(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, and in particular the accuracy of this translation, are hereby disclaimed.

(Securities Identification Code: 6703)
June 6, 2007

NOTICE OF 83RD ORDINARY GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

Oki Electric Industry Co., Ltd. (the "Company") would hereby like to inform you that the 83rd ordinary general meeting of shareholders will be held as follows. We 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" and exercise their voting rights in one of the following ways no later than 5:15 p.m., June 25 (Monday), 2007.

[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," 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 Internet.

Yours faithfully,

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

(Translation)

1. Date and Time: Tuesday, June 26, 2007, from 10:00 a.m.

2. Location: Bellesalle Mita Conference Room, Sumitomo Fudosan Mita Twin Bldg., West Wing, 1st Floor, 3-5-27 Mita, Minato-ku, Tokyo
(The location is different from last year.)

3. Meeting Agenda

Items to be reported:

1. Business Report, Consolidated Financial Statements and audit results of the Consolidated Financial Statements by the Account Auditor and the Board of Corporate Auditors for the 83rd fiscal year (from April 1, 2006 to March 31, 2007)
2. Non-consolidated Financial Statements for the 83rd fiscal year (from April 1, 2006 to March 31, 2007)

Items to be resolved:

Agenda 1: Election of Four Directors
Agenda 2: Election of One Corporate Auditor
Agenda 3: Granting of Equity Warrants as Stock Options to Directors
Agenda 4: Determining the Particulars of Offering Equity Warrants Granted as Stock Options to Executive Officers Excluding Those Concurrently Serving as Directors

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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 83rd 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, the Business Report, and the Consolidated and Non-consolidated Financial Statements will be announced on the website.

(Translation)

Business Report

(From April 1, 2006 to March 31, 2007)

1. Status of the OKI Group

(1) Operating progress and results

During the fiscal year ended March 2007, the domestic economy remained on a recovery track as a whole thanks to improvements in corporate earnings and capital expenditure. Business conditions worldwide also showed a recovery trend. In the Group's major business areas, sales in the financial system business increased reflecting improved investment activities in the financial market, and color non-impact printers sold well due to market expansion. Telecom carriers, however, curtailed investments in fixed-line network facilities, sales of driver LSIs decreased due to prolonged inventory adjustments of liquid crystal panels, and the Group was unable to reduce costs commensurate with price reductions due to tougher competition. Overall, the Group faced a difficult business environment.

As a result, consolidated sales for the term under review increased 5.6% year-on-year to ¥718.8 billion. Consolidated operating income declined by ¥16.0 billion year-on-year from ¥10.6 billion to a loss of ¥5.4 billion. Consolidated recurring income decreased by ¥20.0 billion from ¥7.2 billion to a loss of ¥12.8 billion, and consolidated net income dropped by ¥41.5 billion from ¥5.1 billion to a loss of ¥36.4 billion due to a reversal of deferred tax assets.

Non-consolidated results followed a trend similar to that for consolidated results. Sales for the term under review stood at ¥406.9 billion, down 0.5% year-on-year. Operating income declined by ¥20.4 billion year-on-year from ¥3.8 billion to a loss of ¥16.6 billion. Recurring income decreased by ¥22.4 billion from ¥4.7 billion to a loss of ¥17.7 billion, and net income dropped by ¥39.6 billion from ¥2.2 billion to a loss of ¥37.4 billion.

We deeply regret to say that there will be no payment of dividends to shareholders for the fiscal year under review.

Consolidated sales by segment are as provided below.

- Net Sales

(Unit: billions of yen)

Segment	FY2005 (reference: previous year)	FY2006 (the year under review)	Increase or decrease	Compared to the previous year (%)
Info-telecom systems	338.0	352.7	14.7	4.3
Semiconductors	150.7	145.5	(5.2)	(3.5)
Printers	160.5	187.1	26.6	16.6
Other	31.3	33.5	2.2	6.9
Total	680.5	718.8	38.3	5.6

The following provides a summary of each segment.

(Translation)

Info-telecom systems

During the fiscal year under review, telecom carriers curtailed investments in IP networks and existing switching systems and sales of fixed-line network facilities decreased from the previous fiscal year affected by delays in product development. At the same time, we believe that full-scale operations of the next-generation network "NGN" will contribute to the Group's earnings in and after the fiscal year ending March 2008.

In the financial market business, demand for ATMs targeting China and South Korea and high-security ATMs was strong in the fiscal year under review, and sales of terminals for Japan Post increased from a year earlier. Sales of wireless systems for government and municipal offices were robust due to consolidation of municipalities. In our enterprise market business, sales of systems, in particular, for the transportation and distribution markets dropped. Investment in establishing sales channels for expanding sales of corporate IP telephony equipment increased.

As a result, consolidated sales to third parties increased 4.3% year-on-year to ¥352.7 billion. Operating income, affected by reduced sales and delays in cost-reduction, declined by ¥12.4 billion from ¥10.9 billion to a loss of ¥1.5 billion.

Semiconductors

In the semiconductor business, inventory adjustments by liquid crystal display panel manufacturers continued, resulting in decreasing sales of driver LSIs. System LSIs for specific customers also declined. At the same time, sales of P2ROMs for the amusement market remained strong as did the foundry business which employs differentiated technologies such as high-voltage process.

As a result, consolidated sales to third parties stood at ¥145.5 billion, down 3.5% from a year earlier. Operating income declined by ¥2.3 billion year-on-year from ¥3.0 billion to ¥0.7 billion.

Printers

In the printer business, sales of business-use, color, non-impact printers increased steadily, and earnings benefited from the weak yen. However, competition in the printer market has been intensifying among manufacturers seeking to expand market share.

As a result, consolidated sales to third parties increased 16.6% year-on-year to ¥187.1 billion. Delays in shifting to comparatively profitable, middle and top-end models, produced a decline in operating income of ¥2.4 billion from ¥4.1 billion to ¥1.7 billion.

(Translation)

(2) Capital expenditure

Capital expenditures for the fiscal year equaled ¥37.7 billion.

Investment amounts by segment were as follows.

(Unit: billions of yen)

Segment	Amount of capital expenditure	Major investments
Info-telecom systems	7.2	ATM products and cash management terminals for financial and distribution markets; investments in research, development and production of new products for network service and network infrastructure businesses
Semiconductors	22.1	Investments in expansion, research and development of new products relating to wafer process production lines, including logic LSIs, system LSIs and system memories, etc.
Printers	4.9	Investments in R&D, development and production activities relating to business-use printers
Other	3.5	
Total	37.7	

Note: The above amount includes ¥7.2 billion of leased assets.

(3) Financing

Funds required for the term under review were obtained from our own funds, borrowed funds and corporate bonds.

On June 7, 2006, the Company issued its 31st issue of Unsecured Convertible Bonds with Equity Warrants worth ¥18.0 billion and its 32nd issue of Unsecured Convertible Bonds with Equity Warrants worth ¥12.0 billion. All of the 31st Unsecured Convertible Bonds with Equity Warrants were converted into shares by November 17, 2006.

(4) Future challenges

Business conditions affecting the OKI Group are continuing to change more quickly and dramatically than anticipated due to accelerated globalization, saturation of the domestic market and increasingly common customer demand for investment efficiency. Under such circumstances, we recognize that the Group unfortunately has failed to sufficiently maintain its capability to promote business and product competitiveness. Accordingly, we will implement the following measures without delay, in order to completely overhaul all of the Group's business activities and reestablish strong competitiveness.

(i) Acceleration in selection and concentration of businesses

The Group will clearly redefine business fields to be focused on, and accelerate the allocation of management resources to these core businesses. We will also accelerate flexible operations by consolidating, splitting up and selling less profitable businesses, while establishing new in-house companies for promising businesses. To this end, we have launched four in-house companies and venture companies.

We have already decided to shift 1,700 personnel to the focused businesses. In addition, we decided to consolidate business units by 10% or so, and will reduce 10% of the business units during fiscal year ending March 2008.

(ii) Change to more efficient management style

(Translation)

In order to fully carry out its basic policies, the Group has clearly categorized organizational functions into policy direction, implementation and management. We have reorganized the info-telecom business group into the three business groups to engage in financial, communications and information systems. We have also reduced the number of sections to streamline our organization.

