 603,956
Net income				38,913		38,913
Purchases of treasury stock					(494)	(494)
Other, net						
Net changes during the year	—	—	—	38,913	(494)	38,419
Balance at March 31, 2010	684,256	\$ 827,311	\$ 502,623	\$(683,161)	\$ (4,387)	\$ 642,376

The accompanying notes are an integral part of these statements.

Valuation, translation adjustments and other						
Net unrealized holding gain (loss) on other securities	Loss on deferred hedges	Translation adjustments	Total valuation, translation adjustments and other	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
¥ 14,377	¥ (368)	¥ (5,595)	¥ 8,412	¥ 32	¥ 6,538	¥ 115,973
						Millions of yen
						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
						(1,042)
						(45,011)
						(17)
						(108)
(1,289)	(196)	4,682	3,196		291	3,488
(1,289)	(196)	4,682	3,196	—	291	(41,649)
(593)	(467)	(3,450)	(4,511)	79	6,948	58,683
						3,619
						(46)
2,689	(192)	10	2,506		46	2,553
2,689	(192)	10	2,506	—	46	6,126
¥ 2,095	¥ (660)	¥ (3,440)	¥ (2,005)	¥ 79	¥ 6,994	¥ 64,810

Valuation, translation adjustments and other						
Net unrealized holding gain (loss) on other securities	Loss on deferred hedges	Translation adjustments	Total valuation, translation adjustments and other	Subscription rights to shares	Minority interests in consolidated subsidiaries	Total net assets
						Thousands of U.S. dollars (Note 2)
\$ (6,376)	\$ (5,021)	\$ (37,096)	\$ (48,505)	\$ 849	\$ 74,709	\$ 631,000
						38,913
						(494)
28,913	(2,064)	107	26,946		494	27,451
28,913	(2,064)	107	26,946	—	494	65,870
\$ 22,526	\$ (7,096)	\$ (36,989)	\$ (21,559)	\$ 849	\$ 75,204	\$ 696,881

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Oki Electric Industry Co., Ltd. and consolidated subsidiaries
March 31, 2010

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation

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

Investment in 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 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

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

(f) Inventories

Inventories are principally stated at cost determined by the following methods. Refer to Note 1 (m) (3).

- Finished goods - Moving average method
- Work in process - Specific identification method
- Raw materials and supplies - Moving average method

(g) Property, plant and equipment, and depreciation (Except for assets leased)

Property, plant and equipment are recorded at cost.

Depreciation of property, plant and equipment is principally computed by the declining balance method over the estimated useful lives of the respective assets. However, buildings (excluding leasehold improvements) acquired on or after April 1, 1998 by the Company and 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 (Except for assets leased)

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

(i) Leases

Depreciation of assets on finance leases which do not transfer ownership of the leased assets to the lessee is calculated by the straight-line method over the lease period with their residual value of zero, except the leases started on or before March 31, 2008. The leases which were started on or before March 31, 2008 are principally accounted for as operating leases.

(j) Retirement benefits

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.

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 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, 2010, the Company and domestic subsidiaries adopted the "Accounting Standard for Construction Contracts" (Statement No.15 issued by the Accounting Standards Board of Japan (ASBJ) on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (Guidance No.18 issued by ASBJ on December 27, 2007). Under the new accounting standard and guidance, revenues and costs of construction contracts that commenced on or after April 1, 2009, of which the percentage of completion can be reliably estimated, are recognized by the percentage-of-completion method. The percentage of completion is calculated at the cost incurred as a percentage of the estimated total cost.

As a result of adopting this accounting standard, no significant impact was on net sales and net income for the year ended March 31, 2010.

(2) From the year ended March 31, 2010, the Company and certain domestic consolidated subsidiaries have changed their

estimation method of raw materials and supplies from last purchase price method to moving average method.

This change had no significant impact on net income for the year ended March 31, 2010.

(3) Effective the year ended March 31, 2009, the Company and domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Statement No.9, issued by ASBJ on July 5, 2006).

This standard requires that inventories held for sale in ordinary course of business be stated at the lower of cost or net selling value, which is defined as the selling price less additional estimated manufacturing costs and direct selling expenses.

As a result of adopting this accounting standard, operating income decreased by ¥3,670 million, and loss before income taxes increased by ¥12,726 million for the year ended March 31, 2009.

