

Financial Results for the Fiscal Year ended March 31, 2011

May 13, 2011

Oki Electric Industry Co., Ltd.

- Indication method of amounts in hundred millions yen are as follow:
Amounts in each item are rounded to the nearest hundred million yen. Variances are calculated in the hundred millions.
- The projections and plans in this material are subject to change depending upon the changes of business environments and other conditions.

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Introduction

We would like to express our heartfelt condolences to all those affected by the Great East Japan Earthquake. We sincerely pray for the people's safety and quick revival of the stricken area.

■ Impact of the Great East Japan Earthquake

- Status of restoration at Printer biz's Fukushima plant.
 - Though part of operations were suspended, it resumed operations on Apr.11 (Direct impact was minor).
- Impact on the financial results
 - The impact on the financial results for FY end. March 2011 was caused by indirect factors. Net sales and operating income declined by 3.5B yen and 1.2B yen.
- Projections for the FY ending March 2012
 - Plans for the full fiscal year are based on the current projections. However, there are uncertainties, such as the impact of limited power supply and risk in procurement for raw materials and parts. In case we recognize a big impact on the plans for FY end. March 2012 announced today, we will to disclose promptly.
 - Announcement for 1H plans has been held off at this time due to the difficulty in assessing the impact of the earthquake on production and sales.

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Summary of segment information

■ **Though net sales fell from previous projections, operating income was approximately the same as previous projections except for the impact of the earthquake disaster.**

- ✓ Impact of the earthquake disaster: Net sales and operating income decreased by 3.5 B yen and 1.2 B yen respectively.

[YoY comparison]

- Net sales decreased by 11.2 B yen. (Impact of currency exchange:12.0 B yen)
 - Info-telecom segment: Sales decreased as large project replacements for some governmental offices were in the changeover period, in addition to the impact of the earthquake disaster.
 - Printers: Sales decreased due to the delay in switching to new products which mainly occurred in 1H and the impact of the delayed economic recovery in certain regions across Europe, in addition to the impact of currency exchange.
 - EMS segment and Others: Sales increased due to market recovery. EMS: Electronics Manufacturing Service
- Operating income decreased by 3.0 B yen. (Impact of currency exchange:2.6 B yen)

*after restatement (Billion yen)	Net sales		Operating income (loss)		Previous Projections (Jan.28)	
	FY end Mar. 11	*FY end Mar.10	FY end Mar. 11	*FY end Mar.10	Net sales	Operating income (loss)
Info-telecom	260.7	267.4	14.7	15.0	267.5	15.5
Printers	125.0	140.3	0.2	6.1	125.0	0.5
EMS	31.0	22.7	1.3	(0.2)	32.0	1.7
Others	15.9	13.5	1.5	(0.5)	15.5	1.3
Eliminates & Corp.	-	-	(6.7)	(6.5)	-	(7.0)
Total	432.7	443.9	11.0	14.0	440.0	12.0

Segment information: Info-telecom systems

[Comparison with previous projections(Jan.28)]

Though sales decreased due to the decline in demand by enterprises, in addition to the impact of the earthquake disaster, operating income was approximately the same as previous projections except for the impact of the earthquake disaster.

[YoY comparison]

■ Net sales:

➤ Solutions & services:

Sales increased due to the rise in maintenance and services, such as ATM-LCM, ATM monitoring services, and systems sales for governmental offices, etc.

➤ Telecom systems:

Sales for telecom carriers decreased due to the decline in core network and existing network, though shipment of GE-PON increased. Sales for enterprises declined due to the decrease of large projects.

➤ Social infrastructure systems:

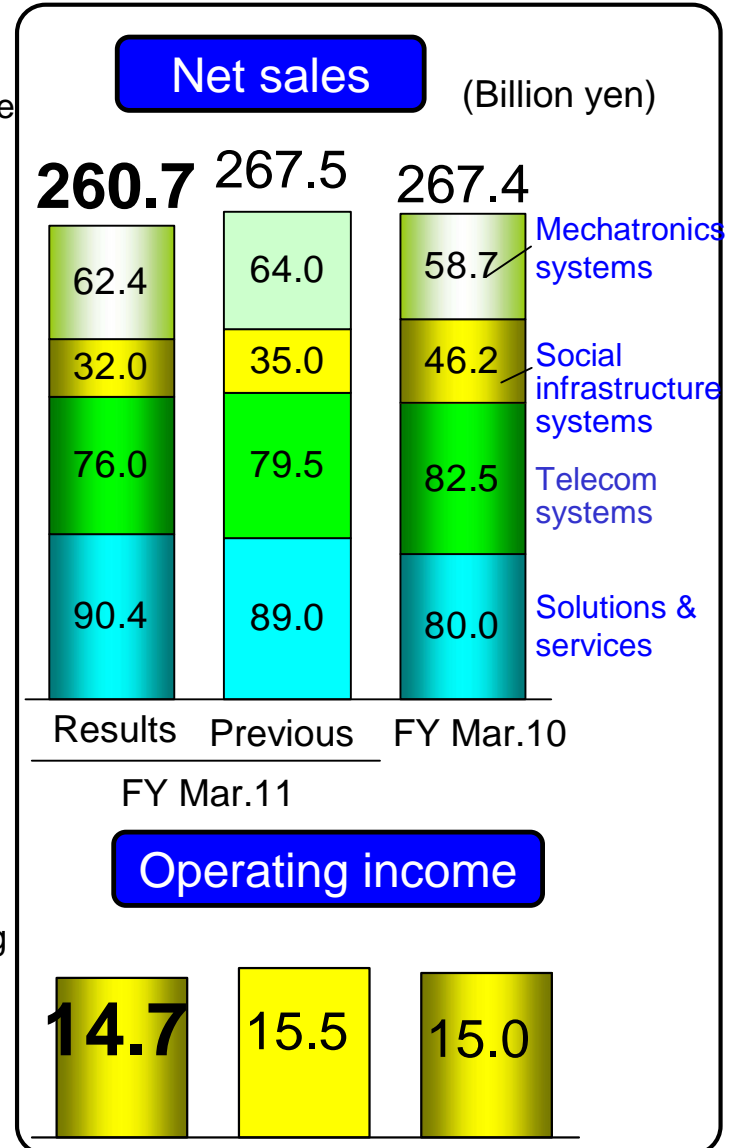
Sales decreased as large project replacements for some governmental offices were in the changeover period.

