

Financial Results for the Fiscal Year ended March 31, 2005

April 28, 2005 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.

- Net sales achieved 688.5 B yen, increased by 34.3 B yen (5.2%) on a year-on-year basis
- Net income reached to 11.2 B yen, 9.9 B yen increase on a year-on-year basis Resume 3 yen dividend
- Operating income and recurring income increased by 5.6 B yen (2.6%) and 8.7 B yen respectively on a year-on-year basis

(Billion yen)	Mar. 04 Result (A)			Mar. 05 Oct. 28 projection (C)	Variance (B-C)
Net sales	654.2	688.5	34.3	710.0	(21.5)
Operating income	21.6	27.2	5.6	29.0	(1.8)
Recurring income	12.5	21.2	8.7	21.0	0.2
Net income	1.3	11.2	9.9	10.0	1.2
Net income per share	2.17 yen	18.27 yen	16.10 yen	16.33 yen	1.94 yen
Total assets	609.6	608.0	(1.6)	-	-
Shareholders' equity	110.5	124.8	14.3	-	-
Shareholders' equity per share	180.66 yen	204.11 yen	23.45 yen	-	-
Interest-bearing debt	291.4	265.2	(26.2)	-	-

< Comparison of consolidated P/L> (Billion yen) Mar. 04 **Mar. 05** Variance 654.2 688.5 34.3 Net sales (Cost of sales ratio) (74.1%)(73.2%)(+0.9%)Cost of sales 484.4 504.3 19.9 SG&A 8.8 148.2 157.0 **Operating income** 21.6 27.2 5.6 Other income (6.0)(9.1)3.1 Recurring income 21.2 8.7 12.5 Extraordinary **4.2** 9.9 (5.7)income Extraordinary loss 20.1 6.9 (13.2)Income before taxes 2.3 18.5 16.2 Income taxes 7.3 1.0 6.3 Net income 11.2 9.9 1.3

ed net sales		(Billion ye
Mar.04	Mar. 05	Variance
360.3	335.8	(24.5)
104.6	135.3	30.7
132.2	150.7	18.5
57.1	66.7	9.6
	Mar.04 360.3 104.6 132.2	Mar.04Mar.05360.3335.8104.6135.3132.2150.7

Consolidated operating income

	Mar.04	Mar. 05	Variance
Info sys	24.0	14.3	(9.7)
Telecom	3.4	7.9	4.5
Devices	2.3	12.0	9.7
Others	2.8	4.0	1.2
Corp. & eliminates	(10.9)	(11.0)	(0.1)

Main items in extraordinary income/loss

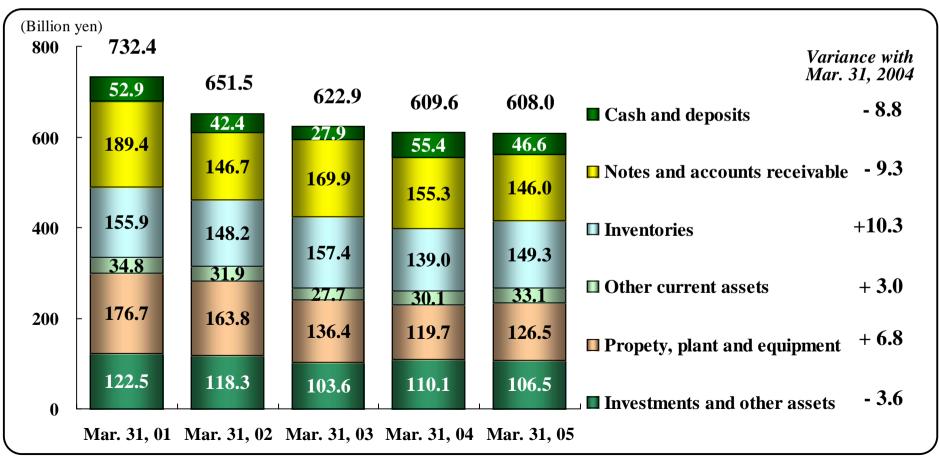
	Mar.04	Mar. 05
Gain on sale of securities	1.6	3.0
Gain on sale of fixed assets		1.2
Gain on pension fund return	8.3	
Loss on disposal of fixed assets	4.9	2.5
Write down loss of securities	1.5	1.2
Restructuring loss	7.7	2.4
Loss on earthquake damages	3.3	

Balance Sheet Outline for FY ended Mar. 05 (1)**OKI**

<Balance Sheet: Assets>

- Major turnover ratios improved through measures to improve asset efficiency by FCF as a management indicator
- Inventory increased by 10.3 B yen on a year-onyear basis, for sales after Apr. 2005

Turnover ratio	Mar. 04	Mar. 05	Variance
Total assets	1.06	1.13	0.07 improved
Notes and accounts receivable	4.02	4.57	0.55 improved
Inventory	4.41	4.78	0.37 improved



Balance Sheet Outline for FY ended Mar. 05 (2)

<**Balance Sheet: Liabilities and** Variance Mar. 05 Mar. 04 Shareholders' Equity> Amount of interest-291.4 265.2 26.2 decreased bearing debt (B yen) Interest-bearing debt ratio improved by 4.2% Interest-bearing debt and outstanding balance decreased by 26.2 B ven 47.8 43.6 4.2 improved ratio (%) Shareholders' equity increased by 14.3 B yen, Shareholders' equity 2.4 improved 18.1 20.5 which improves its ratio to 20.5% ratio (%) (Billion yen) 800 Variance with 732.4 Mar. 31, 2004 651.5 154.6 622.9 609.6 608.0 600 120.1 +8.7■ Notes and accounts payable 116.1 135.8 144.5 137.3 134.3 +5.5□ Short-term borrowings 126.0 37.1 129.8 400 135.3 28.8 25.6 Other current liabilities - 7.1 31.1 24.0 219.2 221.4 209.4 129.9 161.7 ■ Bond and long-term debts - 31.8 200 35.2 49.5 40.7 37.6 44.5 +8.8Other fixed liabilities and 148.8 124.8 minority interests 109.0 110.5 101.3 0 +14.3■ Shareholders' equity Mar. 31, 01 Mar. 31, 02 Mar. 31, 03 Mar. 31, 04 Mar. 31, 05 Bonds due within a year and commercial paper are included in long-term debt and short-term borrowings respectively.