(4) Effective the year ended March 31, 2009, the Company and certain domestic consolidated subsidiaries have changed their estimated useful lives for machinery and equipment to reflect the revision to the Corporation Tax Law which went into effect on April 1, 2008.

This change had no significant impact on net loss for the year ended March 31, 2009.

(5) Effective the year ended March 31, 2009, the Company and overseas subsidiaries adopted "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement" (Practical Issues Task Force No.18 issued by ASBJ on May 17, 2006).

Under the accounting standards, financial statements prepared by overseas subsidiaries in accordance with International Financial Reporting Standards or the generally accepted accounting principles in the United States may be used for the consolidation process. In addition some items should be adjusted in the consolidation process unless they are not material.

As a result of adopting this accounting standard, no significant impact was on net loss for the year ended March 31, 2009.

(6) Effective the year ended March 31, 2009, the Company and domestic subsidiaries adopted the "Accounting Standard for Lease Transactions" (Statement No.13 issued by ASBJ on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (Guidance No.16 issued by ASBJ on March 30, 2007).

As a result of adopting this accounting standard, no significant impact was on net loss for the year ended March 31, 2009.

(7) 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 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 for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

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 ¥93 = U.S.\$1.00, the approximate exchange rate prevailing on March 31, 2010. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

3. SECURITIES

Securities at March 31, 2010 and 2009 are summarized as follows:

Other securities	Millions of yen						Thousands of U.S. dollars		
	2010			2009			2010		
	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference	Amount recorded in balance sheet	Acquisition costs	Difference
Other securities whose fair value recorded in balance sheet exceeds their acquisition costs:									
Equity securities	¥ 10,519	¥ 2,678	¥ 7,841	¥ 6,221	¥ 1,242	¥ 4,979	\$113,107	\$ 28,795	\$ 84,311
Bonds	1,624	1,604	19	—	—	—	17,462	17,247	204
Other	220	220	0	220	220	0	2,365	2,365	0
Subtotal	12,364	4,503	7,860	6,441	1,462	4,979	132,946	48,419	84,516
Other securities whose fair value recorded in balance sheet does not exceed their acquisition costs:									
Equity securities	9,341	13,508	(4,166)	8,681	13,999	(5,317)	100,440	145,247	(44,795)
Bonds	0	0	—	1,601	1,604	(3)	0	0	—
Certificates of deposit	13,000	13,000	—	1,000	1,000	—	139,784	139,784	—
Other	4,487	4,495	(8)	1,885	1,904	(18)	48,247	48,333	(86)
Subtotal	26,829	31,004	(4,175)	13,169	18,508	(5,339)	288,483	333,376	(44,892)
Total	¥ 39,193	¥ 35,507	¥ 3,685	¥ 19,610	¥ 19,971	¥ (360)	\$421,430	\$381,795	\$ 39,623

Note 1: Unlisted equity securities of ¥10,277 million (\$110,505 thousand) and ¥11,231 million and investments in a limited liability joint business partnership of ¥110 million (\$1,182 thousand) and ¥330 million are not included in the above table for the year ended March 31, 2010 and 2009, respectively, since they have no market price and they are deemed extremely difficult to assess their fair value.

Note 2: Effective the year ended March 31, 2010, the Group adopted the revised "Accounting Standard for Financial Instruments" (Statement No.10, issued by ASBJ on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (Guidance No.19, issued by ASBJ on March 10, 2008). The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated.

4. INVENTORIES

Inventories at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Finished goods	¥ 21,751	¥ 28,110	\$ 233,881
Work in process	16,436	26,930	176,731
Raw materials and supplies	24,638	25,213	264,924
Total	¥ 62,826	¥ 80,254	\$ 675,548

5. INVESTMENTS IN AND ADVANCES TO UNCONSOLIDATED SUBSIDIARIES AND AFFILIATES

Investments in and advances to unconsolidated subsidiaries and affiliates at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Investments stated:			
By the equity method	¥ 4,124	¥ 4,412	\$ 44,344
At cost or less	1,004	1,299	10,795
Advances	1,881	1,835	20,225
Total	¥ 7,009	¥ 7,546	\$ 75,365