➤ Mechatronics systems:

Sales for ATM in Japan and China were steady. Overall sales increased as sales of bank branch terminals also expanded.

■ Operating income:

Operating income was approximately the same as the previous year due to further cuts in expenses and review fixed costs in addition to making efforts to reduce production and procurement costs, and improve product mix, despite increase in R&D expenses, the impact of the earthquake disaster and treatment optimization.



Segment information: printers

[Comparison with previous projections(Jan.28)]

Sales were the same as previous projections.
 Operating income was also the same as previous projections except for the impact of the earthquake disaster.

[YoY comparison]

■ **Impact of currency exchange:** Net sales declined by 12.0 B yen. Operating income declined by 2.7 B yen.

■ **Net sales decreased by 3.3 B yen excluding the impact of currency exchange.**

➤ **Color and Mono NIP:**

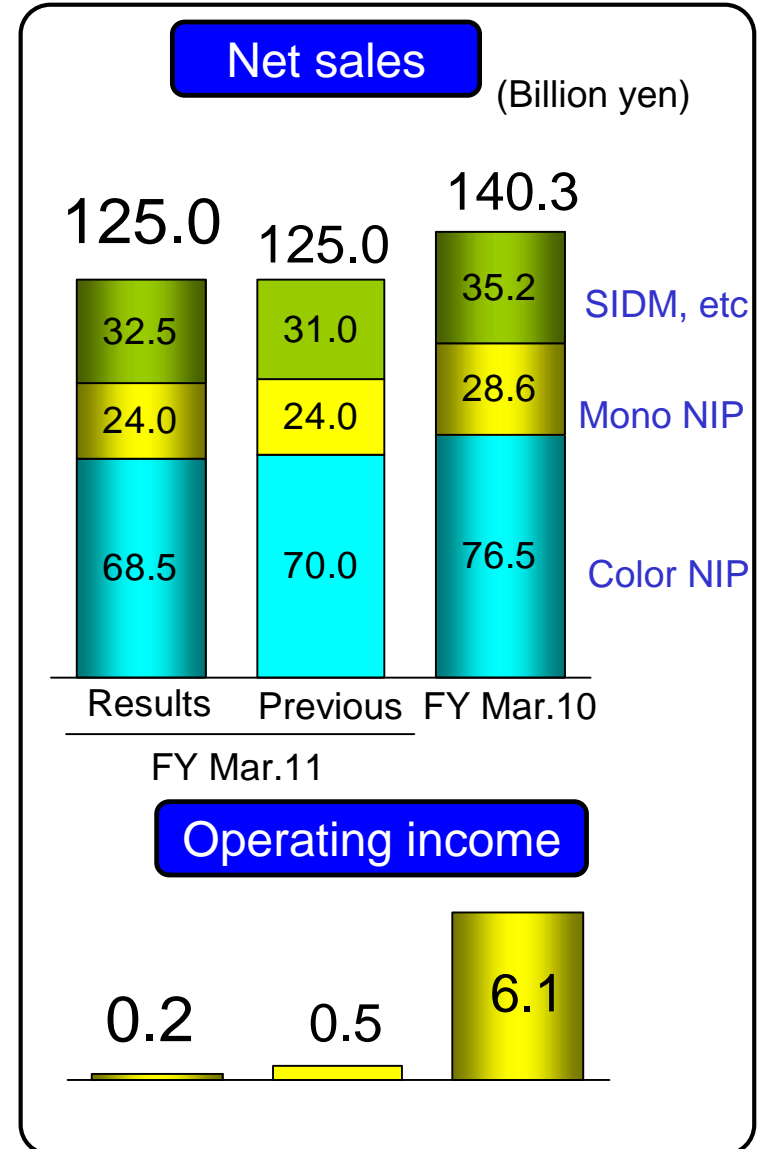
- Accelerated full-scale deployment of new A4 color and mono models from 2H.
- Sales for new models were steady due to effects of promotion activity concentrating on focus models. However, sales decreased due to the delay in switching to new products which occurred in 1H and the impact of delayed economic recovery in certain regions across Europe.

