

Oki Electric Financial Results
for the Fiscal Year ended March 31, 2004

April 27, 2004

Oki Electric Industry Co., Ltd.

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* The projections and plans on this material are subject to change depending upon the changes of business environments and other conditions.

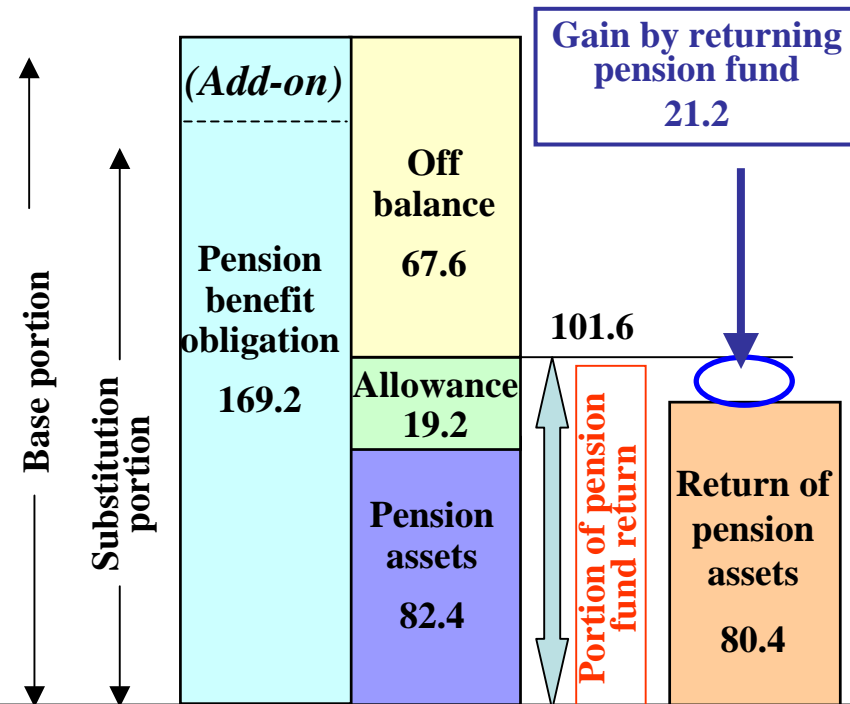
Revision of Gains from Pension Fund Return

On Apr. 23, Oki filed the revision of extraordinary income by returning substitution portion of pension fund and the revision of the financial result projection for the FY ended Mar. 2004.

(Billion yen)

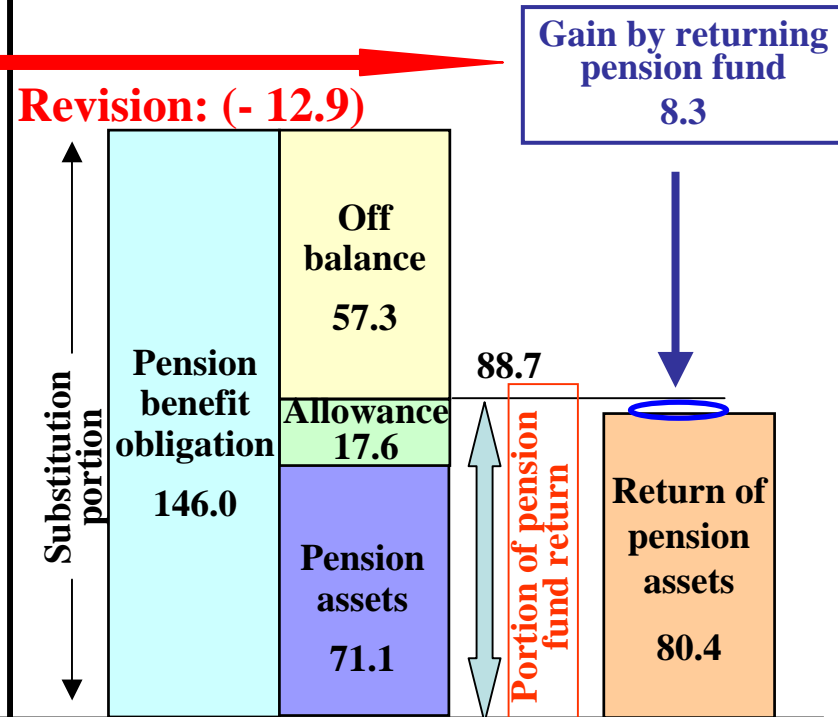
● **Filing on Feb. 24, 2004**

Overestimated extraordinary income by calculating gains from pension fund return by including add-on to substitution portion, which should have not been included.



● **Revision on Apr. 23, 2004**

Recalculated extraordinary income by including substitution portion only. Gains from pension fund return reduced to 8.3B yen (-12.9B yen)



- Net sales was 654.2B yen, increased by 11.7% on a year-on-year basis. Improved by 4.2B yen from the previous projection.
- Operating income was 21.6B yen, accomplished the upward revision.
- Net income reached 1.3B yen, improved by 7.9B yen.
- Total shareholders' equity increased 9.2B yen on a year-on-year basis, and its ratio reached 18.1%, improved by 1.8 points.
- Interest bearing debts decreased by 44.0B yen on a year-on-year basis, and its ratio was 47.8%, improved by 6.1 points.

(Billion yen)	FY Mar. 03 results (A)	FY Mar. 04 results (B)	Variance (B-A)	Projections for FY Mar. 04 (C)	Variance (B-C)
Net sales	585.5	654.2	68.7	650.0	4.2
Operating income	1.4	21.6	20.2	21.5	0.1
Net income	(6.6)	1.3	7.9	4.5	(3.2)
Net income per share (yen)	(10.72)	2.17	12.89	7.35	(5.18)
Total assets	622.9	609.6	(13.3)	-	-
Total shareholders' equity	101.3	110.5	9.2	-	-
Shareholders' equity per share (yen)	165.63	180.66	15.03	-	-
Interest bearing debts	335.4	291.4	(44.0)	-	-

■ Comparison of consolidated P/L

(Billion yen)

	FY Mar.03	FY Mar.04	Variance
Net sales	585.5	654.2	68.7
(Cost of sales ratio)	(76.1%)	(74.1%)	(+ 2.0%)
Cost of sales	445.7	484.5	38.8
SG&A	138.4	148.2	9.8
Operating income	1.4	21.6	20.2
Other income	(9.2)	(9.1)	0.1
Recurring income	(7.8)	12.5	20.3
Extraordinary income	21.2	9.9	(11.3)
Extraordinary loss	16.8	20.0	3.2
Income before taxes	(3.5)	2.3	5.8
Income taxes	3.1	1.0	(2.1)
Net income	(6.6)	1.3	7.9

Consolidated net sales

(Billion yen)

	Mar. 03	Mar. 04	Variance
Info sys.	330.4	360.3	29.9
Telecom	85.7	104.6	18.9
Devices	119.2	132.2	13.0
Others	50.2	57.1	6.9

Consolidated operating income

(Billion yen)

	Mar. 03	Mar. 04	Variance
Info sys.	19.8	24.0	4.2
Telecom	(8.2)	3.4	11.6
Devices	(1.0)	2.3	3.3
Others	1.0	2.8	1.8
Corp. & eliminates	(10.2)	(10.9)	(0.7)

Main items in extraordinary loss

(Billion yen)

	Mar. 03	Mar. 04
Gain on sale of securities	1.5	1.6
Gain on sale of fixed assets	19.7	
Gain on pension fund return		8.3
Loss on disposal of fixed assets	1.1	4.9
Write down loss of securities	7.2	1.5
Restructuring loss	6.1	7.7
Loss on earthquake damages	-	3.3

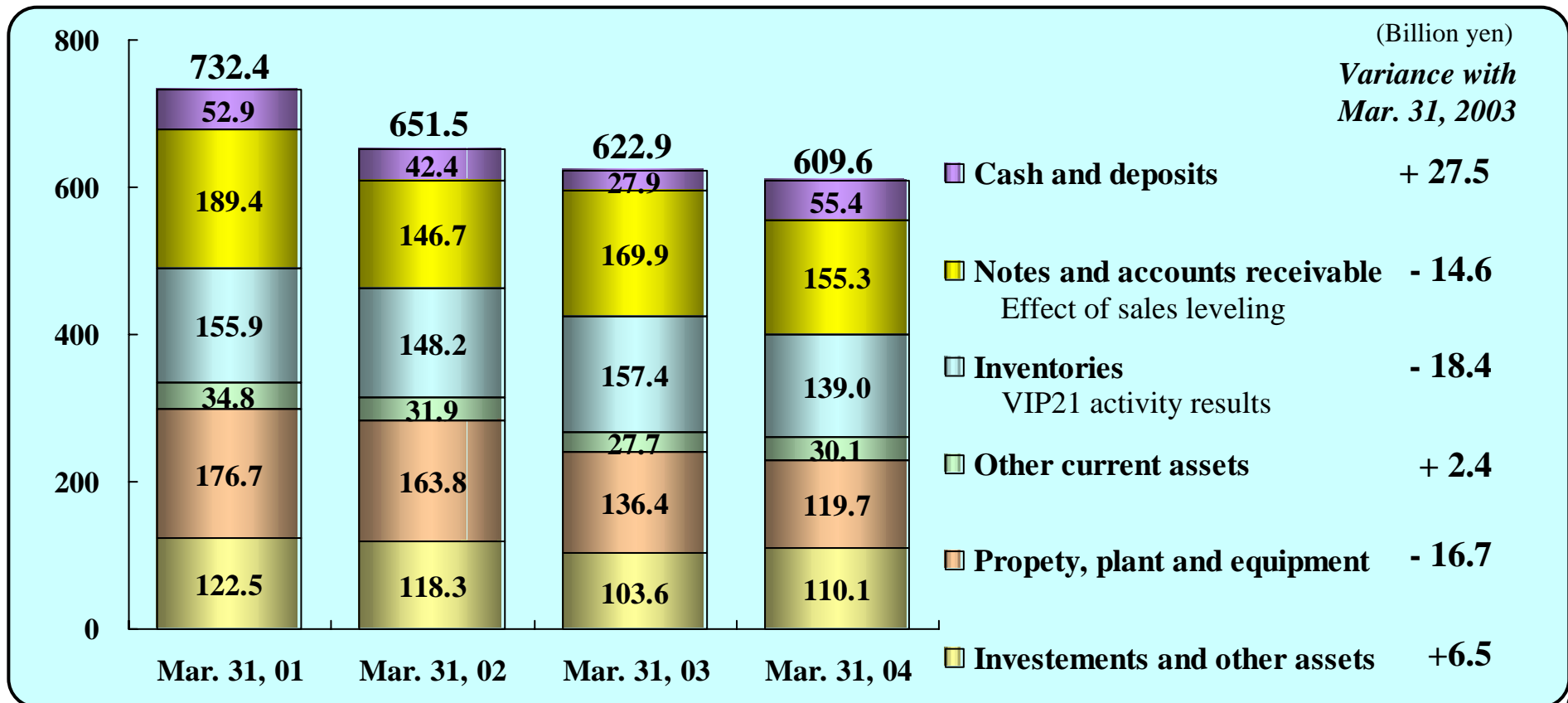
Balance Sheet Outline: Assets

- Efficiency of assets improved by inventory reduction, etc.
- Cash flow improvement increased cash reserved by 27.5B yen on a year-on-year basis.

