

# Financial Results for the First Half of FY ending March 31, 2011

November 12, 2010

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.

# Table of Contents

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- I. Financial results for the 1H, FY ending Mar. 2011
  - 1. Segment information
  - 2. Changing factors of operating income
  - 3. Profit and loss
  - 4. Balance sheets
  - 5. Cash flows
  
- II. Full Year Projections of the FY ending Mar. 2011
  - 1. Summary
  - 2. Qualitative information

# Summary of Segment Information

■ OKI's 1H results were approximately the same as previous projections though circumstances for each segment were somewhat different.

[YoY comparison]

- Net sales decreased by 3.1B yen.
  - Info-telecom segment: Sales declined as large project replacements for some governmental offices were in the changeover period, etc.
  - Printer segment: Sales decreased due to the impact of the delayed economic recovery in certain regions across Europe, in addition to the impact of currency exchange.
  - EMS and Others: Sales increased due to its market recovery. EMS: Electronics Manufacturing Service
- Operating loss increased by 4.1B yen to 5.7B yen.
  - Though operating income of Info-telecom, EMS, and Others increased, overall operating income decreased as OKI could not offset the drop in Printers.
- Impact of currency exchange: Net sales decreased by 5.8B yen and operating income fell by 1.1B yen.

*after restatement (Billion yen)	Net sales		Operating income (loss)		Previous projections	
	FY end Mar. 2011	FY end Mar. 2010*	FY end Mar. 2011	FY end Mar. 2010*	Net sales	Operating income (loss)
Info-telecom	104.7	107.6	1.3	0.6	103.0	0.0
Printers	58.6	65.9	(4.9)	1.9	60.0	(3.0)
EMS	14.8	9.3	0.5	(0.6)		
Others	7.9	6.2	0.8	(0.7)	22.0	1.4
Eliminates & Corp.	—	—	(3.4)	(2.8)	—	(3.4)
<b>Total</b>	<b>185.9</b>	<b>189.0</b>	<b>(5.7)</b>	<b>(1.6)</b>	<b>185.0</b>	<b>(5.0)</b>

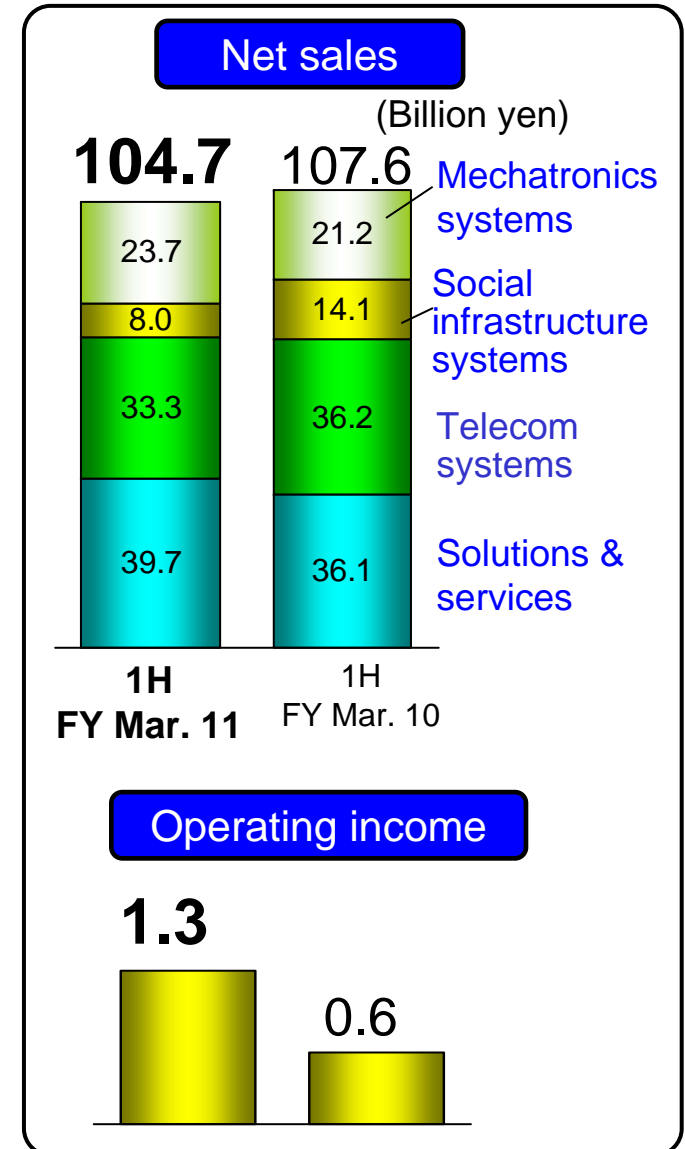
# Segment Information: Info-telecom Systems