➤ **SIDM, etc.:**

Unit sales for SIDM increased due to special procurements caused by revised tax law in China.

■ **Operating income decreased by 3.2 B yen excluding the impact of currency exchange.**

Operating income decreased due to the impact of price decline, changes in volume, changes in product mix and increase in sales expense in 1H, in addition to the impact of the earthquake disaster and treatment optimization, while OKI made efforts to reduce production and procurement costs.



Segment Information: EMS, Others

[Comparison with previous projections(Jan.28)]

Though sales declined due to the impact of the earthquake disaster, operating income was approximately the same as previous projections.

[YoY comparison]

■ Net sales:

➤ EMS:

- Sales for EMS business increased due to the expanded orders for large businesses in telecom equipment market, early launch of new business in medical equipment market, and the market recovery in industrial and semiconductor equipment markets.

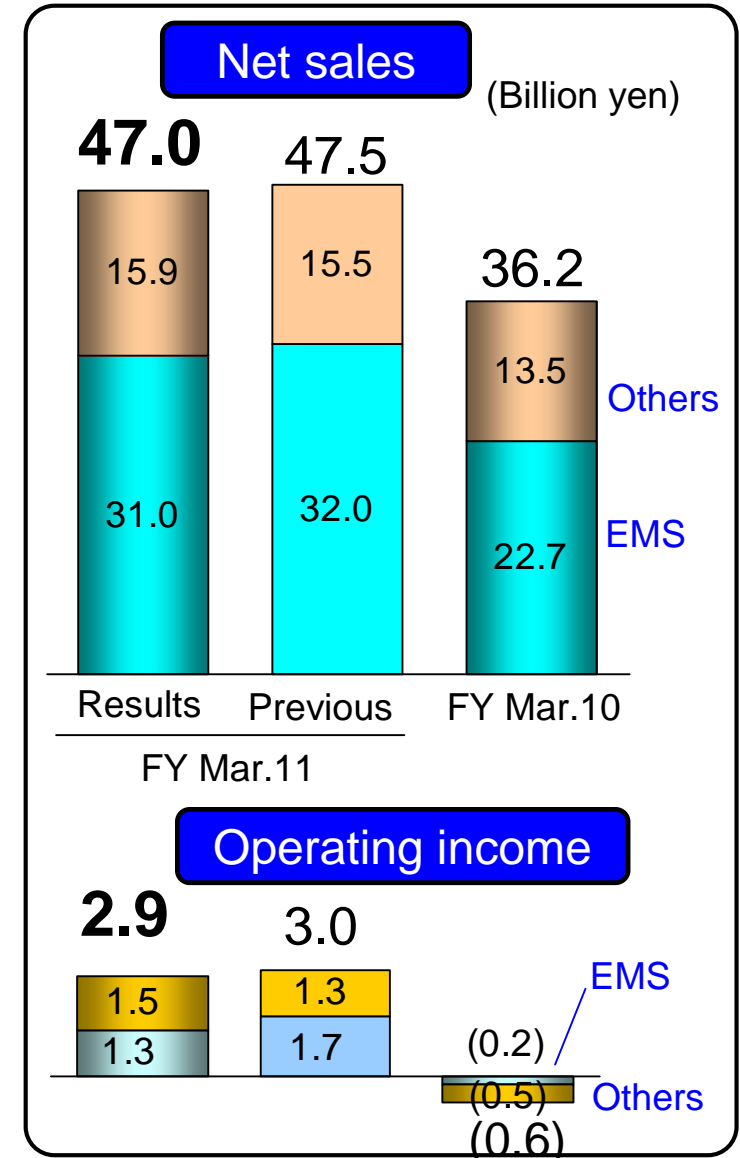
- Sales for substrate businesses increased due to its market recovery.

➤ Others:

Sales for components related business increased with the market recovery.

■ Operating income:

Operating income improved by 3.5 B yen due to the improvement in product mix and the reduction in production and procurement costs, in addition to the increase in marginal profits due to the rise in volume, despite the impact of the earthquake disaster and treatment optimization.



Changing factors of operating income

- Operating income decreased by 3.0 B yen Y on Y due to price decline, impact of the strong yen, increase in other costs, and the impact of treatment optimization in addition to the impact of the earthquake disaster, despite growth factors such as reduction of production and procurement costs.

		(Billion yen)	Operating income (loss)
	Results of FY ended March 2011		11.0
	Results of FY ended March 2010		14.0
	Variance of operating income		(3.0)
Changing factors	Changes in volume and product mix		0.0
	Price decline		(2.5)
	Impact of currency exchange		(2.5)
	Reduction of procurement and production costs		5.5
	Changes in fixed costs		(1.5)
	Changes in other costs		(2.0)

Profit and loss

[YoY comparison]

(Billion yen)	FY Mar. 2011	FY Mar. 2010	Previous Projections
Net sales	432.7	443.9	440.0
Cost of Sales	318.6	322.6	
SG&A	103.0	107.4	
Operating income	11.0	14.0	12.0
Other income & expenses	(5.1)	(5.2)	
Recurring income	5.9	8.8	5.5
Extraordinary loss	(31.2)	(3.6)	
Income before income taxes	(25.3)	5.1	
Net income (loss)	(27.0)	3.6	(28.0)