<Major indicators> (Times)

Turnover ratio	Mar. 02	Mar. 03	Mar. 04
Total assets	0.87	0.92	1.06
Inventory	3.98	3.83	4.41
Notes and accounts receivable	3.60	3.70	4.02

<Balance Sheet: Assets>



Balance Sheet Outline: Liabilities and Shareholders' Equity

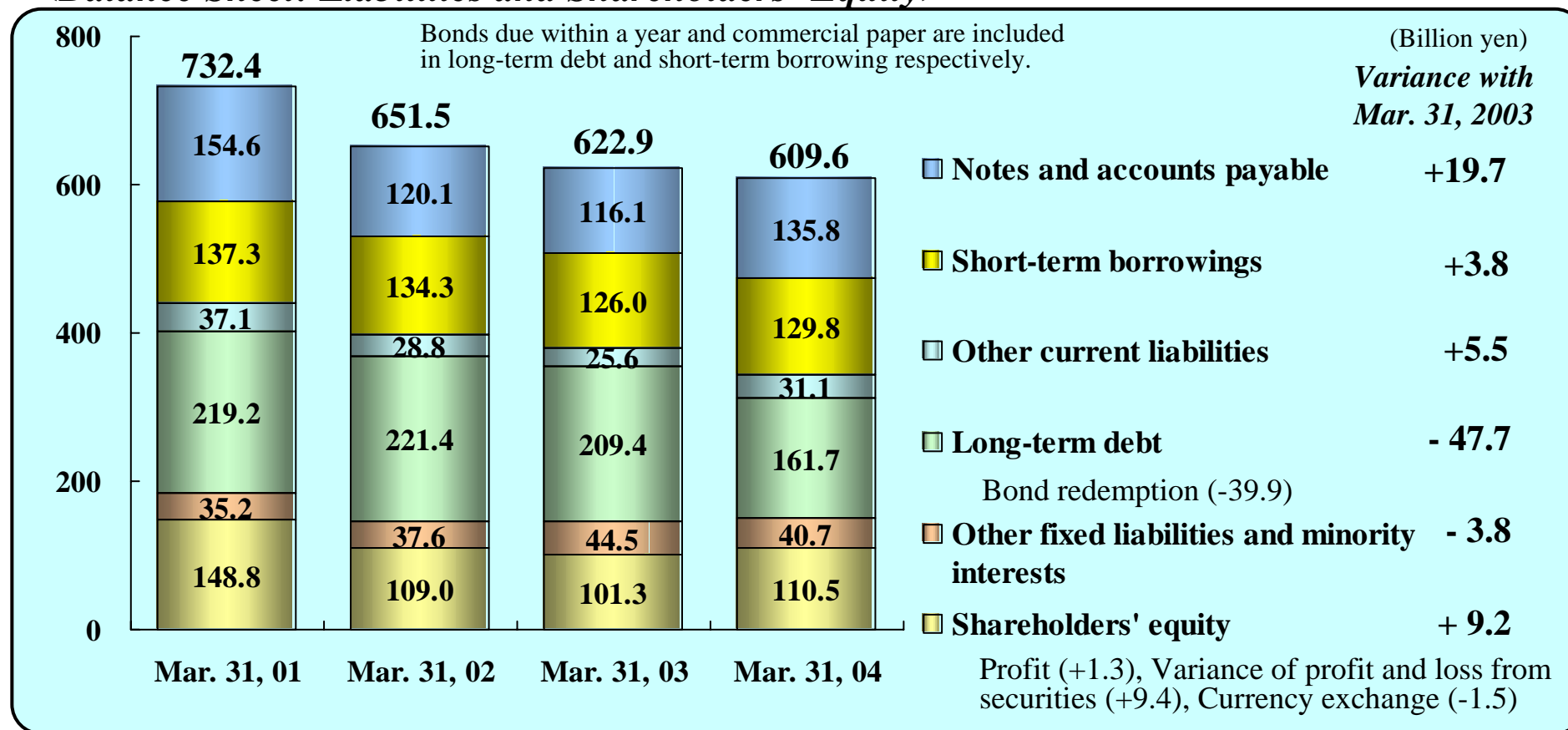
- By reducing interest bearing debt by 44.0B yen, its ratio improved by 6.1 points.
- Profitability in net income improved shareholders' equity ratio by 1.8 points.

<Major indicators>

(Billion yen, %)

	Mar. 02	Mar. 03	Mar. 04
Balance of interest-bearing debt	355.8	335.4	291.4
Interest-bearing debt ratio	54.6	53.9	47.8
Shareholders' equity ratio	16.7	16.3	18.1

<Balance Sheet: Liabilities and Shareholders' Equity>



<Economic climate>

- **US:** Steady consumer spending and capital investment lead growth. Adjustment phase in the 2nd half
- **Europe:** Modest recovery, in particular in consumer spending
- **Asia:** Accelerating growth, especially in China, due to worldwide economic recovery and expanding IT investment
- **Japan:** Modest recovery owing to growing capital investment pulled by increase in export

<Market environment>

- **Financial institutions:** Investments shift from ATM remodeling and replacement to back office operation concentration, and information and telecom converged systems
- **Telecom carriers:** Expand investment for optical communications. Steady investment for local IP networks
- **Semiconductor:** Peak of silicon cycle in this fiscal year. Slow down in the 2nd half
- **Public investment:** Government expenditure remains unchanged, while IT investment ratio will increase.

<Forecast on foreign currency exchange rate >

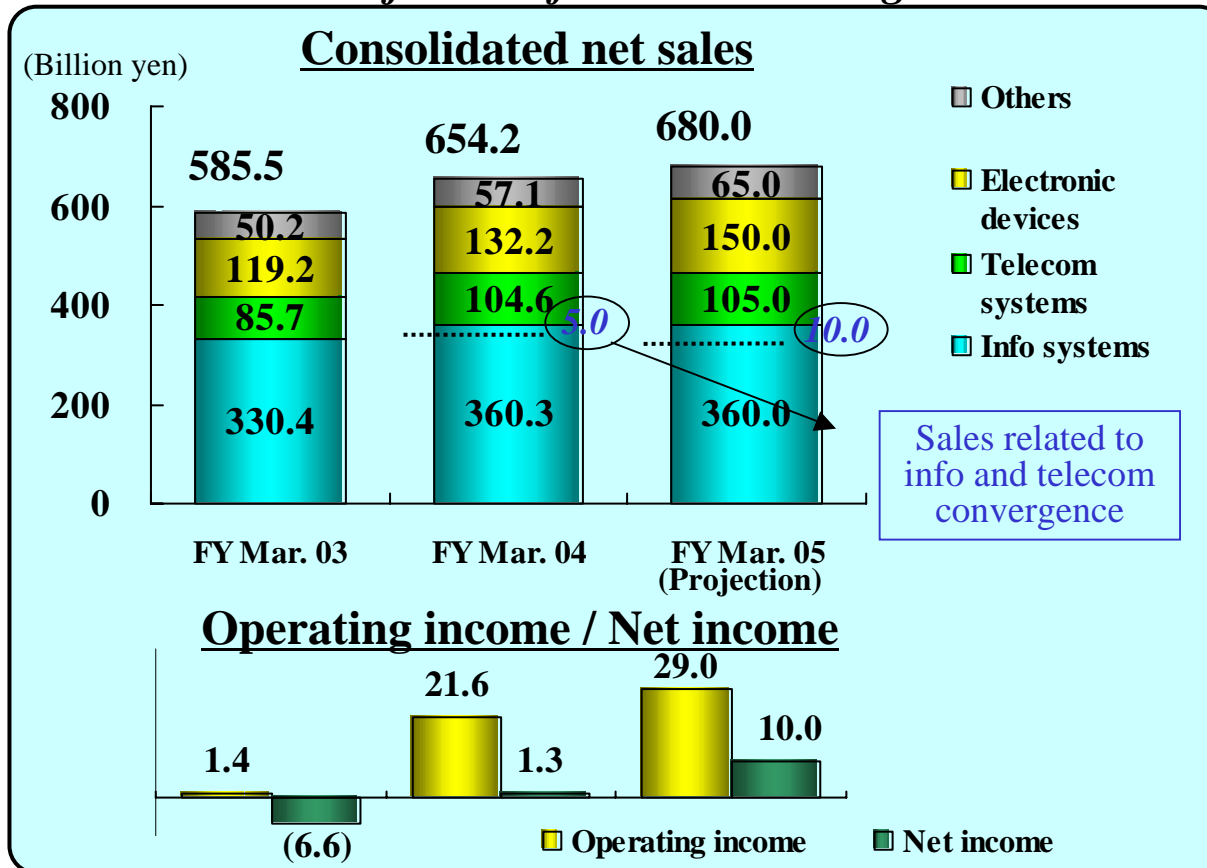
	FY Mar. 2004		FY Mar. 2005		
	Actual rate	Sales in foreign currency	Projection rate	Sales in foreign currency	* Effect in 1 yen change
USD	113 yen/\$	620M USD	105 yen/\$	750M USD	250M yen
Euro	133 yen/E	550M Euro	130 yen/E	600M Euro	250M yen

* Effect on operating income/loss in 1 yen change of foreign currency exchange (Yen appreciation leads loss)

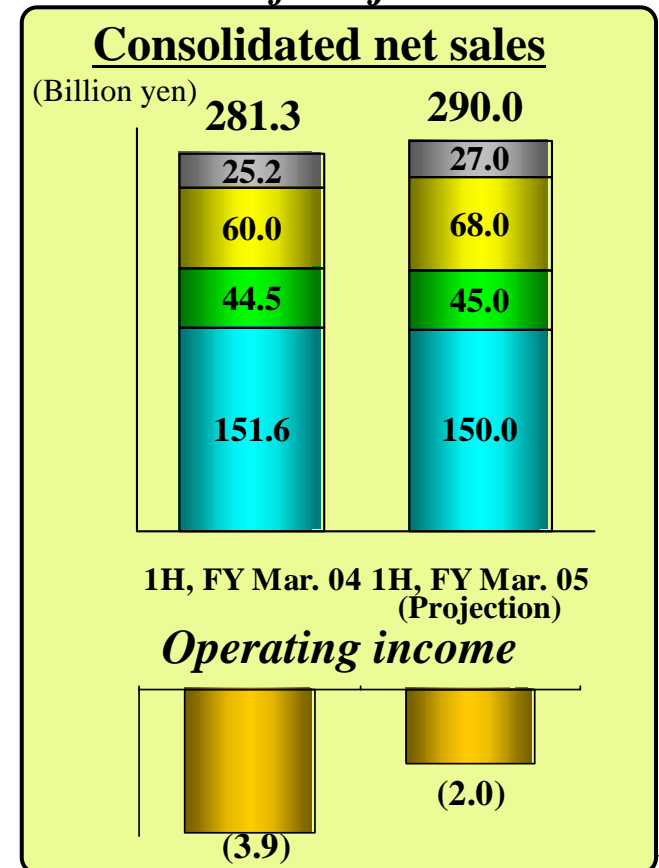
Full Year Projections for the FY Mar. 2005

- Net sales is expected to achieve 680.0B yen, 25.8B yen increase on a year-on-year basis. Plan to cover the decrease in the demand related to new banknotes by sales increase in color printers, semiconductors, and information and telecom converged products.
- Sales increase, business structural reform, and decrease in procurement cost, etc. will increase the operating income to 29.0B yen, a 7.4B yen increase, and net income to 10.0B yen, a 8.7B yen increase on a year-on-year basis.

