(Translation)

This document is an English translation of the notice for the general meeting of shareholders originally written in Japanese. This translation was made for reference purpose only and all warranties, in particular, accuracy of this translation, are hereby disclaimed.

(Securities Identification Code: 6703)
June 8, 2006

NOTICE OF 82ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholder,

Oki Electric Industry Co., Ltd. (the "Company") would hereby like to inform you that the 82nd ordinary general meeting of shareholders will be held as follows, and would be grateful if you could attend the meeting.

Those who will not be able to attend the meeting are kindly requested to consider the attached "Reference Documents for the General Meeting of Shareholders" (pages 36 through 53) and exercise your voting rights in one of the following ways.

[Exercise of voting rights by postal mail]
Please indicate your approval or disapproval for each of the proposals in the space provided on the ballot and return the ballot to the Company. (There is no need to affix your signature or registered seal.)

[Exercise of voting rights by electronic means (Internet)]
Please read the appended "Instructions for the Exercise of Voting Rights via the Internet" (page 54), and indicate your approval or disapproval online via the designated website at http://www.it-soukai.com.
There is no need to mail the ballot if you choose to vote via the Internet.

Yours faithfully,

Katsumasa Shinozuka,
President and Chief Executive Officer
Oki Electric Industry Co., Ltd.
1-7-12 Toranomon, Minato-ku, Tokyo

1. **Date and Time:** Thursday, June 29, 2006, from 10:00 a.m.
2. **Venue:** 1st Floor, Conference Room, Building Complex No.5 (5-Gokan), Oki Electric's Business Center, 4-10-16 Shibaura, Minato-ku, Tokyo
3. **Meeting Agenda**

(Translation)

Items to be reported:

1. Business Report, Balance Sheets and Statements of Income for the 82nd fiscal year (from April 1, 2005 to March 31, 2006)
2. Consolidated Balance Sheets, Consolidated Statements of Income, audit results of consolidated financial statements by the Account Auditor and the Board of Corporate Auditors for the 82nd fiscal year (from April 1, 2005 to March 31, 2006)

Items to be resolved:

Agenda 1:	Approval of the Proposed Appropriation of Unappropriated Retained Earnings for the 82nd Fiscal Year
Agenda 2:	Partial Amendment to the Articles of Incorporation
Agenda 3:	Election of Eight Directors
Agenda 4:	Election of One Corporate Auditor
Agenda 5:	Revision of Wages for Directors and Auditors
Agenda 6:	Granting of Equity Warrants as Stock Options to Directors
Agenda 7:	Determining Particulars of Offering Equity Warrants Granted as Stock Options to Executive Officers Excluding Those Concurrently Serving as Directors

4. Miscellaneous Matters

Only those shareholders who hold voting rights are entitled to exercise their voting rights by proxy. The relevant proxy shall be one person per shareholder. Proxies will be asked to submit documents attesting to their delegated authority.

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* If you are attending the meeting in person, please submit the enclosed ballot at the reception desk of the meeting.
* The Company has provided the Notice of 82nd Ordinary General Meeting of Shareholders on its Internet website (http://www.oki.com/). Any amendment to the Company's Reference Documents for the General Meeting of Shareholders, Business Report, Balance Sheet, Income Statement and Consolidated Financial Statements will be announced on the website.

(Translation)

(Attachment)

Business Report

(From April 1, 2005 to March 31, 2006)

1. Operating Conditions

(1) Operating progress and results of the Oki Group

During the term under review, the domestic economy turned relatively favorable due to improvements in corporate earnings as well as increased capital expenditures and a recovery in consumer spending. Business conditions appear on track to recover worldwide as well. In the business fields in which the Oki Group operates, however, prices for our products, including semiconductors and color printers, were affected by continuing digital deflation in the IT market as a whole, and there were delays in financial institutions' investments in security systems. However, growth of the color printer market proved a favorable factor. Elsewhere, beginning with the latter half of the term, telecommunication carriers' investments in broadband IP networks ran their course, thereby impacting market demand.

In this market environment, consolidated sales for the term under review declined 1.2% year-on-year to ¥680.5 billion. Consolidated operating income declined by ¥16.6 billion year-on-year from ¥27.2 billion to ¥10.6 billion. Consolidated recurring income decreased by ¥14.0 billion from ¥21.2 billion to ¥7.2 billion, and consolidated net income dropped by ¥6.1 billion from ¥11.2 billion to ¥5.1 billion.

Non-consolidated results followed a trend similar to that for consolidated results. Sales for the term under review stood at ¥409.1 billion, down 6.9% year-on-year. As for profits and losses, operating income declined by ¥4.2 billion year-on-year from ¥8.0 billion to ¥3.8 billion. Recurring income decreased by ¥3.6 billion from ¥8.3 billion to ¥4.7 billion, and net income dropped by ¥1.0 billion from ¥3.2 billion to ¥2.2 billion.

We, at the Oki Group, have made clear the corporate social responsibility we expect the Group to fulfill from long-term and global perspectives by establishing the "Oki Group Charter of Corporate Conduct" laying out standards we expect to be shared by all officers and employees of the Group.

In the area of compliance, we are endeavoring to prevent any scandals by establishing the "Oki Electric Codes of Conduct" requiring officers and employees to comply with all relevant laws, regulations and internal rules, increasing awareness of compliance issues, and enhancing the compliance structure throughout the Group. In conjunction with this, we are striving to detect any misconduct at its earliest stages by developing internally a public-interest disclosure system.

Consolidated sales by segment are as provided below.

As we have changed our segments starting this past terms, amounts for the previous term have been revised to reflect the reclassified segments.

(Translation)

- Net Sales

(Unit: billions of yen)

Segment	FY2004 (reference: previous year)	FY2005 (the year under review)	Increase or decrease	Compared to the previous year (%)	Major factors for the difference
Info-telecom systems	373.1	338.0	(35.1)	91	Due to declines in ATM sales, investments in IT, etc.
Semiconductors	150.7	150.7	0	100	
Printers	137.7	160.5	22.8	117	Due to favorable sales of color non-impact printers
Other	27.0	31.3	4.3	116	
Total	688.5	680.5	(8.0)	99	

The following provides a summary of each segment.

Info-telecom systems

Sales of financial market-use info-telecom systems were affected by reduced demand for bank branch terminals and delays in investments in high-security ATMs, the latter being a product for which we had high hopes. Although financial institutions are recovering a willingness to invest in administrative efficiency improvements, including centralized data-processing and back-office systems, we were unable to see as much demand develop as we had previously hoped for.

In the telecommunications carrier market, investments in fixed-line telephone equipment declined as carriers' investments in broadband IP networks began losing some steam from the latter half of the term under review and their investments in fixed-line telephone services offered through their own networks ran their course. As for the capital expenditures of enterprises, these businesses had a strong need for systems to integrate information with telecommunications based on IP telephony, but a full-scale diffusion of these systems has is still only in its early phases.

As a result, consolidated sales to third parties decreased 9.4% year-on-year to ¥338.0 billion. Operating income, affected by these reduced sales, declined by ¥4.9 billion from ¥15.8 billion to ¥10.9 billion.

Semiconductors

The semiconductor market was on a recovery trend but, in general, semiconductor prices have been falling. We attempted to enhance the value of the Oki Group's main products such as P2ROMs and drivers through cost-reduction initiatives and introduction of higher-capacity and new products. Increased market entry, however, and intensifying competition have caused prices to continue falling at a rate outpacing the value enhancement. At the same time, in the system LSI field, there was some delay in development of new products.

As a result, consolidated sales to third parties stood at ¥150.7 billion, remaining virtually unchanged from the previous term. Affected by increasing competition and falling prices, operating income declined by ¥9.0 billion year-on-year from ¥12.0 billion to ¥3.0 billion.

(Translation)

Printers

The market for business-use color non-impact printers is continuing to expand rapidly. The Oki Group has expanded sales by introducing multifunctional printers and reinforcing its sales and production bases on the strength of high-speed, high-resolution printers and compact, lightweight LED systems. However, competition is intensifying further among manufacturers seeking to expand market share primarily in the color printer market.

As a result, consolidated sales to third parties increased 16.5% year-on-year to ¥160.5 billion. However, due to price declines centered on color printers, deterioration in the model mix and active investments in sales and production activities, operating income declined by ¥3.7 billion from ¥7.8 billion to ¥4.1 billion.

(2) Capital expenditure of the Oki Group

Capital expenditures for this year equaled ¥33.5 billion.

The investment amount by segment was as follows.

(Unit: billions of yen)

Segment	Amount of capital expenditure	Major investments
Info-telecom systems	5.6	ATM products and cash processing systems for financial and distribution markets; investments in development and production of products for network service and network infrastructure
Semiconductors	17.7	Investments in development and production of logic LSI, system LSI, system memory, etc.
Printers	7.1	Investments in development and production of business-use printers
Other	3.1	
Total	33.5	

Note: The above amount includes ¥4.4 billion of leased assets.

(3) Financing of the Oki Group

Funds required for the term under review were allocated from our own funds and from borrowed funds. The borrowed funds were procured mainly in the form of long-term borrowings from leading banks.

(4) Future challenges of the Oki Group

The IT industry, forming the principal operating platform for the Oki Group, is one marked by rapid technological innovation and radical changes. In particular, in recent years ubiquitous services offering information, products and services on-demand to users, any time and anywhere have been rapidly gaining popularity, in step with the spread of photonic broadband networks and the development of new services integrating sound, visual images and data. These developments have brought about significant changes in the business environment in which our customers operate. In conjunction with these changes, prices continue to fall due to the digital deflation that is becoming widespread in all segments of the IT industry.

Bearing this in mind, we at the Oki Group are striving to become a key player in "e-Society" by building a "strong business structure" capable of responding quickly and flexibly to what have been far-greater-than-expected changes in our customers' business environment. Specifically, we believe the following three areas are the principal challenges we must cope with:

(i) Flexible and expeditious business operation

We have identified the fiscal year ending March 2007 (Fiscal 2006) as the year for revamping investment and business structures. We are looking to concentrate our management resources in relevant businesses by clarifying once again, through re-examination of our business processes, the business fields where we have competitive advantage and differentiated technology. We aim to offer "strong products" that satisfy our customers by "manufacturing" on the strength of our solution and mechatronics technologies, fusing together the Oki Group's info-telecom expertise. To this end, we are enhancing the autonomy of our internal companies by reinforcing the network-type company management we have been promoting, promptly launching new venture businesses, and driving the creation of new synergistic effects in our internal companies and the companies within the Group.

At the same time, we recognize that our human resources are what in fact build a strong business structure for an enterprise of stable profitability capable of adapting itself flexibly to an age of change. The development of such human resources will continue to be among our important management challenges. Bearing this in mind, we are striving to bolster our specialty certification system by actively promoting junior employees to higher positions, establishing operational consulting qualifications and reinforcing our coaching staff in order to ensure that individual know-how is accumulated and passed on within our organization.

(ii) Reforming core businesses to build a "strong business structure"

In carrying out reforms of the Oki Group's core businesses, we seek to expand our earnings by focusing on:

- Concentration of our management resources in business fields where we have competitive advantage and differentiated technologies, and further clarification of high-priority businesses based on enhanced alliances:
- Organizational development aimed at upgrading technological, product planning and developmental capabilities; and
- Sales expansion through reinforced marketing and sales capabilities.

With respect to our main businesses, we are moving ahead with the following specific measures:

Signs of recovery and growth are visible in our financial markets business within our info-telecom system business segment. In the ATM business, we are aiming to expand earnings by implementing further structural reform, upgrading new features including security, reducing costs and developing overseas business. At the same time, in the area of financial ubiquitous services applying expanding Internet technologies, we are laying the framework for responding quickly and accurately to customer needs through enhanced alliances.

In our telecommunications carrier market business, given the fact that existing networks are currently giving way to next-generation networks (NGNs), we have identified Fiscal 2006 as the developmental period for next generation applications and are focusing on developing competitive products. As for home devices and optical access equipment competitive in the photonic broadband network market, we are developing our business with a view to expanding our earnings by developing overseas operations.

In our business segment aimed at the enterprise market, we have advantages in systems realizing a true-to-life sound, triple play IP telephony and contact center-use computer telephony integration (CTI). We are setting out to expand our sales and earnings by launching even more value-added products, which will help realize state-of-the-art ubiquitous services. We are also striving to offer a lineup of these competitive products aggressively to customers and increase our sales by continuing to strengthen our distribution channels and step up our global operations, notably in China.

In our semiconductor business segment, we are seeking to enhance our cost competitiveness by bolstering our “fab-free” strategy through reinforcing alliances with our manufacturing partners in the areas of production, technology and product development, while simultaneously building a flexible business structure allowing us to develop high value-added products. In particular regarding system LSIs, we are endeavoring to launch new products by taking advantage of the Oki Group’s advanced telecommunications technology. We are also seeking to boost our business by concentrating our management resources in areas we excel in, such as low-power-consumption, high-voltage and silicon-on-sapphire (SOS) technologies, and by building a business structure centered on their competitive advantage.

In the printer business segment, we are endeavoring to further expand our color non-impact printer (NIP) business whose market continues to grow. In particular, we are aiming to enhance our sales by driving a full-scale penetration of the Japanese market. Given the nature of the printer business where earnings rely heavily on the volume of expendable parts and supplies, we are endeavoring to improve our profitability by shifting our priority to medium-level and high-end models that consume a greater volume of expendable parts and supplies. We are also focusing on offering solutions that can encourage using a greater volume of expendable parts and supplies. In conjunction with this, we are striving to maximize earnings from sales of serial impact dot matrix (SIDM) printers and mono NIPs, which form the pillar of our printer business.