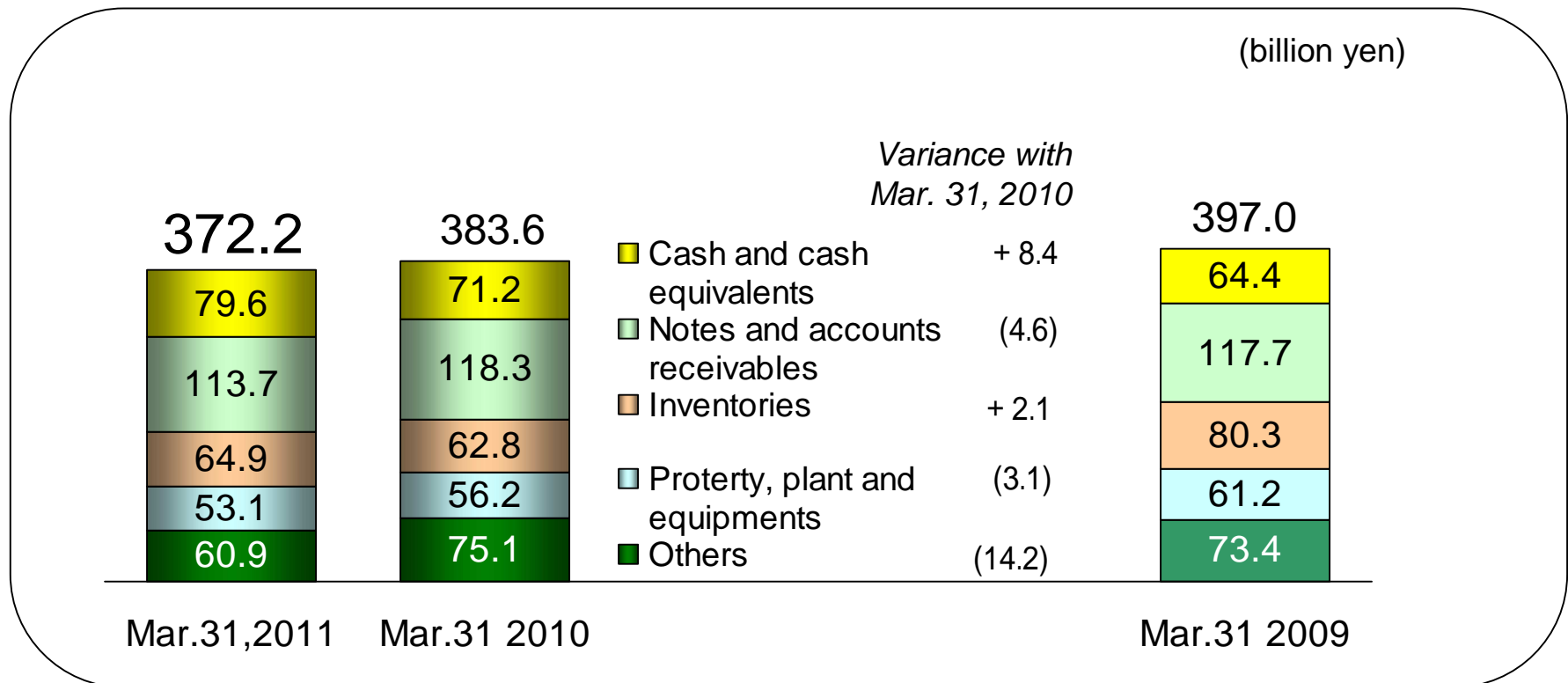
- SG&A decreased by effects of reduction etc.
- Other income and expenses was approximately the same as the previous year as interest expense and the loss caused by the redemption of corporate bonds in the previous year decreased, despite stock issuance expense.
- Major extraordinary income
 - Gain on contribution of securities to a pension trust (+ 7.4 B yen)
 - Gain on negative goodwill due to OKI Wintech becoming a wholly-owned subsidiary (+ 2.7 B yen)
- Major extraordinary loss
 - Loss on revising retirement benefit scheme (-22.4 B yen)
 - Special retirement benefit (-11.1 B yen)
 - Warranty expense / Provision of reserve for product warranties (-2.2 B yen)
 - Loss on revaluation of investments in securities (-1.5B yen)

[Reference: Currency exchange rate]