<Full Year Projections for the FY ending Mar. 2005>



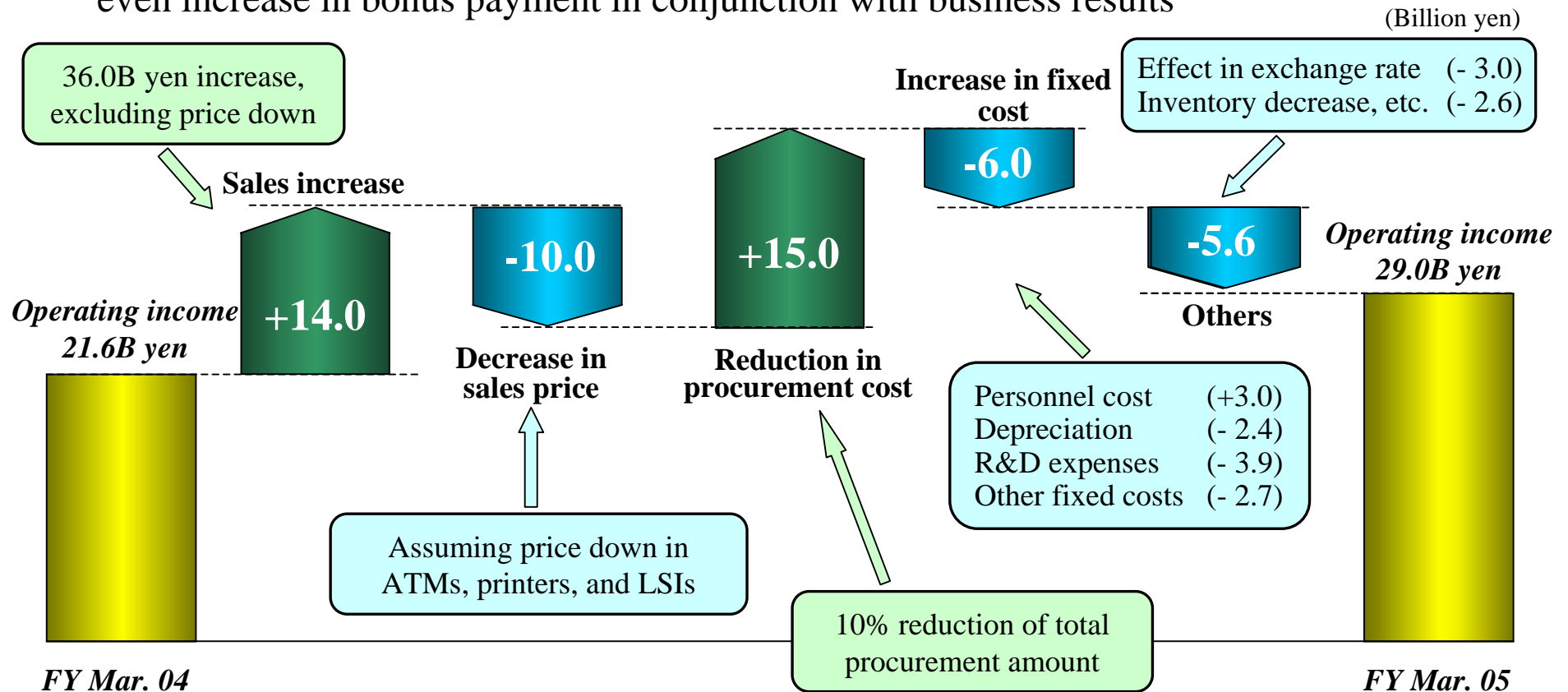
<1st Half Projections >



Fluctuation Factors in Operating Income

<Factors in 7.4B yen increase of operating income>

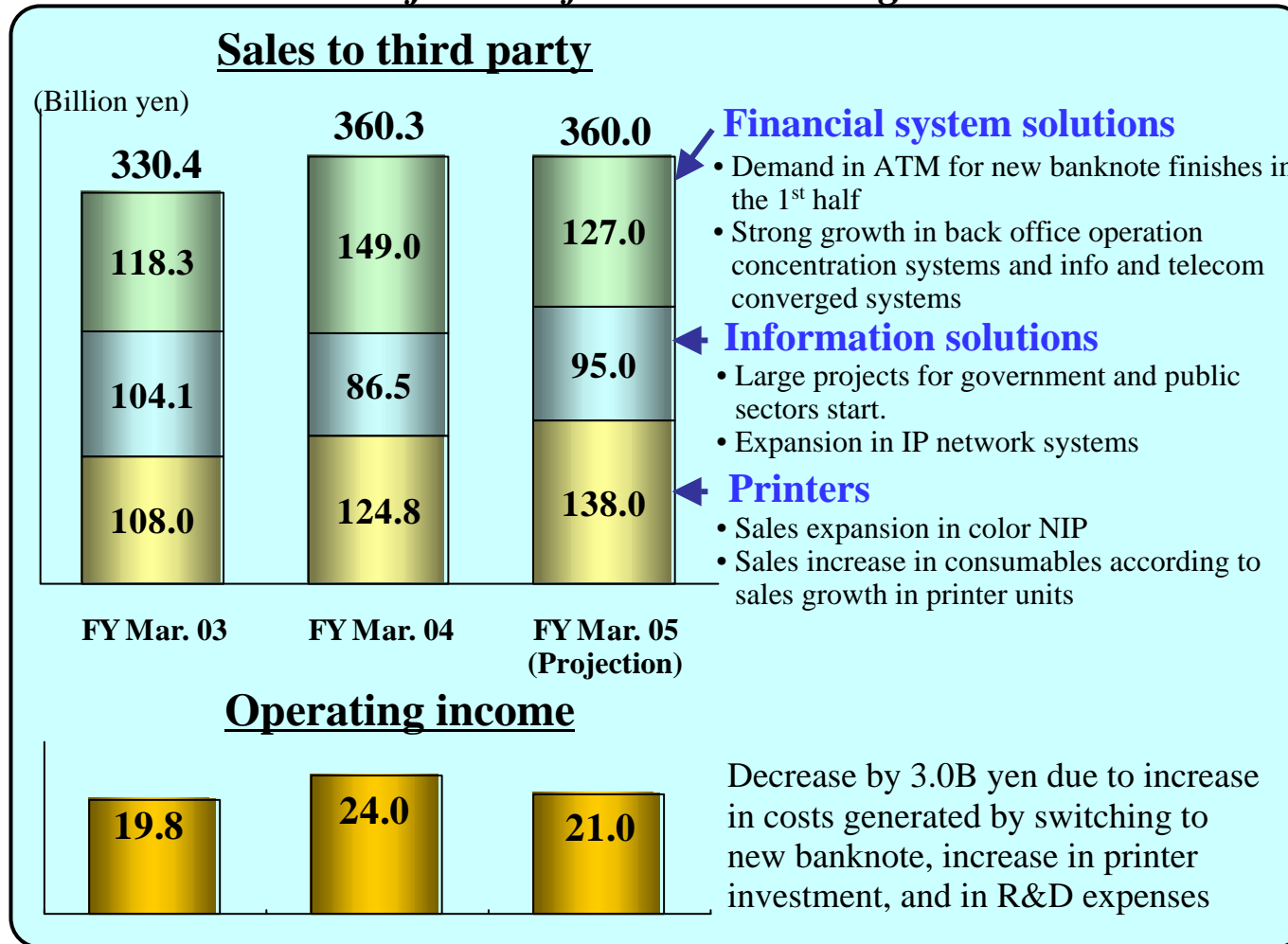
- Sales increase and procurement cost reduction will cover the income decrease factors caused by sales price down and yen appreciation.
- Personnel cost is expected to decrease by 3.0B yen, owing to headcount reduction and decrease in retirement benefit caused by returning substitution portion of pension funds, even increase in bonus payment in conjunction with business results



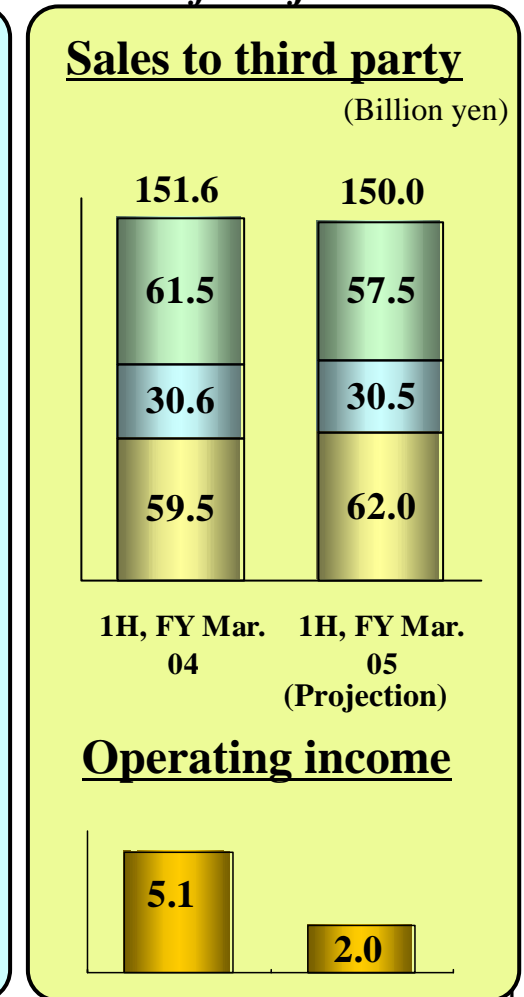
Segment Information: Information Systems

- Sales amount will remain flat. Decrease in sales of financial system solutions caused by the termination of demand related to new banknotes will be covered by introduction of new color NIP printers and sales increase in information solutions.

<Full Year Projections for the FY ending Mar. 2005>



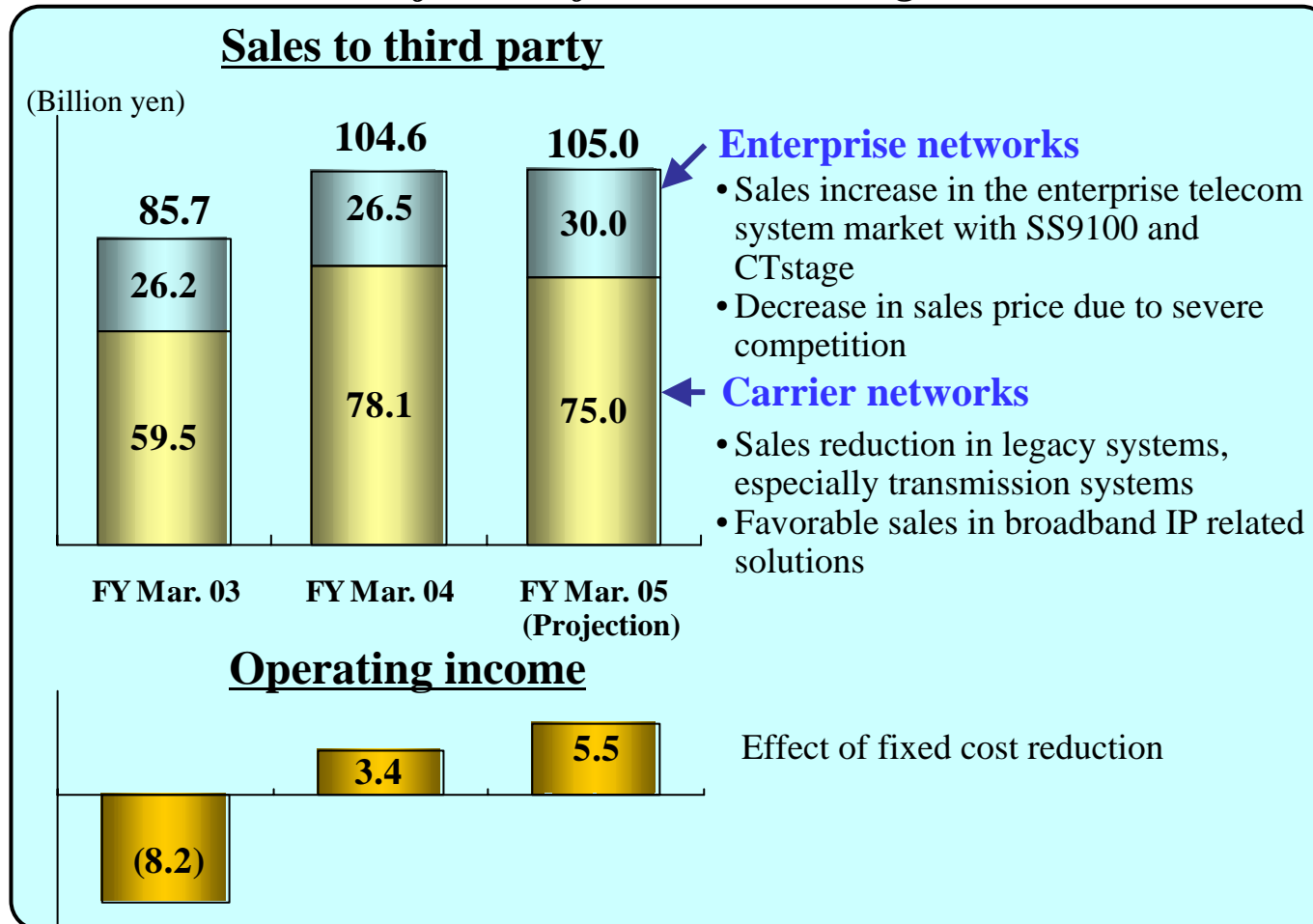
<1st Half Projections >



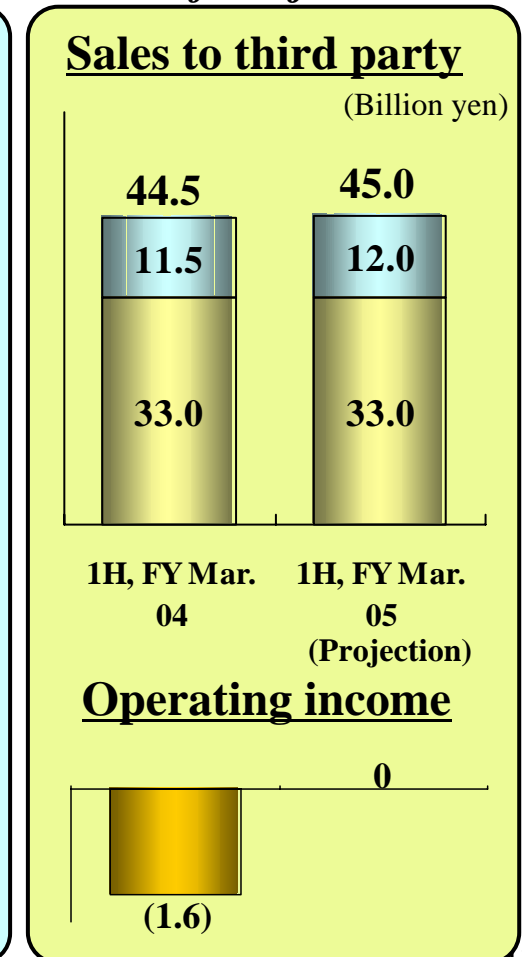
Segment Information: Telecom Systems

- Sales amount will remain unchanged. Mega-carriers' investment for optical communications will expand. Development in local IP networks shows steady growth.
- Sales for conventional transmission systems will decrease. Increase sales by actively expanding sales of information and telecom converged products.