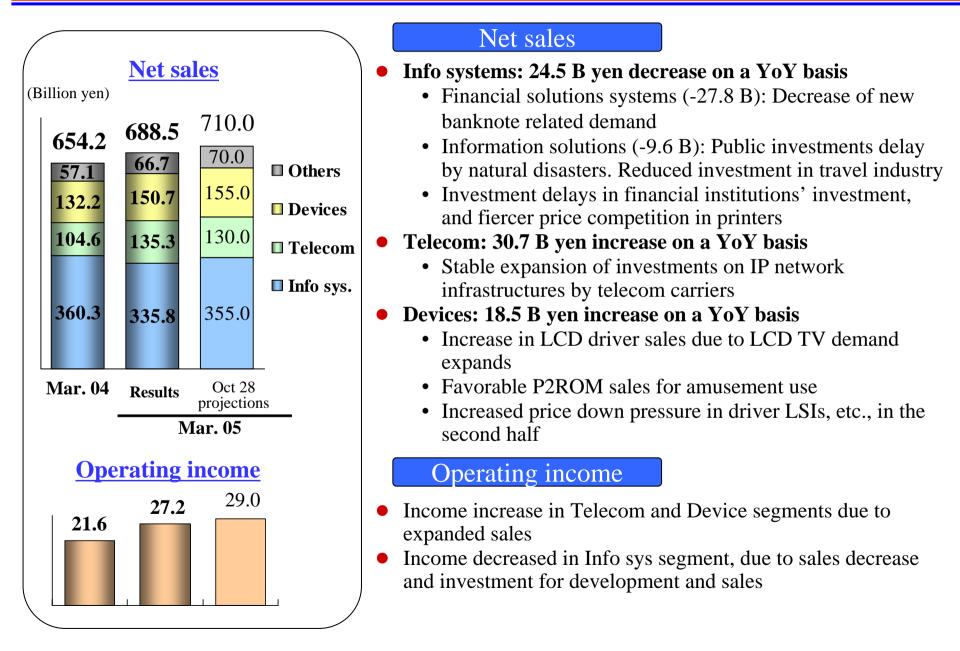
• While issued 20.0 billion yen Euro CB in Nov. 2004, interest-bearing debt became 265.2 B yen, decreased by 26.2 B yen through reduction of debt

(Billion yen)

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	Mar.03	Mar. 04	Mar. 05	Variance	Oct. 28 announced
I. Cash flows from operating activities	0.2	92.3	59.3	(33.0)	65.0
Income (loss) before income taxes	(3.5)	2.3	18.5	16.2	16.0
Depreciation & amortization	39.9	33.6	34.2	0.6	35.0
Changes in operating assets & liabilities	(33.9)	40.1	11.7	(28.4)	10.0
Others	(2.3)	16.3	(5.1)	(21.4)	4.0
II. Cash flows from investing activities	4.3	(19.2)	(41.5)	(22.3)	(45.0)
Purchases of property, plant & equipment	(23.5)	(24.0)	(33.9)	(9.9)	(36.0)
Others	27.8	4.8	(7.6)	(12.4)	(9.0)
Free cash flows (I+II)	4.5	73.1	17.8	(55.3)	20.0
III. Cash flows from financing activities	(20.0)	(43.6)	(26.9)	16.7	(25.0)
Bond issuance			20.0	20.0	
Redemption of bonds	(22.7)	(39.9)	(15.0)	24.9	(15.0)
Changes in other interest-bearing debt, etc.	2.6	(3.7)	(31.9)	(28.2)	(10.0)
Net cash flow (I+II+III)	(15.5)	29.5	(9.1)	(38.6)	(5.0)
IV. Cash and cash equivalents at the period end	29.3	58.1	49.4	(8.7)	53.1
V. Interest-bearing debt at the period end	335.4	291.4	265.2	(26.2)	266.4

Segment Information for FY ended Mar. 05 **OKI**





<Economy forecast>

- While enterprise production partly recovers due to inventory adjustment completion and demand recovery, overall economy recovery is at a standstill due to stagnation in IT investments. Expected recovery in the second half
- Concerns include export slow down related to China's current situation and rising oil price and material costs

<Oki's market trend>

 Info-telecom: Telecom carriers' investment increases mainly for FTTH Sign of recovery in financial institutions' IT investment, particularly for security.

Fiercer competition in information areas including financial systems

- Semiconductor: Market growth stays at bottom in the first half Recovery trend from the second half
- Printer: The color printer market expands, while price competition further increases

<Impact on profit by currency exchange rate>

	FY ended Mar. 2005		FY ending Mar. 2006 projections			
	Actual rate Sales in foreign currency		Projected rate	Sales in foreign currency	Impact on operating profit by 1 yen change	
USD	108 yen/\$	760 million USD	105 yen/\$	1.15 billion USD	230 million yen	
Euro	135 yen/E	590 million Euro	135 yen/E	660 million Euro	350 million yen	