	FY Mar. 2011	FY Mar. 2010
USD	85.7	92.9
Euro	113.1	131.2

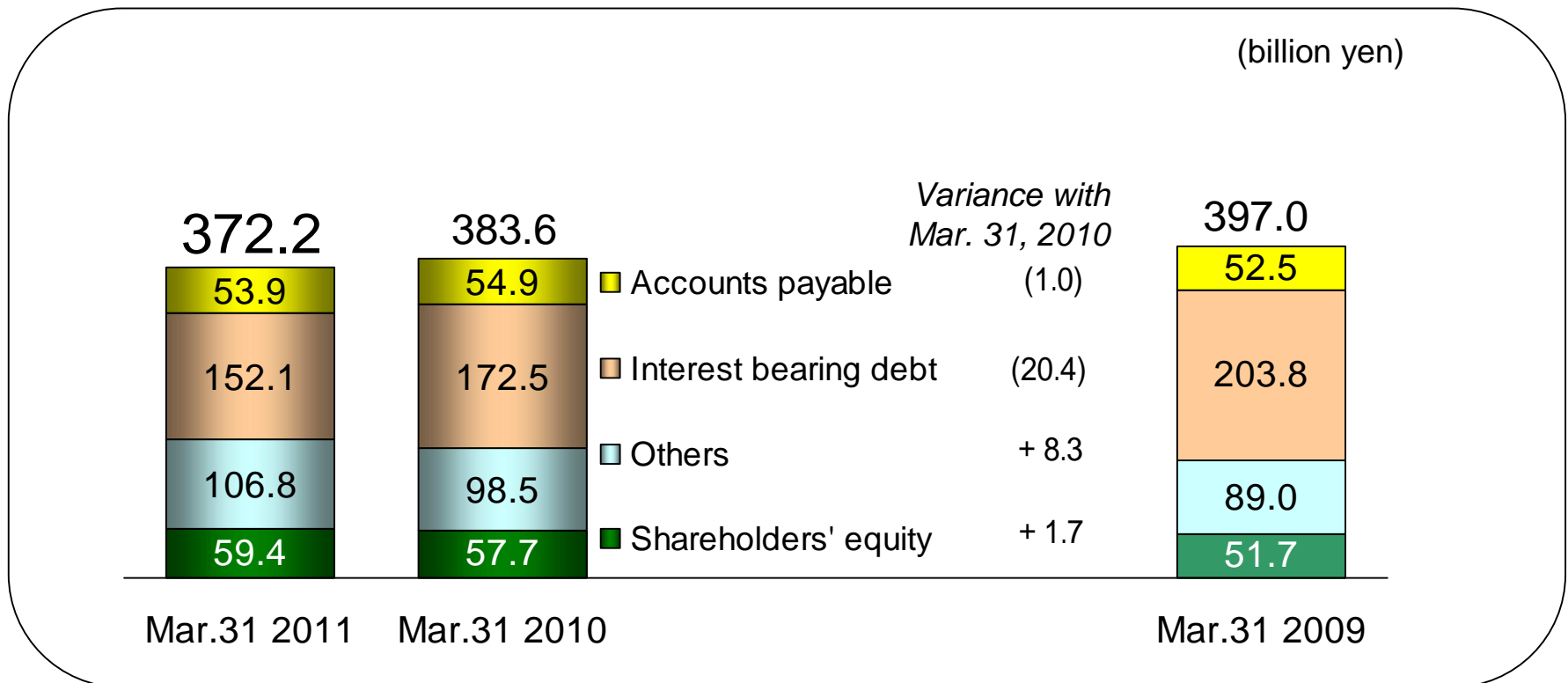
Balance sheet [Assets]

- Total assets decreased by 11.4 B yen due to the reduction in notes and accounts receivables and investments in securities.
- Cash and cash equivalents increased by 8.4 B yen.



Balance sheet [Liabilities and shareholders' equity]

- Overall shareholders' equity increased, due to 30.0 B yen of capital expansion through the issuance of preferred stock and the increase in additional paid-in capital due to the share exchange from acquiring the whole ownership of OKI Wintech, though shareholders' equity fell due to 27.0 B yen of net loss during this fiscal year and the decrease in valuation adjustments.
- Interest bearing debt decreased by 20.4 B yen. Net interest bearing debt also decreased by 28.9B yen to 72.4 B yen.



Cash Flows

- Cash flows from operating activities amounted to 1.6 B yen.
- Cash flows from financing activities was 11.2B yen due to increase in cash from 30.0 B yen of capital expansion through the issuance of preferred stock, despite the repayment of debt.

(Billion yen)	FY end Mar. 2011	FY end Mar. 2010	Notes
Cash flows from operating activities	1.6	51.3	
Net income before income taxes	(25.3)	5.1	
Depreciation & amortization	14.1	15.5	
Changes in working capital	(5.5)	19.4	
Others	18.3	11.3	
Cash flows from investing activities	(4.4)	(13.0)	
Purchase of property, plants & equipment	(6.5)	(8.0)	
Others	2.1	(5.0)	
Free cash flows (+)	(2.8)	38.3	
Cash flows from financing activities	11.2	(31.3)	
Net cash flows (+ +)	8.4	7.0	

Cash and cash equivalents at the period end	79.6	71.2	
Interest bearing debt at the period end	152.1	172.5	

General overview of FY ended March 2011

- OKI almost achieved its profit target except for the impact of the earthquake disaster (same as the previous projection).
- “Program for the enhancement of management bases” based on “the Mid-term business plan” was approximately accomplished.
 - Improved capital by capital reduction for resolving cumulative loss
 - Increased capital and secured funds for investments in growth strategy by issuing preferred stocks
 - Cut personnel costs worth 1,000 people in Japan by introducing “early retirement program”
 - Acted and prepared for revision of retirement benefit scheme (to be implemented in June. 2011).
 - Decreased projected benefit obligation
 - Accelerated business selection and concentration and reorganization of Group companies
 - Made OKI Wintech into a wholly owned subsidiary and reinforced structure for delivering “one-stop” services in telecom system business
 - Established a shared services company and streamlined indirect operations within the Group
 - Integrated three software development companies and promoted enhancing and streamlining software development capability, etc.