<Full Year Projections for the FY ending Mar. 2005>



<1st Half Projections >

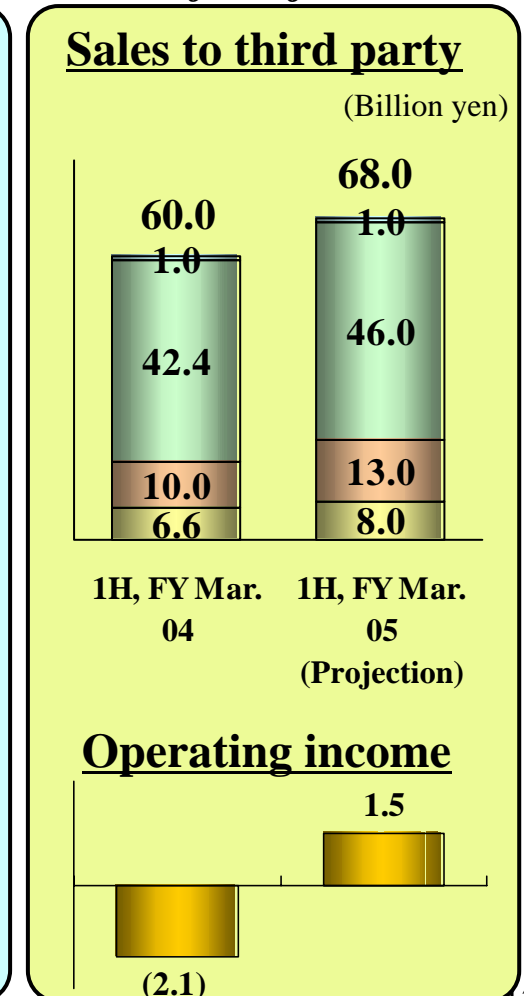
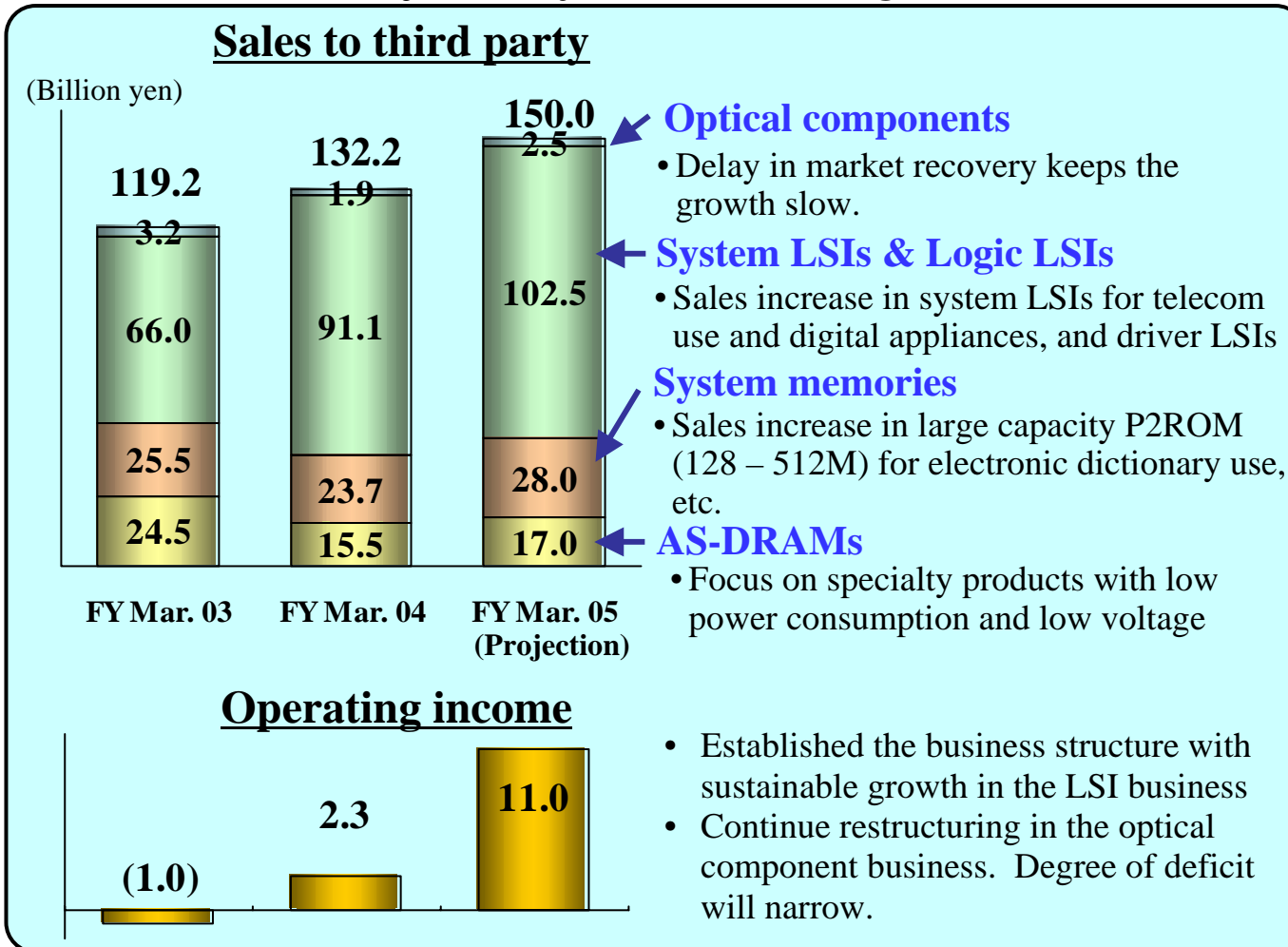


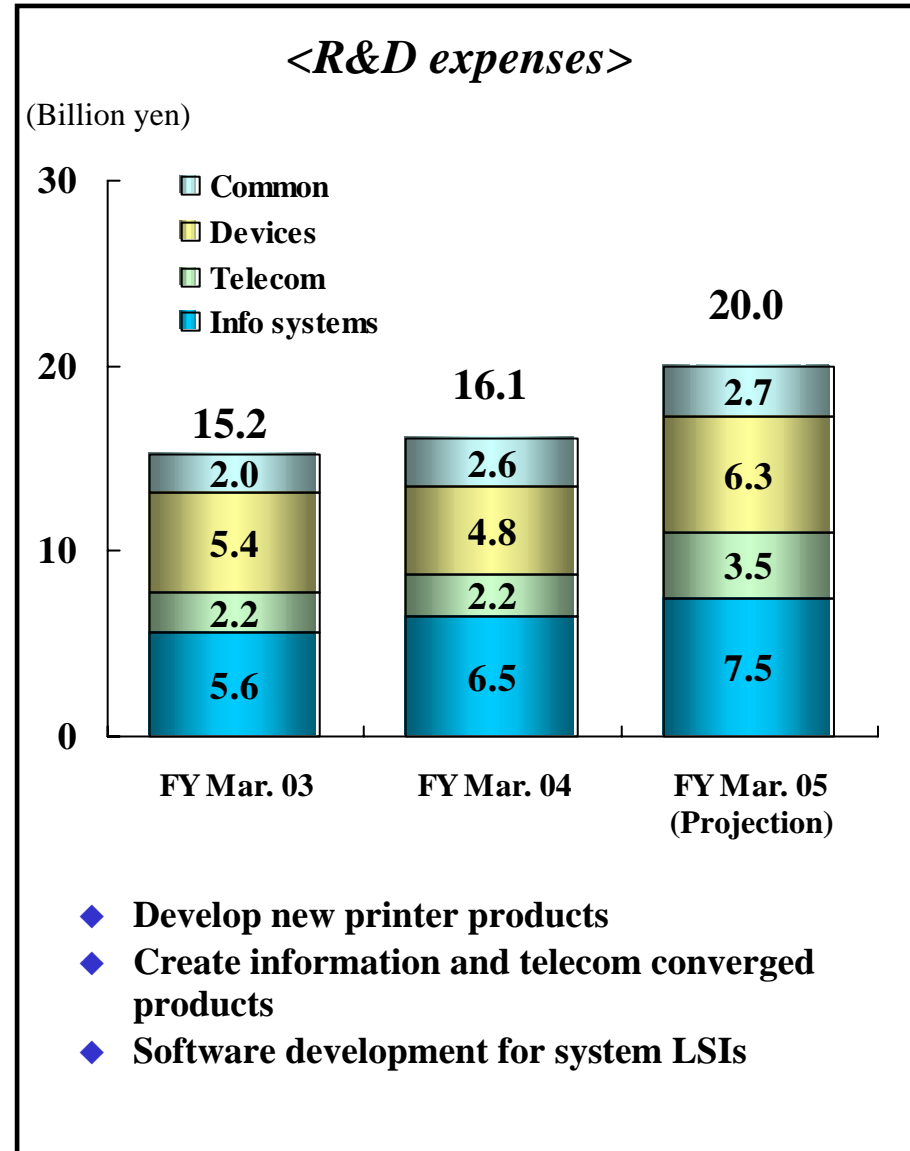
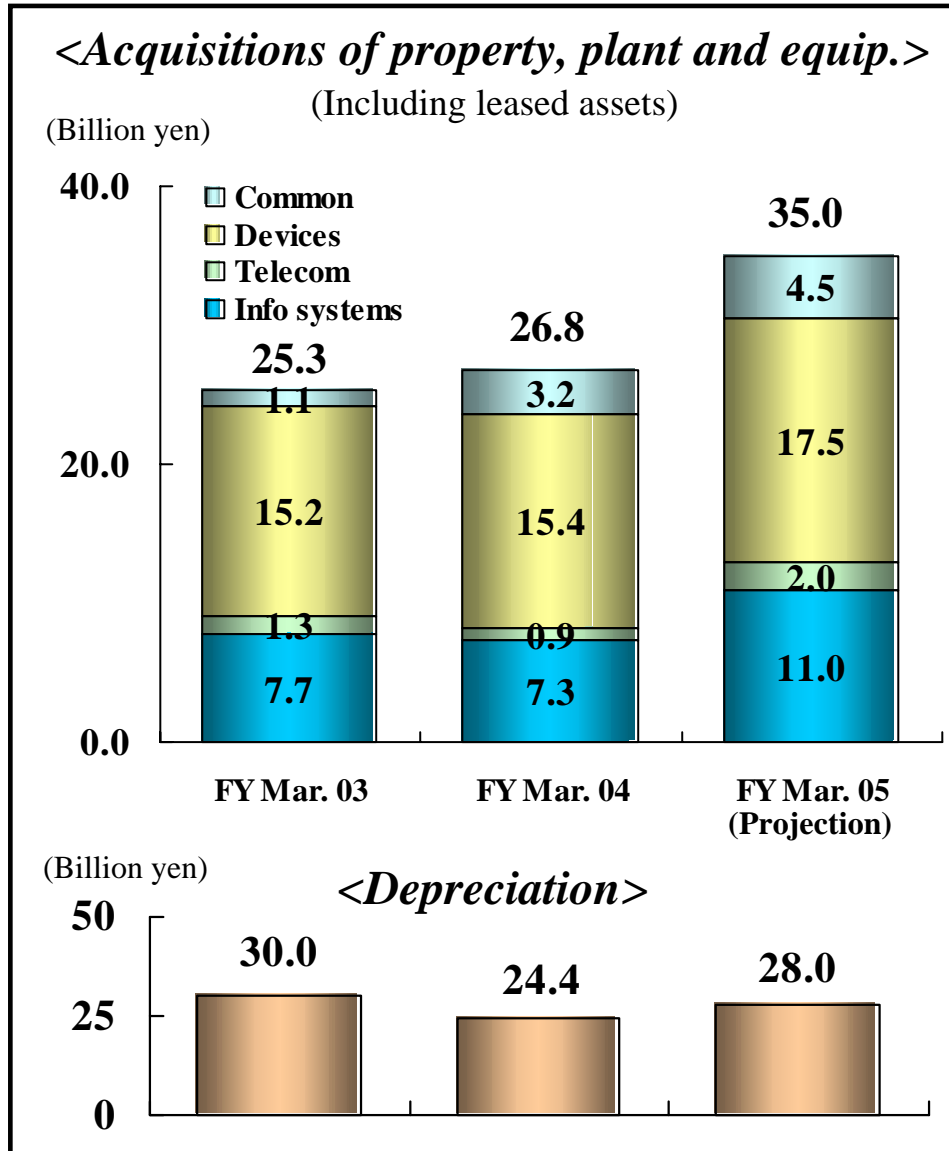
Segment Information: Electronic Devices

- Expand sales and profitability by deploying Oki's unique semiconductor business model, embracing market growth effectively
- Assure production capacity at partner fabs in conjunction with sales increase