From now on, we will further accelerate the speed at which we conduct our businesses, and improve flexibility in business operations, by trimming planning and clerical sections while shifting personnel to front-line activities such as sales, SE, design/development and production.

(iii) “Strong businesses” based on “strong products”

We will reexamine the OKI Group’s resources (personnel, products, businesses, technologies, etc.), “combine,” “integrate” and “harmonize” these resources by focusing on their effective use, and form alliances with global partners, aiming to reestablish differentiated competitiveness that only Oki can achieve.

In addition, we will strive in fiscal year ending March 2008 to convert our organization into a profitable entity through implementation of emergency measures such as reductions in fixed costs.

(5) Trends in assets and profit/loss

Trends in assets and profit/loss for the fiscal year under review and the past three years are as follows.

	80th year (FY2003)	81st year (FY2004)	82nd year (FY2005)	83rd year (current year, FY2006)
Sales	654.2 billion yen	688.5 billion yen	680.5 billion yen	718.8 billion yen
Net income	1,328 million yen	11,174 million yen	5,058 million yen	(36.446) million yen
Net income per share	2.17 yen	18.27 yen	8.27 yen	(56.27) yen
Total assets	609.6 billion yen	608.0 billion yen	618.9 billion yen	628.4 billion yen
Net assets	110.5 billion yen	124.8 billion yen	133.9 billion yen	116.0 billion yen
Net assets per share	180.66 yen	204.11 yen	218.96 yen	160.13 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 shares of common stock outstanding during the year. These figures exclude treasury stocks.
3. Beginning in the 83rd year, the Company adopted “Accounting Standards for Presentation of Net Assets in Balance Sheets” (Corporate Accounting Standards No. 5, December 9, 2005) and “Guidelines for the Application of Accounting Standards for Presentation of Net Assets in Balance Sheets” (Guidelines for the Application of Corporate Accounting Standards No. 8, December 9, 2005).

(Translation)

(6) Status of major subsidiaries

(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 sales of semiconductors
Miyazaki Oki Electric Co., Ltd.	200 million	yen	100	Manufacturing and sales of semiconductors
Oki America, Inc.	14 million	U.S. dollars	100	Sales of semiconductors and electronic component 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

Note: The Company absorbed consolidated subsidiary Oki Techno Creation Co., Ltd. on October 1, 2006.

(ii) Major partners

- Major technical partners:
  - Lucent Technologies GRL Corporation (US)
  - International Business Machines Corporation (US)
  - Texas Instruments Incorporated (US)
  - Canon Inc.
- Major business partners:
  - Hewlett-Packard Company (US)
  - Cisco Systems, Inc.
  - United Microelectronics Corporation (Taiwan)
  - Peregrin Semiconductor Corporation (US)
  - ACCESS Co., Ltd.

(Translation)

(7) Major businesses

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 consisting of the Systems Network Business Group for 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 devices for high-speed communication, foundry services, etc.
Printers	Color NIPs, mono NIPs, SIDMs, MFPs, etc.

(8) Major offices

Our 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

(Translation)

(9) Employees

(i) Employees of the OKI Group

Segment	Number of employees
Info-telecom systems	9,027
Semiconductors	4,984
Printers	5,758
Other	1,143
Company-wide (shared)	468
Total	21,380

(ii) Employees of Oki Electric Industry

Number of employees	Average age	Average length of service
5,579 (increased by 83 from the end of the previous year)	40.4	16.8

(10) Major creditors

Major creditors of the OKI Group are as follows:

Creditor	Loan balance
	Billion yen
Mizuho Corporate Bank, Ltd.	33.9
Sumitomo Mitsui Banking Corporation	29.1
Mizuho Trust & Banking Co., Ltd.	15.8
Development Bank of Japan	14.4
Meiji Yasuda Life Insurance Company	14.4

(11) Other significant events of the OKI Group

There were no noteworthy events.

(Translation)

2. Shareholders' Equity

(1) Number of shares authorized to be issued by the Company:
2,400,000 thousand shares

(2) Number of outstanding shares:
684,256 thousand shares (including 1,021 thousand treasury stock)

(3) Number of shareholders: 121,000

(4) Shareholders holding 10% or more of outstanding shares (excluding treasury stock):
Not applicable

(5) Major shareholders (Top 10):

Name of shareholder	Number of shares held (thousand shares)
Meiji Yasuda Life Insurance Company	34,000
Japan Trustee Services Bank, Ltd. (trust account)	21,274
The Master Trust Bank of Japan, Ltd. (trust account)	16,689
Japan Trustee Services Bank, Ltd. (trust account 4)	15,251
Oki Denki Employees' Shareholdings Committee	13,456
Mizuho Corporate Bank, Ltd.	13,000
Sompo Japan Insurance Inc.	12,986
The Dai-ichi Mutual Life Insurance Company	9,380
Mitsubishi UFJ Trust and Banking Corporation (trust account)	4,753
Nippon Life Insurance Company	4,537

(Translation)

3. Equity Warrants

(1) Equity warrants granted to the Company's officers as consideration for their performance of duties

(i) Number of equity warrants

1,049

(ii) Type and number of shares subject to equity warrants

1,049,000 shares of the Company's common stock (1,000 shares per equity warrant)

(iii) Status of equity warrants held by the Company's officers

	Issued Number	**Exercise period**	**Number of equity warrants**	**Number of holders**
Directors (excluding outside directors)	No.1 equity warrant (271 yen) (Issued on July 18, 2002)	July 1, 2004 to June 30, 2007	93	6
	No. 2 equity warrant (354 yen) (Issued on July 18, 2003)	July 1, 2005 to June 26, 2013	310	8
	No. 3 equity warrant (458 yen) (Issued on July 20, 2004)	July 1, 2006 to June 28, 2014	212	10
	No. 4 equity warrant (406 yen) (Issued on July 20, 2005)	July 1, 2007 to June 28, 2015	231	10
	No. 5 equity warrant (277 yen) (Issued on July 28, 2006)	July 1, 2008 to June 28, 2016	185	10
Auditors	No. 3 equity warrant (458 yen) (Issued on July 20, 2004)	July 1, 2006 to June 28, 2014	10	1
	No. 4 equity warrant (406 yen) (Issued on July 20, 2005)	July 1, 2007 to June 28, 2015	8	1

(2) Equity warrants issued to employees in consideration of work performance during the fiscal year under review

(i) Number of equity warrants issued

157 warrants

(ii) Type and number of shares

Common stock: 157,000 shares (1,000 shares per right)

(iii) Issue price of the rights

Granted free of charge

(iv) Payment per share required to exercising the rights

¥277

(v) Exercise period

July 1, 2008 to June 28, 2016

(vi) Status of granting equity warrants to the Company's employees, etc.

	Number of the rights	Number of grantees
Employees of the Company (excluding officers of the Company)	147	18
Officers of the Company's subsidiaries (excluding officers of the Company)	10	1

(Translation)

(3) Other significant matters concerning equity warrants

Status of convertible bonds with equity warrants

	Equity warrants attached to Euro Yen convertible bonds to be redeemed in 2008 (issued on November 26, 2004)	No. 32 equity warrants attached to convertible bonds without warranty (issued on June 7, 2006)
Date of resolution for issuance	November 9, 2004	May 23, 2006
Number of equity warrants	10,000	24
Type and number of shares to be acquired by rights	Common stock: 39,682,539 shares	Common stock: 41,237,113 shares
Issue price of the rights	Granted free of charge	Granted free of charge
Exercise period	December 10, 2004 to November 12, 2008	June 8, 2006 to June 6, 2011
Exercise price	¥504	¥291 (Note)
Balance of bonds with equity warrants	¥20 billion	¥12 billion

Note: The conversion price will be revised after the trading day following the fourth Friday of March, June, September and December (hereinafter the "determination date") to an amount equivalent to 93% of the average closing price of our common stock in ordinary trading on the Tokyo Stock Exchange for the successive five trading days up to the determination date. The revised conversion price shall not be below ¥291.