< Comparison of consolidated P/L>

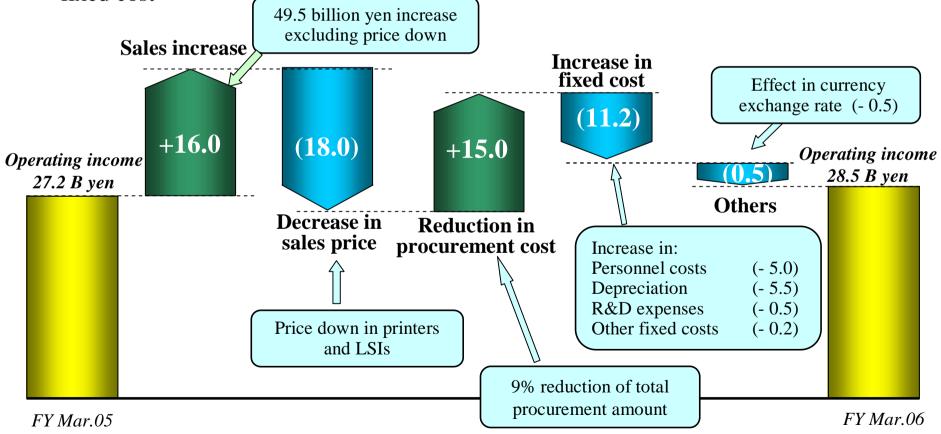
			(Billion yen)	Consolidated net sales			(Billion yen)
	Mar. 05 Results	Mar. 06 Projections	Variance		Mar. 05	Mar. 06	Variance
Net sales	688.5	720.0	31.5	Info-Telecom Semiconductor	373.1 150.7	<u>380.0</u> 165.0	6.9 14.3
Operating income	27.2	28.5	1.3	Printer Others	137.7 27.0	150.0 25.0	(2.0)
Other income	(6.0)	(7.0)	(1.0)				. ,
Recurring income	21.2	21.5	0.3	Consolidated	operating a	income	(Billion yen)
Extraordinary income	(2.7)	(3.0)	(0.3)	Info-Telecom	Mar. 05 15.8	Mar. 06 18.5	Variance 2.7
Income before taxes	18.5	18.5	0	Semiconductor Printer	12.0 7.8	<u>10.0</u> 8.0	(2.0) 0.2
Income taxes	7.3	7.0	(0.3)	Others Corp. &	2.5	2.5 (10.5)	0
Net income	11.2	11.5	0.3	eliminates	(10.7)	(10.0)	0.4

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Analysis of Changes in Operating Income **OKI**

<Analysis of 1.3 B yen increase in operating income from the previous year>

- 31.0 B yen income increase from sales growth and procurement cost reduction Procurement cost reduction is expected to be severer
- Increase of 1.3 billion yen in total, due to price reduction and strategic increase of fixed cost



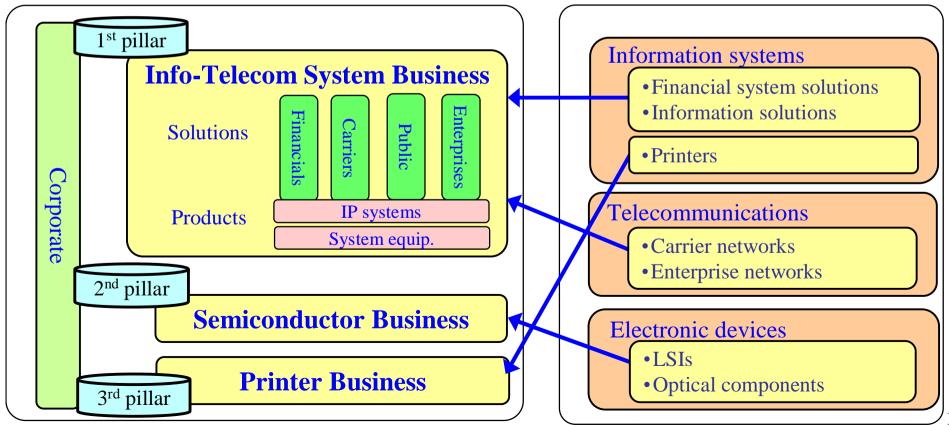


Reorganize Oki group's business segments to three pillars

 1st pillar: Info-Telecom System Business → Focus on info-telecom converged solutions
 2nd pillar: Semiconductor Business → Focus on system LSIs and deploy fab-free model
 3rd pillar: Printer Business → Focus on LED-base color NIP and maximize SIDM profit

< New segments>

<Previous segments>

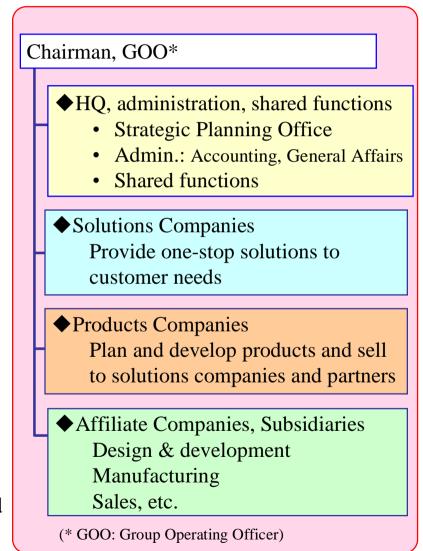




• Target of Business Group System

- Establish strong business flexible to market changes
- Form autonomic management for each group (Chairman/ GOO)
- Promote agile business operation
- Establish Oki-unique business model
- Enhance group management (for affiliated companies, and among business groups)
- Target of "Systems Network Business Group"
 - Fully utilize Oki-original advantages (collective strength, corporate scale, agility)
 - Actively deploy info-telecom converged systems and products
 - Enhance market accessibility (Solutions companies)
 - Focus on markets for financials, carriers, public, and enterprises. Provide one-stop solutions
 - Strengthen product planning, development and sales skills (Products Companies)
 - Strengthen info-telecom converged products, and enhance product development for mechatrnoics products. Strengthen in-direct sales