I. Introduction

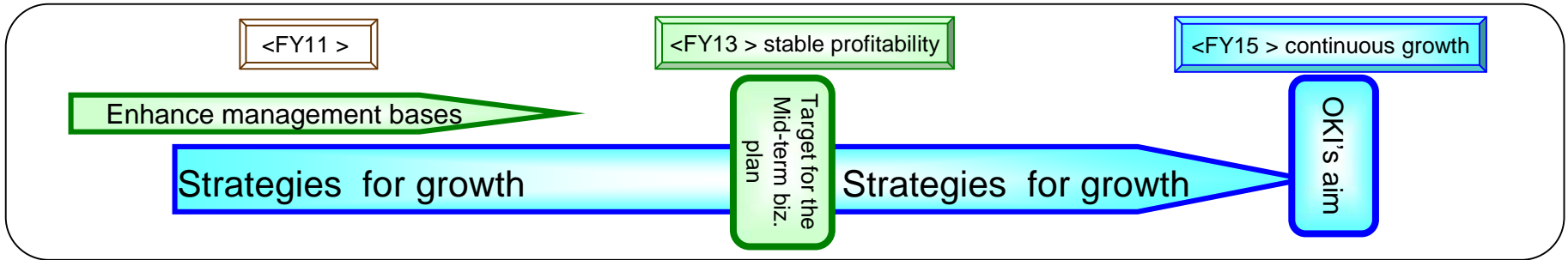
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Policy for FY end. March 2012



The first year of brushed up “ the Mid-term business plan” [130th year in business]
“Generate profit stably and accelerate planting seeds for growth”



Based on the “management basis capable of generating stable profits” established in FY10, accelerate deployment of measures to achieve Mid-term business plan targets.

Enhance profitability

Strategic alliances

Expand sales

[Targets for Fiscal Year end. March 2012]

OKI aims for net sales:436.0B yen, operating income:15.0B yen,
 net income:7.5B yen

Policy for FY end. March 2012

■ Ensure stable profits

- Ensure stable profitability for financial system, telecom system, and social infrastructure system.
- Expand share in markets with high growth
 - Switch market strategies for printers in Europe (expand sales in major countries)
 - Strengthen sales and seize replacement demand for ATMs in China
- Develop and deploy new products and services
 - Launch new home gateways for home ICT
 - Deploy new models of cash handling equipment
 - Enhance “e-quick station” for financial institutions (solution for streamlining cash transactions for front-office)
 - Develop cloud service “Exaas”
 - ✓ Develop shared-use services for financial institutions
 - ✓ Deploy energy saving/BCP solutions
 - ✓ Strengthen line-up for ATM-LCM service
 - Launch new MFPs etc.
- Pursue further cost reductions by increasing self-manufacturing rate by way of reforming engineering and production

Policy for FY end. March 2012

■ “Planting seeds” for growth

● Expand new business domains

- Establish new organization for product development promotion in Solutions and services div.
 - ✓ Develop new products such as solutions for offices
 - ✓ Create new services using tablet devices and smartphones, etc.
- Entry into financial systems market in China
 - ✓ Exploit Chinese market for center-administration systems which OKI occupies a high share in the Japanese market.
 - ✓ Enhance products for the Chinese market where OKI has entered with ATMs (cash-handling equipment for front-office etc.)
- From trial to full-scale deployment of ATMs in Latin American market.
- Deploy LED-applied new products.

● Strategic alliances

- Streamline development for main products and enhance cost-competitiveness.
- Enforce service business with strategic alliance with Marubeni Corporation in the area of network integration

Summary of segment information

Full year projections

Net sales :436.0 B yen. Operating income:15.0 B yen

* Announcement for 1H plans has been held off at this time due to the difficulty in assessing the impact of the earthquake on production and sales.

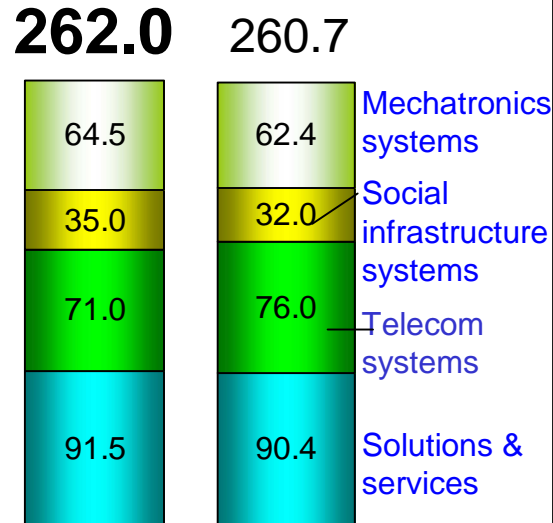
		FY end. Mar. 2012 (Plan)	FY end. Mar. 2011 (Result)
		Full year	Full year
	(Billion yen)		
Info-telecom	Net Sales	262.0	260.7
	Operating income	16.0	14.7
Printers	Net Sales	125.0	125.0
	Operating income	2.5	0.2
EMS	Net Sales	34.0	31.0
	Operating income	1.5	1.3
Others	Net Sales	15.0	15.9
	Operating income	1.5	1.5
Corporate & Eliminations	Operating income	(6.5)	(6.7)
Total	Net Sales	436.0	432.7
	Operating income	15.0	11.0