(Translation)

4. Corporate Officers

(1) Names, etc. of 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 supervision (in charge of the Corporate Planning Office, Human Resources Division, Internal Auditing Division)
* X	Executive Vice President	Yutaka Maeda	Technical and overseas operations supervision Chairman, Systems Network Business Group President, Oki Consulting Solutions Co., Ltd.
X	Executive Vice President	Tadao Murase	Sales supervision President, Oki Alpha Create, Inc.
X	Senior Vice President	Nobuhide Hara	CIO In charge of Software Service In charge of the Information Planning Division President, Oki Network Integration Co., Ltd.
X	Senior Vice President	Naoki Sato	In charge of sales and financing operations at Affiliates, Administration Division, General Affairs Division
X	Senior Vice President	Harushige Sugimoto	CTO in charge of the Technological Planning Division, Corporate Research & Development Center, Corporate Production Planning Division Division Head, China Business Promotion Division
X	Senior Vice President	Hideichi Kawasaki	In charge of sales and branch operations, the Public Relations Division, Human Resources Support Division HQ Division Head, Marketing Promotion Division
X	Senior Vice President	Hironori Kitabayashi	Chairman, Semiconductor Business Group
	Director	Mikihiko Maeno	President & CEO, Oki Data Corporation
	Director	Minoru Morio	
Standing Auditor		Takahisa Inagawa	
Standing Auditor		Yoshikatsu Shiraishi	
Standing Auditor		Hiroyuki Katagiri	
Auditor		Ieji Yoshioka	

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

Notes:

1. Asterisk indicates Representative Director. X indicates executive officer.
2. Director Minoru Morio is an outside director.
3. Standing Auditors Hiroyuki Katagiri and Ieji Yoshioka are outside auditors.
4. Changes of Representative Directors after the fiscal year
   In accordance with a resolution of the Board of Director meeting held on May 23, 2007, Naoki Sato will be appointed Representative Director on June 26, 2007, and Yutaka Maeda will retire as Director on June 26, 2007.
5. Executive officers as of March 31, 2007 are as follows (excluding those who concurrently serve as Directors).

Position	Name	Principal duty
Senior Executive officer	Keiichi Fukumura	In charge of the Accounting & Control Division, CSR Promotion Division and Compliance Promotion Division
Executive officer	Masayoshi Matsushita	SOO, Systems Network Business Group Division Head, Strategic Planning Division Division Head, Network Application Division
Executive officer	Masataka Sase	In charge of the Legal & Intellectual Property Division, Global Environment Division
Executive officer	Yutaka Asai	SOO, Systems Network Business Group Division Head, Overseas Business Promotion Division
Executive officer	Shigeru Yamamoto	SOO, Systems Network Business Group President, Financial Solutions Company
Executive officer	Masao Miyashita	SOO, Systems Network Business Group President, Network Systems Company

Position	Name	Principal duty
Executive officer	Hiroshi Enomoto	General Manager, Corporate Planning Office
Executive officer	Kichiro Akino	SOO, Systems Network Business Group President, Network Systems Company
Executive officer	Kazuhiro Iritani	Head, Kansai Branch
Executive officer	Masasuke Kishi	SOO, Systems Network Business Group EVP, Network Systems Company Division Head, Network Systems Division

SOO: Senior Operating Officer
EVP: Executive Vice President

(2) Compensation paid to Directors and Corporate Auditors

Title	Number of persons	Amount of payment
Directors	11	¥387 million
Corporate Auditors	4	¥70 million
Total	15	¥457 million

Notes:

1. The amounts of compensation approved by the 82nd Ordinary General Meeting of Shareholders held on June 29, 2006 are within ¥600 million per year for Directors and ¥100 million per year for Corporate Auditors. The amount of compensation for Directors excludes employee wages for Directors who are also employees. In the fiscal year under review, there were no Directors who were also employees.
2. The amount of payment includes Directors' compensation through stock options amounting to ¥17 million.

(3) Outside Directors and Corporate Auditors

(i) Major activities in the fiscal year under review

(a) Attendance at meetings of the Board of Directors and Board of Corporate Auditors

	Board of Directors meeting (held 14 times in total)		Board of Corporate Auditors meeting (held 17 times in total)	
	Attendance frequency	Attendance rate	Attendance frequency	Attendance rate
Minoru Morio, Director	13	93%		-
Hiroyuki Katagiri, Corporate Auditor	14	100%	17	100%
Ieji Yoshioka, Corporate Auditor	14	100%	17	100%

(b) Major activities

a. Minoru Morio, Director

Making statements mainly based on extensive experience in the electronics industry, he provided advice and proposals for the Board of Directors to secure the soundness and appropriateness of decision-making.

b. Hiroyuki Katagiri, Corporate Auditor

With regard to deliberations of the Board of Directors, he determined the correctness of Directors' managerial decisions. As Standing Outside Corporate Auditor, he made efforts to formulate appropriate audit opinions for the Company by attending important meetings, inspecting important approval documents, conducting on-site audits of major sections, and cooperating with in-house audit sections.

c. Ieji Yoshioka, Corporate Auditor

With regard to deliberations of the Board of Directors, he determined the correctness of Directors' managerial decisions. Using extensive experience and knowledge as a Director and Standing Corporate Auditor at other companies over many years, he made efforts to formulate the Company's appropriate audit opinions by making proper statements and implementing, when necessary, adequate activities concerning performances of the Board of Corporate Auditors.

(ii) Total amount of compensation, etc.

¥37 million (for the three individuals)

(Translation)

5. Status of Accounting Auditor

(1) Name: Ernst & Young ShinNihon

(2) Compensation, etc.

	Amount of payment
1. Compensation, to be paid to the accounting auditor for the fiscal year under review	64 million yen
2. Total sum of cash and profits on other assets that the Company and its subsidiaries should pay to the accounting auditor	125 million yen

Notes:

1. The Company does not distinguish auditor compensation per (i) auditing in accordance with the Company Law, and (ii) auditing in accordance with the Securities Exchange Law. The total of these amounts is recorded above.
2. Among major subsidiaries, Oki Europe Ltd. and Oki (Thailand) Co., Ltd. have undergone statutory audits by accounting auditors other than the accounting auditor of the Company.

(3) Contents of non-audit services

The Company has also hired the accounting auditor for "internal management project advice," which are services other than the audits provided in Article 2, Paragraph 1 of the Certified Public Accountants Law, and pays the auditor compensation for the service.

(4) Policy regarding decision to dismiss or not reappoint the accounting auditor

The Board of Corporate Auditors will dismiss the accounting auditor if the auditor falls under provisions of Article 340 of the Company Law. In addition, if it is deemed unlikely that the accounting auditor will be able to perform audits properly, the Company, upon the consent or request of the Board of Corporate Auditors, the Board of Directors will discuss whether to submit a proposal to the general meeting of shareholders for dismissal or non-reappointment of the accounting auditor.

(Translation)

6. Policies and procedures of the Company

System to ensure that Directors in the conduct of their business comply with applicable laws, regulations and the Articles of Incorporation, as well as other procedures of the Company, in order to assure the appropriateness of the Company's operations

(1) Procedures to ensure that Directors and employees comply with applicable laws, regulations and the Articles of Incorporation in conducting their business

(i) As the foundation for its compliance structure, the Company has established a Group charter of corporate conduct and its own code of conduct.

(ii) The Company has established a Compliance Committee chaired by the CCO (chief compliance officer) to decide on and examine basic policies regarding compliance programs.

(iii) In accordance with the basic policies formulated by the Compliance Committee, the Compliance & Business Ethics Division plans, draws up, and promotes specific measures such as education and training for Directors and employees. In education and training, we aim to raise employee awareness about compliance by utilizing means such as e-learning.

(iv) The Company provides rules on public-interest disclosure and provides a contact point for reporting and consultation, aiming to detect any misconduct at its earliest stages.

(2) Procedures to retain and manage information relating to Directors' conduct of business

The Company retains and stores information relating to the conduct of business by Directors as appropriate in accordance with applicable laws, regulations and internal rules.

(3) Rules concerning risk management and other procedures

(i) Pursuant to risk management rules, each section of the Company manages risks that may occur in relation to its main duties. At the same time, the Company has established a supervisory section to deal with risks needing company-wide management. This section assesses risks, draws up policies for risk countermeasures and develops appropriate structures based on such policies.

(ii) If any risk occurs, the Company will set up an emergency countermeasure headquarters to handle the risk.

(4) Procedures to secure efficient business performance by Directors

(i) The Company holds regular meetings of the Board of Directors once a month to decide important matters and supervise the work of Directors.

(ii) The Company holds management meetings, in which executive officers, such as managing directors and other high-ranking officers participate, to provide for flexible decision making on fundamental and significant matters in managing the business.