Main structure of Business Groups



Mid Term Business Plan



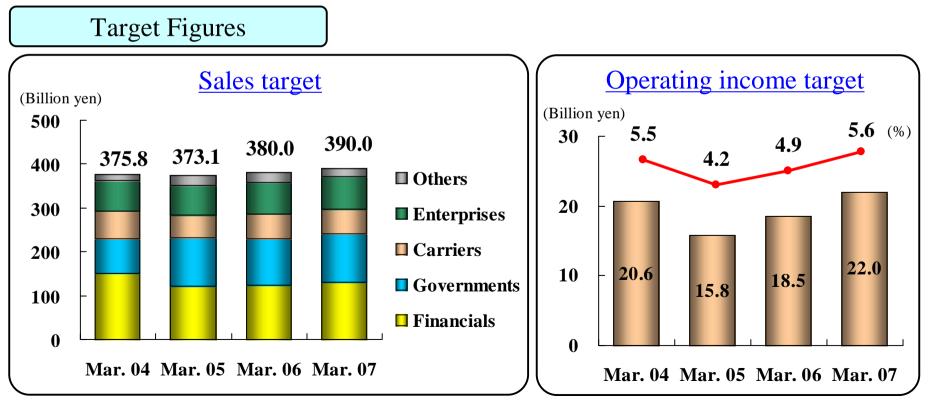
Info-telecom system, semiconductor, and printer businesses will increase profitability to become an Excellent Growing Company by clarifying its focus, strengthening its product and sales skills, making appropriate investments, and utilizing business strengths.



Info-Telecom System Business: Business Target

Basic Policy

- Deploy business from infrastructures to applications in the broadband ubiquitous network era
- Create info-telecom converged solutions by market based on AP@PLAT and enhance these solutions sales
- Create world-class products and expand global sales: Middle-size mechatronics, financial IT systems, carrier network systems, enterprise network systems and media network appliances

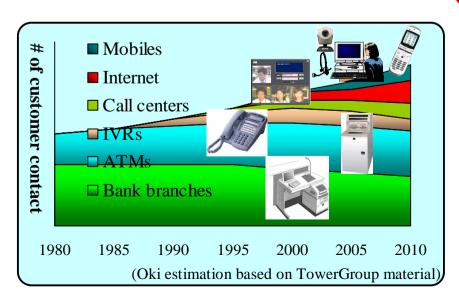


Financial Market (1)



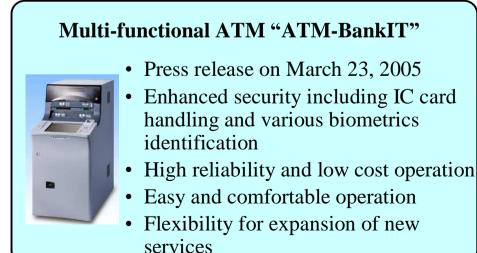
Market Trends

- Diversifying retail service channel
- Increase product lineups due to deregulations
- Security supporting Personal Information Protection Act and measures for card forgery
- Improving back office work efficiency and cost reduction
- Outsourcing of contingent business
- Growing overseas ATM market



Business Strategies

- Enhance info-telecom converged solutions based on CTI, Web linkage, and mobile
- Strengthen e-financial systems (e-payment, Edy, systems connecting banks, etc.)
- IC cards, ATMs with biometrics
- Enhance lineups of back office operation concentration system
- Enhance outsourcing business including ATM centralized monitoring and total network services
- Enhance China ATM business

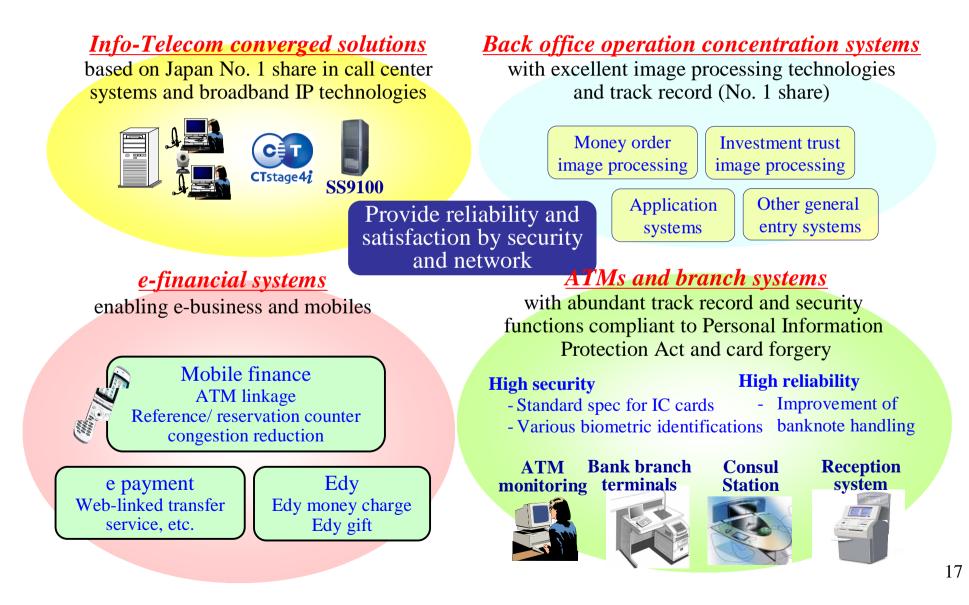


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Financial Market (2)



Oki's financial IT solutions provide "satisfaction" in the e-society

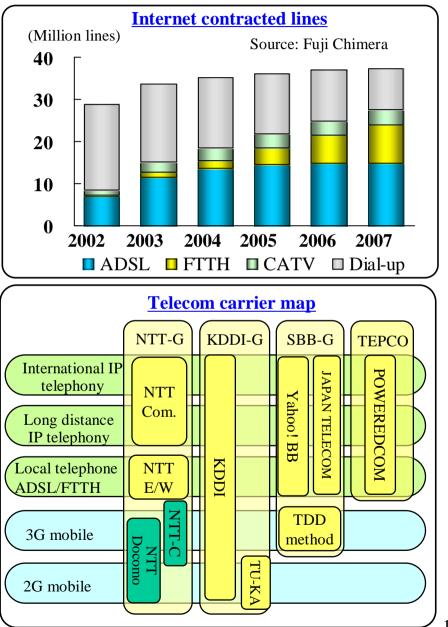


Telecom Carrier Market (1)