<Full Year Projections for the FY ending Mar. 2005>

<1st Half Projections >





Conditions of Cash Flows

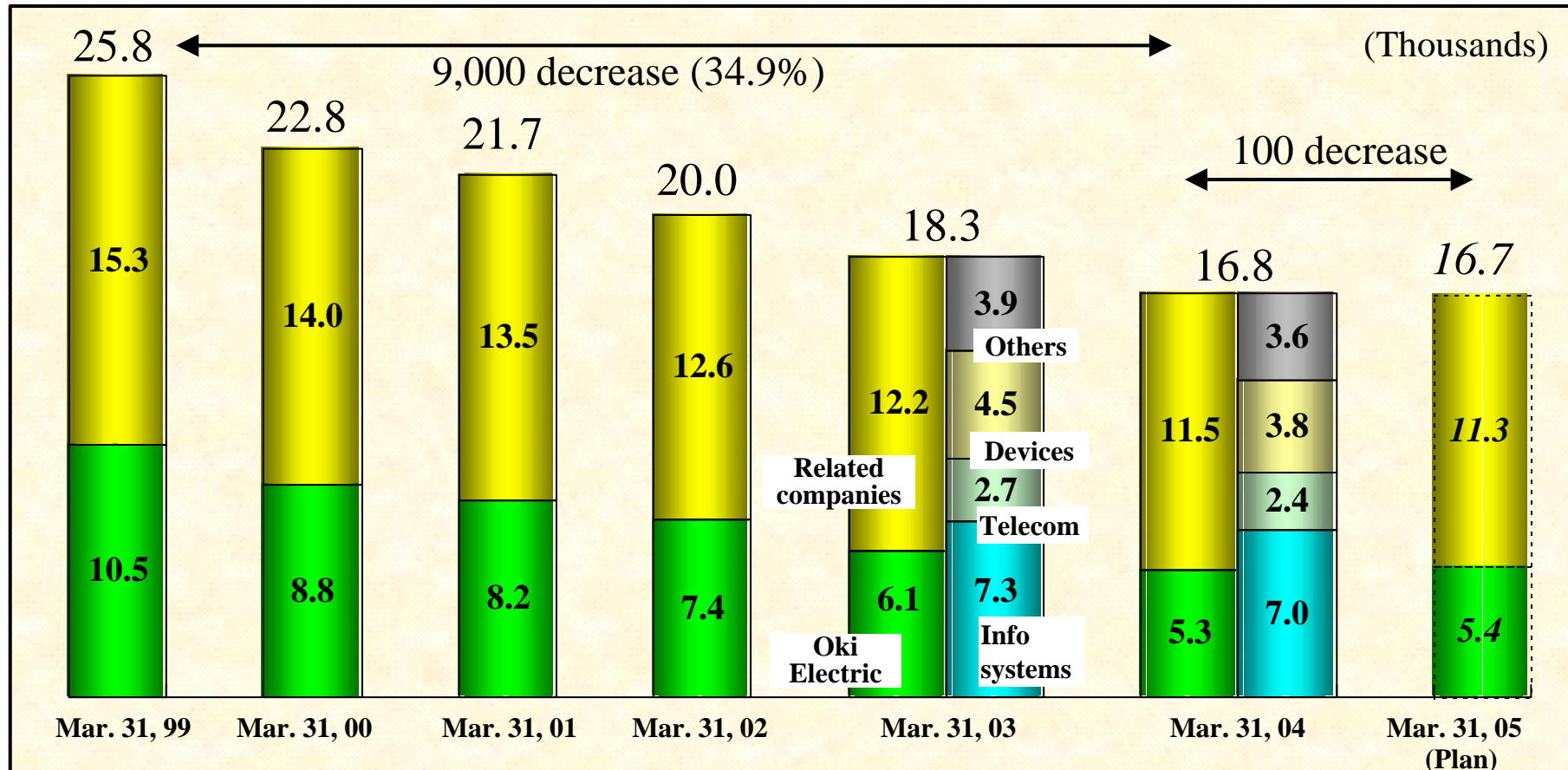
- FY Mar. 04: Free cash flows improved by 68.6B yen on a year-on-year basis
- FY Mar. 05: Bond redemption will be conducted using cash reserved and free cash flows.

(Billion yen)	FY Mar. 03	FY Mar. 04	FY Mar. 05	1H, FY Mar. 05	Notes
I. Cash flows from operating activities	0.2	92.3	55.0	8.0	
Income (loss) before income taxes	(3.5)	2.3	18.0	(8.0)	<Effect of changes> (*1, *2) (Mar.04) (Mar.05) Receivables 10.1 (17.0) Inventories 17.1 8.0 Payables 12.9 9.0 Total 40.1 0
Depreciation & amortization	39.9	33.6	36.0	17.0	
Changes in operating assets & liabilities	(33.9)	(*1) 40.1	(*2) 0	(2.0)	
Others	(2.3)	16.3	1.0	1.0	
II. Cash flows from investing activities	4.3	(19.2)	(40.0)	(23.0)	
Purchases of property, plant & equipment	(23.5)	(24.0)	(31.0)	(15.0)	
Others	27.8	4.8	(9.0)	(8.0)	
Free cash flows (I+II)	4.5	73.1	15.0	(15.0)	
III. Cash flows from financing activities	(20.1)	(43.6)	(25.0)	(13.0)	
Redemption of bonds	(22.7)	(39.9)	(15.0)	(10.0)	
Change in other interest bearing debts, etc.	2.6	(3.7)	(10.0)	(3.0)	
Net cash flow (I+II+III)	(15.5)	29.5	(10.0)	(28.0)	
IV. Cash and cash equivalents at the period end	29.3	58.1	48.1	30.1	
V. Interest-bearing debts at the period end	335.4	291.4	266.4	278.4	

Number of Employees

<Number of Employees in Japan> (Including non-consolidated subsidiaries and affiliates)

- Promote mid-career recruiting and optimal resource allocation, in order to respond to business environment changes



**Completed the “foundation establishment” by the end of the FY Mar. 04
Now forwarding to new “growth phase”
Focus on competitive areas and assure to gain steady profitability continuously**

<Mar. 99 – Mar. 04>

Headcount reduction: 9,000 (25,800 in Mar. 99)

Interest bearing debts reduction: 182.0B yen

Decouple design and production in LSI business
Expand outsourcing (“Fab-free”)

Production structural reforms

- Overseas production of ATMs and printers
- Consolidation of info. systems and telecom-related production bases

Withdrawal from unprofitable business including security equip., broadcasting equip., and medical-related business

2000

Acquire Toshiba’s ATM business
Alliance with Cisco in VoIP

Sep. 98: Phoenix 21 Mid-term Business Plan

1998

- Withdrawal from advanced DRAMs and resource concentration to logic and system LSIs
- Enhance financial system solutions and VoIP businesses
- Improve corporate governance (introduction of outside company directors, a management advisory committee, etc.)

2002

Sep. 02: Business Structural Reform

- Reorganization of telecom system business
- Reconstruction of optical component business

2004-2006

Oct. 01: Phoenix 21 Sky-high Plan

- Selection and focus of businesses and resource concentration to become an excellent growing company
- Enhance broadband IP network business

Overview and Direction toward the FY ending Mar. 2007

- **Realize Oki's Network Solutions in the FY ending Mar. 2007**
- **Set three focusing areas: 1st, information and telecom convergence, 2nd, semiconductors, 3rd, printers**

Information systems (FSC, SSC, ODC)

- ◆ FSC: Expand sales by preparing to banks mergers and new banknote issuance. Focus on the shift to new business structure for info and telecom convergence, back office operation concentration systems, and outsourcing.
- ◆ SSC: Completed selection and concentration of businesses, and established profitable structure. Focus on info and telecom converged area for travel industry and government and public sectors. Enhance profitability. Focus on the China market.
- ◆ ODC: Color NIP takes off. Market share will expand in the world. Enhance profitability in SIDM.

Telecommunication systems (NSC, ISC)

- ◆ NSC: Completed business structural reform, and established profitable structure. Actively deploy business for broadband development. Expand info and telecom converged business and application platform solutions.
- ◆ ISC: Ensure top share in info and telecom converged products for enterprise systems. Strengthen product line-up. Enhance profitability. Review indirect sales channels.

Semiconductors (SiSC, SiMC, OCC)

- ◆ SiSC: Completed fab-free business model. Enhance system LSI business. Further strengthen competitive business areas, utilizing technologies in group companies. Focus on personal/mobile.
- ◆ SiMC: Complete business structure strong to changes in production amount. Thoroughly enhance differentiated technologies (low power consumption, high voltage process)
- ◆ OCC: Realize a business structure flexible to changes in market

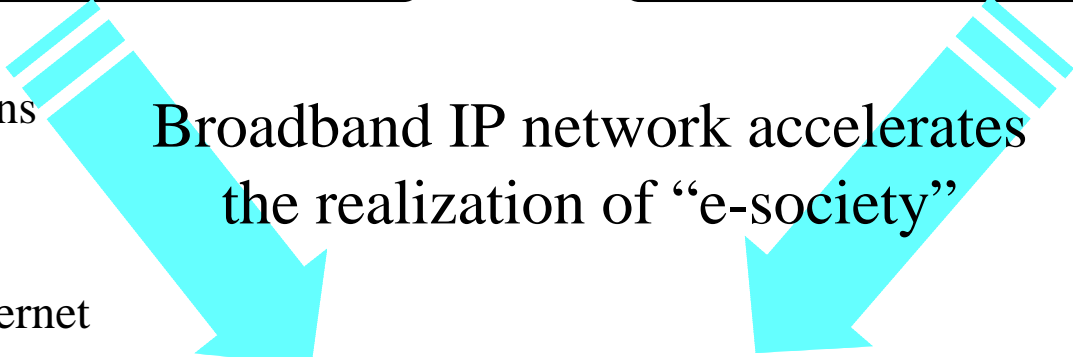
Enhance Info and Telecom Converged Business

Progress in broadband

- Optical communications
- xDSL
- Compression technology
- Wide area Ethernet

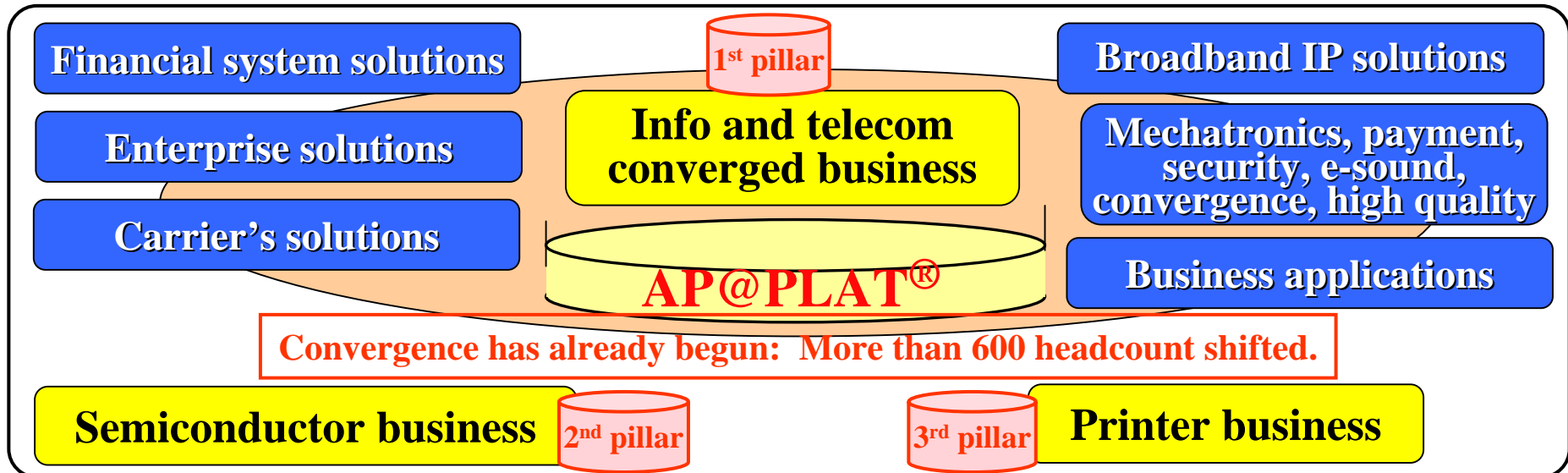
Evolution in Internet technologies

- VoIP
- IPv6
- SIP
- Security
- Payment



Expansion of info and telecom converged business area
Realization of Oki's "Network Solutions"

Utilize track records as a top vendor in VoIP, CTstage, financial systems, mechatronics, and travel systems.



New Phase: Business Targets

1. Information and telecom converged business (FSC, SSC, NSC, ISC)

Sales target in the FY Mar. 2007: Financial market 150B yen +, enterprise market 150B yen +, carrier market 100B yen +

- ◆ Expand and enhance info and telecom converged products and its business area (strengthen one-stop services)
- ◆ Thoroughly extend market access capability (sales, SI, application platform, business consultation, etc.)
- ◆ Focus on payment, security, network, mechatronics, sound, and wireless

2. Semiconductor business (SiSC, SiMC)

Sales target in the FY Mar. 2007: SiSC and SiMC total 170B yen +

- ◆ SiSC: Complete fab-free business model, focusing on system LSIs. High profitability
- ◆ SiMC: Improve fab's competitiveness by differentiated technologies

3. Printer business (ODC)

Sales target in the FY Mar. 2007: 180B yen +

- ◆ Lead the color NIP market by constructing competitive edge by overwhelming performance, cost, and compact size
- ◆ Enhance sales and profitability, in order to be the third pillar in Oki's businesses

◆ **Why information and telecom convergence now?**

Business environment: Advent of full scale broadband era in the world

- **Unexpected rapid changes in social, economical, and industrial structures, and enterprise and individual activities**
- **Development of global network is led by unexpected rapidness of changes.**
- **Global network is information and telecom convergence itself.**
- **Changes of technologies, products, and service developments in information and telecom convergence are fast and wide-ranging.**