(iii) The Company assigns Directors responsibilities and authority pursuant to rules on division of duties and authorities.

(Translation)

(5) Procedures to secure appropriate Group (Company and subsidiaries) operations

(i) To assure that Group companies run their operations properly, the Company has established a Group charter of corporate conduct to serve as guidelines for the entire Group, while each Group company lays down its own code of conduct.

(ii) The Compliance & Business Ethics Division implements various measures for promoting compliance common to the Group through each Group company's compliance officer. The Division also determines, through regular monitoring, the implementation status of such measures by each Group company and reports to the Compliance Committee on the results.

(iii) The Company, in accordance with Group management rules, determines the status of each Group company's management activities and provides advice and guidance.

(6) Procedures for employees who assist Corporate Auditors; independence of employees from Directors

(i) The Company assigns employees, who are not subject to Directors' instructions and orders, as staff to assist Corporate Auditors.

(ii) Any change in such staffing requires the prior consent of the Board of Corporate Auditors.

(7) Procedures for Directors and employees to report to Corporate Auditors; procedures for Corporate Auditors to receive other reports

(i) If Directors discover anything that may cause significant damage to the Company, they are required to report the matter immediately to the Corporate Auditors pursuant to applicable laws and regulations.

(ii) Standing Corporate Auditors attend meetings of the Board of Directors and management meetings in order to understand important decision-making processes and the status of business operations, as well as to inspect important documentation.

(iii) Directors receive reports on the status of establishing internal control systems and their operations from Directors and employees on a regular basis, and may request Directors and employees to report on matters deemed necessary.

(8) Other procedures to secure effective audits by Corporate Auditors

(i) In conducting inspections on the Company's operations and assets and performing other audit duties, Corporate Auditors shall conduct audits efficiently and effectively in close cooperation with the internal audit section.

(ii) Corporate Auditors implement efficient audits by closely cooperating with the accounting auditor. To this end, Corporate Auditors hold meetings with the accounting auditor on a regular basis, attend on-site audits by the accounting auditor, and request reports from the accounting auditor on the progress of audits when necessary.

(Translation)

Note: indication of amounts

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, 2007)

(Unit: millions of yen)

Account title	Amount	Account title	Amount
(Assets)		(Liabilities)	
I. Current assets		I. Current liabilities	
1. Cash and deposits	45,995	1. Notes and accounts payable	101,358
2. Notes and accounts receivable	164,794	2. Short-term borrowings	125,809
3 Inventories	167,513	3. Accrued income taxes	1,749
4 Other current assets	28,762	4. Other accrued expenses	47,339
5 Allowance for doubtful receivables	(1,904)	5. Other current liabilities	42,739
Total current assets	405,161	Total current liabilities	318,996
II. Fixed assets		II. Long-term liabilities	
1. Property, plant and equipment		1. Bonds	32,000
(1) Buildings and structures	42,228	2. Long-term borrowings	110,530
(2) Machinery, equipment and delivery equipment	47,955	3. Retirement benefits	45,218
(3) Tool, furniture and fixtures	22,914	4. Reserve for Directors' retirement benefits	440
(4) Land	15,760	5. Other long-term liabilities	5,239
(5) Construction in progress	837	Total long-term liabilities	193,428
Total property, plant and equipment	129,696	Total liabilities	512,425
2. Intangible assets	17,593		
3. Investments and other assets		(Net Assets)	
(1) Investments in securities	54,484	I. Shareholders' equity	
(2) Long-term loans	3,220	1. Common stock	76,940
(3) Other investments and other assets	20,955	2. Additional paid-in capital	46,744
(4) Allowance for doubtful receivables	(2,712)	3. Retained earnings	(22,375)
Total investments and other assets	75,947	4. Treasury stock	(320)
Total fixed assets	223,237	Total shareholders' equity	100,989
		II. Valuation, translation adjustments and others	
		1. Net unrealized holding gain on securities	14,377
		2. Deferral hedge profit/loss	(368)
		3. Translation adjustments	(5,595)
		Total valuation, translation adjustments and others	8,412
		III. Equity warrants	32
		IV. Minority interests	6,538
		Total Net Assets	115,973
Total assets	628,398	Total liabilities and net assets	628,398

(Translation)

Consolidated Statement of Operations

(From April 1, 2006 to March 31, 2007)

(Unit: millions of yen)

Account title	Amount	
I. Net sales		718,767
II. Cost of sales		560,817
Gross profit		157,949
III. Selling, general and administrative expenses		163,359
Operating loss		5,410
IV. Non-operating income		
1. Interest income	656	
2. Dividend income	843	
3. Other	912	2,412
V. Non-operating expenses		
1. Interest expense	6,820	
2. Other	2,944	9,764
Ordinary loss		12,762
VI. Extraordinary profit		
1. Gain on sales of property, plant and equipment	258	
2. Gain on sales of investments in securities	3,362	3,621
VII. Extraordinary loss		
1. Loss on sale and disposition of property, plant and equipment	1,044	
2. Loss from securities revaluation	2,130	
3. Bad debt expenses	670	
4. Special retirement payments	884	
5. Structural reform expenses	2,335	7,065
Net loss before taxes		16,206
Income taxes	2,152	
Income taxes deferred	17,813	19,966
Minority Interest		274
Net loss		36,446

(Translation)

Consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2006 to March 31, 2007)

(Unit: Millions of yen)

	Shareholders' equity				
	Common stock	Additional paid-in capital	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2006	67,882	37,801	16,580	(280)	121,984
Changes during the term under review					
Issue of new shares	9,057	8,942			18,000
Distribution of retained earnings*			(1,834)		(1,834)
Net loss			(36,446)		(36,446)
Acquisition of treasury stock				(40)	(40)
Decrease due to increase in consolidated subsidiaries			(23)		(23)
Increase due to increase in equity-method affiliates			166		166
Decrease due to increase in equity-method affiliates			(1,140)		(1,140)
Increase due to decrease in unfunded pension liabilities related to pension accounting at overseas subsidiaries			322		322
Changes in items other than shareholders' equity during the term under review (net)					
Total changes during the term under review	9,057	8,942	(38,955)	(40)	(20,995)
Balance as of March 31, 2007	76,940	46,744	(22,375)	(320)	100,989

	Valuation, translation adjustments and others				Equity warrants	Minority interests	Total Net Assets
	Net unrealized holding gain on securities	Deferral hedge profit/loss	Translation adjustments	Total valuation, translation adjustments and others			
Balance as of March 31, 2006	19,113	-	(7,210)	11,902	-	6,335	140,223
Changes during the term under review							
Issue of new shares							18,000
Distribution of retained earnings*							(1,834)
Net loss							(36,446)
Acquisition of treasury stock							(40)
Decrease due to increase in consolidated subsidiaries							(23)
Increase due to increase in equity-method affiliates							166
Decrease due to increase in equity-method affiliates							(1,140)
Increase due to decrease in unfunded pension liabilities related to pension accounting at overseas subsidiaries							322
Changes in items other than shareholders' equity during the term under review (net)	(4,735)	(368)	1,614	(3,489)	32	202	(3,254)
Total changes during the term under review	(4,735)	(368)	1,614	(3,489)	32	202	(24,250)
Balance as of March 31, 2007	14,377	(368)	(5,595)	8,412	32	6,538	115,973

Note: Items with asterisk are those in proposed appropriation of retained earnings in the previous fiscal year.

(Translation)

Notes to Consolidated Financial Statements

Principles for Preparing Consolidated Financial Statements

1. Scope of consolidation

(1) Number of consolidated subsidiaries: 89 companies

Names of major consolidated subsidiaries:

Oki Data Corporation, Oki Customer Adtech Co., Ltd., Oki Wintech Co., Ltd., Oki Software Co., Ltd., Nagano Oki Electric Co., Ltd., Miyagi Oki Electric Co., Ltd., Miyazaki Oki Electric Co., Ltd., Oki America, Inc., Oki Data Americas, Inc., Oki Data Manufacturing (Thailand) Co., Ltd., Oki Europe Ltd., Oki (Thailand) Co., Ltd., Oki Electric Industry (Shenzhen) Co., Ltd.