(iii) Improving profitability through expansion of new businesses

For new businesses, we are focusing on creating profits by expanding our service and software and overseas businesses and accelerating the creation of new cross-sectional businesses.

With respect to the service and software business, as in the past, we are aiming to expand areas related to our core businesses. We are focusing on providing a service and software business that is useful for business operations by taking advantage of the technologies, knowledge, know-how and assets that the Oki Group possesses and by accumulating, utilizing and expanding greater business know-how than our customers possess, so that we may help them concentrate on their own core businesses. For example, we are seeking to increase our sales by providing financial institutions with ATMs and maintenance services as our core business as well as providing them with total ATM-related services ranging from staff dispatch to ATM operation.

With respect to our overseas business development, we are drastically overhauling our business structure involving products and technologies such as ATMs, IP telephony servers and contact centers in which the Oki Group has a competitive advantage. In particular, for the rapidly growing Chinese market, we are establishing a China-based business structure covering marketing, product planning and development, rather than continuing to rely upon operations out of Japan as we did in the past. As for our semiconductor business, we are striving to strengthen our existing distribution channels in China, South Korea and Taiwan. In our printer business, we are aiming to strengthen our distribution structure for the rapidly growing BRICs markets.

We are striving to accelerate creation of new businesses in ubiquitous networks and ubiquitous services by establishing a cross-sectional project within the Oki Group and integrating the business strengths of the Group. We are also seeking to invigorate and accelerate creation of new businesses by increasing the number of in-house venture companies and venture units.

(Translation)

(5) Operating results of the Oki Group and Oki Electric

(i) Operating results of the Oki Group

Sales, income and assets for the fiscal year under review and the past three years are as follows.

	79th year (FY2002)		80th year (FY2003)		81st year (FY2004)		82nd year (current year, FY2005)	
Sales	585.5	billion yen	654.2	billion yen	688.5	billion yen	680.5	billion yen
Net income	6,560	million yen	1,328	million yen	11,174	million yen	5,058	million yen
Net income per share	10.72	yen	2.17	yen	18.27	yen	8.27	yen
Total assets	622.9	billion yen	609.6	billion yen	608.0	billion yen	618.9	billion yen
Net assets	101.3	billion yen	110.5	billion yen	124.8	billion yen	133.9	billion yen
Net assets per share	165.63	yen	180.66	yen	204.11	yen	218.96	yen

Notes:

1. Parentheses indicate losses.
2. Net income per share is computed based on the average number of shares during the year (weighted average). Net assets per share are computed based on the number of common shares outstanding during the year. These figures exclude treasury stocks.

As the business environment had become more severe, we formulated and implemented a "Third Structural Reform" in October of the 79th term (Fiscal 2002). Consequently, in spite of the decreased sales, we managed to cut losses substantially.

In the 80th term (Fiscal 2003), we saw some promising signs in the business environment, so we endeavored to follow through with our "Third Structural Reform." As a result, we were able to increase sales and substantially cut losses compared with the previous term, thereby returning to net profit.

In the 81st term (Fiscal 2004), amid a generally favorable business environment, we made efforts to push forward with the second phase aimed at further growth as an enterprise of stable profitability. As a result, both sales and net income increased from the previous term.

(ii) Trends of operating results of Oki Electric

Sales, income and assets for the fiscal year under review and the past three years are as follows.

	79th year (FY2002)		80th year (FY2003)		81st year (FY2004)		82nd year (current year, FY2005)	
Sales	377.1	billion yen	417.5	billion yen	439.4	billion yen	409.1	billion yen
Net income	9,905	million yen	(3,800)	million yen	3,199	million yen	2,217	million yen
Net income per share	16.18	yen	(6.21)	yen	5.23	yen	3.63	yen
Total assets	515.1	billion yen	496.7	billion yen	488.0	billion yen	487.6	billion yen
Net assets	118.2	billion yen	123.5	billion yen	128.2	billion yen	134.9	billion yen
Net assets per share	193.18	yen	201.97	yen	209.60	yen	220.63	yen

Notes:

1. Parentheses indicate losses.
2. Net income per share is computed based on the average number of shares during the year (weighted average). Net assets per share are computed based on the number of common shares outstanding during the year. These figures exclude treasury stocks.
3. As these financial documents have been prepared in accordance with the Commercial Code

Enforcement Regulations as revised from the 80th year by "Ministry Ordinance for Partial Revision of Commercial Code Enforcement Regulations" (February 28, 2003 Ministry of Justice Ordinance No. 7 and September 22, 2003 Ministry of Justice Ordinance No. 68), "income" and "income per share" are now indicated as "net income" and "net income per share."

(Translation)

2. Overview of the Oki Group and Oki Electric (as of March 31, 2006)

(1) Major businesses of the Oki Group

The Oki Group offers as its core businesses info-telecom systems, devices, semiconductors, and printers as well as related solutions and services through a business structure comprising System Network Business Group for the info-telecom system business, Semiconductor Business Group and Printer Business Group.

Major business items include the following.

Segment	Business items
Info-telecom systems	Financial systems, automation equipment systems, ITS-related systems, electronic government-related systems, ERP systems, computer network-related equipments, information network-related equipments, informational network terminal equipments, security systems, IP telephony systems, corporate telecommunications systems, CTI systems, image delivery systems, electronic switching equipment, digital transmission equipment, optical communication equipment, radio communication equipment, broadband access equipment, network service, network operational support service, etc.
Semiconductors	System LSI, logic LSI, memory LSI, optical modules, optical devices, GaAsICs, foundry services, etc.
Printers	Color NIPs, mono NIPs, SIDMs, MFPs, etc.

(2) Shareholders' equity

Current shareholding is as follows.

(i) Number of shares authorized to be issued by the Company:

2,400,000 thousand shares

(ii) Number of outstanding shares: 612, 371 thousand shares

(iii) Number of shareholders: 111,379

(iv) Major shareholders (Top 10)

Name of shareholder	Number of shares held (thousand shares)	Voting right ratio	Investment in major shareholders by Oki	
			Number of shares held (thousand shares)	Investment ratio
Meiji Yasuda Life Insurance Company	34,000	5.63%	-	-%
The Master Trust Bank of Japan, Ltd. (trust account)	25,375	4.20	-	-
Japan Trustee Services Bank, Ltd. (trust account)	24,373	4.04	-	-
Mizuho Corporate Bank, Ltd.	13,000	2.15	- (Note 1)	-
Sompo Japan Insurance Inc.	12,986	2.15	500	0.05
Japan Trustee Services Bank, Ltd. (four trust accounts)	11,074	1.84	-	-
Japan Securities Finance Co., Ltd.	10,859	1.80	-	-
The Dai-ichi Mutual Life Insurance Company	9,380	1.55	-	-
State Street Bank and Trust Co. 505019	8,720	1.45	-	-
Oki Denki Employees' Shareholdings Committee	8,472	1.40	-	-

Notes:

1. The Company does not hold shares of Mizuho Corporate Bank, Ltd., but it does hold five thousand ordinary shares of Mizuho Financial Group, Inc., the holding company of the Mizuho Group.
2. The Company has been notified that Mizuho Corporate Bank, Ltd. and its joint shareholders hold 32,778 thousand shares (investment ratio: 5.35%) as of July 31, 2005 in accordance with the disclosure system for large shareholdings in the Securities Exchange Law.

The Company has been notified that Meiji Yasuda Life Insurance Company and its joint shareholders hold 36,905 thousand shares (investment ratio: 6.03%) as of January 31, 2006.

The Company has been notified that Alliance Capital Asset Management Co., Ltd. and its joint shareholders hold 33,739 thousand shares (investment ratio: 5.51%) as of February 28, 2006.

The Company has been notified that Nomura Securities Co., Ltd. and its joint shareholders hold 35,342 thousand shares (investment ratio: 5.71%) as of February 28, 2006.

The Company has been notified that Morgan Stanley Securities Preparation Co., Ltd. (currently Morgan Stanley Japan Securities Co., Ltd.) and its joint shareholders hold 44,454 thousand shares (investment ratio:7.24%) as of March 31, 2006.

The Company has been notified that Barclays Global Investors Japan Trust & Banking Co., Ltd. and its joint shareholders hold 31,281 thousand shares (investment ratio: 5.11%) as of March31, 2006.

(v) Acquisition, disposal and holding of shares

- Number of shares acquired during this fiscal year:
  Ordinary shares: 160,507 shares
  Total acquisition value: 62,809 thousand yen
- Number of shares disposed during this fiscal year:
  None
- Number of shares held during this fiscal year:
  Ordinary shares: 868,052 shares

(3) Major offices of the Oki Group

The major offices are as follows.

Name	Classification	Location
Oki Electric Industry Co., Ltd.	Head office	Minato-ku, Tokyo
	Branch offices	Hokkaido region (Sapporo, Hokkaido), Tohoku region (Sendai, Miyagi), Chubu region (Nagoya, Aichi), Hokuriku region (Kanazawa, Ishikawa), Kansai region (Osaka, Osaka), Chugoku region (Hiroshima, Hiroshima), Shikoku region (Takamatsu, Kagawa), and Kyushu region (Fukuoka, Fukuoka)
	Business offices	Minato-ku (Tokyo), Hachioji (Tokyo), Warabi (Saitama), Honjo (Saitama), Takasaki (Gunma), and Numazu (Shizuoka)
	Research institutes	Hachioji (Tokyo) and Osaka (Osaka)
Oki Wintech Co., Ltd.	Head office	Shinagawa-ku, Tokyo
Oki Data Corporation	Head office	Minato-ku, Tokyo
Oki Customer Adtech Co., Ltd.	Head office	Koto-ku, Tokyo
Miyagi Oki Electric Co., Ltd.	Head office	Oohiramura, Kurokawa-gun, Miyagi
Miyazaki Oki Electric Co., Ltd.	Head office	Kiyotake-cho, Miyazaki-gun, Miyazaki
Oki America, Inc.	Head office	California, USA
Oki Europe Ltd.	Head office	Middlesex, UK
Oki (Thailand) Co., Ltd.	Head office	Ayutthaya, Thailand

(4) Employees of the Oki Group and Oki Electric

(i) Employees of the Oki Group

(Translation)

Segment	Number of employees
Info-telecom systems	8,975
Semiconductors	5,011
Printers	5,684
Other	1,020
Company-wide (shared)	485
Total	21,175

(ii) Employees of Oki Electric

Number of employees	Average age	Average length of service
5,496 (increased by 107 from the end of the previous year)	40.0	17.5

(5) Status of consolidation

(i) Status of major subsidiaries

Name	Capital		Company's voting right ratio	Major business
Oki Wintech Co., Ltd.	2,001 million	yen	53%	Design and electronic works and electronic telecommunications works
Oki Data Corporation	14,500 million	yen	100	Manufacturing and sales of printers
Oki Customer Adtech Co., Ltd.	800 million	yen	100	Maintenance, construction and sales of information processing equipment and telecommunications equipment
Miyagi Oki Electric Co., Ltd.	200 million	yen	100	Manufacturing and sale of semiconductors
Miyazaki Oki Electric Co., Ltd.	200 million	yen	100	Manufacturing and sale of semiconductors
Oki America, Inc.	14 million	U.S. dollars	100	Sales of semiconductors and IP network products
Oki Europe Ltd.	33 million	UK Pond	100	Sales of printers
Oki (Thailand) Co., Ltd.	700 million	Thai baht	100	Manufacturing and sales of semiconductors

(ii) Status of major affiliated companies

Name	Capital		Company's voting right	Major business
Oki Electric Cable Co., Ltd.	4,304 million	yen	35%	Manufacturing and sales of cables and electric discharge machine electrode wires

(iii) Results of consolidation

The Company has 84 consolidated subsidiaries including 8 major subsidiaries mentioned above and 2 equity method affiliates including one major affiliated company mentioned above. Consolidated net sales were ¥680.5 billion (¥688.5 billion in the previous year), and consolidated net income was ¥5.1 billion (¥11.2 billion in the previous year).

(Translation)

(6) Major partners of the Oki Group

(i) Major technical partners:

Lucent Technologies GRL Corporation (US)
International Business Machines Corporation (US)
Texas Instruments Incorporated (US)
Canon Inc.

(ii) Major business partners:

Hewlett-Packard Company (US)
Cisco Systems, Inc.
United Microelectronics Corporation (Taiwan)
Peregrin Semiconductor Corporation (US)
ACCESS Co., Ltd.