Market Trends

- Expansion of broadband access market
 - Saturated ADSL, rapid growth of FTTH
- Transition to optical IP telephony service
- Concretizing all-IP
 - NTT-G: Plans of 30 million optical subscribers and network migration
 - KDDI-G: Integrated service network plan
 - au, DION, Hikari plus, VPN
- Fiercer competition to gain subscribers
 - KDDI-G and SBB-G participation of fixed phone direct service
- Provisioning of various services
 - IP Centrex service for enterprises
 - Fixed Mobile Convergence (FMC) service
 - NTT Mobile Centrex
 - KDDI OFFICE WISE
 - New application services including video



Telecom Carrier Market (2)



Oki's Strengths

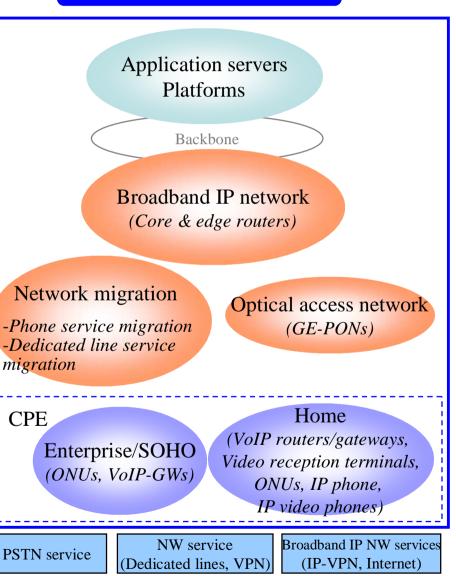
• Hold core technologies and know-how

- Optical access: System & optical component technologies for GE-PON etc.
- CPE: Platform technologies (video, optical, VoIP)
- Network migration: Existing network technologies, IP/server technologies

Strategies by carriers

• Maximize profitability of existing products and create next-gen. products and services

- NTT-G: Expand sales of existing network products and services. Create new products for next-gen. IP network
- KDDI-G: Expand sales of equip. for CDN network. Entry to fixed/mobile integrated network
- SBB-G: Expand solutions for new services and infrastructures



Focus Area

Public Sector



Market Trends

Full scale deployment of e-Japan II Initiative

Central Government

- Introduction of EA with e-government establishment plans
- Reexamine system upgrade with administrative reform plan

Local Governments

- Progress in IT system installation as municipalities merge
- Increase in renewal demand for strengthened disaster prevention measures and wireless digitalization

<u>ITS</u>

- Promote "Second stage deployment scenario"
- Expansion in services with public and private partnership

Disaster prevention solutions

Continuing growth in the infotelecom converged area

- Disaster prevention information system
- Fire control digital radio transmission
- Terrestrial digital broadcasting

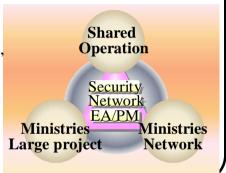


Business Strategies

e-government solutions

Deploy e-government solutions with security and network as a core

- Shared operations between ministries (Personnel wage system, etc.)
- Government network
- Large scale project



ITS solutions

Deploy ITS systems as road traffic such as ETC and VICS advance

- Communication among vehicles
- Location information service
- DSRC gate, link with customer info
- Solutions supporting autonomous moves



Enterprise Market



Cultivate customers by cross-providing products to system and telecom based customers

Market Trends

Manufacturing industry

• Automobile-related and machinery companies remain steady in market with ups and downs

Transportation industry

- Steady investment in automation in railroad industry
- Recovery trend in airline industry

Retail industry

- Severer competitions including trend of multi-stores and complex stores
- Steady in amusement industry and e-transactions

Triple play solutions

Support process efficiency by strong links among end users, factories, designs and maintenances by converging realistic sound, video, and data

- For factories
- For sales and maintenance support, etc.



Business Strategies

Payment & security solutions

Support linkage between customers' core business and new services by IC card payment,

e-tickets, etc. with "satisfaction"

- Payment integration
- IC card
- Personal identification
- Mobile payment
- Point system, etc.



Deposit sales

Filling changes

Neighbor

shops

21

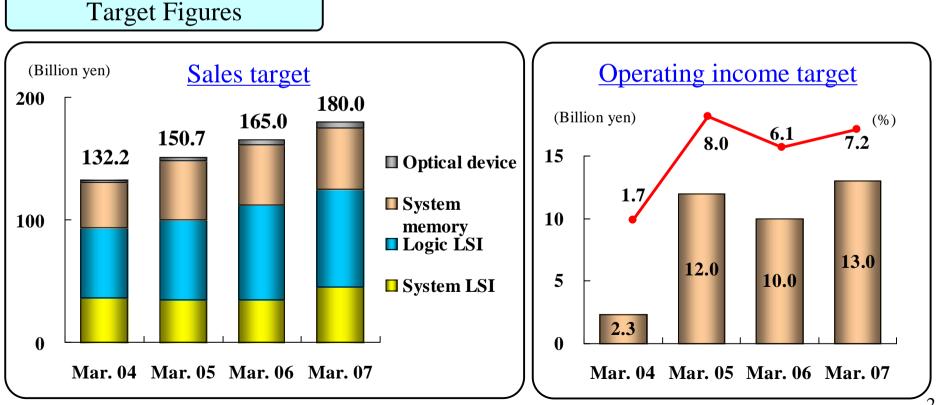
Cash management solutions

Deploy highly secured and efficient solutions to retail market, utilizing know-how in financial

- system solutions
- Cash management Withdraw of shop sales including changes
- Shared-solutions among multiple shops