Segment information

[Info-telecom systems]

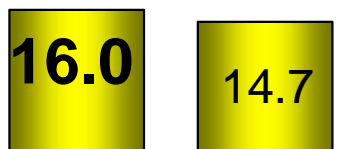
Net sales

(billion yen)



FY end Mar. 2012 (Plan) **FY end Mar. 2011 (Results)**

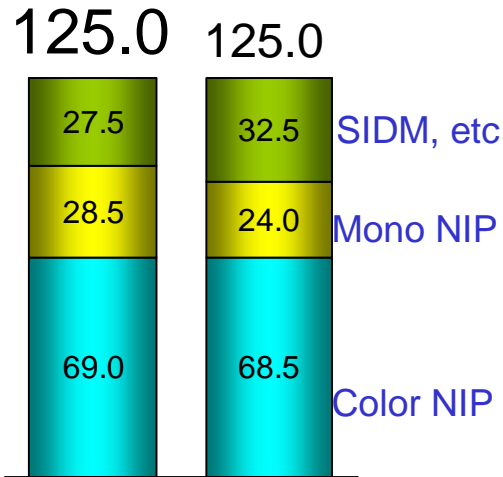
Operating income



[Printers]

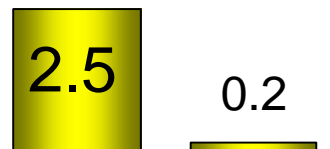
Net sales

(billion yen)



FY end Mar. 2012 (Plan) **FY end Mar. 2011 (Results)**

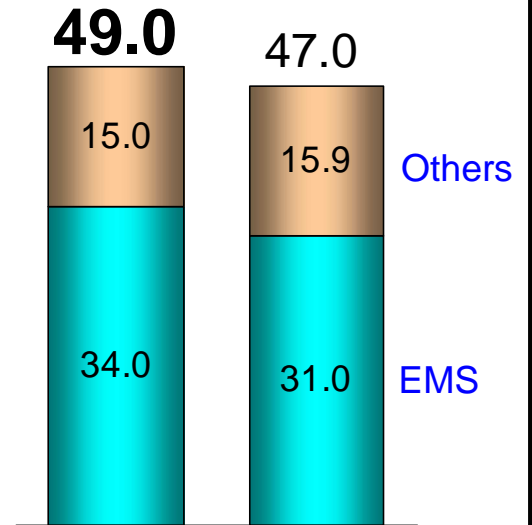
Operating income



[EMS, Others]

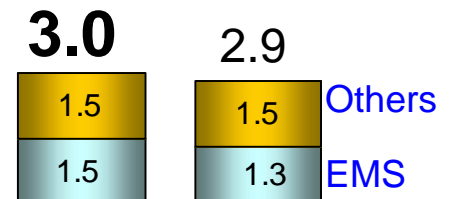
Net sales

(billion yen)



FY end Mar. 2012 (Plan) **FY end Mar. 2011 (Results)**

Operating income



Changing factors of operating income

[Main factors of changes]

- Change in volume and product mix: +1.0 B yen

- Increase in marginal profits due to the rise in volume and improved product mix by expanding sales for new models in printer business, etc.

- Price decline: -2.5 B yen

- Impact of currency exchange: -0.5 B yen

- Both assumed mainly for printers

- Reduction of production and procurement costs : 3.5 B yen

- Accelerate measure for enforcing Group procurement capability set forth in the Mid-term business plan.

- Changes in fixed cost : 2.5 B yen

- Offset impact of treatment optimization with cutting down personnel cost implemented in the previous fiscal year, and impact of reducing amortization burden of projected benefit obligation under the revised retirement benefit scheme, in addition to further reduction in costs.

[Currency exchange rate]

	FY Mar. 2012(Plan)	FY Mar. 2011
USD	85.0	85.7
Euro	110.0	113.1

Profit and loss projections

- Recurring income is expect to increase by 6.1 B yen to 12.0 B yen due to the increase in operating income by 4.0 B yen and improvement in other income and expenses.
- Net income is expected to increase by 34.5 B yen to 7.5 B yen as there will be no extraordinary loss attributable to implementing measures to enhance management basis during the previous fiscal year.