(2) Names of major non-consolidated subsidiaries:

Adachi Protechno Co., Ltd. and 36 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:

Oki Semiconductor Korea Co., Ltd., Oki Systems Korea Co., Ltd., Oki Systems Taiwan Co., Ltd. and Oki Data Dalian Co., Ltd. were included within the scope of consolidation in view of their relative importance. Oki Systems (Hong Kong) Pte. Ltd. and Oki Trading (Beijing) Co., Ltd. were also included within the scope of consolidation in view of their new incorporation.

Oki Techno Creation Co., Ltd. was eliminated from the scope of consolidation as it was merged.

2. Application of equity method

(1) Number of non-consolidated subsidiaries and affiliated companies to which the equity method is applied: 13 companies

(Number of non-consolidated subsidiaries to which the equity method is applied: 11)

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

Name of major company to which the equity method is applied:

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 25 other companies

Affiliated companies: Alp Inc. and 21 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.

(Translation)

(3) Changes in scope of application of the equity method:
The Company has included the following firms in scope of application of the equity method due to an increase in their relative importance:
Oki-Kansai Service Co., Ltd., Oki Kanto Service Co., Ltd., Oki Kitakanto Service Co., Ltd., Oki Kyushu Service Co., Ltd., Oki Supply Center Co., Ltd., Oki Shikoku Service Co., Ltd., Oki Chugoku Service Co., Ltd., Oki Chubu Service Co., Ltd., Oki Development Co., Ltd., Oki Tohoku Service Co., Ltd., Oki Hokkaido Service Co., Ltd.

3. Matters concerning account settlement dates of consolidated subsidiaries

The account settlement date of the following consolidated subsidiaries is December 31 each year and different from the account settlement date of the consolidated statements. In preparing consolidated financial statements, the financial statements of these subsidiaries as of their account settlement date are used:
Changzhou Oki-GEG Telecoms Ltd., Oki Electric Industry (Shenzhen) Co., Ltd., Oki Semiconductor Shanghai Co., Ltd., Oki Software Technology Co., Ltd., Oki Electric Technology (Kunshan) Co., Ltd., Oki Semiconductor Technology Shanghai Co., Ltd., Oki Data Dalian Co., Ltd., Oki Trading (Beijing) Co., Ltd.

4. Accounting standards

(1) Valuation standards and methods for significant assets

(i) Negotiable securities

The Company and its domestic consolidated subsidiaries value securities in accordance with how they are held as indicated below. Overseas consolidated subsidiaries apply the lower of cost or market value.

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 net assets; sales costs are calculated by the moving average method).

Non-marketable securities:

Stated at cost based on the moving average method

(ii) Inventories

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

(ii) Intangible assets

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

For software sold in the market, 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 primarily 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 losses 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 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. 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) Important accounting of lease transactions

The Company and its domestic consolidated subsidiaries apply the accounting method for ordinary lease transactions to finance lease transactions other than those in which the ownership of the leased property is considered to be transferred to the lessee. Consolidated subsidiaries overseas primarily apply the accounting method for ordinary transactions.

(5) Important hedge accounting methods

(i) Method of hedge accounting

Deferred hedging is applied. Allocation treatment is applied for forward exchange contracts eligible for allocation treatment. Special treatment is applied to interest rate swaps that meet requirements for special treatment.

(ii) Means of hedging and targets of hedging

Forward exchange contracts are used to hedge fluctuations of exchange rates on credits and debts in foreign currencies. Interest rate swaps are employed to hedge fluctuations of market interest rates on variable-rate short-term borrowings and long-term borrowings.

(iii) Policies on hedging

Derivative transactions are used to hedge fluctuations of market rates on credits and debts.

(iv) Assessment method of the effectiveness of hedges

To determine the effectiveness of hedges, the Company compares the cumulative total of market fluctuations or cash flow fluctuations for the targets of hedging and that of the market fluctuations or the cash flow fluctuations for the means of hedging, during the period from the start of hedging to the assessment. The Company then makes a decision based on the changes of the two.

(6) Other important matters in preparation of consolidated financial statements

(i) Accounting processing of consumption tax

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

(ii) Application of consolidated tax payment

The consolidated tax payment is applied.

5. Amortization of goodwill and negative goodwill

Goodwill is evenly amortized over its useful life (mainly five years).

Changes in Principles for Preparing Consolidated Financial Statements

1. Accounting standards for presentation of net assets in the balance sheet

Beginning in the fiscal year under review, the Company adopted “Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Corporate Accounting Standards No. 5, December 9, 2005) and “Guidelines for the Application of Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Guidelines for the Application of Corporate Accounting Standards No. 8, December 9, 2005).

The amount corresponding to conventional “total shareholders’ equity” is ¥109,771 million.

2. Accounting standards for corporate consolidation

Beginning in the fiscal year under review, the Company adopted the accounting standards for corporate consolidation (“Opinion Paper on the Establishment of Accounting

Standards for Corporate Consolidation" [Corporate Accounting Council, October 31, 2003]) and "Guidelines for the Application of Accounting Standards for Corporate Consolidation and Accounting Standards for Corporate Separation." (Guidelines for the Application of Corporate Accounting Standards No. 10, December 27, 2005).

3. Accounting standards for stock options.

Beginning in the fiscal year under review, the Company adopted the "Accounting Standards for Stock Options" (Corporate Accounting Standards No. 8, December 27, 2005) and "Guidelines for the Application of Accounting Standards for Stock Options" (Guidelines for the Application of Corporate Accounting Standards No. 11, May 31, 2006).

The adoption of these standards and guidelines resulted in a ¥32 million increase in the operating loss, ordinary loss and net loss before taxes.

Notes to Consolidated Balance Sheet

1. Assets pledged as collateral

Buildings and structures:	¥1,224 million
Machinery and delivery equipment:	¥33 million
Tools, instruments and fixtures:	¥59 million
Land:	¥837 million
Total	¥2,154 million

Liabilities collateralized by the above assets:

Short-term borrowings:	¥372 million
Long-term borrowings:	¥858 million

2. Accumulated depreciation on tangible fixed assets ¥510,985 million
3. Liabilities for guarantee
   Guarantee for borrowings by employees and affiliated companies ¥3,246 million
4. Repurchase of notes receivable endorsed ¥2 million
5. Accounting for notes maturing at the end of the term under review

Notes maturing on the closing day of the fiscal year under review are settled on the clearing day. Because the closing day of the year was a holiday for financial institutions, the following notes maturing on the closing day are included in the balance of the notes as of the end of the year.

Notes receivable: ¥472 million

(Translation)

Notes to Consolidated Statement of Changes in Shareholders' Equity

1. Type and number of outstanding shares

Type of share	Number of shares as of March 31, 2006 (thousand shares)	Number of shares added in the fiscal year ended March 31, 2007 (thousand shares)	Number of shares decreased in the fiscal year ended March 31, 2007 (thousand shares)	Number of shares as of March 31, 2007 (thousand shares)
Common stock	612,371	71,884	—	684,256

Note: The increase in the number of outstanding shares of common stock, amounting to 71,884 thousand shares, is due to the issue of new shares following the exercise of equity warrants.

2. Distribution of retained earnings

Amount of dividends paid

Resolution	Type of shares	Amount (millions of yen)	Dividends per share (yen)	Record date	Effective date
Ordinary General Meeting of Shareholders (June 29, 2006)	Common stock	1,834	3.00	March 31, 2006	June 29, 2006

3. Number of shares to be issued upon exercise of equity warrants

Category	Breakdown of equity warrants	Type of shares to be issued upon exercise of equity warrants	Number of shares to be issued upon exercise of equity warrants (shares)
The Company	No. 1 Equity Warrants (issued on July 18, 2002)	Common stock	153,000
	No. 2 Equity Warrants (issued on July 18, 2003)	Common stock	815,000
	No. 3 Equity Warrants (issued on July 20, 2004)	Common stock	452,000

Notes to Per-share Information

1. Net assets per share: ¥160.13
2. Net loss per share: ¥56.27

(Translation)

Transcript of Account Auditors' Report on Consolidated Financial Statements

Independent Auditors' Report

May 18, 2007

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

Ernst & Young ShinNihon
Tatsunosuke Kagaya (seal),
Engagement Partner, Certified Public Accountant
Masato Tsukahara (seal),
Engagement Partner, Certified Public Accountant
Akira Sato (seal),
Engagement Partner, Certified Public Accountant

We have audited the consolidated financial statements – the consolidated balance sheets, the consolidated statement of operations, the consolidated statement of changes in shareholders equity and notes to the consolidated financial statements – of Oki Electric Industry Co., Ltd. for the 83rd term from April 1, 2006 to March 31, 2007 in accordance with Article 444 Paragraph 4 of the Company Law. 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 the 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 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.