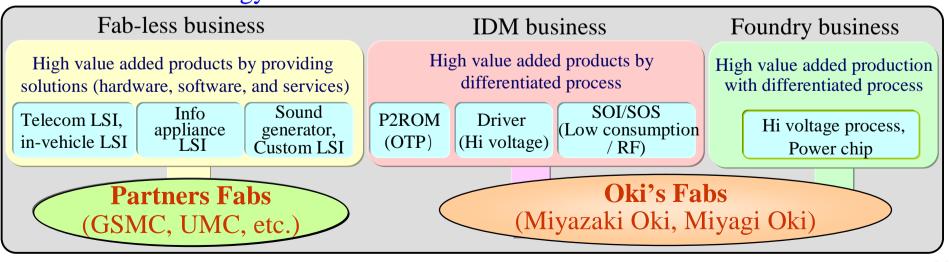
Basic Strategy

- Deploy value added business with system LSI for the personal & mobile markets
- Enhance the creation of top-class products, development speed and production flexibility through partnership strategy and fab-free strategy (vertical integration with fabless)
- Expand unique differentiating technologies (low power consumption, high voltage process, SOI/SOS, mixed digital analog)





- Deploy marketing and product development activities for personal and mobile market, focusing on 3 areas: telecom, information appliances, and in-vehicle markets
- Expect 9% business expansion in CAGR by providing competitive products to the following active and steady demand applications in the FY ending Mar. 06 to 07:
 - Focus applications: FPD, amusement, wireless, in-vehicle
 - Focus products: TFT drivers, P2ROM, PHS Baseband LSIs, Sound generator LSIs, ZigBee LSIs, VFD drivers, Organic EL drivers
- Prevent lowering profitability through high value-added products and controlling costs
- Deploy speedy and flexible development and production through fab-free strategy

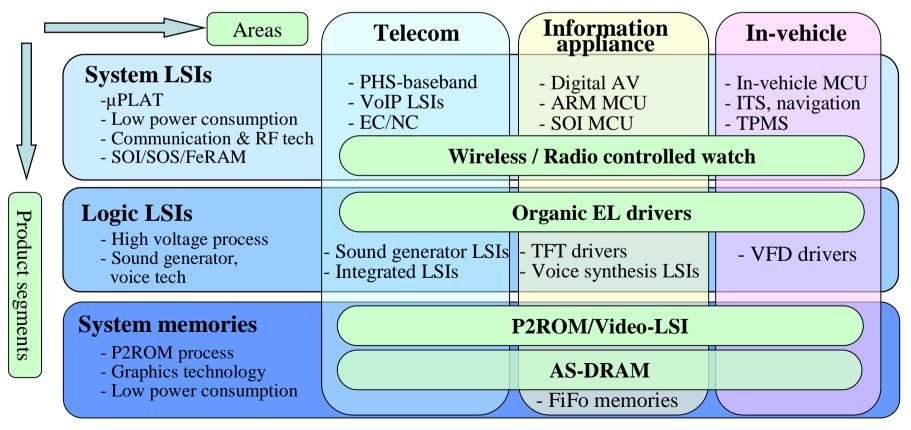


<Oki's fab-free strategy>

Product Segment



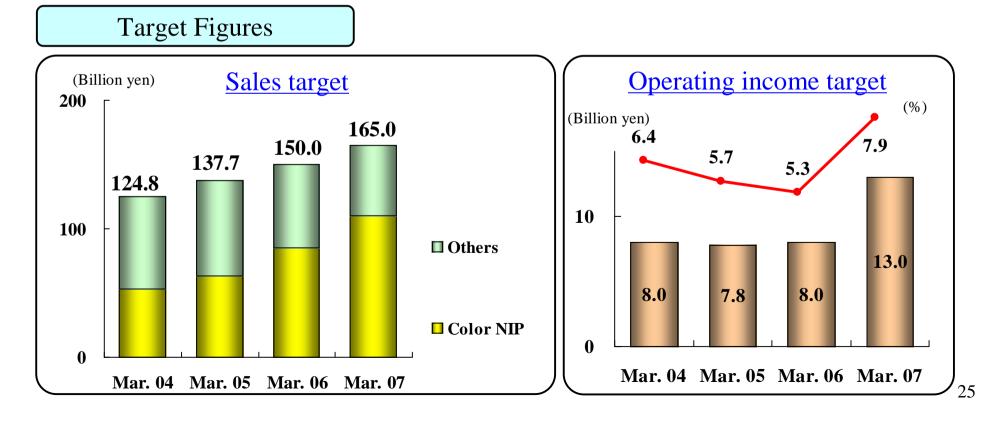
- Balanced business with 3 areas for 3 product segments based on differentiated technologies (system, circuits, software, process, etc.)
 - System LSI Create high market added value, cooperating with partners and customers
 - Logic LSI Expand sales and profitability, particularly drivers, with Oki's advanced process and development skills
 - System memory Expand sales and profitability, particularly P2ROMs, with Oki's advanced process and development skills





Basic Strategy

- Global business deployment by clarifying strategy for each market and with OKI unique products
- Target to hold No.2 market share by strengthening compact and high-speed color NIP product competitiveness (development TAT, product timing, quality, cost, etc.) and by increasing sales for hardware and consumables
- Expand SIDM market share and maximize profitability through business improvement



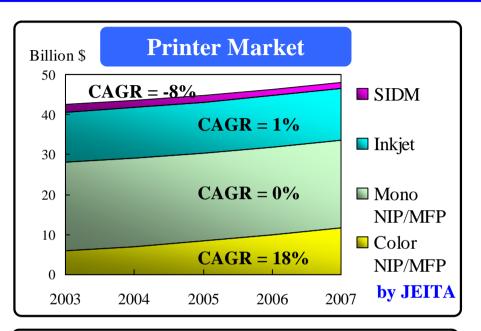
Printer Market Trend

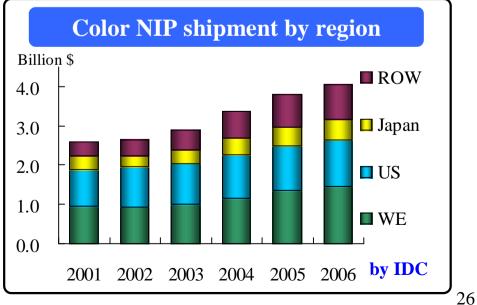


• 18% annual growth in color NIP/ MFP (hardware shipment amount base)