(7) Major creditors of Oki Electric

Major creditors of Oki Electric are as follows:

Creditor	Year-end loan balance	Shares held by the creditor	
		Number of shares	Voting right ratio
	Billion yen	Thousand shares	%
Mizuho Corporate Bank, Ltd.	19.8	13,000	2.15
Sumitomo Mitsui Banking Corporation	14.3	3,381	0.56
Meiji Yasuda Life Insurance Company	13.1	34,000	5.63
Development Bank of Japan	12.3	-	-
Mizuho Trust & Banking Co., Ltd.	7.8	4,065	0.67

(8) Directors and corporate auditors

Note 1	Position	Name	Status or main duties
* X	President	Katsumasa Shinozuka	CEO
* X	Executive Vice President	Kazuo Tanaka	CFO & CCO Management supervising (in charge of Corporate Planning Office, Accounting & Control Division, Human Resources Division, Internal Auditing Division)
* X	Executive Vice President	Yutaka Maeda	Technical supervising (in charge of Government and Industry Relations and Development Promotion Division) Division Head, China Business Support Division Chairman, System Network Business Group
X	Senior Vice President	Tadao Murase	Sales supervising (in charge of Marketing Promotion Division)
X	Senior Vice President	Nobuhide Hara	CIO in charge of Information Planning Division, CSR Promotion Division, Compliance & Business Ethics Division
X	Senior Vice President	Takashi Hattori	GOO in charge of System Network Business Group
X	Senior Vice President	Naoki Sato	In charge of Affiliates Administration Division, General Affairs Division, sales and financing operations
X	Senior Vice President	Harushige Sugimoto	CTO in charge of Corporate Research & Development Center, Corporate Production Planning Division, Global Environment Division, Legal & Intellectual Property Division
X	Senior Vice President	Hideichi Kawasaki	In charge of Public Relations Division, Human Resources Support Division HQ In charge of sales and branch operations Division Head, Marketing Promotion Division
	Director	Minoru Morio	Advisor to Sony Corporation
Standing Auditor		Takahisa Inagawa	
Standing Auditor		Yoshiyuki Honjo	
Standing Auditor		Hiroyuki Katagiri	
Auditor		Ieji Yoshioka	

CEO: Chief Executive Officer
CFO: Chief Financial Officer
CCO: Chief Compliance Officer

(Translation)

CIO: Chief Information Officer
GOO: Group Operating Officer
CTO: Chief Technology Officer

Notes:

1. Asterisk indicates Representative Director. X indicates executive officer.
2. Director Minoru Morio is an external director appointed under Item 7-2, Paragraph 2, Article 188 of the Commercial Code.
3. Standing Auditors Hiroyuki Katagiri and Ieji Yoshioka are external auditors as stipulated in Paragraph 1, Article 18 of the Law for Special Exceptions to the Commercial Code concerning Corporate Audits.
4. Retiring Directors and retiring Auditors during this fiscal year
   Directors who retired on June 29, 2005 are as follows:
   Katsuhiko Sano, Director
5. Changes of Representative Directors after the fiscal year
   None
6. Executive officers as of March 31, 2006 are as follows
   (excluding those who concurrently serve as Directors).

Position	Name	Principal duty
Senior Executive officer	Kazushige Matsui	SOO, System Network Business Group Senior Manager, Strategic Planning Office
Senior Executive officer	Hironori Kitabayashi	GOO, Semiconductor Business Group Supporting officer in charge of Corporate Production Planning Division, Global Environment Division
Executive officer	Keiichi Fukumura	General Manager, Accounting & Control Division
Executive officer	Masayoshi Matsushita	SOO, System Network Business Group Division Head, Network Application Division
Executive officer	Masataka Sase	In charge of Global Environment Division, Legal & Intellectual Property Division Supporting officer in charge of Government and Industry Relations and Development Promotion Division
Executive officer	Yutaka Asai	SOO, System Network Business Group Deputy Division Head, Marketing Promotion Division
Executive officer	Shigeru Yamamoto	SOO, System Network Business Group President, Financial Solutions Company
Executive officer	Kiyoharu Miyatake	SOO, Semiconductor Business Group Senior Manager, Strategic Planning Office
Executive officer	Akira Kamo	SOO, Semiconductor Business Group President, Silicon Solutions Company
Executive officer	Masao Miyashita	SOO, Information & Telecommunications Business Group President, Network Systems Company
Executive officer	Hiroshi Enomoto	General Manager, Corporate Planning Office
Executive officer	Kichiro Akino	EVP, Network Systems Company

SOO: Senior Operating Officer
EVP: Executive Vice President

The following changes were made to the executive officers during the fiscal year under review and from April 2006.

Retirement		Appointment	
Name	Date	Name	Date
Kazushige Matsui	March 31, 2006	Kazuhiro Iritani	April 1, 2006
Kiyoharu Miyatake	March 31, 2006	Masasuke Kishi	April 1, 2006

(Translation)

(9) Stock acquisition rights (hereinafter referred to as "equity warrants")

(i) Equity warrants issued

(a) Equity warrants in accordance with Articles 280-20 and 280-21 of the Commercial Code

	Number of equity warrants	**Type and number of shares to be acquired by the rights**	**Payment per share required to exercise rights**	**Exercise period**
No.1 equity warrant (Issued on July 18, 2002)	153	Common shares: 153,000 shares	271 yen	July 1, 2004 to June 30, 2007
No. 2 equity warrant (Issued on July 18, 2003)	815	Common shares: 815,000 shares	384 yen	July 1, 2005 to June 26, 2013
No. 3 equity warrant (Issued on July 20, 2004)	452	Common shares: 452,000 shares	458 yen	July 1, 2006 to June 28, 2014
No. 4 equity warrant (Issued on July 20, 2005)	442	Common shares: 442,000 shares	406 yen	July 1, 2007 to June 28, 2015

Note: Equity warrants were issued free of charge for the purpose of granting stock options.

(b) Convertible bonds in accordance with Article 341-2 of the Commercial Code

	Equity warrants attached to Euro Yen convertible bonds to be redeemed in 2008 (issued on November 26, 2004)
Date of resolution for issuance	November 9, 2004
Number of equity warrants	10,000
Type and number of shares to be acquired by rights	Common shares: 39,682,539 shares
Issue price of the rights	Granted free of charge
Exercise period	December 10, 2004 to November 12, 2008
Exercise price	¥504
Balance of the bonds with equity warrants	¥20 billion

The details of preemptive rights in accordance with the provisions of Article 280-19 of the former Commercial Code are described in Note 4 of the non-consolidated balance sheets.

(ii) Equity warrants issued to non-shareholders under privileged conditions during the fiscal year under review

(a) Number of equity warrants issued

442 rights

(b) Type and number of shares to be acquired by the rights

Common shares: 442,000 shares (1,000 shares per right)

(c) Issue price of the rights

Granted free of charge

(d) Payment per share required to exercising the rights

¥406

(e) Exercise period

July 1, 2007 to June 28, 2015

(f) Conditions for the exercise of rights

a. The following restrictions apply to the exercise of equity warrants.

1) Period from July 1, 2007 to June 30, 2008:

A maximum of 34% of the allotted number may be exercised.

2) Period from July 1, 2008 to June 30, 2009:
A maximum of the number calculated by deducting the number exercised in 1) above from 67% of the allotted number may be exercised.

3) Period from July 1, 2009 to June 28, 2015:
A maximum of the number calculated by deducting the number exercised in 1) and 2) above from the allotted number may be exercised.

Fractions shall be rounded off for calculation purposes.

b. The heir of the holder of the equity warrants upon the holder's death shall be allowed to exercise the rights as follows.

In case of inheritance before June 30, 2009, the rights may be exercised by June 30, 2010.

In case of inheritance after July 1, 2009, the rights may be exercised for one year from the date of inheritance; provided, however, that the rights may not be exercised after June 28, 2015.

c. Other conditions regarding exercise of rights shall be subject to the equity-warrant allocation agreement concluded between the Company and holders of the rights.

(g) Cancellation of equity warrants
Equity warrants may be cancelled free of charge when the rights holder no longer falls under any of the conditions for exercise set forth in the previous paragraph.

(h) Restrictions on transfer of equity warrants
Transfers of equity warrants shall be subject to the approval of the Board of Directors.

(i) Details of privileged conditions
The Company has issued equity warrants free of charge to Directors engaged in the business execution of the Company, executive officers, senior staff members participating in management and Directors of certain subsidiaries.

(j) Names of persons to whom rights were allotted and the number of rights allotted.

- Directors of Oki Electric

Name	Number of rights	Type and number of shares to be acquired by the rights
Katsumasa Shinozuka	66	Common shares: 66,000 shares
Kazuo Tanaka	26	Common shares: 26,000
Yutaka Maeda	26	Common shares: 26,000
Tadao Murase	17	Common shares: 17,000
Nobuhide Hara	17	Common shares: 17,000
Takashi Hattori	17	Common shares: 17,000
Naoki Sato	17	Common shares: 17,000
Harushige Sugimoto	17	Common shares: 17,000
Hideichi Kawasaki	17	Common shares: 17,000
9 persons in total	220	220,000

(Translation)

- Employees of Oki Electric and Directors of subsidiaries (top 10 persons)

Name	Number of rights	Type and number of shares to be acquired by the rights	Remarks
Kazushige Matsui	14	Common shares: 14,000 shares	Executive officer of Oki
Hironori Kitabayashi	14	Common shares: 14,000	Executive officer of Oki
Mikihiko Maeno	14	Common shares: 14,000	President and CEO of Oki Data Corporation
Hiroshi Konishi	14	Common shares: 14,000	President and CEO of Oki Customer Adtech Co., Ltd
Keiichi Fukumura	11	Common shares: 11,000	Executive officer of Oki
Masayoshi Matsushita	11	Common shares: 11,000	Executive officer of Oki
Masataka Sase	11	Common shares: 11,000	Executive officer of Oki
Yutaka Asai	11	Common shares: 11,000	Executive officer of Oki
Shigeru Yamamoto	11	Common shares: 11,000	Executive officer of Oki
Kiyoharu Miyatake	11	Common shares: 11,000	Executive officer of Oki

- Total rights issued to Oki Electric employees and Directors of subsidiaries

	Number of rights	Type and number of shares to be acquired by the rights	Number of persons granted
Employees of Oki	186	Common shares: 186,000 shares	20
Directors of subsidiaries	36	Common shares: 36,000 shares	3

(10) Compensation paid to accounting auditors

The amount of compensation that the Company and its subsidiaries pay to the accounting auditors shall be as follows.

	Amount of payment
1. Total sum of compensation to be paid to accounting auditors by Oki and its subsidiaries	109 million yen
2. Total sum of compensation to be paid for the audit certificate services provided in Paragraph 1, Article 2 of the Certified Public Accountants Law, which is included in the total sum of 1 above	109 million yen
3. Compensation, etc. to be paid to accounting auditors by Oki, which is included in the total sum of 2 above	64 million yen

Note: The Company does not distinguish auditor compensation per (i) auditing in accordance with the Law for Special Exceptions to the Commercial Code concerning Corporate Audits, and (ii) auditing in accordance with the Securities Exchange Law. The total of these amounts is recorded in 3 above.

(11) Significant events of the Oki Group after the end of the fiscal year

There were no noteworthy events.

Note: indication of the amount

Figures in this business report are indicated as follows.

1. Units of ¥1 million: Figures less than one unit are disregarded.
2. Units of ¥100 million: Figures less than one unit are rounded to the nearest unit.

(Translation)

Consolidated Balance Sheet

(as of March 31, 2006)

(Unit: millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
I. Current assets		I. Current liabilities	
1. Cash and deposits	34,618	1. Notes and accounts payable	96,630
2. Notes and accounts receivable	150,841	2. Short-term borrowings	116,078
3. Marketable securities	4,301	3. Accrued income taxes	1,182
4. Inventories	166,899	4. Other accrued expenses	44,350
5. Deferred tax assets	6,508	5. Allowance for completed construction compensation	7
6. Other current assets	18,011	6. Other current liabilities	37,615
7. Allowance for doubtful Receivables	(1,842)		
Total current assets	379,339	Total current liabilities	295,865
II. Fixed assets		II. Long-term liabilities	
1. Property, plant and equipment		1. Bonds	29,500
(1) Buildings and structures	41,653	2. Long-term borrowings	102,729
(2) Machinery, equipment and delivery equipment	44,694	3. Retirement benefits	42,525
		4. Reserve for Directors' retirement benefits	371
(3) Tool, furniture and fixtures	22,501		
(4) Land	15,940	5. Other Long-term liabilities	7,644
(5) Construction in progress	431	Total Long-term liabilities	182,770
		Total liabilities	478,636
Total property, plant and Equipment	125,223	(Minority interests)	
		Minority interests	6,335
2. Intangible assets	16,068		
3. Investments and other assets			
(1) Investments in securities	66,524		
(2) Long-term loans	5,474	(Shareholders' equity)	
(3) Long-term deferred tax assets	11,294	I. Common stock	67,882
(4) Other investments and other Assets	20,516	II. Additional paid-in capital	37,801
		III. Retained earnings	16,580
(5) Allowance for doubtful Receivables	(5,581)	IV. Net unrealized holding gain on Securities	19,113
Total investments and other assets	98,227	V. Translation adjustments	(7,210)
Total fixed assets	239,520	VI. Treasury stock	(280)
		Total shareholders' equity	133,887
Total assets	618,859	Total liabilities, minority interests and shareholders' equity	618,859

Notes:

1. Accumulated depreciation on property, plant and equipment: 498,030 million yen
2. Assets pledged
   Property, plant and equipment: 2,232 million yen
3. Guarantee liabilities: 3,873 million yen
4. Transfer of notes receivable by endorsement: 11 million yen

(Translation)

Consolidated Statement of Operations

(From April 1, 2005 to March 31, 2006)

(Unit: millions of yen)

Account title	Amount	
I. Net sales		680,526
II. Cost of sales		514,483
Gross profit		166,043
III. Selling, general and administrative expenses		155,449
Operating income		10,593
IV. Non-operating income		
1. Interest income	492	
2. Dividend income	1,345	
3. Foreign exchange gain	1,403	
4. Other	1,393	4,634
V. Non-operating expenses		
1. Interest expense	6,171	
2. Other	1,816	7,987
Ordinary income		7,240
VI. Extraordinary profit		
1. Gain on sales of property, plant and equipment	2,056	
2. Gain on sales of investments in securities	8,043	
3. Gain on recycling of transaction adjustments related overseas subsidiary	880	10,980
VII. Extraordinary loss		
1. Loss on sale and disposition of property, plant and equipment	1,011	
2. Loss on impairment fixed assets	2,973	
3. Bad debt expenses	1,315	
4. Loss on earthquake	856	
5. Special retirement payments	1,442	7,599
Net income before taxes		10,621
Income taxes	1,579	
Income taxes deferred	3,773	5,352
Minority Interest		211
Net income		5,058

Note: net income per share: 8.27 yen

(Translation)

Principles for Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 84 companies

Names of major consolidated subsidiaries:

Oki Data Corporation, Oki Customer Adtech Co., Ltd., Oki Wintech Co., Ltd., Miyagi Oki Electric Co., Ltd., Miyazaki Oki Electric Co., Ltd., Oki America, Inc., Oki Europe Ltd., Oki (Thailand) Co., Ltd.