We concluded that the consolidated financial statements fairly present in all aspects Oki Electric Industry's and its subsidiaries' assets and income or loss in accordance with corporate accounting standards generally accepted in Japan.

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)

Non-Consolidated Balance Sheet

(as of March 31, 2007)

(Unit: millions of yen)

Account title	Amount		Account title	Amount	
(Assets)			(Liabilities)		
I. Current assets			I. Current liabilities		
1. Cash and deposits		15,626	1. Notes payable		391
2. Notes receivable		1,380	2. Accounts payable, trade		81,405
3. Accounts receivable, trade		99,028	3. Short-term borrowings		51,152
4. Inventories			4. Commercial papers		7,000
Finished goods	16,680		5. Current portion of long-term borrowings		27,109
Semi-finished goods	7,411		6. Current portion of bonds		9,500
Raw materials	12,835		7 Accounts payable, others		9,306
Work in process	53,436		8. Other accrued expenses		25,627
Supplies	2,312	92,676	9. Advances		1,151
5. Short-term prepaid expense		583	10. Deposits		1,945
6. Short-term loan		18,533	11. Other current liabilities		488
7. Accounts receivable, others		19,545	Total current liabilities		215,077
8. Deferred tax assets		2,491			
9. Other current assets		1,187	II. Long-term liabilities		
10. Allowance for doubtful receivables		(71)	1. Bonds		32,000
Total current assets		250,983	2. Long-term borrowings		83,610
			3. Retirement benefits		29,854
II. Fixed assets			4. Deferred tax liabilities		5,928
1. Property, plant and equipment			5. Other long-term liabilities		1,789
(1) Buildings	94,444		Total long-term liabilities		153,183
Accumulated depreciation	(64,490)	29,954	Total liabilities		368,261
(2) Structures	8,579				
Accumulated depreciation	(7,211)	1,367			
(3) Machinery and equipment	298,808		(Net Assets)		
Accumulated depreciation	(267,249)	31,558	I. Shareholders' equity		
(4) Vehicle and delivery equipment	138		1. Common stock		76,940
Accumulated depreciation	(126)	11	2. Additional paid-in capital		46,744
(5) Tools, furniture and fixtures	88,405		Capital reserve		25,928
Accumulated depreciation	(73,530)	14,875	Other additional paid-in capital		20,816
(6) Land		13,982	3. Retained earnings		(28,311)
(7) Construction in progress		51	Other retained earnings		(28,311)
Total property, plant and equipment		91,801	Retained earnings carried forward		(28,311)
2. Intangible assets			4. Treasury stock		(314)
(1) Goodwill (*noren*)		537	Total shareholders' equity		95,058
(2) Facility rights		228			
(3) Software		10,478	II. Valuation, translation adjustments and others		
Total intangible assets		11,244	1. Net unrealized holding gains on securities		13,802
3. Investments and other assets			2. Deferral hedge profit/loss		(369)
(1) Investments in securities		45,203	Total valuation, translation adjustments and others		13,433
(2) Shares of affiliated companies		48,308			
(3) Contribution		271	III. Equity warrants		32
(4) Contribution to affiliated companies		1,356	Total net assets		108,523
(5) Long-term loans to employees		5			
(6) Long-term loans to affiliated companies		18,813			
(7) Long-term prepaid expenses		8,963			
(8) Long-term doubtful receivables		488			
(9) Other investments and other assets		3,407			
(10) Allowance for doubtful receivables		(4,062)			
Total investments and other assets		122,756			
Total fixed assets		225,802			
Total assets		476,785	Total liabilities and net assets		476,785

(Translation)

Non-Consolidated Statement of Operations

(From April 1, 2006 to March 31, 2007)

(Unit: millions of yen)

Account title	Amount	
I. Net sales		406,922
II. Cost of sales		345,238
Gross profit		61,683
III. Selling, general and administrative expenses		78,273
Operating loss		16,590
IV. Non-operating income		
1. Interest income	677	
2. Interest income on securities	1	
3. Dividend income	2,232	
4. Brand royalty received	1,883	
5. Other	642	5,437
V. Non-operating expenses		
1. Interest expense	3,168	
2. Interest expense for bonds	608	
3. Expenses related to litigations	923	
4. Other	1,843	6,543
Ordinary loss		17,696
VI. Extraordinary profit		
1. Gain on sales of investments in securities	3,347	3,347
VII. Extraordinary loss		
1. Loss on sale and disposition of property, plant and equipment	725	
2. Loss from securities revaluation	2,329	
3. Bad debt expenses	1,437	
4. Special retirement payments	608	
5. Structural reform expenses	2,335	7,436
Net loss before taxes		21,768
Income taxes	(1,746)	
Income taxes deferred	17,344	15,598
Net loss		37,384

(Translation)

Non-consolidated Statement of Changes in Shareholders' Equity

(From April 1, 2006 to March 31, 2007)

(Unit: millions of yen)

	Shareholders' equity							
		Additional paid-in capital			Retained earnings			
	Common stock	Capital reserve	Other additional paid-in capital	Total Additional paid-in capital	Other retained earnings Retained earnings carried forward	Total retained earnings	Treasury stock	Total share-holders' equity
Balance as of March 31, 2006	67,882	16,985	20,816	37,801	10,907	10,907	(274)	116,317
Changes in the fiscal year								
Issue of new shares	9,057	8,942		8,942				18,000
Dividends of retained earnings*					(1,834)	(1,834)		(1,834)
Net loss					(37,384)	(37,384)		(37,384)
Acquisition of treasury stock							(40)	(40)
(Net) changes other than shareholders' equity in the fiscal year								
Total changes in the fiscal year	9,057	8,942	-	8,942	(39,219)	(39,219)	(40)	(21,259)
Balance as of March 31, 2007	76,940	25,928	20,816	46,744	(28,311)	(28,311)	(314)	95,058

	Valuation, translation adjustments and others			Equity warrants	Total net assets
	Net unrealized holding gains on securities	Deferral hedge profit/loss	Valuation, translation adjustments and others		
Balance as of March 31, 2006	18,599	-	18,599	-	134,917
Changes in the fiscal year					
Issue of new shares					18,000
Dividends of retained earnings*					(1,834)
Net loss					(37,384)
Acquisition of treasury stock					(40)
(Net) changes other than shareholders' equity in the fiscal year	(4,797)	(369)	(5,166)	32	(5,134)
Total changes in the fiscal year	(4,797)	(369)	(5,166)	32	(26,393)
Balance as of March 31, 2007	13,802	(369)	13,433	32	108,523

Note: Items with asterisk are those in proposed appropriation of retained earnings in the previous fiscal year.

(Translation)

Note to Non-consolidated Financial Statements

Significant Accounting Policies

1. Standards and valuation methods for negotiable securities, etc.

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 net assets. The sale cost is calculated by using the moving average method).

Non-marketable securities: Stated at cost based on the moving average method

2. Standards and valuation methods for derivatives, etc.

Derivatives: Stated at market value

3. Standards and valuation 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

4. 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

5. 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 the case of non-classified loans/receivables and by individual assessment in the 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.

6. Accounting of lease transactions

The Company and its consolidated subsidiaries at home apply the accounting method for ordinary lease transactions to finance lease transactions other than those in which the ownership of the leased property is considered to be transferred to the lessee.

7. Hedge accounting methods

(1) Method of hedge accounting

Deferred hedging is applied. As for forward exchange contracts eligible for allocation treatment, allocation treatment is applied. With regard to interest rate swaps that meet the requirements for special treatment, special treatment is applied.

(2) Means of hedging and targets of hedging

Forward exchange contracts are used to hedge fluctuations of exchange rates on credits and debts in foreign currencies. Interest rate swaps are employed to hedge fluctuations of interest rates in the markets on variable-rate short-term borrowings and long-term borrowings.

(3) Policies on hedging

Derivative transactions are used to hedge fluctuations of market rates on credits and debts.