Color NIP penetration reached over 16% in CY 2004, with continued expectations of growth (*The 16% Diffusion of Innovation Theory*, E.M. Rogers)

- Low price trend for color NIP continues, assisting a 40% annual growth in unit based hardware shipment
- Tandem-type (Oki method) color NIP progresses, outstripping 50% in the CY2002
- Though overall SIDM market shrinks, stable sales in specific businesses. China market expands





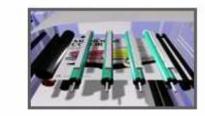
Color NIP Business Strategy



- **Target**
 - Provide top-of-the-line value to worldwide customers with semiconductorbased LED tandem single pass technology
 - Target to hold 20% of the shipment units in FY Mar. 07
- Measures
 - Prioritize in improving customer satisfaction
 - Provide superior cost performance products
 - Keep advantages in high resolution and high-speed with LED technology
 - Establish low cost, high quality production
 - Form long term relationship with mutual trust with channel partners
 - Establish global service structure



LED technology Enabling high resolution, high quality and low price



High speed printing with LED technology and Single Pass



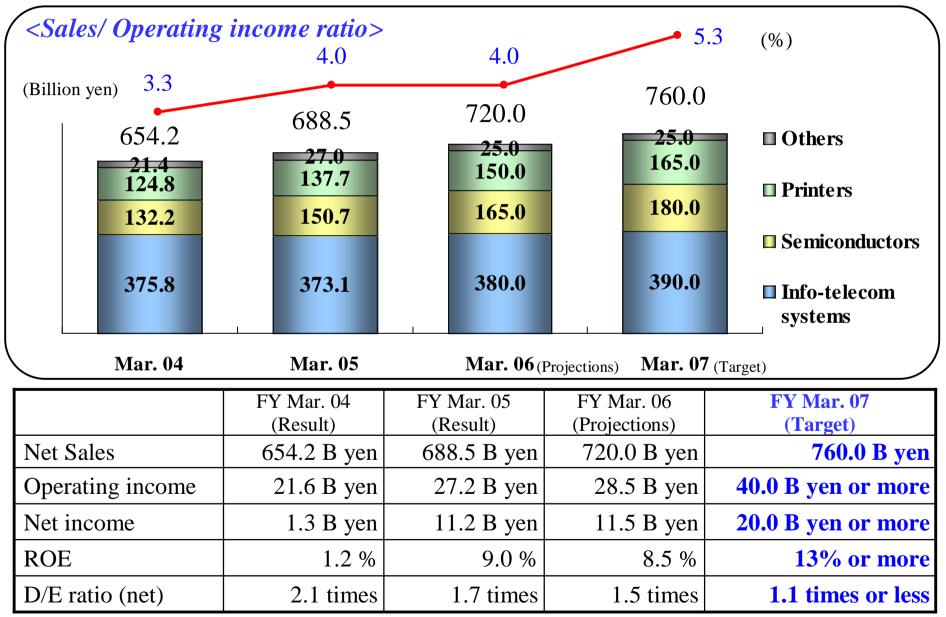
Global supply chain Global production structure



Channel partnership in 120 countries and global service structure

Mid-term Business Target







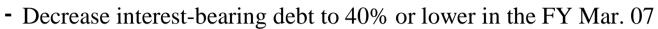
To achieve mid-term target for the FY Mar. 07, steadily implement following measures during the FY Mar. 06:

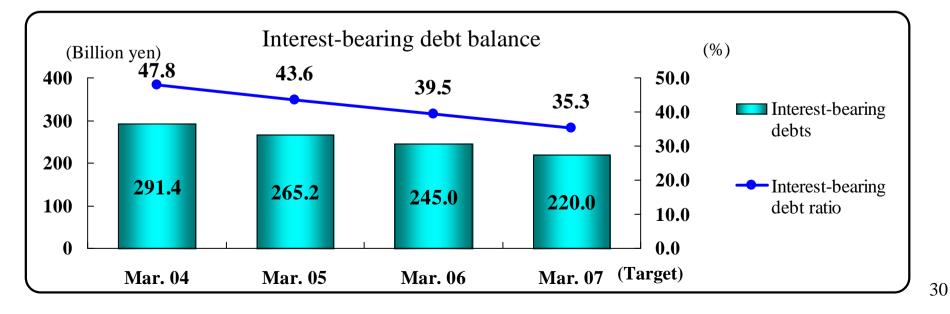
- Commit to autonomy operation for the three business groups
- Enhance Corporate's group management function and review functions of affiliated companies
- Develop and expand sales for info-telecom converged products and systems
- Strengthen profitability of Strategy Business Units (SBU) in each business group
- Commit in developing major new competitive products and creating new businesses
- Achieve targeted financial indicators (FCF, interest-bearing debt ratio, ROE, etc.)
- Implement activities to establish the image of a more global OKI
- Enhance CSR (Corporate Social Responsibility) and compliance activities



• Main business challenge is to maximize cash flows and decrease interestbearing debt