6. SHORT-TERM BORROWINGS AND LONG-TERM DEBT

Short-term borrowings at March 31, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans, principally from banks, at weighted-average interest rates of 1.6% and 1.7% at March 31, 2010 and 2009, respectively:			
Secured	¥ —	¥ 6,000	\$ —
Unsecured	66,122	77,541	710,989
Total	¥ 66,122	¥ 83,541	\$ 710,989

Long-term debt at March 31, 2010 and 2009 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Loans from banks, insurance companies and government agencies, due through 2018:			
Secured	¥ 670	¥ —	\$ 7,204
Unsecured	105,674	108,224	1,136,279
Subtotal	106,344	108,224	1,143,483
Unsecured convertible bonds:			
Zero coupon convertible bonds with stock acquisition rights due 2011 ^(*)	—	12,000	—
Subtotal	106,344	120,224	1,143,483
Less: Current portion	(61,307)	(25,619)	(659,215)
Total	¥ 45,036	¥ 94,605	\$ 484,258

*1 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 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 and valid after December 25, 2006.

*2 The Company redeemed the "Zero coupon convertible bonds with stock acquisition rights due 2011" before maturity as resolved by the Board of Directors of the Company on April 28, 2009.

At March 31, 2010, ¥670 million (\$7,204 thousand) of long-term borrowings were collateralized by assets amounting to ¥673 million (\$7,236 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, 2010 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2011	¥ 61,307	\$ 659,215
2012	34,479	370,741
2013	7,898	84,924
2014	1,896	20,387
2015 and thereafter	763	8,204
Total	¥ 106,344	\$ 1,143,483

The Group has access to substantial sources of funds at numerous banks worldwide. Total unused credit available to the Group at March 31, 2010 was ¥45,100 million (\$484,946 thousand).

7. RETIREMENT BENEFITS

The Company and domestic consolidated subsidiaries have a noncontributory defined benefit pension plan 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 30 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, 2010 and 2009:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Projected benefit obligation	¥(139,227)	¥(138,307)	\$(1,497,064)
Fair value of plan assets	65,439	61,105	703,645
Funded status	(73,788)	(77,202)	(793,419)
Transition differences arising from initial adoption of new accounting standard for retirement benefits	17,990	21,591	193,440
Unrecognized actuarial gain or loss	24,129	29,938	259,451
Unrecognized prior service cost	(7,987)	(8,854)	(85,881)
Obligation recognized in the consolidated balance sheets	(39,655)	(34,526)	(426,397)
Prepaid pension cost	—	—	—
Allowance for retirement benefits	¥ (39,655)	¥ (34,526)	\$ (426,397)

(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, 2010, 2009 and 2008 were as follows:

	Millions of yen			Thousands of U.S. dollars
	2010	2009	2008	2010
Service cost during the year	¥ 4,982	¥ 7,154	¥ 5,602	\$ 53,569
Interest cost on projected benefit obligation	2,938	3,203	3,599	31,591
Expected return on plan assets	(305)	(1,863)	(2,045)	(3,279)
Amortization of obligation at transition	3,598	3,992	4,395	38,688
Amortization of actuarial difference	3,585	2,617	2,542	38,548
Amortization of prior service cost	(866)	(973)	(1,138)	(9,311)
Net periodic pension cost	¥ 13,933	¥ 14,130	¥ 12,955	\$ 149,817

- (1) Special retirement payments of ¥814 million (\$8,752 thousand), ¥3,213 million and ¥1,380 million in the aggregate were made in addition to the net periodic pension cost presented in the above table for the years ended March 31, 2010, 2009 and 2008, and these payments are included in "Special retirement expense" and "Business structure improvement expenses."
- (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,	
	2010	2009
Discount rate:	2.10%	2.10%
Expected rates of return:	0.50%	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).	
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, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Deferred tax assets:			
Loss carryforwards	¥ 30,867	¥ 30,344	\$ 331,903
Nondeductible retirement benefits	18,519	16,656	199,129
Nondeductible write-downs of inventories	3,068	3,495	32,989
Nondeductible accrued bonuses	2,450	2,410	26,344
Nondeductible loss on impairment of fixed assets	1,948	1,742	20,946
Excess of allowance for doubtful accounts	1,521	1,466	16,354
Other	6,156	4,219	66,193
Gross deferred tax assets	64,531	60,334	693,881
Less: Valuation allowance	(54,432)	(51,015)	(585,290)
Total deferred tax assets	10,098	9,319	108,580
Deferred tax liabilities:			
Nondeductible unrealized gain on contribution of securities to a pension trust	(1,567)	(1,567)	(16,849)
Net unrealized holding gain on other securities	(1,515)	(31)	(16,290)
Other	(47)	(69)	(505)
Total deferred tax liabilities	(3,130)	(1,668)	(33,655)
Net deferred tax assets	¥ 6,968	¥ 7,650	\$ 74,924