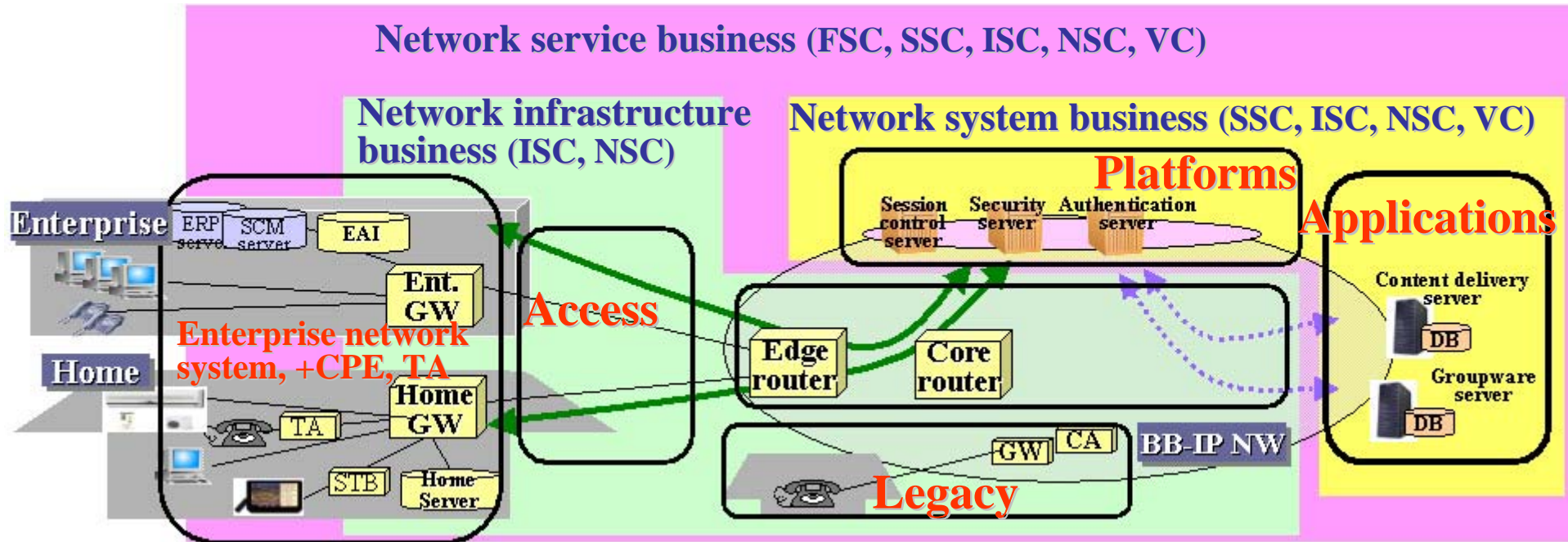
Customers expect info and telecom convergence as the effective tool for business activities, while having issues

- Various changes are new business opportunities
- Focus on strengthening business competitiveness
- Difficult to capture changes in technologies and products accurately
- Different customers have different issues
 - Customers mainly using infrastructure: Difficulty in upward transition, such as applications
 - Customers mainly using information/applications: Difficulty in effective use of infrastructure

<Solutions>
Effective and organic use of infrastructure and information/applications, i.e. provision of information and telecom converged solutions

Leave solution provisions to reliable vendors

Continue to enhance broadband IP network infra business as the business basis
Enhance info and telecom converged network system business where rapid market expansion is expected and enhance network service business including new business models

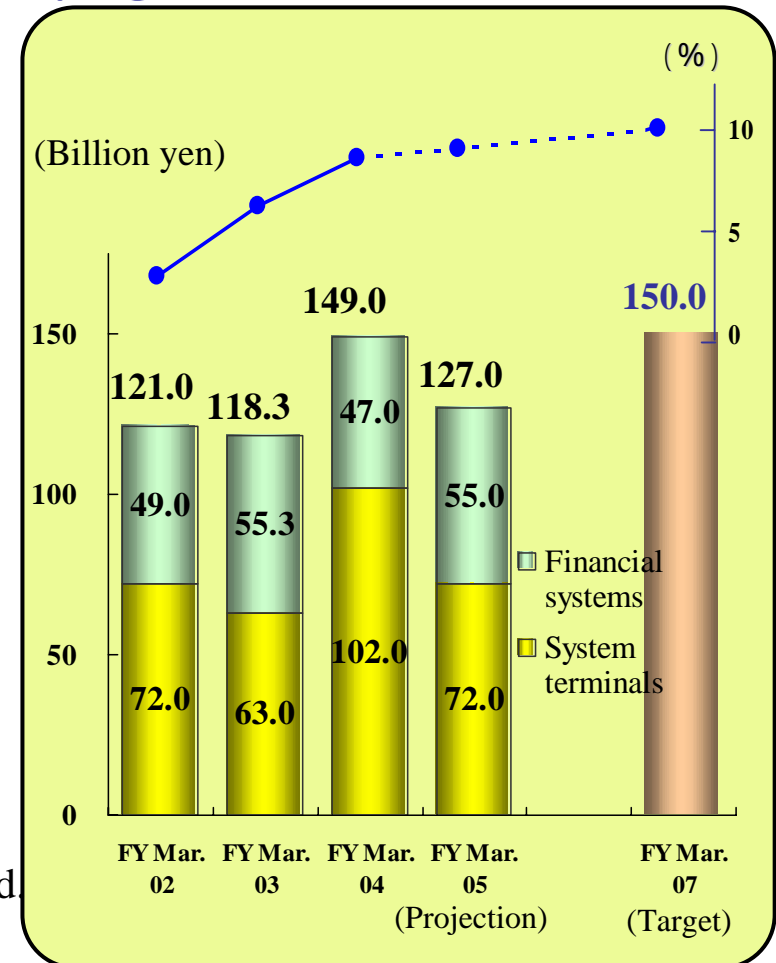


- ◆ **Network infrastructure business** : Provide competitive products to respond to customer’s high end infrastructure
- ◆ **Network system business** : Provide platforms and applications to support customer’s various service
- ◆ **Network service business**: Provide various services to support customer’s business process

- **New banknote-related demand ends in the 1st half of the FY ending Mar. 2005. Profit declines due to the increase in new banknote-related costs, and R&D costs for new business deployment**
- **Focus on expanding solution business and deploying new markets for ATMs**

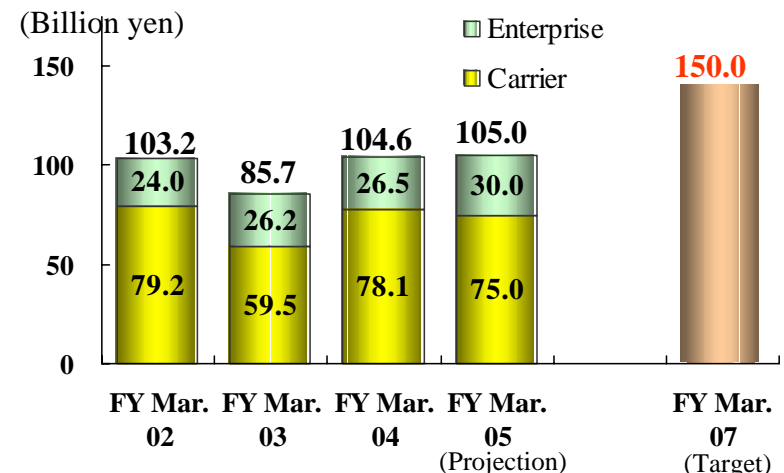
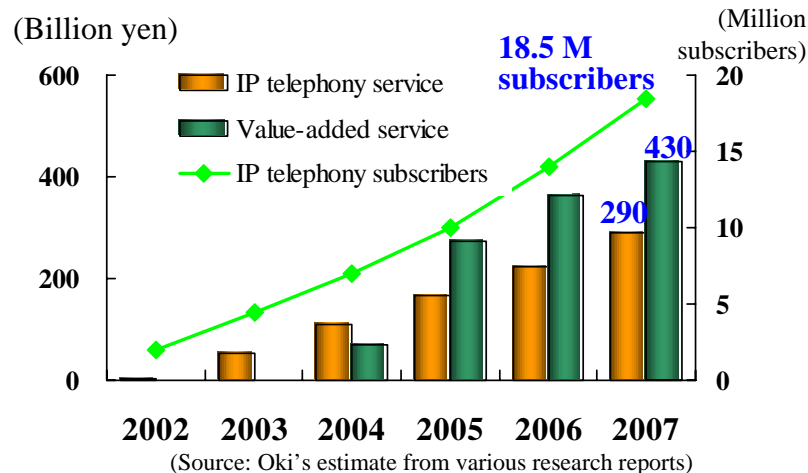
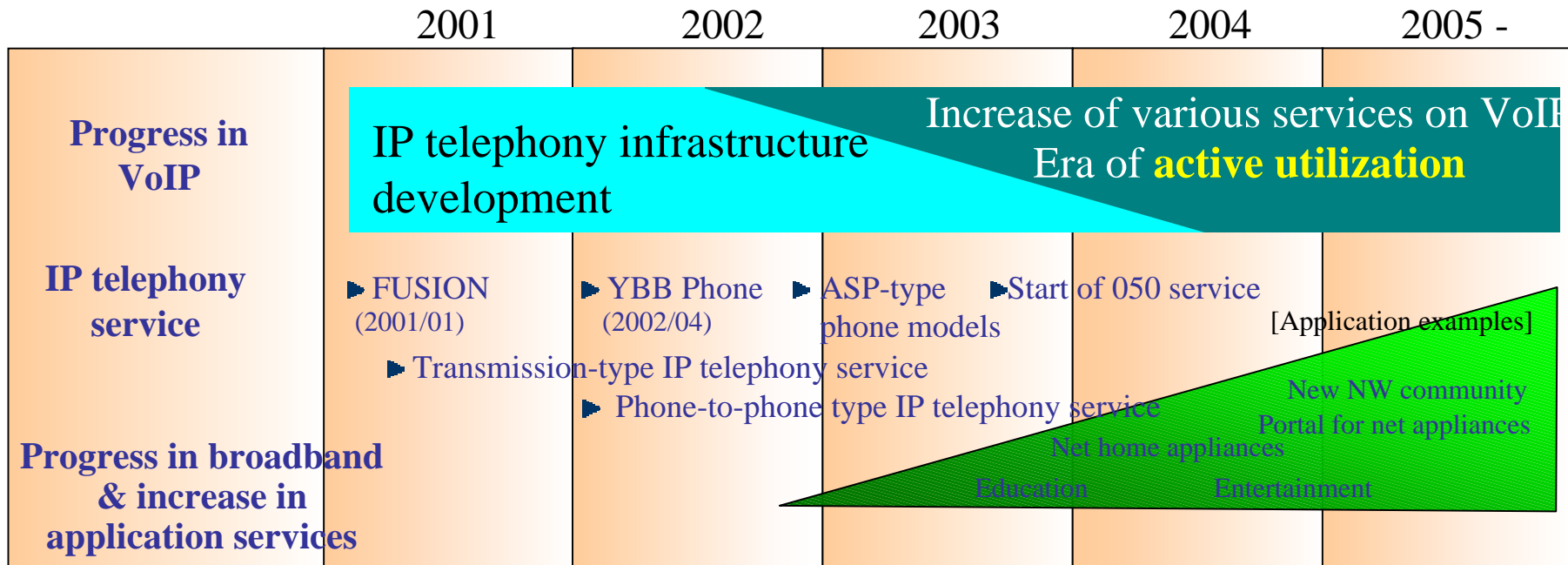
<Business Strategy>

- **Enhance sales activity for back office operation concentration systems***
High demand in back office systems as restructuring and consolidation in financial systems progress
→ Expand sales based on the top share in Japan
- **Focus on financial IT solutions**
Invest in one-stop solution type IT systems
→ Provide information and telecom converged IT solutions
- **Develop ATM business to other business sectors**
Expand sales of multifunction ATMs and ticket issuing system to non-financial sectors such as travel and transportation market
- **Deploy ATM business for overseas market**
Launched an ATM dedicated to the Chinese market, where growth is expected
Target 30% of the Chinese market share by the fiscal year end March 2006 (based on units)



* Back office operation concentration system: foreign currency exchange, personal seal check, personal identification, etc. 23

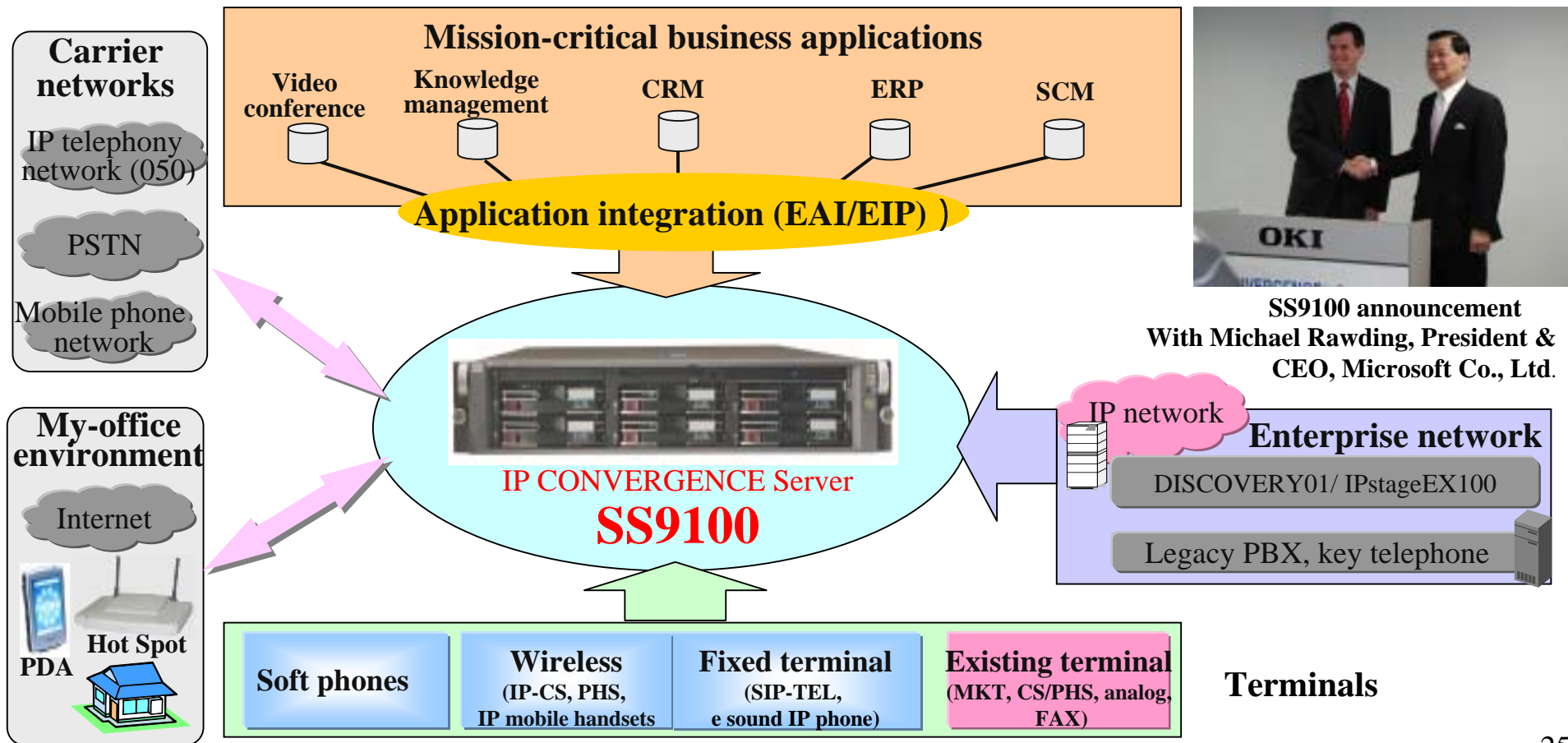
VoIP solution shifts from infrastructure development to active utilization