(2) Names of major non-consolidated subsidiaries:

Adachi Protechno Co., Ltd. and 37 other companies

Reasons for excluding from consolidation:

Total assets, retained earnings, net sales and net income or loss are individually and wholly immaterial and have no significant influence.

(3) Changes in scope of consolidation:

Advanced Wave Systems Co., Ltd., Oki Consulting Solutions Co., Ltd., Oki Human Network Co., Ltd. and Oki Semiconductor Technology (Shanghai) Co., Ltd. were included within the scope of consolidation in view of their relative importance. OKI ACCESS Technology Co., Ltd. and MKG Imaging Solutions, Inc. were also included within the scope of consolidation in view of their new incorporation.

Honjo Net Progress Co., Ltd. and Oki Telecom, Inc. were eliminated from the scope of consolidation as their corporate liquidations were completed.

2. Application of equity method

(1) Number of subsidiaries to which the equity method is applied: 2 companies

Name of major subsidiary: Oki Electric Cable Co., Ltd.

(2) Names of major non-consolidated subsidiaries and affiliated companies to which the equity method is not applied:

Non-consolidated subsidiaries:

Adachi Protechno Co., Ltd and 37 other companies

Affiliated companies: Alp Inc. and 22 other companies

Reason for not applying the equity method:

The companies individually have little influence and have no significance as a whole on net income or loss and retained earnings.

3. Accounting standards

(1) Valuation standards and methods for assets

(i) Negotiable securities

The Company and its domestic consolidated subsidiaries evaluate securities in accordance with the purpose of holding as follows. Overseas consolidated subsidiaries apply the lower of cost or market value.

(Translation)

Held-to-maturity securities: amortized or accumulated to face value

Other negotiable securities:

Marketable securities:

Stated at fair value based on the market price at the end of the fiscal year

(Any difference between book value and market value is included in capital; sales costs are calculated by the moving average method).

Non-marketable securities:

Stated at cost based on the moving average method

(ii) Inventories

The Company and its domestic consolidated subsidiaries apply the cost method, and overseas consolidated subsidiaries mainly apply the lower of cost or market value.

(iii) Derivatives

Stated at market value

(2) Depreciation and amortization

(i) Property, plant and equipment

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

(ii) Intangible assets

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

For software for sale in the market, the depreciation is based on the estimated number of years for sales (3 years). For software for internal use, the straight-line method, based on the estimated durable years (5years), is used.

Overseas consolidated subsidiaries mainly apply the straight-line method.

(3) Basis for provision of reserves

(i) Allowance for doubtful receivables

To prepare for any losses of accounts receivable and loans, the Company and its domestic consolidated subsidiaries calculate the amount of potential loss by using the historical loss ratio for non-classified loans/receivables and individual assessment for classified loans/receivables. Overseas consolidated subsidiaries calculate the amount of potential loss by individually assessing the possibility of collection for specific loans/receivables.

(ii) Retirement benefits

To prepare for payment of retirement benefits to employees, the Company and its consolidated subsidiaries register the amount recognized to accrue at the end of the fiscal year based on estimated values of retirement benefit obligations and pension assets.

Differences due to changes in accounting standards are amortized over 15 years except for consolidated subsidiaries that amortize the difference in the first year of application and some overseas consolidated subsidiaries that directly deduct the difference from retained earnings.

Prior service costs are amortized by the straight-line method over a set number of years (14 years) within the average remaining years of service of employees.

Actuarial gain and loss is amortized by the straight line method over a set number of years (13 to 14 years) within the average remaining years of service of employees at the time of their accrual in each fiscal year, and the amortization of such gains and losses is deemed to be effective from the year after the one in which they arise.

(iii) Reserve for Directors' retirement

Some domestic consolidated subsidiaries register the necessary amount at the end of the year in accordance with internal rules to prepare for the payment of Directors' retirement allowance.

(4) Accounting processing of consumption tax

The tax-exclusion method is used for accounting of consumption tax and local consumption tax.

(5) Application of consolidated tax payment

The consolidated tax payment is applied.

Changes in Principles for Preparing Consolidated Financial Statements

1. Accounting standard for impairment of fixed assets

Effective from the consolidated fiscal year under review, the Company applies "the Accounting Standard for Impairment of Fixed Assets" ("Option concerning Setting According for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "the Guideline on Accounting Standard for Impairment of Fixed Assets" (ASB Guideline No. 6 issued on October 31, 2003). As a result, net income before taxes and other adjustments was reduced by ¥2,973 million.

The Company directly deducted accumulated losses on impairment of fixed assets from the amounts of the relevant assets.

2. Accounting standards concerning accrued retirement benefits for employees

Effective from the consolidated fiscal year under review, Oki Europe Ltd., Oki (UK) Ltd. and Oki Systems (Norway) AS have adopted their respective countries' new accounting standards concerning accrued retirement benefits for employees.

The differences in their profit and loss resulting from this are minor in comparison with those that would have resulted if the previous accounting method had been applied.

Because differences due to changes in accounting standards and the actuarial gain and loss were deducted directly from retained earning, the amount of retained earning decreased by ¥1,805 million.

(Translation)

Transcript of Account Auditors' Report on Consolidated Financial Statements

Independent Auditors' Report

May 18, 2006

Mr. Katsumasa Shinozuka, President and Chief Executive Officer
Oki Electric Industry Co., Ltd.

Ernst & Young ShinNihon
Kazuaki Saito (seal),
Engagement Partner, Certified Public Accountant
Akira Sato (seal),
Engagement Partner, Certified Public Accountant

We have audited the consolidated financial statements - that is, the consolidated balance sheets and the consolidated statements of operations - of Oki Electric Industry Co., Ltd. for the 82nd term from April 1, 2005 to March 31, 2006 in accordance with Article 19 Paragraph 2 Item 3 of the Law for Special Exceptions to the Commercial Code Concerning Corporate Audits. Oki Electric Industry's management is responsible for preparing these consolidated financial statements, and our responsibility is to express our independent opinion regarding these consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in Japan. These auditing standards require that we obtain reasonable assurance as to whether these consolidated financial statements are free of material misstatement. Audits are conducted based on a test basis, and include reviews of accounting policies and methods that the management adopts, and evaluation of management estimates and the presentation of the consolidated financial statements as a whole. We believe we have obtained reasonable bases for the expression of our opinion as a result of our audit. In addition, our audit includes auditing procedures that we considered necessary in order to conduct our audit for Oki Electric Industry's subsidiaries.

As a result of the audit, we concluded that the consolidated financial statements fairly present Oki Electric Industry's and its subsidiaries' assets and income or loss in accordance with law and the Articles of Incorporation.

As described in item 1 of "Changes in Principles for Preparing Consolidated Financial Statements,'' effective from the consolidated fiscal year under review, Oki Electric Industry has adopted "the Accounting Standard for Impairment of Fixed Assets." The foregoing change is in step with Oki Electric Industry's adoption of "the Opinions concerning Setting Accounting Standard for Impairment of Fixed Assets" by the Business Accounting Deliberation Council on August 9, 2002 and "The Guideline on Accounting Standard for Impairment of Fixed Assets" (ASB Guideline No. 6 issued on October 31, 2003), which we find fair and reasonable.

As described in item 2 of "Changes in Principles for Preparing Consolidated Financial Statements," some of Oki Electric Industry's overseas subsidiaries have changed their reporting standards concerning accrued retirement benefits for employees. The foregoing change is in step with the adoption of their respective countries' new accounting standards concerning accrued retirement benefits for employees, which we find fair and reasonable.

No conflict of interest as defined by the Accounting Law exists between Oki Electric Industry, our firm (Ernst & Young ShinNihon) and the respective engagement partners.

(Translation)

Transcript of Corporate Auditors' Report on Consolidated Financial Statements

Corporate Auditors' Report on Consolidated Financial Statements

The Board of Corporate Auditors received reports from each Corporate Auditor on the methods and results of their audit of the consolidated financial statements (the consolidated balance sheets and the consolidated statements of operations) of Oki Electric Industry Co., Ltd. for the 82nd fiscal year (from April 1, 2005 to March 31, 2006), and upon discussion, the Board prepared this audit report as follows.

1. Outline of Corporate Auditors' audit methods

In accordance with auditing policies and auditing plans prescribed by the Board of Corporate Auditors, each Corporate Auditor received reports and explanations on the consolidated financial statements from the Directors, the internal auditing division and the Account Auditors.

2. Audit results

We find the audit methods and results by Ernst & Young ShinNihon, the Account Auditors, to be appropriate.

May 22, 2006

The Board of Corporate Auditors, Oki Electric Industry Co., Ltd.

Takahisa Inagawa, Standing Auditor (seal)
Yoshiyuki Honjo, Standing Auditor (seal)
Hiroyuki Katagiri, Standing Auditor (seal)
Ieji Yoshioka, Auditor (seal)

Note: Standing Auditor Hiroyuki Katagiri and Auditor Ieji Yoshioka are external auditors in accordance with Paragraph 1, Article 18 of the former Law for Special Exceptions to the Commercial Code Concerning Corporate Audits.

(Translation)

Non-Consolidated Balance Sheet

(as of March 31, 2006) (Unit: millions of yen)

Account title	Amount	
(Assets)		
I. Current assets		
1. Cash and deposits		7,153
2. Notes receivable		1,632
3. Accounts receivable, trade		92,925
4. Securities		500
5. .Inventories		
Finished goods	20,478	
Semi-finished goods	5,764	
Raw materials	10,726	
Work in process	54,052	
Supplies	4,304	95,326
6. Short-term prepaid expense		526
7. Short-term loan		21,478
8. Accounts receivable, others		17,987
9. Deferred tax assets		4,709
10. Other current assets		1,847
11. Allowance for doubtful Receivables		(67)
Total current assets		244,022
II. Fixed assets		
1. Property, plant and equipment		
(1) Buildings	92,218	
Accumulated depreciation	(62,450)	29,768
(2) Structures	8,666	
Accumulated depreciation	(7,149)	1,517
(3) Machinery and equipment	297,567	
Accumulated depreciation	(266,999)	30,567
(4) Vehicle and delivery equipment	150	
Accumulated depreciation	(135)	14
(5) Tools, furniture and fixtures	86,702	
Accumulated depreciation	(72,346)	14,355
(6) Land		14,007
(7) Construction in progress		124
Total property, plant and Equipment		90,356
2. Intangible assets		
(1) Goodwill		694
(2) Facility rights and leasehold		250
(3) Software		9,735
Total intangible assets		10,681
3. Investments and other assets		
(1) Investments in securities		55,656
(2) Shares of affiliated Companies		49,142
(3) Contribution		280
(4) Contribution to affiliated Companies		1,350
(5) Long-term loans to employees		10
(6) Long-term loans to Affiliated companies		23,193
(7) Long-term prepaid expenses		8,209
(8) Long-term doubtful receivables		2,043
(9) Long-term deferred tax assets		5,212
(10) Other investments and other assets		3,417
(11) Allowance for doubtful receivables		(6,019)
Total investments and other assets		142,497
Total fixed assets		243,535
Total assets		487,557

Account title	Amount	
(Liabilities)		
I. Current liabilities		
1. Notes payable		318
2. Accounts payable, trade		76,150
3 Short-term borrowings		47,652
4. Current Portion of long-term borrowings		25,057
5. Current Portion of bonds		20,000
6. Accounts payable, others		7,559
7. Other accrued expenses		25,550
8. Advances		1,091
9. Deposits		1,723
10. Other current liabilities		349
Total current liabilities		205,452
II. Long-term liabilities		
1. Bonds		29,500
2. Long-term borrowings		82,821
3 Long-term deposits		5,000
4. Retirement benefits		27,741
5. Other long-term liabilities		2,124
Total long-term liabilities		147,187
Total liabilities		352,639
(Shareholders' equity)		
I. Common stock		67,882
II. Additional paid-in capital		
1. Capital reserve		16,985
2. Other additional paid-in Capital		
Capital reserve decline Profit		
Total additional paid-in	20,816	20,816
Capital		37,801
III. Retained earnings		
1. Unappropriated retained Earnings		10,907
Total retained earnings		10,907
IV. Net unrealized holding gains on securities		18,599
V. Treasury stock		(274)
Total shareholders' equity		134,917
Total liabilities and shareholders' equity		487,557

(Translation)

Notes:

1. Short-term monetary claims receivable from affiliated companies: 66,196 million yen
   Long-term monetary claims receivable from affiliated companies: 24,469 million yen
   Short-term monetary claims payable to affiliated companies: 48,021 million yen
2. Guarantee liabilities: 7,710 million yen
3. Net assets provided for in Article 124-3 of the Commercial Code Enforcement Regulations:
   18,599 million yen
4. Stock preemptive rights in accordance with Article 280-19 of the former Commercial Code
   Preemptive rights in accordance with the resolution of the ordinary general meeting of shareholders on June 28, 2001:

Type of shares:	Common shares
Number of shares:	334,000 shares
Exercise price:	¥613
Exercisable period:	July 1, 2003 to June 30, 2006

(Translation)

Non-Consolidated Statement of Operations

(From April 1, 2005 to March 31, 2006)

(Unit: millions of yen)

Account title	Amount	
I. Net sales		409,100
II. Cost of sales		332,576
Gross profit		76,524
III. Selling, general and administrative expenses		72,773
Operating income		3,751
IV. Non-operating income		
1. Interest income	602	
2. Interest income on securities	6	
3. Dividend income	2,550	
4. Brand royalty received	1,665	
5. Other	1,471	6,296
V. Non-operating expenses		
1. Interest expense	2,999	
2. Interest expense for bonds	893	
3. Other	1,480	5,372
Ordinary income		4,674
VI. Extraordinary profit		
1. Gain on sales of investments in securities	8,249	8,249
VII. Extraordinary loss		
1. Loss on sale and disposition of property, plant and equipment	771	
2. Loss on impairment fixed assets	2,973	
3. Loss from securities revaluation	470	
4. Bad debt expenses	1,158	
5. Special retirement payments	588	5,961
Net income before taxes		6,962
Income taxes	(701)	
Income taxes deferred	5,446	4,745
Net income		2,217
Retained earnings carried over from the previous year		8,690
Unappropriated retained earnings		10,907

Notes:

1. Transactions with affiliated companies

Sales:	112,091 million yen
Purchases:	116,255 million yen
Non-operating transactions:	5,191 million yen

2. Net income per share: 3.63 yen

(Translation)

Significant Accounting Policies

1. Valuation standards and methods for negotiable securities, etc.
   Held-to-maturity securities: amortized or accumulated to face value
   Shares of subsidiaries and affiliated companies:
   Stated at cost based on the moving average method
   Other negotiable securities:
   Marketable securities:
   Stated at fair value based on the market price at the end of the fiscal year (The difference between book value and market value is included in capital, and the sale cost is calculated by using the moving average method).
   Non-marketable securities: Stated at cost based on the moving average method
   Derivatives: Stated at market value

2. Valuation standards and methods for inventories
   Finished goods and semi-finished goods: Stated at cost based on the moving average method
   Work in process: Stated at cost based on the specific identification method
   Materials and supplies: Stated at cost based on the last purchase price method

3. Depreciation and amortization
   Property, plant and equipment: declining-balance method
   The straight-line method is applied to buildings, excluding annexed structures, acquired on or after April 1, 1998.
   Intangible assets
   Software for sale in the market:
   amortization method based on the estimated number of years for sales (3 years)
   Software for internal use:
   straight-line method based on the estimated durable years (5 years)
   Others: straight-line method

4. Basis for provision of reserves
   Allowance for doubtful receivables
   To prepare for any losses on accounts receivable and loans, the Company calculates the amount of potential loss by using the historical loss ratio in case of non-classified loans/receivables and by individual assessment in case of classified loans/receivables.
   Retirement benefits
   To prepare for payment of retirement benefits to employees, the Company records the amount recognized to accrue at the end of the fiscal year based on the estimated values of retirement benefit obligations and pension assets.
   Differences for changes in accounting standards are amortized over 15 years.
   Prior service cost is amortized by the straight-line method over a certain number of years (14 years) within the average remaining years of service of employees.
   Actuarial gains and losses are amortized by the straight-line method over a set number of years (13 to 14 years) within the average remaining years of service of employees at the time

of their accrual in each fiscal year, and the amortization of such gains and losses is deemed to be effective from the year after the year in which they arise.

5. Accounting processing of consumption tax
   The tax-exclusion approach is applied for accounting of consumption tax and local consumption tax.

6. Application of consolidated tax payments
   Consolidated tax payments are applied.

Changes in Significant Accounting Policies

Accounting standard for impairment of fixed assets

Effective from the consolidated fiscal year under review, the Company applies “the Accounting Standard for Impairment of Fixed Assets” (“Opinions concerning Setting Accounting for Impairment of Fixed Assets” issued by the Business Accounting Deliberation Council on August 9, 2002) and “the Guideline on Accounting Standard for Impairment of Fixed Assets” (ASB Guideline No. 6 issued on October 31, 2003). As a result, net income before taxes and other adjustment was reduced by ¥2,973 million.

Accumulated impairment losses were deducted directly from the amounts of the relevant assets.

(Translation)

Proposed Appropriation of Retained Earnings

(Unit: yen)

Item	Amount
Unappropriated retained earnings at the end of the fiscal year	10,907,866,524
To be appropriated as follows:	
Dividend	1,834,511,235
(¥3 per share)	
Retained earnings to be carried forward to the next fiscal year	9,073,355,289

(Translation)

Transcript of Account Auditors’ Report

Independent Auditors’ Report

May 18, 2006

Mr. Katsumasa Shinozuka, President and Chief Executive Officer
Oki Electric Industry Co., Ltd.

Ernst & Young ShinNihon

Kazuaki Saito (seal),
Engagement Partner, Certified Public Accountant
Akira Sato (seal),
Engagement Partner, Certified Public Accountant

We have audited the statutory report - that is, the balance sheets, the statements of operations, the business report (limited to accounting matters), and the proposed appropriation of unappropriated retained earnings - and its supporting schedules (limited to accounting matters) of Oki Electric Industry Co., Ltd.’s 82nd term from April 1, 2005 to March 31, 2006 in accordance with Article 2 Item 1 of the Law for Special Exceptions to the Commercial Code Concerning Corporate Audits. With respect to the aforementioned business report and supporting schedules, our audit was limited to those matters derived from the accounting books and records of Oki Electric Industry and its subsidiaries. The statutory report and supporting schedules are the responsibility of Oki Electric Industry’s management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. These auditing standards require that we obtain reasonable assurance as to whether these financial statements are free of material misstatement. Audits are conducted based on a test basis, and include reviews of accounting policies and methods that management adopts, and evaluation of management estimates and the presentation of financial statements and supporting schedules as a whole. We believe that we have obtained reasonable bases for the expression of our opinion as a result of our audit. In addition, our audit includes auditing procedures that we considered necessary in order to conduct our audit for Oki Electric Industry’s subsidiaries.

As a result of the audit, our opinion is as follows:

(1) The balance sheets and the statements of income fairly present the financial position and the results of operations of Oki Electric Industry in conformity with related laws and regulations and the Articles of Incorporation.
As described in “Changes in Significant Accounting Policies,” effective from the consolidated fiscal year under review, Oki Electric Industry has adopted “Accounting Standard for Impairment of Fixed Assets.” The foregoing change is in step with Oki Electric Industry’s adoption of “the Opinions concerning Setting Accounting Standard for Impairment of Fixed Assets” by the Business Accounting Deliberation Council on August 9, 2002 and “The Guideline on Accounting Standard for Impairment of Fixed Assets” (ASB Guideline No. 6 issued on October 31, 2003), which we find fair and reasonable.

(2) The business report (limited to accounting matters) fairly presents the status of Oki Electric Industry in conformity with related laws and regulations and the Articles of Incorporation.

(3) The proposal for appropriation of earnings has been prepared in conformity with related laws and regulations and the Articles of Incorporation of Oki Electric Industry.

(4) With respect to the supporting schedules (limited to accounting matters), there are no items to be noted that are not in conformity with the provisions of the Commercial Code.

No conflict of interest as defined by the Accounting Law exists between Oki Electric Industry Co., Ltd., our firm (Ernst & Young ShinNihon) and the respective engagement partners.

(Translation)

Transcript of Corporate Auditors' Report

Corporate Auditors' Report

Each Corporate Auditor reported to the Board of Corporate Auditors on the business execution of the Directors for the 82nd fiscal year (from April 1, 2005 to March 31, 2006), and upon discussion, the Board prepared this audit report as follows.

1. Outline of Corporate Auditors' audit methods

In accordance with auditing policies and auditing plans prescribed by the Board of Corporate Auditors, in addition to participating in the Board of Directors and other important meetings, each Corporate Auditor learned about the state of business operations from the Directors, the internal auditing division and the Account Auditors, and requested business reports from subsidiaries if necessary. In addition, the Board of Corporate Auditors received reports and explanations from the Account Auditors for review of financial statements and their supporting schedules.

In addition to the audit method mentioned above, the Board of Corporate Auditors requested reports from the Directors, if necessary, for detailed surveys with regard to the potential for competitive transactions by the Directors, conflicts of interest between the Directors and Oki Electric Industry, uncompensated allocation of profits from the Company, uncommon transactions with subsidiaries or shareholders, and acquisition and disposal of treasury stocks.

2. Audit results

(1) We find the audit methods and results by Ernst & Young ShinNihon, the Account Auditors, to be appropriate.

(2) We find that the business report correctly indicates corporate status in accordance with law and the Articles of Incorporation.

(3) Considering the state of corporate assets and other circumstances, we find no items that require special reporting with regard to the agenda item for appropriation of retained earnings.

(4) We find no items that require special reporting with regard to the schedules of financial statements, which correctly indicate the items to be stated.

(5) We find no illegal activities of the Directors with regard to business operations, and no significant breaches of law or the Articles of Incorporation.

Further, we find no breach of obligations by the Directors with regard to competitive transactions by the Directors, conflicts of interest between the Directors and the Company, uncompensated allocation of profits by the Company, uncommon transactions with subsidiaries or shareholders, and acquisition and disposal of treasury stocks.

May 22, 2006

The Board of Corporate Auditors, Oki Electric Industry Co., Ltd.

Takahisa Inagawa, Standing Auditor (seal)
Yoshiyuki Honjo, Standing Auditor (seal)
Hiroyuki Katagiri, Standing Auditor (seal)
Ieji Yoshioka, Auditor (seal)

Note: Standing Auditor Hiroyuki Katagiri and Auditor Ieji Yoshioka are external auditors in accordance with Paragraph 1, Article 18 of the former Law for Special Exceptions to the Commercial Code Concerning Corporate Audits.

(Translation)

Material Facts concerning the Circumstances of the Oki Group Arising After Preparation of Business Report

On the basis of the resolution of the meeting of the Board of Directors held on May 23, 2006, the Company issued unsecured corporate bonds with convertible bond-type equity warrants on the following issues terms:

1. 31st Unsecured Corporate Bonds with Convertible Bond-Type Equity Warrants

- Aggregate issue amount: ¥18,000 million
- Issue price: ¥100 per face amount of ¥100
- Coupon rate: Not applicable
- Paying-in date: June 7, 2006
- Date of maturity: June 5, 2009
- Purpose:
  To appropriate for proactive investments in the business fields where growth is expected in the future, as well as repayments for bond retirement and borrowings in future
- Collateral or guarantee: None
- No. of equity warrants to be issued: 36
- Period for exercise of equity warrants: From June 8, 2006 to June 4, 2009 inclusive
- Amount to be paid in at the time of exercise of equity warrants:
  (1) The object of the capital subscription to be made upon the of exercise of one equity warrant is the corporate bond related to such equity warrant, and the issuance value of the relevant corporate bonds shall be the same as the redemption value of the relevant corporate bonds.
  (2) The initial value of the capital subscription to be made at the time of exercise of an equity warrant shall be ¥376 per share.
- Call provisions:
  (1) After issuance of the subject corporate bonds with equity warrants, the Company is entitled, at its sole option, to accelerate redemption of the whole (but not a part) of the remaining portion of the subject corporate bonds to the bond holders at the price of ¥100 per face amount of ¥100.
  (2) After issuance of the subject equity warrant, and on or after the day on which the closing price for the regular transactions of the Company's common stocks falls below ¥219.1, the holders of the corporate bonds with equity warrant shall become entitled to demand of the Company accelerated redemption of the whole or a part of the subject corporate bonds they hold at the price of ¥100 per face amount of ¥100.

2. 32nd Unsecured Corporate Bonds with Convertible Bond-Type Equity Warrant

- Aggregate issue amount: ¥12,000 million
- Issue price: ¥100 per face amount of ¥100
- Coupon rate: Not applicable
- Paying-in date: June 7, 2006

- Date of maturity: June 7, 2009
- Purpose:
  To appropriate for proactive investments in the business fields where growth is expected in the future, as well as repayment for bond retirement and borrowings in future
- Collateral or guarantee: None
- No. of equity warrants to be issued: 24
- Period for exercise of equity warrant: From June 8, 2006 to June 6, 2011 inclusive
- Amount to be paid in at the time of exercise of equity warrants:
  (1) The object of the capital subscription to be made upon the of exercise of one equity warrant is the corporate bond related to such equity warrant, and the issuance value of the relevant corporate bonds shall be the same as the redemption value of the relevant corporate bonds.
  (2) The initial value of the capital subscription to be made at the time of exercise of an equity warrant shall be ¥376 per share.
- Call provisions:
  (1) The Company is entitled, at any time and at its sole option, to accelerate the whole (but not a part) of the remaining portion of the subject corporate bonds at the price of ¥102 per face amount of ¥100 in respect of the period between June 8, 2006 and June 7, 2007, and at the price of ¥103 per face amount of ¥100 in respect of the period between June 8, 2007 and June 6, 2011; provided, however, that if, after issuance of the subject corporate bonds with equity warrant, the closing price of the Company's common stocks remains higher than 120% of the conversion price applicable to each relevant trading day for a consecutive period of 20 trading days, the Company shall become entitled, at any time and at its sole option, to accelerate redemption of the whole (but not a part) of the remaining portion of the subject corporate bonds at the price of ¥100 per face amount of ¥100.
  (2) If the closing price for the regular transactions of the Company's common stocks falls below ¥219.1 on or after June 8, 2009, the holders of the corporate bonds with equity warrant shall become entitled, at any time thereafter, to demand of the Company accelerated redemption of the whole or a part of the subject corporate bonds they hold at the price of ¥104 per face amount of ¥100.