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Other current assets	¥ 4,008	¥ 3,772	\$ 43,096
Other assets	2,960	3,905	31,827
Other current liabilities	—	(27)	—
Net deferred tax assets	¥ 6,968	¥ 7,650	\$ 74,924

Income taxes applicable to the Company and 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, 2010, 2009 and 2008. 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, 2010 and 2008 are summarized as follows, and the corresponding reconciliation for the year ended March 31, 2009 has been omitted since loss before income taxes, minority interests and equity in losses of affiliates was recorded.

	2010	2009	2008
Statutory tax rate	41.0%	—	41.0%
Additions to (deductions from) income taxes resulting from:			
Increase (decrease) in valuation allowance for deferred tax assets	(20.9)	—	80.9
Permanent nondeductible differences such as entertainment expenses	5.2	—	10.8
Permanent differences not recognized for tax purposes such as dividends received	(3.0)	—	(7.1)
Nondeductible temporary differences arising from unrealized profit	(7.7)	—	(18.2)
Differences between the Company's statutory tax rate and the overseas consolidated subsidiaries' effective tax rates	—	—	(9.3)
Influence on the offset of internal transaction among the consolidated group	4.9	—	—
Other, net	7.9	—	(16.8)
Effective tax rates	27.4%	—	81.3%

9. SHAREHOLDERS' EQUITY

Corporation Law of Japan (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.

10. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses for the years ended March 31, 2010, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
2010	2009	2008	2010
¥ 14,624	¥ 16,825	¥ 18,231	\$ 157,247

11. COMPENSATION RECEIVED FOR RELOCATION

Compensation received for relocation was recorded for the relocation of the headquarters.

12. LOSS ON IMPAIRMENT OF FIXED ASSETS

For the year ended March 31, 2010, the Group recognized impairment losses on assets held for operation due to the decline in the profitability and other, and idle assets since their book value exceeded their future return. The calculation of impairment losses was based on the assets value in use for certain assets held for operation and the net sales price of other assets held for operation and idle assets.

13. LOSS ON NATURAL DISASTERS

Due to earthquake that took place at the Iwate-Miyagi inland on June 14, 2008, and northern part of Iwate Prefecture coast on July 24, 2008, 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, 2009.

14. WRITE-DOWN OF INVENTORIES

The Company and domestic subsidiaries recognized the loss in the beginning balance of inventories for adaptation of the "Accounting Standard for Measurement of Inventories" (Statement No.9, issued by ASBJ on July 5, 2006). In addition, the Company recognized the expense for the settlement of unprofitable business for the year ended March 31, 2009.

15. BUSINESS STRUCTURE IMPROVEMENT EXPENSES

The overseas subsidiary in the United States recognized the loss on impairment of property, plant and equipment for restructuring business, the special retirement expense and the loss from reorganization of their logistic center for the year ended March 31, 2009.

The subsidiaries recognized the special retirement expense for restructuring business, the loss from reorganization of their offices and the loss relating to share exchanges for the year ended March 31, 2010.

16. LOSS ON TRANSFER OF BUSINESS AND OTHER

On October 1, 2008, the Company transferred to Rohm Co., Ltd. 95% of issued shares of Oki Semiconductor Co., Ltd., which was newly established to succeed to its semiconductor business. As the result of this transfer, the Company recognized the loss of disposed inventories, advisory service fee and other, and loss on sales of investments in unconsolidated subsidiaries for the year ended March 31, 2009.

17. LOSS ON DISPOSITION OF FOREIGN CURRENCY TRANSLATION ADJUSTMENTS

Excluding from the scope of consolidation of the certain overseas subsidiaries resulted in the loss for the year ended March 31, 2009.