(4) Assessment method of the effectiveness of hedges

To determine the effectiveness of hedges, the Company compares the cumulative total of the market fluctuations or the cash flow fluctuations for the targets of hedging and that of the market fluctuations or the cash flow fluctuations for the means of hedging, during the period from the start of hedging to the assessment. The Company then makes a decision based on the changes of the two.

8. Other important matters in preparation of non-consolidated financial statements

(1) Accounting processing of consumption tax

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

(2) Application of consolidated tax payments

Consolidated tax payments are applied.

Changes in Accounting Policies

(Translation)

1. Accounting standards for presentation of net assets in the balance sheet

Beginning in the fiscal year under review, the Company adopted “Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Corporate Accounting Standards No. 5, December 9, 2005) and “Guidelines for the Application of Accounting Standards for Presentation of Net Assets in the Balance Sheet” (Guidelines for the Application of Corporate Accounting Standards No. 8, December 9, 2005).

The amount corresponding to conventional “total shareholders’ equity” is ¥108,860 million.

2. Accounting standards for corporate consolidation

Beginning in the fiscal year under review, the Company adopted accounting standards for corporate consolidation (“Opinion Paper on the Establishment of Accounting Standards for Corporate Consolidation” [Corporate Accounting Council, October 31, 2003]) and the “Guidelines for the Application of Accounting Standards for Corporate Consolidation and Accounting Standards for Corporate Separation, etc.” (Guidelines for the Application of Corporate Accounting Standards No. 10, December 27, 2005).

3. Accounting standards for stock options, etc.

Beginning in the fiscal year under review, the Company adopted “Accounting Standards for Stock Options, etc.” (Corporate Accounting Standards No. 8, December 27, 2005) and “Guidelines for the Application of Accounting Standards for Stock Options, etc.” (Guidelines for the Application of Corporate Accounting Standards No. 11, May 31, 2006).

The adoption of these standards and guidelines resulted in a ¥32 million increase in operating loss, ordinary loss and net loss before taxes.

Notes to Non-consolidated Balance Sheets

1. Guarantee liabilities:

Guarantee for borrowings from banks, etc. by employees and affiliated companies: ¥8,474 million

2. Monetary claims receivable from and payable to affiliates

Short-term monetary claims receivable from affiliated companies:	¥62,280 million
Long-term monetary claims receivable from affiliated companies:	¥20,057 million
Short-term monetary claims payable to affiliated companies:	¥49,823 million
Long-term monetary claims payable to affiliated companies:	¥14 million

3. Notes maturing at the end of the term under review

Notes maturing on the closing day of the fiscal year under review are settled on the clearing day. Because the closing day of the year was a holiday for financial institutions, the following notes maturing on the closing day are included in the balance of the notes as of the end of the year.

Notes receivable: ¥63 million

Notes to Non-consolidated Statement of Operations

(Translation)

1. Transactions with affiliated companies

Sales:	¥93,059 million
Purchases:	¥125,686 million
Non-operating transactions:	¥8,985 million

Notes to Non-consolidated Statement of Changes in Shareholders' Equity

Type and number of treasury stock as of the end of the fiscal year under review

Common stock:	1,021 thousand shares

Notes to Deferred Tax Accounting

Major factors giving rise to deferred tax assets and liabilities

Deferred tax assets	
Loss carryforwards	¥18,545 million
Nondeductible retirement benefits	¥12,180 million
Nondeductible accrued bonuses	¥1,991 million
Nondeductible doubtful accounts	¥1,560 million
Loss on impairment of fixed assets	¥1,197 million
Disapproval on loss on valuation of inventories	¥1,101 million
Others	¥2,032 million
Subtotal deferred tax assets	¥38,610 million
Valuation allowance	¥(32,764) million
Total deferred tax assets	¥5,845 million
Deferred tax liabilities	
Unrealized holding gain/loss on securities	¥(9,210) million
Others	¥(73) million
Total deferred tax liabilities	¥(9,283) million
Net deferred tax liabilities	¥(3,437) million

Notes to Leased Fixed Assets

1. Amount equivalent to acquisition cost of leased assets as of the end of the term under review ¥17,205 million
2. Amount equivalent to accumulated depreciation of leased assets as of the end of the term under review ¥6,745 million
3. Amount equivalent to unexpired lease payment of leased assets as of the end of the term under review ¥10,702 million

(Translation)

Notes to Related Party Transactions

Subsidiaries, etc.

Attribute	Company name	Location	Capi-tal	Business	Voting right ratio	Relationship		Description of transactions	Transaction amount (mil. yen)	Account item	Ending balance (mil. yen)
						Concurrent directors	Business relation-ship				
Subsidiary	Oki Software Co., Ltd.	Warabi, Saitama Pref.	¥400 million	Production and sales of software	(Direct) 100%	Concurrent : 1	Production of software on a contract basis, etc.	Purchase of services	19,730	Accounts payable – trade	7,205
										Accrued expenses	177
Subsidiary	Oki Microelectronics Co., Ltd.	Minato-ku, Tokyo	¥50 million	Sales of semiconductor products	(Direct) 100%	–	Sales of the Company's products	Sales of products	18,420	Accounts receivable – trade	5,675
Subsidiary	Miyagi Oki Electric Co., Ltd.	Ohira-mura, Kurokawa-gun, Miyagi Pref.	¥200 million	Production and sales of semiconductor products	(Direct) 100%	–	Processing of the Company's products on a contract basis	Purchase of semi-manufactured products	22,630	Accounts payable – trade	6,948
Subsidiary	Oki (Thailand) Co., Ltd.	Thailand	Baht 700 million	Production and sales of semiconductor products	(Direct) 100%	–	Processing of the Company's products on a contract basis	Supply for a fee of semi-manufactured products	25,798	Accounts receivable – other	4,887

Notes:

1. The transactions amount excludes consumption tax, while the ending balance includes consumption tax.
2. Conditions of transactions and policy in determining conditions
   The Company determines conditions regarding purchase of services and purchase/sales of products and semi-manufactured products based on market prices.

Notes to Per-share Information

1. Net assets per share: ¥158.79
2. Net loss per share: ¥57.72

(Translation)

Transcript of Account Auditors' Report

Independent Auditors' Report

May 18, 2007

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

Ernst & Young ShinNihon

Tatsunosuke Kagaya (seal),
Engagement Partner, Certified Public Accountant
Masato Tsukahara (seal),
Engagement Partner, Certified Public Accountant
Akira Sato (seal),
Engagement Partner, Certified Public Accountant

We have audited the non-consolidated financial statements – the non-consolidated balance sheets, the non-consolidated statement of operations, the non-consolidated statement of changes in shareholders' equity and notes to non-consolidated financial statements – and its supporting schedules of Oki Electric Industry Co., Ltd.'s 83rd term from April 1, 2006 to March 31, 2007 in accordance with Article 436 Paragraph 2 Item 1 of the Company Law. The financial statements and supporting schedules are the responsibility of Oki Electric Industry's management. Our responsibility is to express an opinion on the financial statements 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.

We concluded that the non-consolidated financial statements fairly present in all aspects Oki Electric Industry's assets and income or loss in accordance with corporate accounting standards generally accepted in Japan.

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

We, the Board of Corporate Auditors, have prepared upon consultation this Audit Report based on reports compiled by each Corporate Auditor with respect to Directors' performance of their duties during the 83rd fiscal year from April 1, 2006 to March 31, 2007, as follows:

1. Auditing methods used by Corporate Auditors and the Board of Corporate Auditors, and details of audit

The Board of Corporate Auditors specified an audit policy, compiled audit plans and received reports from each Corporate Auditor on the status of implementation and results of audits and also received reports from Directors and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.

Each Corporate Auditor, according to the audit standards, policy and plans set up by the Board of Corporate Auditors, has maintained good communications with Directors, the internal audit division and other employees and strived to collect information and improve the audit environment as well as attending meetings of the Board of Directors and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and principal operating offices. In addition, we have monitored and verified the details of the resolution made by the Board of Directors concerning the establishment of systems defined in Article 100, Paragraph 1 and Paragraph 3 of the Regulations for Enforcement of the Company Law as necessary for ensuring compliance with laws and the Company's Articles of Incorporation in the performance of duties by Directors and for ensuring appropriateness of duties of a joint stock company. We have also monitored and verified the status of the systems established based on the said resolution (internal control systems). Also, we have maintained good communications and exchanged information with directors, corporate auditors and others of the subsidiaries of the Company, and received from the subsidiaries reports on their business conditions as needed. Based on the methods mentioned above, we have reviewed the financial statements for the said fiscal year and their supplementary schedules.