(Translation)

Reference Documents for the General Meeting of Shareholders

Agenda and Reference Matters

Agenda 1: Approval of the Proposed Appropriation of Unappropriated Retained Earnings for the 82nd Fiscal Year

Details of the proposed appropriation of unappropriated retained earnings for the 82nd fiscal year are as described in the attachment (page 31).

Our basic policy is to determine the amount of dividends by considering each year's profitability and retained earnings for future business development.

Based on this policy, we would like to set our dividend for this year as 3 yen per share.

(Translation)

Agenda 2: Partial Amendment to the Articles of Incorporation

1. Reasons for amendment

The existing Articles of Incorporation are being amended in the prescribed manner in accordance with the enforcement on May 1, 2006 of the Companies Act (Law No. 86 of 2005) and "Law concerning Development, etc. of Relevant Laws in Association with Enforcement of the Companies Act (Law No. 87 of 2005)." The principal items of amendment include: (1) establishment of regulations governing issuance of stock certificates; (2) deletion of regulations governing specification of venues for general meetings of shareholders; (3) establishment of regulations enabling Internet-based disclosure of reference documents, etc.; (4) establishment of regulations enabling written resolutions of the Board of Directors; (5) increase in the number of Corporate Auditors for the purpose of meeting future requirements; and (6) development and incorporation of phraseology and expressions which would fit in more properly with those of the new Companies Act.

2. Details of amendments

Details of amendments are as follows.

(Underlined portions are the amendments.)

Current Articles of Incorporation	Amendment Draft
(Newly established)	<u>Article 4. Institutional Positions</u> <u>The Company shall have the following institutional positions in addition to the General Meetings of Shareholders and Directors:</u> <u>(1) Board of Directors</u> <u>(2) Corporate Auditors</u> <u>(3) Board of Corporate Auditors</u> <u>(4) Accountant Auditors</u>
Article <u>4</u>. Method of Public Notice The Company's public notices shall be <u>made by</u> electronic public notices; provided, however, that if <u>electronic public notices are not possible for any compelling reason</u>, the relevant public notices shall be posted on the Nihon Keizai Shimbun.	Article <u>5</u>. Method of Public Notice The Company's public notice <u>method</u> shall be electronic public notice; provided, however, that if <u>it is not possible to deliver public notices by electronic public notices for any compelling reason including accidents, etc.</u>, the relevant public notices shall be posted on the Nihon Keizai Shimbun.
Article <u>5</u>. Aggregate Number of Stocks The aggregate number of <u>stocks issued by</u> the Company shall be two billion and four hundred million.	Article <u>6</u>. Aggregate Number of <u>Authorized</u> Stocks The aggregate number of <u>authorized stocks of</u> the Company shall be two billion and four hundred million.
Article <u>6</u>. Acquisition of Treasury Stocks The Company, by way of the resolution of its Board of Directors, may <u>purchase</u> treasury stocks pursuant to the provisions of <u>Article 211-3, Section 1, Item 2 of the Commercial Code</u>.	Article <u>7</u>. Acquisition of Treasury Stocks The Company, by way of the resolution of its Board of Directors, may <u>acquire</u> treasury stocks <u>through market transactions, etc.</u> pursuant to the provisions of <u>Article 165, Section 2 of the Companies Act</u>.
(Newly established)	<u>Article 8. Issuance of Stock Certificates</u> <u>The Company shall issue stock certificates.</u>

(Translation)

Current Articles of Incorporation	Amendment Draft
Article 7. Number of Stocks Forming One Stock Trade Lot and Non-Issuance of Less-Than-Trade-Lot Stock Certificates 1. The number of the Company's stocks forming one stock trade lot shall be 1,000. 2. The Company shall not issue stock certificates numbering less than one stock trade lot (hereinafter referred to as "Less-Than-Trade-Lot Stocks)," unless otherwise specifically prescribed in the Stock-Handling Regulations.	Article 9. Number of Stocks Forming Stock Trade Lot and Non-Issuance of Less-Than-Trade-Lot Stock Certificates 1. The number of the Company's stocks forming a stock trade lot shall be 1,000. 2. Notwithstanding the provisions of the preceding Article, the Company shall not issue Less-Than-Trade-Lot Stocks unless otherwise specifically prescribed in the Stock-Handling Regulations.
Article 8. Types of Stock Certificates The types of stock certificates issued by the Company shall be governed by the Stock-Handling Regulations established by the Board of Directors.	(Deleted)
(Newly established)	Article 10. Rights Associated with Less-Than-Trade-Lot Stocks The Company's shareholders (including beneficiary shareholders; hereinafter the same) are not, in respect of Less-Than-Trade-Lot Stocks they hold, entitled to exercise rights other than those specified below: (1) Right as prescribed in Article 189, Section 2 of the Companies Act; (2) Right for making a demand as prescribed in Article 166, Section 1 of the Companies Act; and (3) Right to receive allotment of offered stocks and allotment of offered equity warrants.
Article 9. Transfer Agent 1. The Company shall have a transfer agent in place in respect of its stocks. 2. The Company shall select the transfer agent and specify the place for handling the relevant operation by way of a resolution of its Board of Directors, and shall make a public notice of the foregoing. 3. The Company shall keep its shareholders' list, beneficial shareholders' list and register of forfeiture of stock certificates in custody at the transfer agent's place for handling the relevant operation, and shall have the transfer agent handle operation related to the stocks including their name transfers. The Company shall not directly handle the aforementioned operation.	Article 11. Administrator of Shareholders' List 1. The Company shall have a share register administrator in place. 2. The Company shall appoint the administrator of shareholders' list and specify the place for handling the relevant operation by way of a resolution of its Board of Directors, and shall make a public notice of the foregoing. 3. The Company shall commission the administrator of shareholders' list to handle operations related to the shareholders' list, equity warrant register and register of forfeiture of stock certificates such as preparation and keeping custody of the relevant shareholders' list (including beneficial shareholders' list; hereinafter the same). The Company shall not directly handle the aforementioned operation.
Article 10. Handling of Stocks Handling of stocks including name transfer, registration of the right of pledge, indication of trust, re-issuance of stock certificates and purchase of Less-Than-Trade-Lot Stock, and fees associated with the said handling shall be as prescribed in the Stock-Handling Regulations established by the Board of Directors.	Article 12. Stock-Handling Regulations Handling of the Company's stocks and fees associated with the said handling shall be as prescribed in the relevant laws, provisions of the Articles hereof, and the Stock-Handling Regulations established by the Board of Directors.

(Translation)

Current Articles of Incorporation	Amendment Draft
Article 11. Reference Date 1. The Company shall identify those voting shareholders (including beneficial shareholders; hereinafter the same) who are listed or otherwise recorded on the final shareholders' list and beneficial shareholders' list as of March 31 of each year as the shareholders who are entitled to exercise their rights at the ordinary general meeting of shareholders for the relevant fiscal year. 2. Where necessary, the Company shall, by way of a prior public notice subject to the resolution of its Board of Directors, identify those shareholders or registered pledgees who are listed or otherwise recorded on the final shareholders' list and beneficial shareholders' list as of a certain specified date as the shareholders or registered pledgees who are entitled to exercise their rights.	(Deleted)
Article 12. Timing for and Place of Call 1. The Company's ordinary general meeting of shareholders shall be convened in June of each year, and an extraordinary general meeting of shareholders shall be convened as needed. 2. A general meeting of shareholders shall be convened in metropolitan Tokyo.	Article 13. Call 1. The Company's ordinary general meeting of shareholders shall be convened in June of each year, and an extraordinary general meeting of shareholders shall be convened as needed. (Deleted)
(Newly established)	Article 14. Reference Date for Ordinary General Meeting of Shareholders The reference date for the voting rights in respect of the Company's ordinary general meeting of shareholders shall be March 31 of each year.
Article 13. Convener and Chairman 1. The President shall convene and chair a general meeting of shareholders pursuant to the resolution of the Board of Directors unless otherwise prescribed by law. 2. In the absence or in the event of disability of the President, another Director shall replace the President in the order prescribed by the relevant resolution of the Board of Directors.	Article 15. Authorized Convener and Chairman 1. The President shall convene and chair a general meeting of shareholders. 2. In the absence or in the event of disability of the President, another Director shall convene and chair a general meeting of shareholders in accordance with the order prescribed in advance by the Board of Directors.
(Newly established)	Article 16. Internet-Based Disclosure and Deemed Delivery of Reference Documents for General Meeting of Shareholders The Company, in convening a general meeting of shareholders, is entitled to deem Reference Documents for the General Meeting of Shareholders, Business Report and information related to matters which should be described or displayed in its financial statements and consolidated financial statements, to have been delivered to its shareholders by disclosure to them using a method utilizing the Internet pursuant to the provisions of the relevant ordinances of the Ministry of Justice.

(Translation)

Current Articles of Incorporation	Amendment Draft
Article 14. Resolution Method 1. A resolution of a general meeting of shareholders shall be approved by majority vote of the shareholders in attendance unless otherwise specifically prescribed by law or the provisions of the Articles hereof. 2. A special resolution prescribed in Article 343 of the Commercial Code shall be made at a general meeting attended by the shareholders holding one third or more of the voting rights of the aggregate shareholders, and shall be approved by a vote of two thirds or more of the said voting rights.	Article 17. Resolution Method 1. A resolution of a general meeting of shareholders shall be approved by majority vote of the shareholders in attendance who are entitled to exercise their voting rights unless otherwise specifically prescribed by law or the provisions of the Articles hereof. 2. A resolution prescribed in Article 309, Section 2 of the Companies Act shall be made at a general meeting attended by the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights, and shall be approved by a vote of two thirds or more of the said voting rights.
Article 15. Exercise of Voting Rights by Proxy A shareholder is entitled to exercise his, her or its voting rights by way of another voting shareholder of the Company, in which event the said shareholder shall submit a suitable power of attorney to the Company in advance. (Newly established)	Article 18. Exercise of Voting Rights by Proxy 1. A shareholder is entitled to exercise his, her or its voting rights by way of one other voting shareholder of the Company. 2. A shareholder or the proxy of the shareholder shall submit to the Company documents attesting to the proxy's delegated authority.
Article 16. Minutes The gist of the proceedings and outcome of a general meeting of shareholders shall be recorded in the minutes, and the said minutes shall be retained by the Company after the names and seals of the chairman and Directors in attendance are placed thereon.	(Deleted)
Article 17. (Text omitted)	Article 19. (Text omitted)
Article 18. Election and Appointment of Directors 1. Directors shall be elected at a general meeting of shareholders. 2. The resolution to elect Directors shall be made at a general meeting attended by the shareholders holding one third or more of the voting rights of the aggregate shareholders, and shall be approved by a vote of two thirds or more of the said voting rights. 3. The resolution to elect Directors shall not be by means of cumulative voting.	Article 20. Method of Election and Appointment of Directors 1. Directors shall be elected at a general meeting of shareholders. 2. The resolution to elect Directors shall be made at a general meeting attended by the shareholders holding one third or more of the voting rights of the shareholders who are entitled to exercise their voting rights, and shall be approved by a vote of two thirds or more of the said voting rights. 3. The resolution to elect Directors shall not be by means of cumulative voting.
Article 19. Tenure of Directors 1. The tenure of a Director shall be up to the time of conclusion of an ordinary general meeting of shareholders covering the last fiscal term within two years from the date of his/her inauguration. 2. The tenure of a Director elected as an alternate for the Director who has retired prior to the expiration of his/her tenure shall be up to the time at which the tenure of the retired Director would otherwise expire.	Article 21. Tenure of Directors 1. The tenure of a Director shall be up to the time of conclusion of an ordinary general meeting of shareholders covering the last Business Year having ended within two years from the date of his/her election. 2. The tenure of a Director elected as an alternate for the Director currently in office shall be up to the time at which the tenure of the Director currently in office would otherwise expire.