Provide information and telecom converged solutions

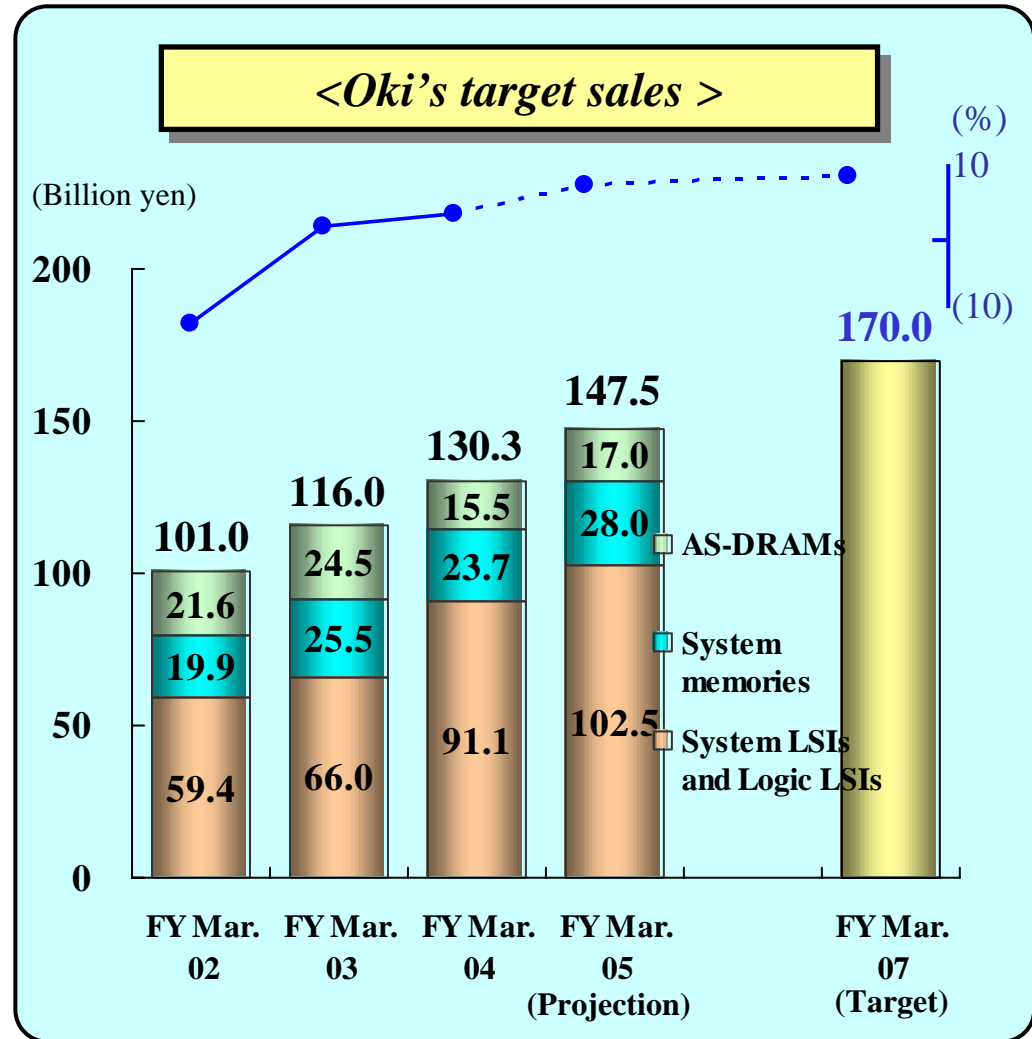
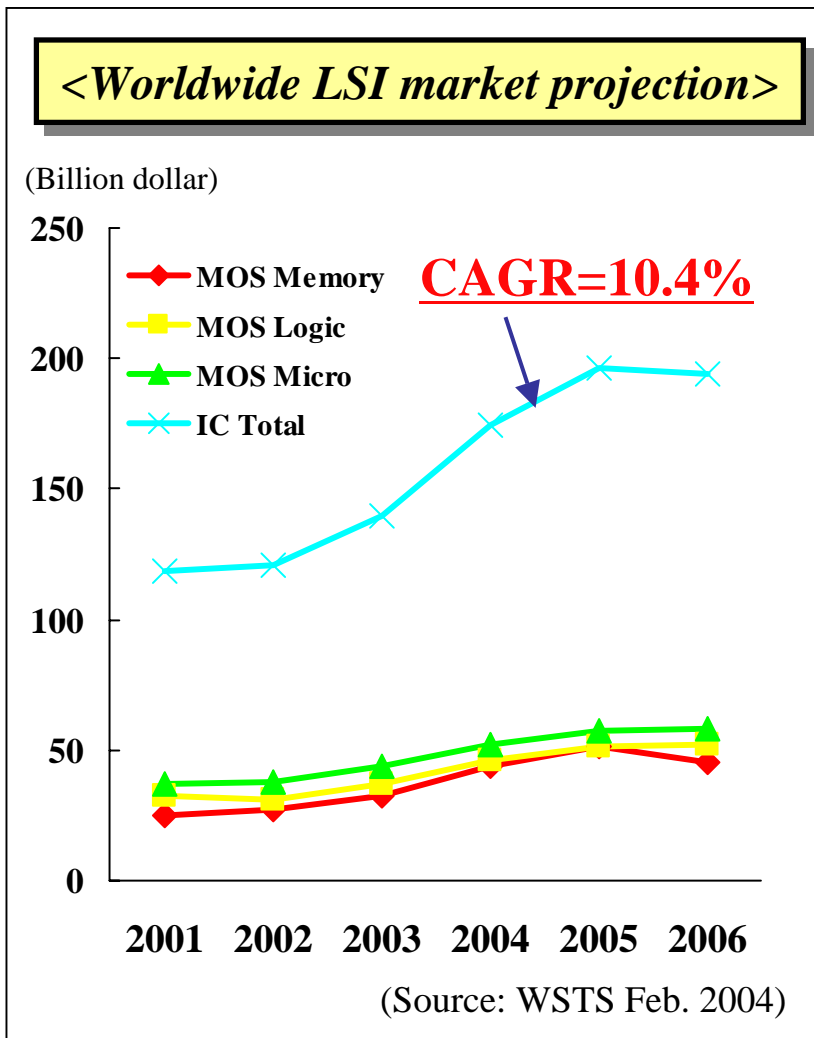
With **SS9100** as a core, Oki proposes business process reform by providing enterprise communication infrastructure and office applications

Convergence of a large scale IP-PBX function and mission-critical business applications on **Microsoft .NET**

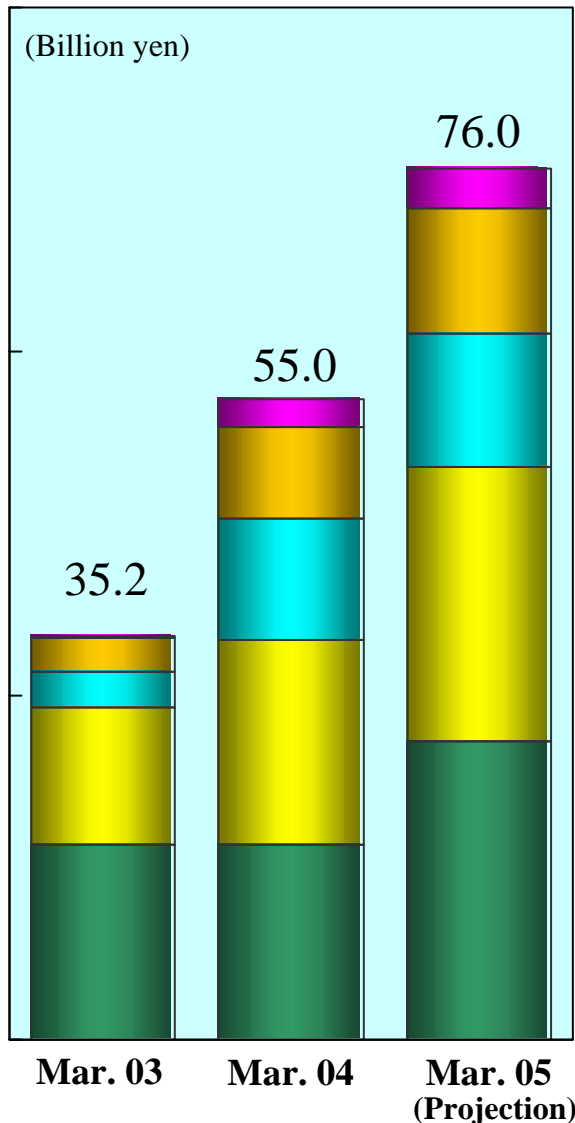


SS9100 announcement
With Michael Rawding, President & CEO, Microsoft Co., Ltd.

- Focus on system LSIs and system memories, targeting to gain more sales growth than the worldwide LSI market growth → CAGR 11%



Oki's unique LSIs



Business directions

VoIP / Wireless

- Enhance product families for ADSL modems, terminal adapters, and phone terminals
- Focus on the PAN (personal area network) market → ZigBee, RF, wireless LAN, GPS

LSIs for PHS

- Expand current 30% share in China and Taiwan
- Expand sales to countries other than China
- Target to gain top share in the worldwide PHS-LSI market

Sound generator LSIs

- Increase current 50% share in the GSM market, utilizing strengths in high sound quality, W-CSP, and standard format compliance, etc.
- Enhance product lineup from low-end to high-end value added products

Driver LSIs

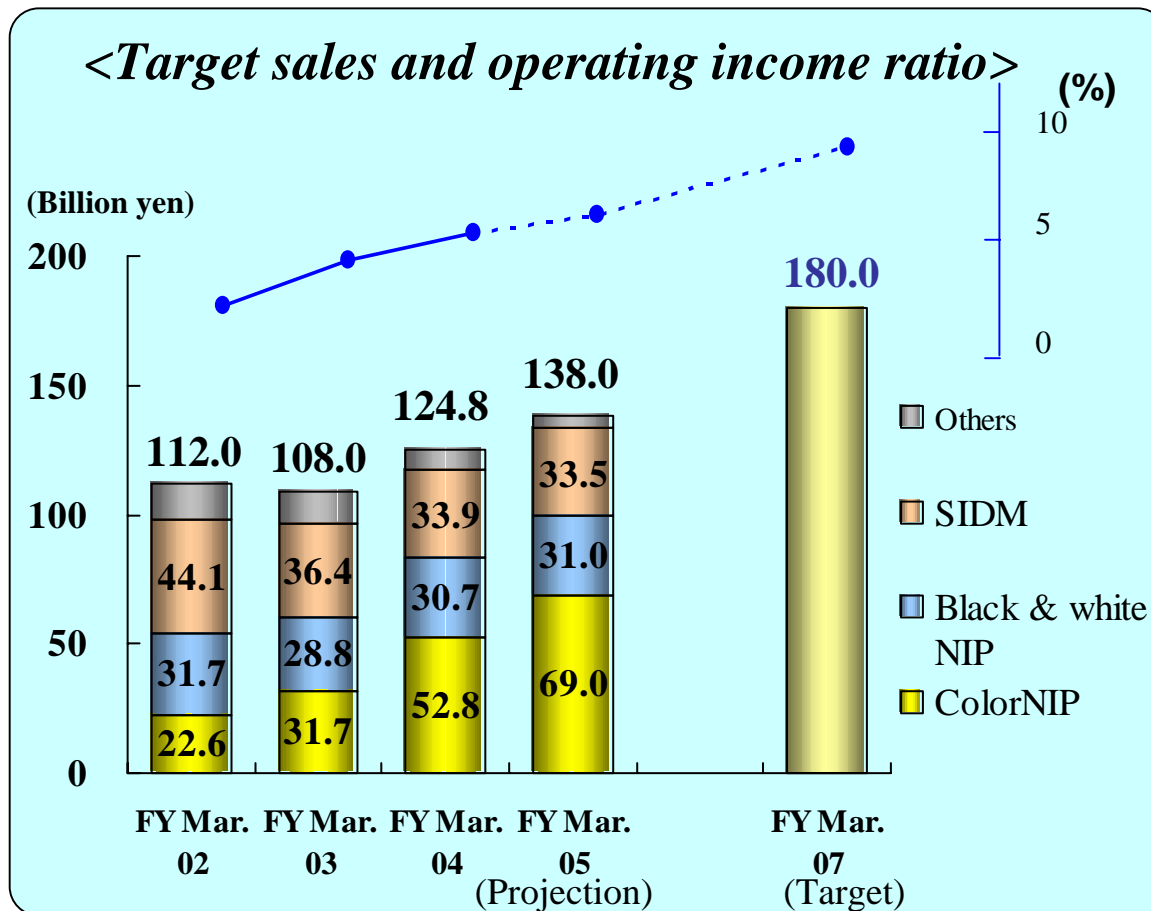
- Gain world top share in driver LSIs for the rapidly growing TV use LCD
- Enhance profitability by reducing cost of the LSIs used for large PC monitors
- Expand products used for cell phones, digital cameras, automotives, and organic ELs