18. DERIVATIVES AND HEDGING ACTIVITIES

The Group primarily utilizes comprehensive forward foreign exchange and currency swap contracts to hedge their exposure to foreign exchange fluctuation relating to their receivables and payables. The Group also utilizes 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 Group does not speculate in derivatives which are subject to significant market value fluctuation. The Group does 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 Group has 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 checked by the Accounting Section.

19. LEASES

Lease payments relating to finance leases started before March 31, 2008, accounted for as operating leases in the accompanying consolidated financial statements amounted to ¥1,515 million (\$16,290 thousand), ¥4,019 million, and ¥6,303 million for the years ended March 31, 2010, 2009 and 2008, respectively.

The leases which were started on or before March 31, 2008 are principally accounted for as operating leases.

Leased assets held under finance leases accounted for as operating leases at March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	2010
Machinery and equipment	¥ 4,990	¥ 6,039	\$ 53,655
Other	1,217	1,861	13,086
Less: Accumulated depreciation	4,115	4,280	44,247
Total	¥ 2,092	¥ 3,620	\$ 22,494

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
2011	¥ 1,086	\$ 11,677
2012 and thereafter	1,143	12,290
Total	¥ 2,230	\$ 23,978

Minimum rental payments subsequent to March 31, 2010 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
2011	¥ 2,563	\$ 27,559
2012 and thereafter	11,423	122,827
Total	¥ 13,986	\$ 150,387

20. CONTINGENT LIABILITIES

At March 31, 2010 is as follows:

	Millions of yen	Thousands of U.S. dollars
As guarantors of employees' housing loans, other	¥ 1,047	\$ 11,258

21. 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 subscription rights to shares. Diluted net income per share has not been presented for the year ended March 31, 2009, because a net loss was recorded, and for the year ended March 31, 2010, since the Company had no dilutive potential share.

Net assets per share are based on the number of shares of common stock outstanding at the year end.

	Yen		U.S. dollars
	2010	2009	2010
Net income (loss) :			
Basic	¥ 5.30	¥(65.90)	\$ 0.05
Diluted	—	—	—

	Yen		U.S. dollars
	2010	2009	2010
Net assets	¥ 84.61	¥ 75.64	\$ 0.90

22. STOCK OPTION PLANS

At March 31, 2010, 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 to be issued	Common stock	Common stock	Common stock	Common stock	Common stock
Number of shares reserved	815,000 shares	452,000 shares	442,000 shares	342,000 shares	509,000 shares
Exercise price	¥ 384	¥ 458	¥ 406	¥ 277	¥ 248
Exercisable 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

23. SEGMENT INFORMATION

Business segments

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

The business segment information for the years ended March 31, 2010, 2009 and 2008 is summarized as follows:

Year ended March 31,	Millions of yen					
	2010					
	Info - Telecom Systems	Printers	Other	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥ 274,909	¥ 145,208	¥ 23,831	¥ 443,949	¥ —	¥ 443,949
Inter-segment sales and transfers	3,826	2,355	21,971	28,153	(28,153)	—
Net sales	278,735	147,564	45,803	472,102	(28,153)	443,949
Operating expenses	264,154	141,243	46,203	451,601	(21,610)	429,991
Operating income (loss)	¥ 14,580	¥ 6,320	¥ (399)	¥ 20,500	¥ (6,543)	¥ 13,957
Total assets	¥ 157,781	¥ 108,975	¥ 36,628	¥ 303,385	¥ 80,254	¥ 383,640
Depreciation and amortization	¥ 5,843	¥ 5,335	¥ 2,085	¥ 13,264	¥ 2,250	¥ 15,515
Loss on impairment of fixed assets	¥ —	¥ 100	¥ 486	¥ 587	¥ 115	¥ 702
Capital expenditures	¥ 4,615	¥ 3,966	¥ 502	¥ 9,083	¥ 993	¥ 10,077