## ■ Net sales:

- Solutions & services:  
Sales increased due to the rise in maintenance and services, such as ATM monitoring services, and systems sales for governmental offices, etc.
- Telecom systems:  
Sales for telecom carriers decreased due to the decline in core network, network service platform, and existing network, though shipment of GE-PON increased. Sales for enterprises declined due to the decrease of large projects.
- Social infrastructure systems:  
Though results were as planned, 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 ticket issuing terminals also expanded.

## ■ Operating income:

Operating income increased by 0.7B yen due to efforts to reduce production and procurement costs and changes in product mix, despite impact of decrease in marginal profits from volume decline and treatment optimization .



## Segment Information: Printers

### ■ Impact of currency exchange:

➤ Net sales declined by 5.8B yen. Operating income declined by 1.1B yen.

### ■ Net sales decreased by 1.5B yen excluding the impact of currency exchange.

#### ➤ Color and Mono NIP:

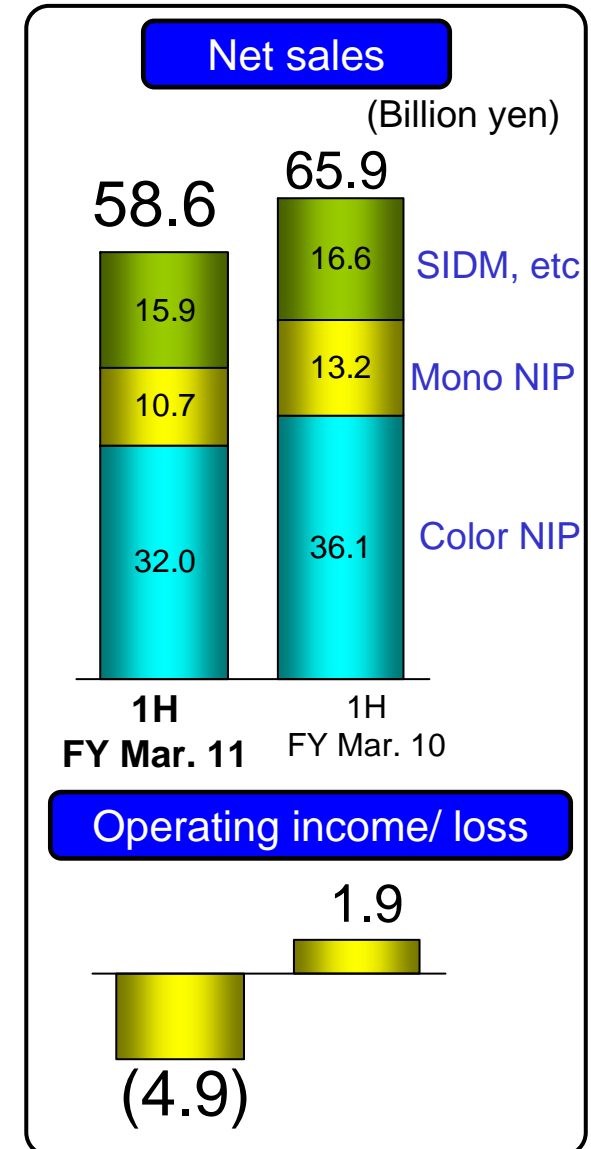
Unit sales increased owing to effects of sales promotion in Japan. Overall sales decreased due to the impact of delayed economic recovery in certain regions across Europe, unit price decline of previous models caused by the delay in switching to new products in Europe.

#### ➤ SIDM, etc.:

Unit sales for SIDM decreased due to the overall shrinking market.