P2ROMs

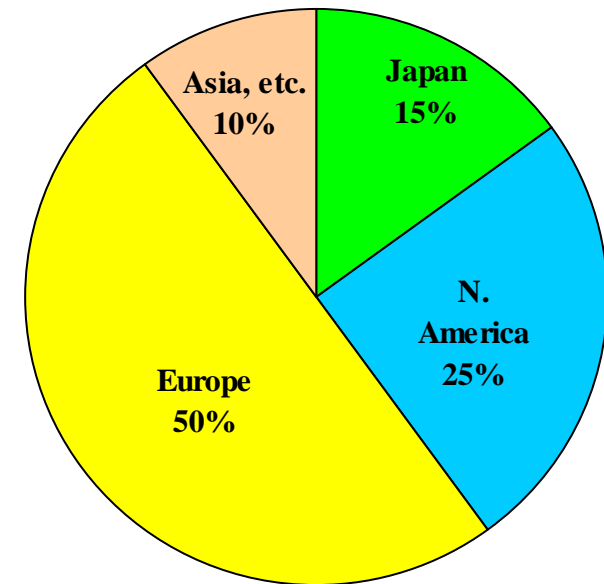
- Expand share in the market for electronic dictionaries, games, and printers by utilizing strengths in short TAT and low cost (currently 30% in the ROM market)
- Accelerate development of next-gen. large capacity P2ROM (from 512 M)

Printer Business: Target

- Target to gain 20% share in the worldwide market in 2006, leveraging the competitive advantages in high speed, high resolution printing, light weight and compact size with LED technology
- Maintain SIDM top market share in N. America and maximize profitability by enhancing sales in the Chinese market



<Sales by market segment>
(FY ending Mar. 2005 projection)



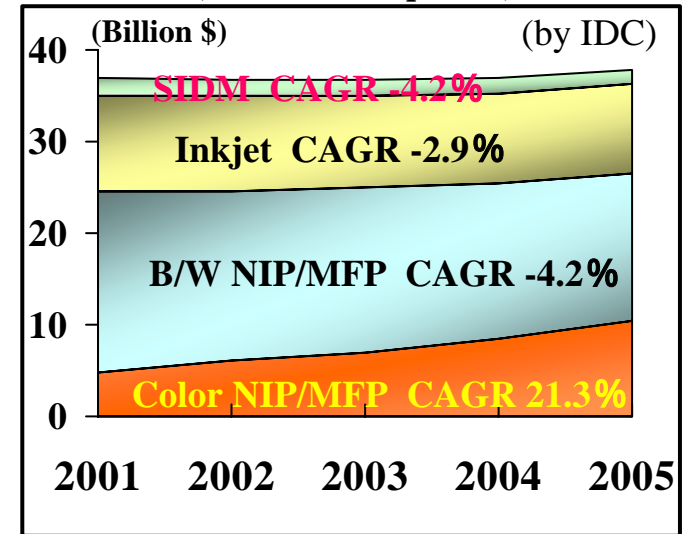
Printer Business: Deployment

- Over 20% annual growth in color NIP/ MFP
- Relatively stable SIDM market in specific sectors

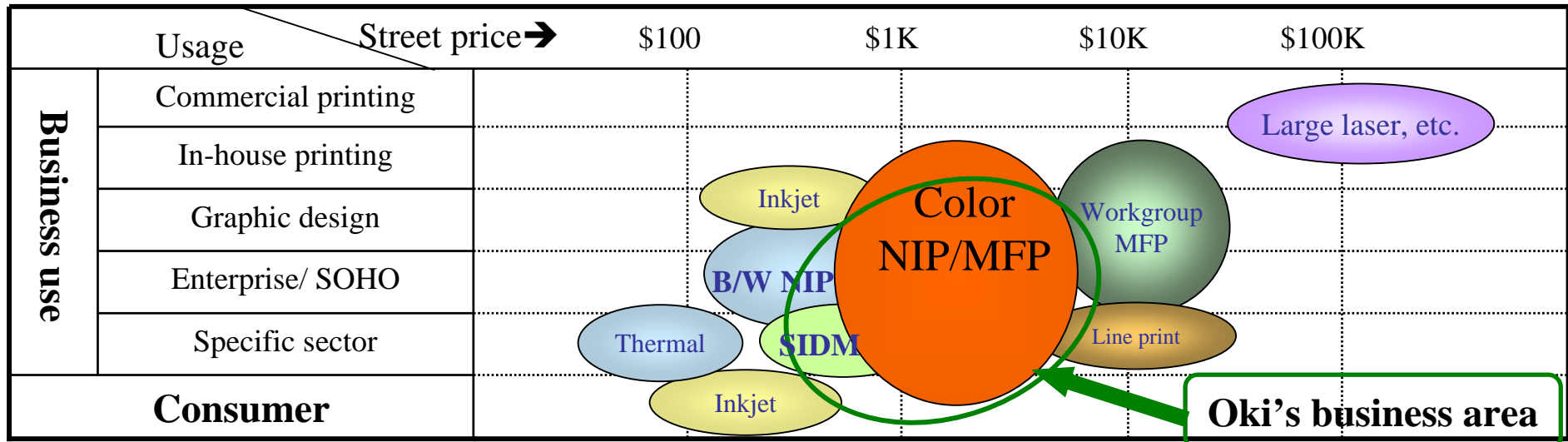
<Business Strategy>

- Focus on color NIP market by utilizing advantage in LED
- Steadily follow-up the replacement from B/W NIP to color NIP
- Cut costs in SIDM and maximize profitability by focusing on the Chinese market

*Printer market trend
(hardware shipment)*



<Oki's Business Area>





OKI:C5200



Printing speed Color / monochrome	16 ppm / 24 ppm
Price	\$ 799
Size	425 x 561 x 345
Weight	25kg
Resolutions	600 x 600 dpi

Launched to the Japan, US, and Europe markets in Apr. 2004



**Printing speed
Size, weight**

Same price range

**Price, size, weight,
Mono printing speed**

Same color printing speed

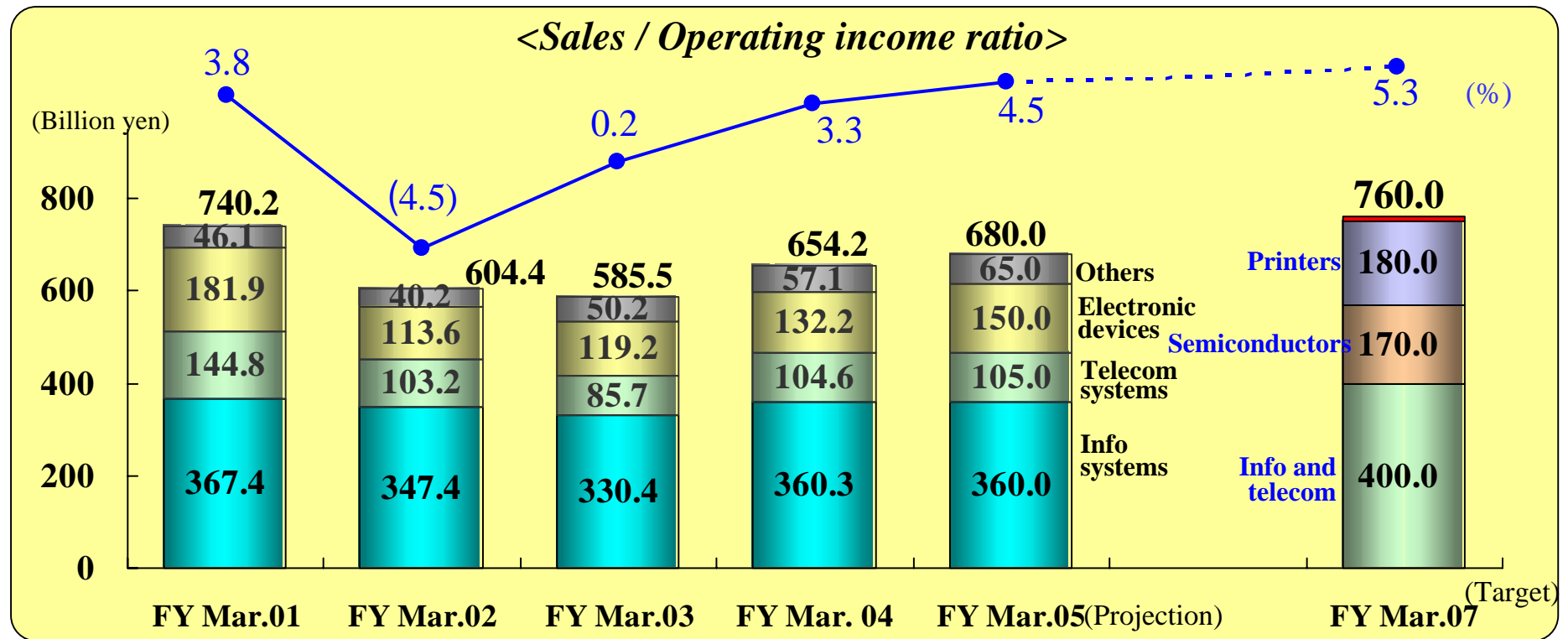
Competitor Product 1

Printing speed Color / mono	12 ppm / 12 ppm
Price	\$ 799
Size	500 x 447 x 467
Weight	33 kg
Resolutions	600 x 600 dpi

Competitor Product 2

Printing speed Color / mono	16 ppm / 16 ppm
Price	\$ 1,299
Size	500 x 447 x 467
Weight	34 kg
Resolutions	600 x 600 dpi

Mid-term Business Target



	FY Mar. 03 (Result)	FY Mar. 04 (Result)	FY Mar. 05 (Projection)	FY Mar. 07 (Target)
Net sales	585.5 B yen	654.2 B yen	680.0 B yen	760.0 B yen
Operating income	1.4 B yen	21.6 B yen	29.0 B yen	40.0 B yen or more
Net income	(6.6) B yen	1.3 B yen	10.0 B yen	20.0 B yen or more
ROE	-	1.2%	8.3%	15% or more
D/E ratio	3.3 times	2.6 times	2.2times	1.5 times or less

Glossary

P8	IT	Information Technology	P25	PSTN	Public Switched Telephone Network
	ATM	Automated Teller Machine		CRM	Customer Relationship Management
	IP	Internet Protocol		ERP	Enterprise Resource Planning
P10	LSI	Large Scale Integration		SCM	Supply Chain Management
P11	LED	Light Emitting Diode		MKT	Multi Key Telephone
	NIP	Non-Impact Printer		PHS	Personal Handy-phone System
P17	VoIP	Voice over Internet Protocol	P26	AS-DRAM	Application Specific Dynamic Random Access Memory
P18	FSC	Financial Solutions Company			
	SSC	System Solutions Company	P27	ADSL	Asymmetric Digital Subscriber Line
	ODC	Oki Data Corporation		TA	Terminal Adapter
	NSC	Network Systems Company		PAN	Personal Area Network
	ISC	IP Solutions Company		RF	Radio Frequency
	SiSC	Silicon Solutions Company		LAN	Local Area Network
	SiMC	Silicon Manufacturing Company		GPS	Global Positioning System
	OCC	Optical Components Company		W-CSP	Wafer level Chip Size Package
P19	xDSL	Digital Subscriber Line		GSM	Global System for Mobile Communications
	IPv6	Internet Protocol Version 6		EL	Electro-Luminescence
	SIP	Session Initiation Protocol		TAT	Turn Around Time
P22	CPE	Customer Premises Equipment		ROM	Read Only Memory
	STB	Set Top Box		P2ROM	Production Programmed Read Only Memory
	BB-IP	Broadband IP			
P23	VC	Venture Companies	P28	SIDM	Serial Impact Dot Matrix
P24	ASP	Application Service Provider	P31	ROE	Return on Equity
				D/E	Debt to Equity (ratio)

* The projections and plans on this material are subject to change depending upon the changes of business environments and other conditions.