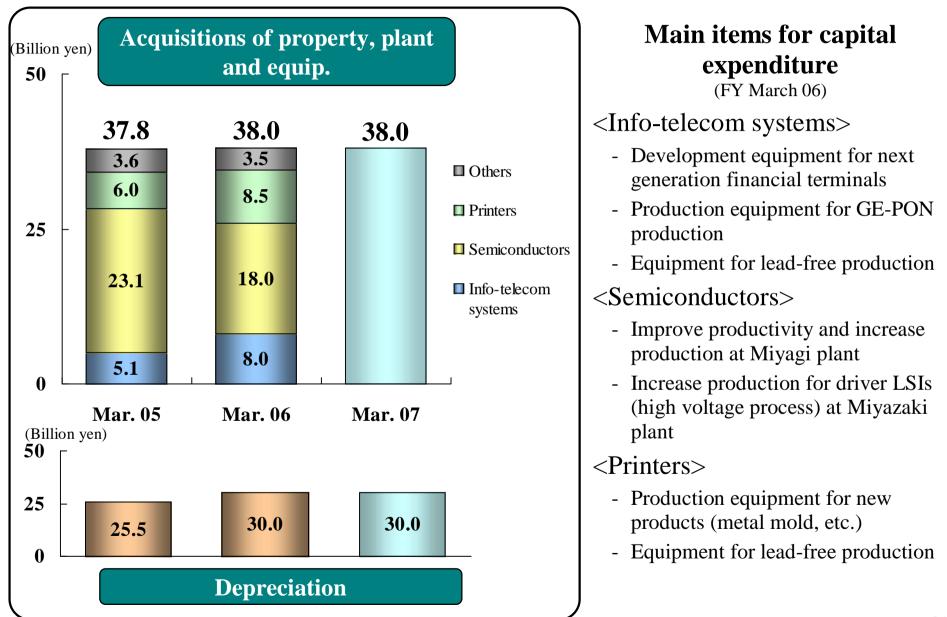
	Mar. 04	Mar. 05	Mar. 06	Mar. 07
Cash flows from operating activities	92.3	59.3	68.0	72.0
Cash flows from investing activities	(19.2)	(41.5)	(48.0)	(45.0)
Free cash flows	73.1	17.8	20.0	27.0
Cash flows from financing activities	(43.5)	(26.9)	(22.0)	(27.0)
Cash and cash equivalents at the period end	58.1	49.4	47.4	47.4





Capital Expenditure





R&D Expenses



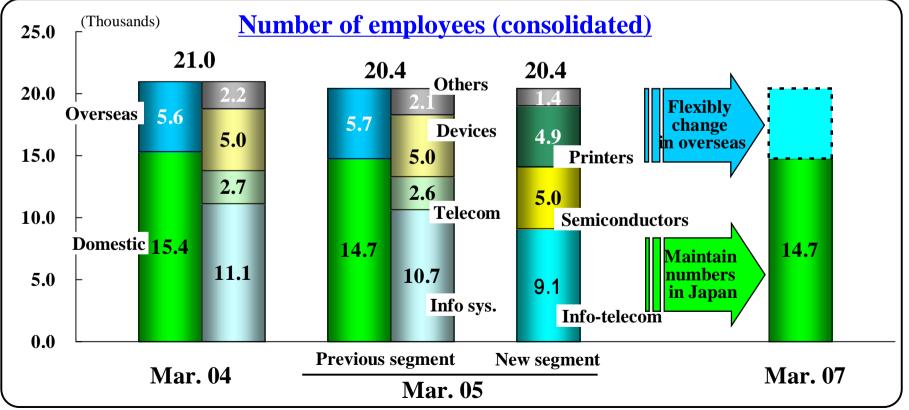
		R&D	Expenses		Main items for R&D expenses (FY March 06)
(Bill 30	lion yen) -		25.0		<info-telecom systems=""> Develop next generation financial systems Develop integrated recognition process </info-telecom>
15 -	22.0 3.1 4.9 5.2	22.5 3.2 4.0 5.3		 Others Printers Semiconductors Info-telecom systems 	 technology Develop new info-telecom converged products <semiconductors></semiconductors> Develop telecom/wireless LSIs Lower costs for large TFT drivers Newly develop large capacity P2ROM
0	8.8 Mar. 05	10.0 Mar. 06	Mar. 07		<printers> Develop new color NIP products (high-speed, MFP) Low cost SIDM (horizontal printers) </printers>

Personnel Plans



<Major personnel measures>

- Maintain number of domestic employees until the end of FY Mar. 07
- Flexibly change overseas staff number responding to business deployment (enhance design, development, software & marketing)
- Improve marketing and technical skills by recruiting mid-career staff
- Enhance development, design and SE skills. Improve efficiency of indirect departments



Glossary

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P4	SG&A	Selling, General and Administrative expense	P20	EA	Enterprise Architecture
P5	FCF	Free Cash Flow		ITS	Intelligent Transport System
P8	IP	Internet Protocol		PM	Project Management
	LCD	Liquid Crystal Display		ETC	Electronic Toll Collection
	LSI	Large Scale Integration		VICS	Vehicle Information Communication System
	P2ROM	Production Programmed Read Only Memory		DSRC	Dedicated Short Range Communication
P9	IT	Information Technology	P22	SOI	Silicon on Insulator
	FTTH	Fiber To The Home		SOS	Silicon on Sapphire
P12	LED	Light-Emitting Diode	P23	FPD	Flat Panel Display
	NIP	Non-Impact Printer		TFT	Thin Film Transistor
	SIDM	Serial Impact Dot Matrix		PHS	Personal Handy-phone System
P14	Ph21	Phoenix 21 plan		VFD	Vacuum Fluorescent Display
	S-H	Sky-High plan		EL	Electro Luminescence
P16	ATM	Automated Teller Machine		IDM	Integrated Device Manufacturer
	IVR	Interactive Voice Response		OTP	One Time Programmable
	CTI	Computer and Telephony Integration		RF	Radio Frequency
P18	ADSL	Asymmetric Digital Subscriber Line	P24	FeRAM	Ferroelectric Random Access Memory
	VPN	Virtual Private Network		EC	Echo canceller
	CATV	Cable Television		NC	Noise canceller
	TDD	Time Division Duplex		AV	Audio Visual
P19	GE-PON	Giga-bit Ethernet Passive Optical Network		MCU	Microcontroller
	CPE	Customer Premises Equipment		TPMS	Tire Pressure Monitoring System
	VoIP	Voice over Internet Protocol		AS-DRAM	Application Specific Dynamic Random
	CDN	Contents Delivery Network			Access Memory
	SOHO	Small office / Home office		FiFo	First-in First-out
	ONU	Optical Network Unit	P25	TAT	Turn Around Time
	GW	Gateway	P26	MFP	Multi Function Printer
	PSTN	Public Switched Telephone Network		ROW	Rest Of World
		-	P33	SE	System Engineer