### ■ Operating loss increased by 5.7B yen excluding the impact of currency exchange.

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



## Segment Information: EMS, Others

### ■ 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.

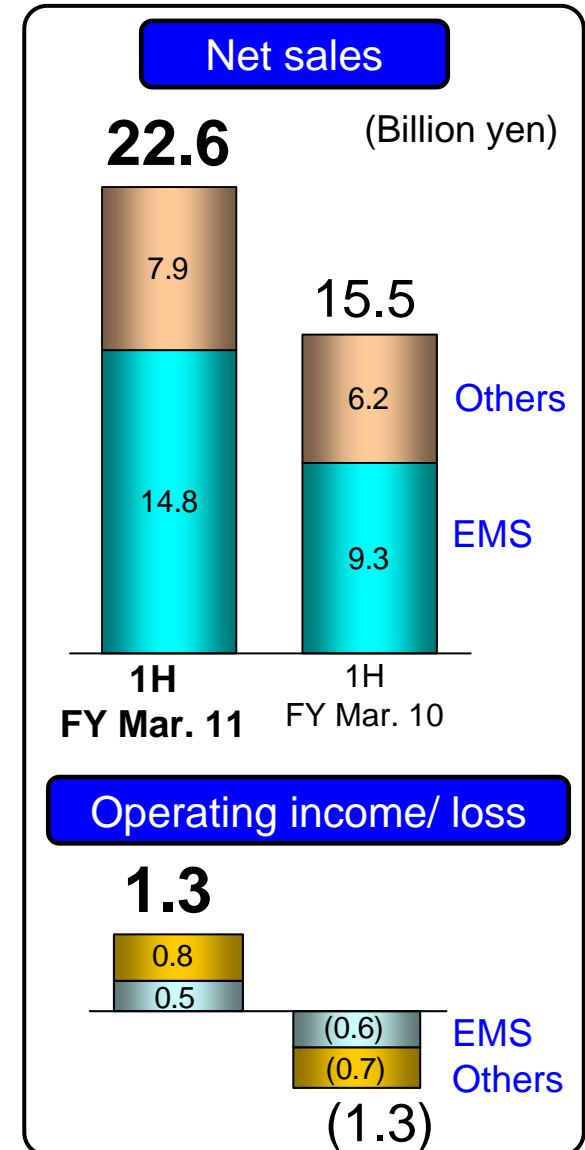
- Sales for substrate businesses increased due to its market recovery.

#### ➤ Others:

Sales for components related business increased with the market recovery.

### ■ Operating income:

Operating income improved by 2.6B 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.



## Changing Factors of Operating Income

- Operating loss increased by 4.1B yen due to price decline, impact of the strong yen, changes in volume and product mix, increase in other costs, and the impact of treatment optimization, etc., while OKI made efforts to reduce production and procurement costs.

		(Billion yen)	Operating income (loss)
	Results of FY ending March 2011		(5.7)
	Results of previous FY ended March 2010		(1.6)
	Variance of operating income		(4.1)
Changing factors	Changes in volume and product mix		(1.0)
	Price decline		(1.0)
	Impact of currency exchange		(1.0)
	Reduction of procurement and production costs		3.0
	Changes in fixed-costs		(2.0)
	Changes in other costs		(2.0)

# 1H Profit and Loss

(Billion yen)	1H FY Mar. 2011	1H FY Mar. 2010
Net Sales	<b>185.9</b>	189.0
Cost of Sales	<b>140.8</b>	138.6
SG&A	<b>50.9</b>	52.0
Operating income (loss)	<b>(5.7)</b>	(1.6)
Other income/loss	<b>(2.2)</b>	(3.1)
Recurring income (loss)	<b>(7.9)</b>	(4.7)
Extraordinary loss	<b>(1.1)</b>	(1.2)
Income before income taxes	<b>(9.0)</b>	(6.0)
Net income (loss)	<b>(11.7)</b>	(7.0)

## [Y on Y comparison]

- Overall SG&A decreased by reduction effects despite the rise in sales expense.
- Other income and expenses improved, since interest expense decreased and the previous year included loss caused by the redemption of corporate bonds.
- Extraordinary loss was approximately the same as the previous fiscal year.
  - Gain on negative goodwill due to OKI Wintech becoming a wholly-owned subsidiary (+2.7B yen)
  - Loss on revaluation of investments in securities (- 2.7B yen)