Year ended March 31,	Millions of yen						
	2009						
	Info - Telecom Systems	Semi-conductors	Printers	Other	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥ 302,311	¥ 54,103	¥ 160,743	¥ 28,522	¥ 545,680	¥ —	¥ 545,680
Inter-segment sales and transfers	3,261	1,108	4,317	27,842	36,529	(36,529)	—
Net sales	305,573	55,211	165,060	56,364	582,210	(36,529)	545,680
Operating expenses	298,552	60,356	157,301	57,765	573,975	(28,704)	545,270
Operating income (loss)	¥ 7,021	¥ (5,144)	¥ 7,759	¥ (1,401)	¥ 8,235	¥ (7,824)	¥ 410
Total assets	¥ 179,496	¥ —	¥ 101,003	¥ 42,770	¥ 323,271	¥ 73,692	¥ 396,963
Depreciation and amortization	¥ 7,428	¥ 7,049	¥ 6,385	¥ 2,453	¥ 23,316	¥ 2,570	¥ 25,886
Loss on impairment of fixed assets	¥ —	¥ —	¥ 27	¥ 157	¥ 184	¥ 26	¥ 210
Capital expenditures	¥ 5,334	¥ 5,331	¥ 4,572	¥ 2,012	¥ 17,250	¥ 1,738	¥ 18,989

Year ended March 31,	Millions of yen						
	2008						
	Info - Telecom Systems	Semi-conductors	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
Loss on impairment of fixed assets	¥ —	¥ 64	¥ —	¥ —	¥ 64	¥ —	¥ 64
Capital expenditures	¥ 8,258	¥ 9,812	¥ 4,689	¥ 1,582	¥ 24,343	¥ 1,691	¥ 26,034

Year ended March 31,	Thousands of U.S. dollars					
	2010					
	Info - Telecom Systems	Printers	Other	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	\$ 2,956,010	\$ 1,561,376	\$ 256,247	\$ 4,773,645	\$ —	\$ 4,773,645
Inter-segment sales and transfers	41,139	25,322	236,247	302,720	(302,720)	—
Net sales	2,997,150	1,586,709	492,505	5,076,365	(302,720)	4,773,645
Operating expenses	2,840,365	1,518,741	496,806	4,855,924	(232,365)	4,623,559
Operating income (loss)	\$ 156,774	\$ 67,956	\$ (4,290)	\$ 220,430	\$ (70,354)	\$ 150,075
Total assets	\$ 1,696,569	\$ 1,171,774	\$ 393,849	\$ 3,262,204	\$ 862,946	\$ 4,125,161
Depreciation and amortization	\$ 62,827	\$ 57,365	\$ 22,419	\$ 142,623	\$ 24,193	\$ 166,827
Loss on impairment of fixed assets	\$ —	\$ 1,075	\$ 5,225	\$ 6,311	\$ 1,236	\$ 7,548
Capital expenditures	\$ 49,623	\$ 42,645	\$ 5,397	\$ 97,666	\$ 10,677	\$ 108,354

- (1) Business segments are divided into categories based on the nature of the products or services rendered and similarities in sales methodology.
On October 1, 2008, the Company transferred to Rohm Co., Ltd. 95% of issued shares of Oki Semiconductor Co., Ltd., which was newly established to succeed to its semiconductor business, and pulled out from the semiconductor business. Therefore effective the year ended March 31, 2010, business segments are classified on "Info-Telecom Systems," "Printers" and "Other."
- (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 ¥6,772 million (\$72,817 thousand), ¥8,329 million and ¥9,087 million for the years ended March 31, 2010, 2009 and 2008, 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 ¥153,347 million (\$1,648,892 thousand), ¥146,369 million and ¥119,507 million at March 31, 2010, 2009 and 2008, 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, 2009, the Company and domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories (Statement No.9, issued by ASBJ on July 5, 2006)." As a result of this change, operating income decreased by ¥3,670 million (while operating income decreased by ¥1,979 million and ¥46 million in Info-Telecom Systems segment and Printers segment, and operating loss increased by ¥1,608 million and ¥36 million in Semiconductors segment and Other segment, respectively) for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous method.
- (6) 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 (while operating loss increased by ¥37 million in Info-Telecom Systems segment, and operating income decreased by ¥30 million, ¥3 million and ¥55 million 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 (while operating loss increased by ¥51 million in Info-Telecom Systems segment, and operating income decreased by ¥41 million, ¥2 million and ¥70 million 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.