(Translation)

Current Articles of Incorporation	Amendment Draft
Article 20. Representative Director and Directors with Specific Executive Duties 1. Representative Directors shall be decided upon by a resolution of the Board of Directors. 2. The Board of Directors, by means of its resolution, may decide upon a Chairman, a President, and a certain limited number of Deputy Presidents, Executive Vice Presidents and Senior Vice Presidents. 3. The President shall execute the resolutions of the Board of Directors and exercise control over business operations. 4. The Deputy Presidents, Executive Vice Presidents and Senior Vice Presidents shall assist the President and execute business operations. 5. In the absence or event of disability of the President, another Director shall replace the President in the order prescribed by the relevant resolution of the Board of Directors.	Article 22. Representative Director and Directors with Specific Executive Duties 1. The Board of Directors shall elect a Representative Director by means of its resolution. 2. The Board of Directors, by means of its resolution, may elect a Chairman, a President, and a certain limited number of Deputy Presidents, Executive Vice Presidents and Senior Vice Presidents. (Deleted) (Deleted) (Deleted)
Article 21. Board of Directors The Board of Directors shall make decisions on important matters concerning the Company, in addition to those prescribed by law or the provisions of the Articles hereof.	(Deleted)
Article 22. Authorized Convener and Chairman of Board of Directors 1. The Chairman of the Board of Directors shall convene and chair a meeting of the Board of Directors unless otherwise specifically prescribed by law or the provisions of the Articles hereof. 2. In the absence or in the event of disability of the Chairman, another Director shall replace the Chairman in the order prescribed by the relevant resolution of the Board of Directors.	Article 23. Authorized Convener and Chairman of Board of Directors 1. The Chairman of the Board of Directors shall convene and chair a meeting of the Board of Directors unless otherwise specifically prescribed by law or the provisions of the Articles hereof. 2. In the absence or in the event of disability of the Chairman, another Director shall convene and chair a meeting of the Board of Directors in accordance with the order prescribed in advance by the Board of Directors.
Article 23. Notice of Meeting of Board of Directors 1. The notice of a meeting of the Board of Directors shall be issued to each Director and Corporate Auditor at least three days prior to the date of the meeting; provided, however, that the relevant notice time frame may be shortened in an emergency. (Newly established)	Article 24. Notice of Meeting of Board of Directors 1. The notice of a meeting of the Board of Directors shall be issued to each Director and Corporate Auditor at least three days prior to the date of the meeting; provided, however, that the relevant notice time frame may be shortened if urgently needed. 2. Provided all Directors and Corporate Auditors concur, a meeting of the Board of Directors may be convened without having to follow the established convening procedures.
(Newly established)	Article 25. Omission of Resolution of Board of Directors If the requirements prescribed in Article 370 of the Companies Act are fulfilled, the Company shall deem the relevant agenda to have been duly resolved by the Board of Directors.

(Translation)

Current Articles of Incorporation	Amendment Draft
Article <u>24</u>. Regulations of Board of Directors Matters concerning the Board of Directors shall be dealt with in accordance with the provisions of law, the Articles hereof, and the Regulations of the Board of Directors as established by the Board of Directors.	Article <u>26</u>. Regulations of Board of Directors Matters concerning the Board of Directors shall be dealt with in accordance with the provisions of law, the Articles hereof, and the Regulations of the Board of Directors as established by the Board of Directors.
Article <u>25</u>. Complement of Corporate Auditors The authorized number of the Company's Corporate Auditors shall be up to <u>four</u>.	Article <u>27</u>. Complement of Corporate Auditors The authorized number of the Company's Corporate Auditors shall be up to <u>five</u>.
Article <u>26</u>. Election and Appointment of Corporate Auditors 1. Corporate Auditors shall be elected at a general meeting of shareholders. 2. The resolution to elect Corporate Auditors shall be made at a general meeting attended by the shareholders holding one third or more of the voting rights of the <u>aggregate</u> shareholders, and shall be approved by a majority voting of the said voting rights.	Article <u>28</u>. <u>Method of</u> Election and Appointment of Corporate Auditors 1. Corporate Auditors shall be elected at a general meeting of shareholders. 2. The resolution to elect Corporate Auditors shall be made at a general meeting attended by the shareholders holding one third or more of the voting rights of the shareholders <u>who are entitled to exercise their voting rights</u>, and shall be approved by a majority voting of the said voting rights.
Article <u>27</u>. Tenure of Corporate Auditors 1. The tenure of a Corporate Auditor shall be up to the time of conclusion of an ordinary general meeting of shareholders covering the last <u>fiscal term</u> within four years from the date of his/her inauguration. 2. The tenure of a Corporate Auditor elected as an alternate for the Corporate Auditor who has retired prior to the expiration of his/her tenure shall be up to the time at which the tenure of the retired Corporate Auditor <u>should otherwise expire</u>.	Article <u>29</u>. Tenure of Corporate Auditors 1. The tenure of a Corporate Auditor shall be up to the time of conclusion of an ordinary general meeting of shareholders covering the last <u>Business Year having ended</u> within four years from the date of his/her <u>election</u>. 2. The tenure of a Corporate Auditor elected as an alternate for the Corporate Director who has retired prior to the expiration of his/her tenure shall be up to the time at which the tenure of the retied Corporate Auditor <u>would otherwise expire</u>.
Article <u>28</u>. Standing Corporate Auditor <u>A Standing Corporate Auditor shall be decided upon by mutual voting of Corporate Auditors.</u>	Article <u>30</u>. Standing Corporate Auditor <u>The Board of Corporate Auditors shall elect its Standing Corporate Auditor by means of its resolution.</u>
<u>Article 29. Board of Corporate Auditors</u> <u>The Board of Corporate Auditors shall be vested with the powers prescribed by law and decide upon matters concerning Corporate Auditors' execution of their duties; provided, however, that the Board of Corporate Auditors may not interfere with Corporate Auditors' exercise of their powers.</u>	(Deleted)
Article <u>30</u>. Notice of Meeting of Board of Corporate Auditors 1. The notice of a meeting of the Board of Corporate Auditors shall be issued to each Corporate Auditor at least three days prior to the date of the meeting; provided, however, that the relevant notice time frame may be shortened <u>in an emergency</u>. (Newly established)	Article <u>31</u>. Notice of Meeting of Board of Corporate Auditors 1. The notice of a meeting of the Board of Corporate Auditors shall be issued to each Corporate Auditor at least three days prior to the date of the meeting; provided, however, that the relevant notice time frame may be shortened <u>if urgently needed</u>. 2. <u>Provided all Corporate Auditors concur, a meeting of the Board of Directors may be convened without having to follow the established convening procedures.</u>

(Translation)

Current Articles of Incorporation	Amendment Draft
Article 31. Regulations of Board of Corporate Auditors Matters concerning the Board of Corporate Auditors shall be dealt with in accordance with the provisions of law, the Articles hereof, and the Regulations of the Board of Corporate Auditors as established by the Board of Corporate Auditors.	Article 32. Regulations of Board of Corporate Auditors Matters concerning the Board of Corporate Auditors shall be dealt with in accordance with the provisions of law, the Articles hereof, and the Regulations of the Board of Corporate Auditors as established by the Board of Corporate Auditors.
Article 32. Operating Year The Company's Operating Year shall begin on April 1 and end on March 31 of the following calendar year, and the last day of the said Operating Year shall be the fiscal closing date.	Article 33. Business Year The Company's Business Year shall be a period of one year beginning on April 1 and ending on March 31 of each year.
Article 33. Dividends Dividends shall be paid to the shareholders or registered pledgees who are listed or otherwise recorded on the final shareholders' list and beneficial shareholders' list as of March 31 of each year.	Article 34. Reference Date for Distribution of Surplus The reference date for the year-end distribution of the Company's surplus shall be March 31 of each year.
Article 34. Interim Dividends The Company, subject to the relevant resolution of its Board of Directors, may distribute interim dividends (distribution of monies prescribed in Article 293-5 of the Commercial Code) to the shareholders or registered pledgees who are listed or otherwise recorded on the final shareholders' list and beneficial shareholders' list as of March 31 of each year.	Article 35. Interim Dividends The Company, subject to the relevant resolution of its Board of Directors, may distribute interim dividend, with September 30 of each year as the relevant reference date.
Article 35. Statute of Limitation on Dividends, etc. The Company shall be released from its obligations to pay dividends or interim dividends if they are not received after the lapse of five years from the respective dates of commencement of payment.	Article 36. Statute of Limitation on Distribution of Surplus, etc. The Company shall be released from its obligations to pay distributable assets in the form of money if they are not received after the lapse of five years from the respective dates of commencement of payment.

(Translation)

Agenda 3: Election of Eight Directors

The tenure of Directors Katsumasa Shinozuka, Kazuo Tanaka, Yutaka Maeda, Tadao Murase, Naoki Sato, Harushige Sugimoto and Takashi Hattori will expire at the end of this general meeting of shareholders.

We accordingly request that you elect eight Directors from among the following candidates.

Candidates for Directors (Eight):

Candidate number	Name (Date of birth)	Brief personal profile and representation of other companies	Number of Oki shares held
1	Katsumasa Shinozuka (Born November 28, 1940)	Apr. 1962 Joined Oki Electric Oct. 1988 Division Manager, Computer System Development Division Jun. 1990 Director Oct. 1992 Senior Vice President Jun. 1997 Executive Vice President Jun. 1998 President (incumbent) Apr. 2000 CEO (incumbent)	68,000 shares
2	Kazuo Tanaka (Born December 20, 1944)	Apr. 1968 Joined Oki Electric Jun. 1995 General Manager, Accounting & Control Division Jun. 1998 Director Apr. 2000 Senior Vice President Jun. 2004 CCO (incumbent) Executive Vice President (incumbent) Apr. 2005 CFO (incumbent)	38,000 shares
3	Yutaka Maeda (Born August 7, 1944)	Apr. 1968 Joined Oki Electric Jul. 1997 Division Manager, Financial System Business Division Jun. 1998 Director Apr. 2000 Senior Vice President Apr. 2005 Executive Vice President (incumbent) Chairman, Information & Telecommunications Business Group (incumbent) Also serving as President, Oki Consulting Solutions Co., Ltd.	25,000 shares
4	Tadao Murase (Born August 10, 1944)	Apr. 1968 Joined Oki Electric Jul. 1997 Division Manager, Government Sales Division Jun. 1999 Director Apr. 2001 Senior Executive Officer Jun. 2002 Senior Vice President Apr. 2006 Executive Vice President (incumbent) Also serving as President, Oki Alpha Create Co, Ltd.	22,000 shares
5	Naoki Sato (Born October 27, 1948)	Apr. 1972 Joined Fuji Bank, Ltd. May 1999 General Manager, Sales Division No. 5, Fuji Bank Jun. 2001 Executive Officer, Fuji Bank Apr. 2002 Senior Executive Officer, Mizuho Corporate Bank, Ltd. Apr. 2004 Senior Executive Officer, Oki Electric Jun. 2004 Senior Vice President (incumbent)	6,000 shares

(Translation)

Candidate number	Name (Date of birth)	Brief personal profile and representation of other companies	Number of Oki shares held
6	Harushige Sugimoto (Born February 22, 1948)	Apr. 1970 Joined Oki Electric Jun. 1990 General Manager, Technology Department No. 1, Composite Telecommunications Systems Company, Electronic Telecommunications Business Division Apr. 2000 Executive Officer Apr. 2004 CTO (incumbent) Senior Executive Officer Jun. 2004 Senior Vice President (incumbent) Apr. 2006 Division Manager, China Business Support Division	17,000 shares
7	Hironori Kitabayashi (Born August 4, 1947)	Apr. 1970 Joined Oki Electric Jun. 1996 Superintendent, Process Technology Center, Electronic Device Business Division Apr. 2000 Executive Officer Apr. 2005 Senior Executive Officer (incumbent) Apr. 2006 Chairman, Semiconductor Business Group (incumbent)	13,000 shares
8	Mikihiko Maeno (Born January 27, 1945)	Apr. 1967 Joined Oki Electric Apr. 1999 Superintendent, Takasaki Production Center, System Solution Business Group Jun. 1999 Director Apr. 2001 Senior Vice President, Oki Customer Adtech Co., Ltd. Oct. 2002 Senior Vice President, Oki Data Corporation Apr. 2004 President, Oki Data Corporation (incumbent)	3,000 shares

CEO: Chief Executive Officer
CCO: Chief Compliance Officer
CFO: Chief Financial Officer
CTO: Chief Technology Officer

(Translation)

Agenda No. 4: Election of One Corporate Auditor

Mr. Yoshiyuki Honjo, Corporate Auditor, will retire effective at the end of this general meeting of shareholders.

We accordingly request that you elect one new Corporate Auditor. Particulars of the proposed candidate are provided below.

The Board of Auditors has already approved this agenda.

Candidate for Corporate Auditor (1):

Name (Date of birth)	Brief personal profile and representation for other company		Number of Oki shares held
Yoshikatsu Shiraishi (Born October 15, 1944)	Apr. 1968 Apr. 1996 Jun. 1997 Apr. 2000 Jun. 2001 Apr. 2002 Apr. 2003 Apr. 2006	Joined Oki Electric General Manager, Backbone Network Department No. 1, Telecommunications Network Business Division Director Senior Executive Officer Senior Vice President President, IPnet Co., Ltd. Deputy President, Oki Customer Adtech Co., Ltd. Director, Oki Customer Adtech Co., Ltd. (incumbent)	22,000 shares

Note: Mr. Yoshikatsu Shiraishi is scheduled to retire from the position of Director of Oki Customer Adtech Co., Ltd. on June 28, 2006.

(Translation)

Agenda 5: Revision of Wages for Directors and Auditors

The amount of remuneration for the Company's Directors, which had remained at a maximum of ¥40 million per month since 1990, was revised and set at a maximum of ¥480 million per year at the 81st ordinary general meeting of shareholders held on June 29, 2005. Meanwhile, the system of retirement bonuses for Directors was abolished in 2004. Given the amendment in the handling of bonuses and stock options in compliance with the Companies Act (Law No. 86 of 2005), and in order to exercise effective management by linking the amount of remuneration to the Company's business performance, we propose that the amount of remuneration for Directors be revised up to a maximum of ¥600 million per year. This amount will not include the portion paid as employees' salaries to those Directors who concurrently serve as employees.