## [Reference: Currency exchange rate]

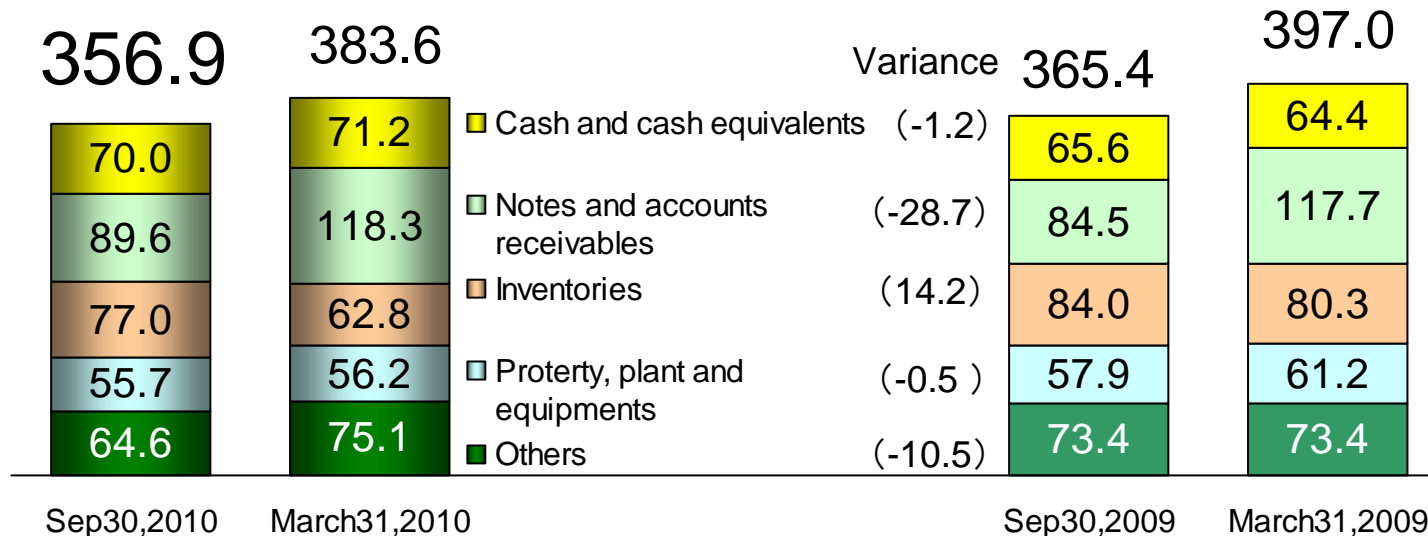
	FY Mar. 2011	FY Mar. 2010
USD	89.0	95.5
Euro	113.8	133.2



## Balance Sheet [Assets]

- Total assets decreased by 26.7B yen due to the reduction in notes and accounts receivables.
- Due to the tendency of larger sales in Q4 of the previous fiscal year, notes and account receivables at March end increased. These receivables are collected in cash, etc., during this 1H which reduces the portion of receivables at September end. Inventories declined at March end and increased at September end because of production equalization during this 1H.

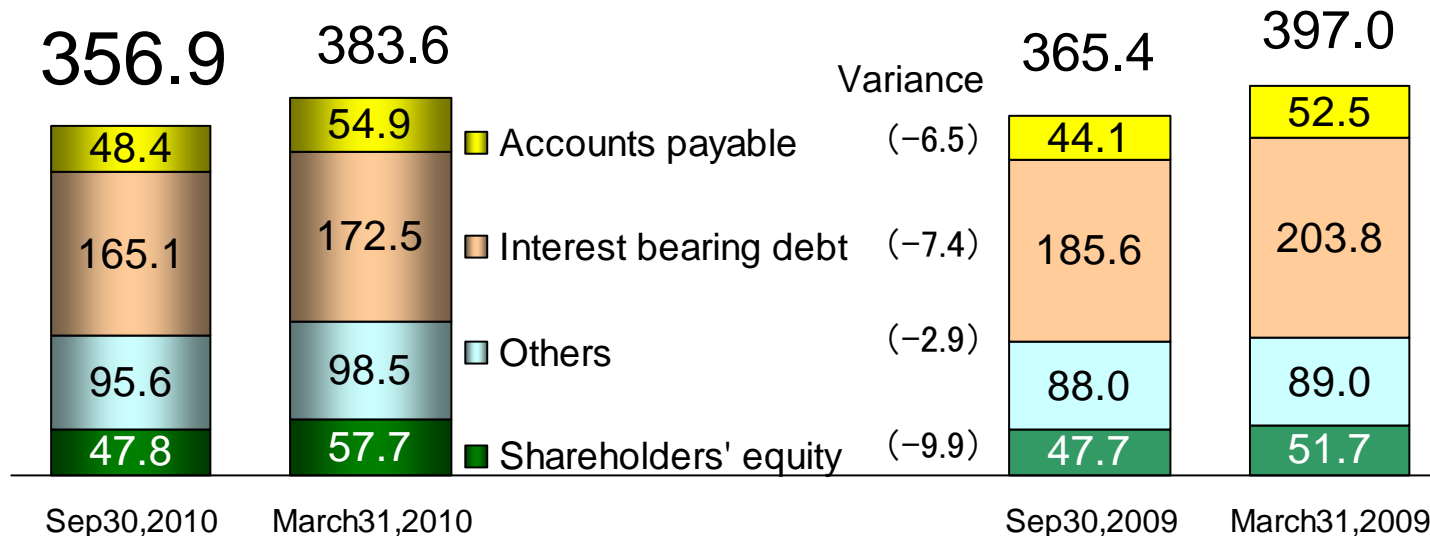
(Billion yen)