Geographical segments

The geographical segment information of the Group for the years ended March 31, 2010, 2009 and 2008 is outlined as follows:

Year ended March 31,	Millions of yen						
	2010						
	Japan	North America	Europe	Asia	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥ 311,245	¥ 26,182	¥ 80,457	¥ 26,062	¥ 443,949	¥ —	¥ 443,949
Inter-area sales	68,193	15	740	47,761	116,711	(116,711)	—
Net sales	379,439	26,197	81,198	73,824	560,660	(116,711)	443,949
Operating expenses	361,160	27,178	79,846	71,957	540,143	(110,151)	429,991
Operating income (loss)	¥ 18,279	¥ (980)	¥ 1,351	¥ 1,866	¥ 20,517	¥ (6,559)	¥ 13,957
Total assets	¥ 264,141	¥ 13,055	¥ 45,649	¥ 31,435	¥ 354,282	¥ 29,358	¥ 383,640

Year ended March 31,	Millions of yen						
	2009						
	Japan	North America	Europe	Asia	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	¥ 385,353	¥ 41,295	¥ 88,353	¥ 30,677	¥ 545,680	¥ —	¥ 545,680
Inter-area sales	81,286	189	1,114	71,420	154,010	(154,010)	—
Net sales	466,640	41,485	89,468	102,097	699,691	(154,010)	545,680
Operating expenses	463,364	43,776	87,011	100,460	694,613	(149,342)	545,270
Operating income (loss)	¥ 3,276	¥ (2,290)	¥ 2,456	¥ 1,636	¥ 5,078	¥ (4,668)	¥ 410
Total assets	¥ 276,304	¥ 14,539	¥ 41,686	¥ 26,145	¥ 358,676	¥ 38,287	¥ 396,963

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,	Thousands of U.S. dollars						
	2010						
	Japan	North America	Europe	Asia	Subtotal	Corporate and eliminations	Consolidated
Sales to third parties	\$ 3,346,720	\$ 281,526	\$ 865,129	\$ 280,236	\$ 4,773,645	\$ —	\$ 4,773,645
Inter-area sales	733,258	161	7,956	513,559	1,254,956	(1,254,956)	—
Net sales	4,079,989	281,688	873,096	793,806	6,028,602	(1,254,956)	4,773,645
Operating expenses	3,883,440	292,236	858,559	773,731	5,807,989	(1,184,419)	4,623,559
Operating income (loss)	\$ 196,548	\$ (10,537)	\$ 14,526	\$ 20,064	\$ 220,612	\$ (70,526)	\$ 150,075
Total assets	\$ 2,840,225	\$ 140,376	\$ 490,849	\$ 338,010	\$ 3,809,483	\$ 315,677	\$ 4,125,161

- (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 ¥141,423 million (\$1,520,677 thousand), ¥181,536 million and ¥242,240 million or 31.9%, 33.3% and 33.7% of consolidated net sales for the years ended March 31, 2010, 2009 and 2008, respectively.
- (2) Effective the year ended March 31, 2009, the Company and domestic consolidated subsidiaries adopted the "Accounting Standard for Measurement of Inventories (Statement No.9, issued by ASBJ on July 5, 2006)." As a result of this change, operating income decreased by ¥3,670 million (while operating income decreased by ¥3,670 million in Japan) for the year ended March 31, 2009 from the corresponding amounts which would have been recorded under the previous method.
- (3) 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 (while operating income decreased by ¥127 million 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 (while operating income decreased by ¥165 million in Japan) for the year ended March 31, 2008 from the corresponding amounts which would have been recorded under the previous method.

24. SUBSEQUENT EVENTS

The Company and its consolidated subsidiary Oki Wintech Company, Limited ("OKI Wintech") resolved at meetings of their respective boards of directors, held on February 3, 2010, to carry out a share exchange (the "share exchange") to make OKI Wintech a wholly-owned subsidiary and share exchange agreement was entered into on that day.

Subsequently, on June 1, 2010, share exchange was carried out.

REPORT OF INDEPENDENT AUDITORS



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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, 2010 and 2009, 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, 2010, 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 2010 in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 1(m), the Company and its domestic subsidiaries adopted the "Accounting Standard for Measurement of Inventories" (Statement No. 9, issued by the Accounting Standards Board of Japan (ASBJ) on July 5, 2006), effective the year ended March 31, 2009.

As described in Note 24, the Company and its consolidated subsidiary, Oki Wintech Company, Limited ("OKI Wintech"), carried out a share exchange on June 1, 2010 with OKI Wintech becoming a wholly-owned subsidiary.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2010 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 29, 2010

Ernst & Young ShinNihon LLC

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