We have also monitored and verified whether the auditors maintained their independence and properly implemented audits, received from the auditors reports on the performance of their duties and asked them for explanations as necessary. The accounting auditors reported to us that "systems for ensuring proper execution of duties" (listed in each item of Article 159 of the Corporate Calculation Regulations) have been established in accordance with the quality control standards concerning audits (Business Accounting Council, October 28, 2005), and asked them for explanations as necessary. Based on the methods mentioned above, we have reviewed financial statements for the said fiscal year (balance sheet, statement of operations, statement of changes in shareholders' equity, and notes to non-consolidated financial statements), their supplementary schedules and consolidated financial statements (consolidated balance sheet, consolidated statement of operations, consolidated statement of changes in shareholders' equity, and notes to consolidated financial statements).

2. Results of Audit

(1) Results of audit of the business report
   1) We consider that the business report and its supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Articles of Incorporation.
   2) With respect to the Directors' performance of their duties, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Articles of Incorporation.
   3) We consider that the details of the resolution made by the Board of Directors concerning internal control procedures are proper. With respect to the Directors' performance of their internal control duties regarding, we have found no issues to be pointed out.

(2) Results of audit of financial statements and their supplementary schedules
   We consider that the auditing methods and results of the Company's Accounting Auditors, Ernst & Young ShinNihon, are proper.

(3) Results of audit of consolidated financial statements
   We consider that the auditing methods and results of the Company's Accounting Auditors, Ernst & Young ShinNihon, are proper.

May 21, 2007

The Board of Corporate Auditors, Oki Electric Industry Co., Ltd.
Takahisa Inagawa, Standing Auditor (seal)
Yoshikatsu Shiraishi, Standing Auditor (seal)
Hiroyuki Katagiri, Outside Standing Auditor (seal)
Ieji Yoshioka, Auditor (seal)

(Translation)

Reference Documents for the General Meeting of Shareholders

Agenda and Reference Matters

Agenda 1: Election of Four Directors

The tenure of Directors Nobuhide Hara, Hideichi Kawasaki and Minoru Morio will expire at the end of this general meeting of shareholders.

Also, Directors Yutaka Maeda and Tadao Murase will retire at the end of this general meeting of shareholders.

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

Candidates for Directors (Four):

Candidate number	Name (Date of birth)	Brief personal profile, position and representation of other companies	Number of Oki shares held
1	Hideichi Kawasaki (January 10, 1947)	Apr. 1970 Joined Oki Electric Nov. 1990 Manager, Sales Division-3, Financial Systems Sales Division Apr. 2001 Executive Officer Apr. 2004 Senior Executive Officer (incumbent) Apr. 2005 General Manager, Marketing Promotion Division (incumbent) Apr. 2005 Senior Vice President (incumbent)	20,000 shares
2	Keiichi Fukumura (April 16, 1947)	Apr. 1970 Joined Oki Electric Jun. 1995 Senior Manager, Finance Division Jun. 1998 General Manager, Accounting & Control Division Apr. 2000 Executive Officer Apr. 2006 Senior Executive Officer (incumbent) Apr. 2007 General Manager, CSR Promotion Division (incumbent)	18,000 shares
3	Masayoshi Matsushita (August 28, 1947)	Apr. 1971 Joined Oki Electric Apr. 1999 General Manager, Network SI Division Apr. 2001 Executive Officer Apr. 2003 General Manager, Network Application Division Apr. 2006 Senior Executive Officer (incumbent) Apr. 2007 CIO (incumbent)	20,000 shares
4	Minoru Morio (May 20, 1939)	Apr. 1963 Joined Sony Corporation Apr. 1988 Senior General Manager, Personal Video Systems Group Jun. 1988 Director Jun. 1990 Senior Managing Director Jun. 1993 Executive Deputy President Jun. 1999 Technological Executive Representative Jun. 2000 Vice Chairman Jun. 2001 Director of Oki Electric (incumbent)	10,000 shares

Notes: CIO: Chief Information Officer

1. The candidate for Director Minoru Morio, currently Outside Director, will have served for six years at the end of this general meeting of shareholders, since taking office as Outside Director.
2. Reasons for appointing Minoru Morio as candidate for Outside Director:
   Given his extensive experience in the electronics industry as well as his character and insight, we have concluded that he is capable of appropriately making suggestions concerning the Company's business situation and managerial issues, which will help strengthen the Board of Directors' ability to oversee business operations.

(Translation)

Agenda No. 2: Election of One Corporate Auditor

Mr. Takahisa Inagawa, 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, position and representation of other companies		Number of Oki shares held
Takahisa Inagawa (October 8, 1943)	Apr. 1967 Jul. 1997 Jun. 1998 Apr. 2000 Jun. 2001 Apr. 2002 Jun. 2003	Joined Oki Electric General Manager, Sales Supervising Division Director Senior Executive Officer Senior Vice President President & CEO, Oki Engineering Co., Ltd. Corporate Auditor of Oki Electric (incumbent)	42,000 shares

(Translation)

Agenda 3: 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” as prescribed in Article 361 of the Company Law, for the following reason and in the following manner, pursuant to the provisions of Articles 236, 238 and 240 of the Company Law (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 in order to enhance the relevant Directors’ incentives and morale, improve the Company’s business performance and increase benefits to our shareholders by augmenting our corporate value through those Directors’ 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 relevant operations.

3. Particulars of the equity warrants offering

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

The upper limit of new common stock to be issued is 287,000 shares.

In the event the Company splits or consolidates its common stock, 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 will be discarded.

(2) Aggregate number of equity warrants to be offered:

Up to 287

(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 will 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 Company Law, 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 offering details (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 date 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, 2009 to June 25, 2017

(6) Conditions for exercise of equity warrants:
a. The following restrictions shall be established for exercising equity warrants:
1) Period from July 1, 2009 to June 30, 2010:
A maximum of 34% of the allotted number may be exercised.
2) Period from July 1, 2010 to June 30, 2011:
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, 2011 to June 25, 2017:
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 equity warrants upon the holder’s death shall be allowed to exercise the rights as follows:

In case of inheritance before June 30, 2011, the rights may be exercised by June 30, 2012.

In case of inheritance after July 1, 2011, the rights may be exercised for one year from the date of inheritance; provided, however, that the rights may not be exercised after June 25, 2017.

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) Acquisition of equity warrants:
Equity warrants may be acquired 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:
Transfer of equity warrants is subject to the approval of the Board of Directors.

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

(Translation)

Agenda 4: Determining the 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 reasons and in the following manner, pursuant to the provisions of Articles 236, 238 and 239 of the Company Law (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, in order to further enhance their incentives and morale for improving the Company's business performance and expand the interests of our shareholders by augmenting our corporate value through the management efforts of those managers and officers.

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 equity warrants offering

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

The upper limit of new common stock to be issued is 245,000 shares.

In the event the Company splits or consolidates its common stock, 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 245

(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, 2009 to June 25, 2017

(6) Conditions for exercise of equity warrants:
a. The following restrictions shall be established for exercise of equity warrants:
1) Period from July 1, 2009 to June 30, 2010:
A maximum of 34% of the allotted number may be exercised.
2) Period from July 1, 2010 to June 30, 2011:
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, 2011 to June 25, 2017:
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, 2011, the rights may be exercised by June 30, 2012.

In case of inheritance after July 1, 2011, the rights may be exercised for one year from the date of inheritance; provided, however, that the rights may not be exercised after June 25, 2017.

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) Acquisition of equity warrants:
Equity warrants may be acquired 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:
Necessary items and matters pertaining to allotment shall be established by resolutions of the Board of Directors.

(Translation)

Appendix

Instructions for the Exercise of Voting Rights via Internet

1. **Matters requiring your agreement concerning the exercise of voting rights via Internet**
   We kindly request your consent to the following regarding exercise of voting rights via Internet.
   1) Exercise of voting rights via 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 rights 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 Internet to be effective if you exercise your voting rights both in writing and via Internet.
   3) We will regard the last exercise via 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 "Yahoo! Keitai" (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 9:00 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

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"Yahoo!" is the trademark of Yahoo! Inc. of the U.S.
"QR Code" is the registered trademark of Denso Wave Incorporated.