## Balance Sheet [Liabilities and shareholders' equity]

- Overall shareholders' equity fell, caused by the decrease in net income and valuation adjustments, although additional paid-in capital increased due to the share exchange from acquiring the whole ownership of OKI Wintech.
- Interest bearing debt decreased by 7.4B yen. Net interest bearing debt also decreased by 6.2B yen to 95.1B yen.

(Billion yen)



## Cash Flows

- Cash flows from operating activities increased by 3.6B yen due to improved working capital, etc.

(Billion yen)	<b>FY March end. 2011</b>	FY March end. 2010	<b>Notes</b>
<b>I Cash flows from operating activities</b>	<b>3.6</b>	<b>25.3</b>	
Net income before income taxes	(9.0)	(6.0)	
Depreciation & amortization	7.0	7.6	
Changes in working capital	6.0	21.4	
Others	(0.4)	2.3	
<b>II Cash flows from investing activities</b>	<b>(0.7)</b>	<b>(4.8)</b>	
Purchase of property, plants & equipment	(3.5)	(4.1)	
Others	2.9	(0.7)	
<b>Free cash flows ( I + II )</b>	<b>2.9</b>	<b>20.5</b>	
<b>III Cash flows from financing activities</b>	<b>(4.4)</b>	<b>(19.1)</b>	
<b>Net cash flows ( I + II + III )</b>	<b>(1.4)</b>	<b>1.4</b>	
<b>Cash and cash equivalents at the period end</b>	<b>70.0</b>	<b>65.6</b>	

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## Full Year Projections for the Fiscal Year end. Mar. 2011 [Summary]

In light of recent currency exchange and business performance, OKI has reviewed numerical values for each segment and revised net sales projection by 5.0 billion yen. Operating income remains the same as previous projections since reduction in procurement and production costs and further cuts in expenses etc., offset decrease factors such as impact of currency exchange, price decline, changes in volume and product mix.

(Billion yen)	Full Year Projections for the FY end. March 31, 2011		
	Nov 12, 2010	Previous projections	Variance
Sales	445.0	450.0	(5.0)
Info-telecom	267.5	262.0	+5.5
Printers	130.0	142.0	(12.0)
EMS	32.0	46.0	+1.5
Others	15.5		
Operating income	12.0	12.0	0.0
Info-telecom	13.5	11.5	+2.0
Printers	2.5	5.0	(2.5)
EMS	1.7	2.2	+0.8
Others	1.3		
Eliminates & Corp.	(7.0)	(6.7)	(0.3)

## Qualitative Information

### [Net sales]

- Info-telecom segment: Sales increase from maintenance services and system sales for the public sector in Solutions and services business, ATMs for domestic financial institutions and retail market, ATMs for China, and ticketing terminals in Mechatronics systems business, in addition to the market condition recovery in Japan.
- Printer segment: Net sales decrease due to revising sales plans for 2H, which was expected to increase significantly due to the anticipated business recovery and effects of launching flagship new products, in light of 1H situation and business trend risks in Europe, while OKI accelerates switching to new products from 2H.
- EMS segment and Others: Sales increase given the market recovery in Japan.

### [Operating income]

- Info-telecom segment, EMS segment, and Others: Operating income increase due to improved marginal profit from sales increase, reduced procurement and production costs, changes in product mix, in addition to further cuts in expenses.
- Printer segment: Operating income decrease due to impact of the currency exchange, decrease in marginal profit from fall in volume and price decline, despite reduction in procurement and production costs and further cuts in expenses, as well as the improvement in product mix following the accelerated switching to new products from 2H.



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