As in the case of Directors, the amount of remuneration for the Company's Corporate Auditors, which had remained at a maximum of ¥7 million per month since 1997, was revised and set at a maximum of ¥84 million per year at the 81st ordinary general meeting of shareholders held on June 29, 2005. Likewise, the system of retirement bonuses for Corporate Auditors was abolished in 2004. In order to provide for reinforcement of the future audit structure, including the increased complement of Corporate Auditors as proposed in Agenda 2, we propose that the amount of remuneration for Corporate Auditors be revised and set at a maximum of ¥100 million.

Provided that Agenda 3 and Agenda 4 are approved as originally presented, the numbers of Directors and Corporate Auditors would be eleven and four, respectively.

(Translation)

Agenda 6: Granting of Equity Warrants as Stock Options to Directors

We propose that approval of the shareholders be given to the Company's granting its Directors stock options in the form of equity warrants as "Non-Monetary Remuneration" prescribed in Article 361 of the Companies Act, for the following reason and in the following manner, pursuant to the provisions of Articles 236, 238 and 240 of the Companies Act (Law No. 86 of 2005):

1. Reason for granting equity warrants as stock options to Directors

Stock options in the form of equity warrants as "Non-Monetary Remuneration" are to be granted to Directors for the purposes of further enhancing the relevant Directors' incentives and morale for improving the Company's business performance and expanding the interests of our shareholders by augmenting our corporate value through their management efforts.

2. Persons to whom granted equity warrants would be allotted

We propose to allot the granted equity warrants to the Company's Directors who are charged with executing the relevant operations.

3. Particulars of offering of equity warrants to be granted

(1) Type and number of common stocks issued for the purpose of granting equity warrants

The upper limit of new common shares to be issued is 185,000 shares.

In the event the Company splits or consolidates its common shares, the number of shares to be issued for the purpose of the equity warrants not yet exercised shall be adjusted in accordance with the formula below:

Number of shares after adjustment =
(Number of shares before adjustment) x (Ratio of split or consolidation)

Odd lots less than one share in this adjustment shall be discarded.

(2) Aggregate number of equity warrants to be offered

Up to 185

(Beneficiaries can acquire 1,000 shares for each right. However, if the number of shares to be issued is adjusted as described above, the number of shares to be acquired will also be adjusted in the same manner.)

(3) Issue price of equity warrants to be offered

Issue price of equity warrants to be offered shall be the fair price as calculated using the Black-Scholes Option Pricing Model as of the date of allotment of equity warrants; provided, however, that no payment shall be due at the time of allotment of equity warrants as the said issue price would be offset, pursuant to the provisions of Article 246, Section 2 of the Companies Act, by the right of claim for remuneration that Directors as holders of equity warrants possess vis-à-vis the Company.

(4) Amount to be paid in on the exercise of equity warrants prescribed in these particulars of offering (hereinafter referred to as "equity warrants")
The amount paid per right is determined by multiplying the amount paid per share determined as follows ("exercise price") by the number of shares to be issued per right as determined in (2) above. The exercise price will be the highest of the following multiplied by 1.05: 1) the average closing price for the Company's shares on the Tokyo Stock Exchange during the month prior to the month that includes the issue date of equity warrants, 2) the closing price for the Company's shares on the day prior to the issue date of equity warrants, and 3) the closing price for the Company's shares on the day prior to the day of this general meeting of shareholders. Fractions less than one yen shall be rounded up to the nearest yen.

Further, in the event that the Company issues new shares at a price less than the market price (excluding the issuance of new shares by the exercise of equity warrants), the exercise price shall be adjusted in accordance with the formula shown below, fractions less than one yen being rounded up to the nearest yen.

Exercise price after adjustment =

$$\text{Exercise price before adjustment} \times \frac{\text{Number of outstanding shares} + \dfrac{(\text{Number of newly issued shares} \times \text{Amount paid per share})}{\text{Market price per share before new share issue}}}{\text{Number of outstanding shares} + \text{Increase in number of shares following new share issue}}$$

In case the Company splits or consolidates its stock, the exercise price shall be adjusted in accordance with the ratio of split or consolidation, and fractions less than one yen as a result of the adjustment shall be rounded up to the nearest yen.

(5) Period during which equity warrants may be exercised and monetary payments may be made
From July 1, 2008 to June 28, 2016

(6) Conditions for exercise of equity warrants
a. The following restrictions shall be established for exercise of equity warrants:
1) Period from July 1, 2008 to June 30, 2009:
A maximum of 34% of the allotted number may be exercised.
2) Period from July 1, 2009 to June 30, 2010:
A maximum of the number calculated by deducting the number exercised in 1) above from 67% of the allotted number may be exercised.
3) Period from July 1, 2010 to June 28, 2016:
A maximum of the number calculated by deducting the number exercised in 1) and 2) above from the allotted number may be exercised.
Fractions shall be rounded off for calculation purposes.
b. The heir of the holder of the equity warrants upon the holder's death shall be allowed to exercise the rights as follows:

In case of inheritance before June 30, 2010, the rights may be exercised by June 30, 2011.

In case of inheritance after July 1, 2010, the rights may be exercised for one year from the date of inheritance; provided, however, that the rights may not be exercised after June 28, 2016.

c. Other conditions regarding the exercise of rights shall be subject to the equity-warrant allocation agreement concluded between the Company and the holders of the rights.

(7) Cancellation of equity warrants

Equity warrants may be cancelled free of charge in case the rights holder no longer falls under any of the conditions for exercise provided for in the previous paragraph.

(8) Restrictions on transfer of equity warrants

The transfer of equity warrants is subject to the approval of the Board of Directors.

(9) Date of allotment of equity warrants, etc.

Necessary items and matters pertaining to allotment, etc. shall be established by resolution of the Board of Directors.

(Translation)

Agenda 7: Determining Particulars of Offering Equity Warrants Granted as Stock Options to Executive Officers Excluding Those Concurrently Serving as Directors

We propose that approval of the shareholders be given to the below-noted contents of Particulars of Offering of equity warrants that the Company intends to grant as stock options to its Executive Officers excluding those concurrently serving as Directors for the following reason and in the following manner, pursuant to the provisions of Articles 236, 238 and 239 of the Companies Act (Law No. 86 of 2005):

We request that this Agenda be approved, as in the past, as “an agenda for granting equity warrants to parties other than the shareholders on particularly privileged terms.”

1. Reason for granting equity warrants on particularly privileged terms

Equity warrants as stock options are to be allotted, free of charge, to Executive Officers excluding those concurrently serving as Directors, senior managers participating in managerial execution and certain directors of the Company’s subsidiaries, for the purposes of further enhancing their incentives and morale for improving the Company’s business performance and expanding the interests of our shareholders by augmenting our corporate value through their management efforts.

2. Persons to whom equity warrants are allotted

Equity warrants shall be allotted to the Company’s Executive Officers, senior managers participating in managerial execution and certain directors of the Company’s subsidiaries.

3. Particulars of offering of equity warrants to be granted

(1) Type and number of common stocks issued for the purpose of granting equity warrants

The upper limit of new common shares to be issued is 162,000 shares.

In the event the Company splits or consolidates its common shares, the number of shares to be issued for the purpose of the equity warrants not yet exercised shall be adjusted in accordance with the formula below:

Number of shares after adjustment =
(Number of shares before adjustment) x (Ratio of split or consolidation)

Odd lots less than one share in this adjustment shall be discarded.

(2) Aggregate number of equity warrants to be offered

Up to 162

(Beneficiaries can acquire 1,000 shares for each right. However, if the number of shares to be issued is adjusted as described above, the number of shares to be acquired will also be adjusted in the same manner.)

(Translation)

(3) Issue price of equity warrants to be offered
Free of charge

(4) Amount to be paid in on the exercise of equity warrants prescribed in these particulars of offering (hereinafter referred to as "equity warrants")
The amount paid per right is determined by multiplying the amount paid per share determined as follows ("exercise price") by the number of shares to be issued per right as determined in (2) above. The exercise price will be the highest of the following multiplied by 1.05: 1) the average closing price for the Company's shares on the Tokyo Stock Exchange during the month prior to the month that includes the issue date of equity warrants, 2) the closing price for the Company's shares on the day prior to the issue date of equity warrants, and 3) the closing price for the Company's shares on the day prior to the day of this general meeting of shareholders. Fractions less than one yen shall be rounded up to the nearest yen.

Further, in the event that the Company issues new shares at a price less than the market price (excluding the issuance of new shares by the exercise of equity warrants), the exercise price shall be adjusted in accordance with the formula shown below, fractions less than one yen being rounded up to the nearest yen.

Exercise price after adjustment =

$$\text{Exercise price before adjustment} \times \frac{\text{Number of outstanding shares} + \dfrac{(\text{Number of newly issued shares} \times \text{Amount paid per share})}{\text{Market price per share before new share issue}}}{\text{Number of outstanding shares} + \text{Increase in number of shares following new share issue}}$$

In case the Company splits or consolidates its stock, the exercise price shall be adjusted in accordance with the ratio of split or consolidation, and fractions less than one yen as a result of the adjustment shall be rounded up to the nearest yen.

(5) Period during which equity warrants may be exercised and monetary payments may be made
From July 1, 2008 to June 28, 2016

(6) Conditions for exercise of equity warrants
a. The following restrictions shall be established for exercise of equity warrants:
   1) Period from July 1, 2008 to June 30, 2009:
      A maximum of 34% of the allotted number may be exercised.
   2) Period from July 1, 2009 to June 30, 2010:
      A maximum of the number calculated by deducting the number exercised in 1) above from 67% of the allotted number may be exercised.
   3) Period from July 1, 2010 to June 28, 2016:
      A maximum of the number calculated by deducting the number exercised in 1) and 2) above from the allotted number may be exercised.
      Fractions shall be rounded off for calculation purposes.
b. The heir of the holder of the equity warrants upon the holder's death shall be

allowed to exercise the rights as follows:
In case of inheritance before June 30, 2010, the rights may be exercised by June 30, 2011.
In case of inheritance after July 1, 2010, the rights may be exercised for one year from the date of inheritance; provided, however, that the rights may not be exercised after June 28, 2016.

c. Other conditions regarding the exercise of rights shall be subject to the equity-warrant allocation agreement concluded between the Company and the holders of the rights.

(7) Cancellation of equity warrants
Equity warrants may be cancelled free of charge in case the rights holder no longer falls under any of the conditions for exercise provided for in the previous paragraph.

(8) Restrictions on transfer of equity warrants
The transfer of equity warrants is subject to the approval of the Board of Directors.

(9) Date of allotment of equity warrants, etc.
Necessary items and matters pertaining to allotment, etc. shall be established by resolutions of the Board of Directors.

(Translation)

Appendix

Instructions for the Exercise of Voting Rights via the Internet

1. Matters requiring your agreement concerning the exercise of voting rights via the Internet

We kindly request your consent to the following regarding exercise of voting rights via the Internet.

1) Exercise of voting rights via the Internet is only possible by accessing the voting site designated by the Company (please refer to the following URL). It is also possible to access this site via mobile phone-based Internet. Using these means of access will require you to enter your voting right exercise code and password (valid only for purposes of this general meeting) provided in the upper right corner of the voting rights exercise form enclosed with the Notice.
2) We will regard the exercise of rights via the Internet to be effective if you exercise your voting rights both in writing and via the Internet.
3) We will regard the last exercise via the Internet to be the effective exercise in case you exercise your voting rights more than once.
4) You will bear all connection charges for using the Internet (service provider access fees, communication charges, etc.)

2. Instructions for voting via the Internet

1) Access http://www.it-soukai.com or https://daiko.mizuho-tb.co.jp.
   (Please note that the above URL cannot be accessed from 3:00 a.m. to 5:00 a.m. during the voting period.)
2) Enter the voting rights exercise code and the password and click "log-in."
3) Proceed to vote in accordance with the site instructions.

3. Technical specifications

1) Operating system: Windows or Macintosh operating systems
2) Browser: Internet Explorer 5.5 or above, Netscape Communicator 4.7 or above
3) Internet connection: any service providing Internet access
4) Mobile phones: Services should be available from any of "i-mode," "EZweb" or "Vodafone live!" (Certain models cannot be used.) If you are using a cellular phone with bar-code scanner features we request that you use the QR Code provided in the margin.

4. Notes on information security

Please rest assured that you will be able to use our systems safely as we use cryptographic technology (128-bit SSL) in order to prevent exercise-related information from being falsified or wiretapped.

The voting rights exercise code and password provided on your voting rights exercise form are an important means of validating you as our shareholder. Please ensure that they are not disclosed to others. The Company's staff will never ask you to disclose your password.

5. Contact

1) For information concerning the operation of personal computers for the electronic exercise of voting rights:
   Internet Help Dial, Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
   Tel: 0120-768-524 (toll-free)
   From 9:00 a.m. to 5:00 p.m. excluding Saturdays, Sundays and national holidays
2) For address changes and other matters other than (1) above:
   Stock Transfer Agency Department, Mizuho Trust & Banking Co., Ltd.
   Tel. 0120-288-324 (toll-free)
   From 9:00 a.m. to 5:00 p.m. excluding Saturdays, Sundays and national holidays