(billion yen)	FY end. Mar.2012 (Plan)	FY end. Mar.2012 (Results)
	Full year	Full year
Net sales	436.0	432.7
Operating income	15.0	11.0
Recurring income	12.0	5.9
Net income	7.5	(27.0)

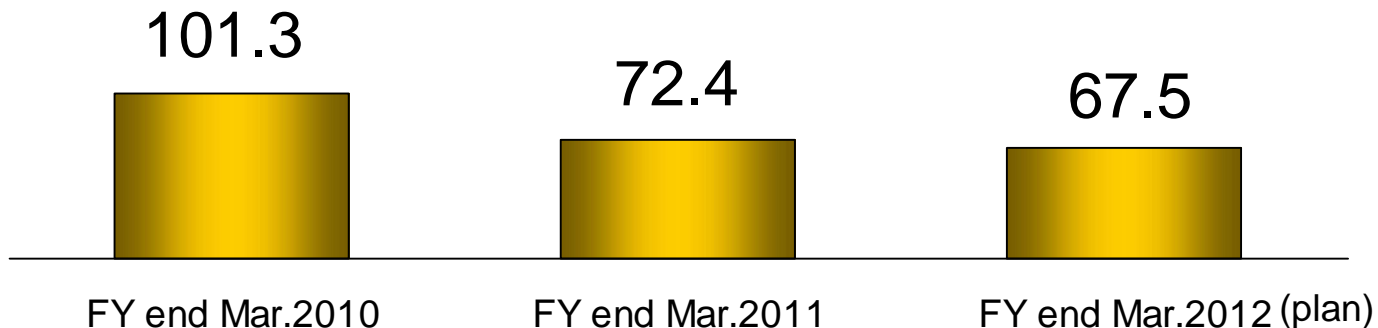
Cash flow projections

- Generate 5.0 B yen free cash flows and reduce net interest bearing debt.

(billion yen)	FY end Mar. 2012 (Plan)	FY end Mar. 2011 (Results)
I. Cash flows from operating activities	18.0	1.6
II. Cash flows from investing activities	(13.0)	(4.4)
Free cash flows (I+II)	5.0	(2.8)
III. Cash flows from financing activities	(14.0)	11.2
Net cash flows (I+II+III)	(9.0)	8.4
IV. Cash and cash equivalents at the period end	70.6	79.6

[Balance of Net interest bearing debt]

(billion yen)



Capital expenditure & R&D expenses projections

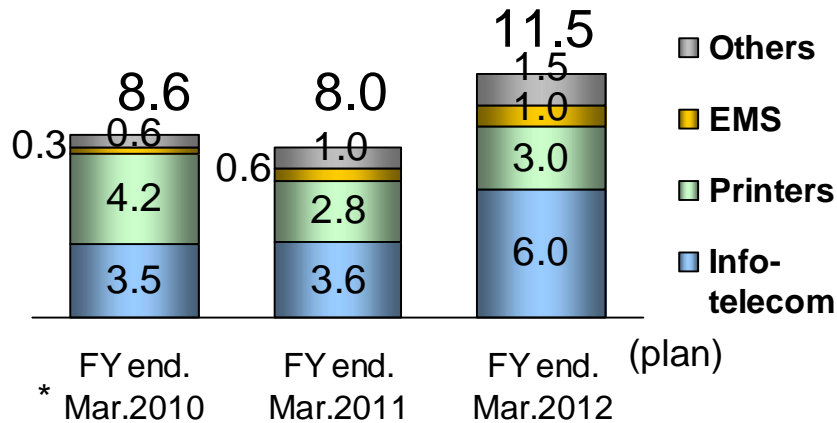
- Strengthen competitiveness by aggressive investment to focusing businesses.

Property, Plant & Equip.

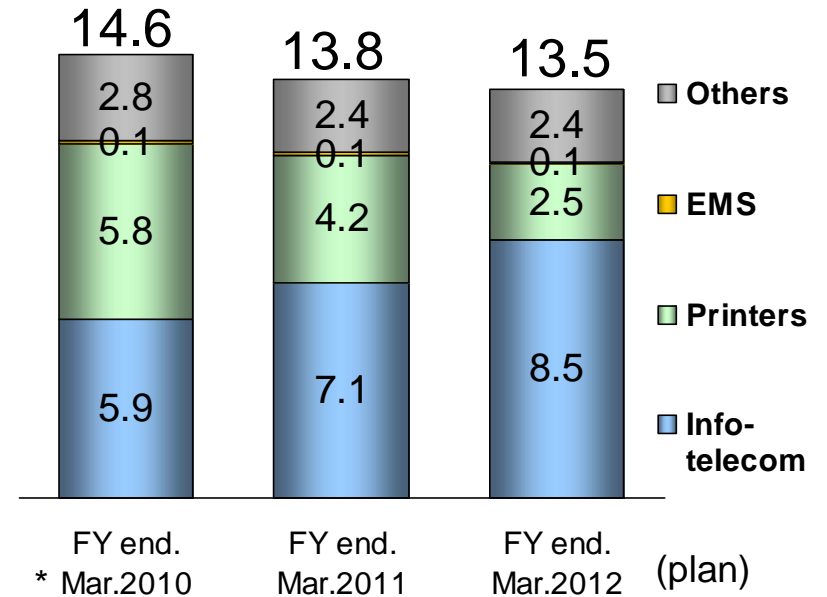
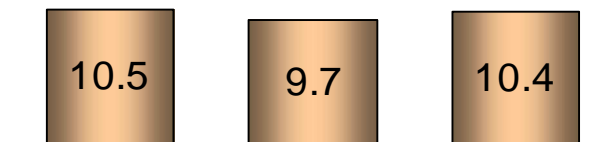
(Billion yen)

R&D Expenses

[Capital Expenditure]



[Depreciation]



*Reflecting restated values for FY end. March 2010



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