

Okī Electric Financial Results  
for the First Quarter of FY ending March 31, 2005

July 28, 2004

Okī Electric Industry Co., Ltd.

## Table of Contents

---

1. Financial Result Overview for Q1 of FY ending Mar. 2005
2. Segment Information
3. Full Year Projections for the FY ending Mar. 2005

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

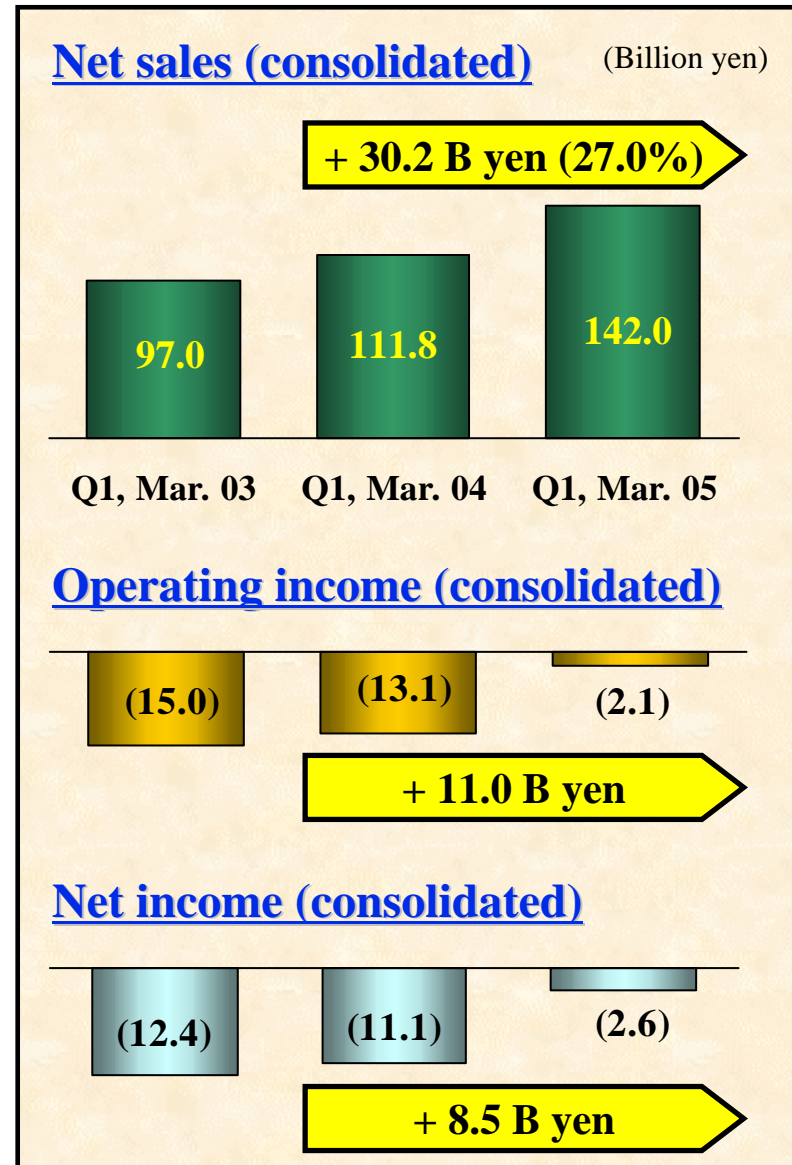
**Business Environment**

<Economy>

- Stable economy: Favorable business performances led improvement in individual consumption and employment situation.

<Oki's Business>

- Sales growth thanks to increase of system investments by financial institutions, growth of color printer demands, expansion of IP networks by telecom carriers, and continuous favorable demands for semiconductors
- Operating income and net income improved substantially due to sales growth, business structural reforms, and procurement cost reduction.



# Q1 Profit and Loss Outline

## ■ Comparison of consolidated P/L

(Billion yen)

	Q1 of FY Mar.04	Q1 of FY Mar.05	Variance
<b>Net sales</b>	111.8	<b>142.0</b>	30.2
(Cost of sales ratio)	(80.2%)	<b>(75.4%)</b>	(+4.8 %)
Cost of sales	89.7	<b>107.1</b>	17.4
SG&A	35.2	<b>37.0</b>	1.8
<b>Operating income</b>	(13.1)	<b>(2.1)</b>	11.0
Other income	(1.0)	<b>(1.0)</b>	0
Recurring income	(14.1)	<b>(3.1)</b>	11.0
Extraordinary income	0	<b>0.1</b>	0.1
Extraordinary loss	1.5	<b>1.3</b>	(0.2)
Income before taxes	(15.6)	<b>(4.3)</b>	11.3
Income taxes	(4.5)	<b>(1.7)</b>	2.8
Net income	(11.1)	<b>(2.6)</b>	8.5

- **Despite the yen appreciation, sales and income increased in all segments.**

### Consolidated net sales

(Billion yen)

	Q1, FY Mar. 04	Q1, FY Mar. 05	Variance
Info sys.	57.6	<b>67.6</b>	10.0
Telecom	16.6	<b>23.0</b>	6.4
Devices	27.2	<b>37.6</b>	10.4
Others	10.4	<b>13.8</b>	3.4

### Consolidated operating income

(Billion yen)

	Q1, FY Mar. 04	Q1, FY Mar. 05	Variance
Info sys.	(2.6)	<b>(0.9)</b>	1.7
Telecom	(2.8)	<b>(0.2)</b>	2.6
Devices	(4.8)	<b>1.2</b>	6.0
Others	(0.3)	<b>0.4</b>	0.7
Corp. & eliminates	(2.6)	<b>(2.6)</b>	0.0

### Average currency exchange rate

	Actual rate		Plan
	Q1, FY Mar. 04	Q1, FY Mar. 05	FY Mar. 05
USD	118.5	109.8	105
Euro	134.7	132.3	130

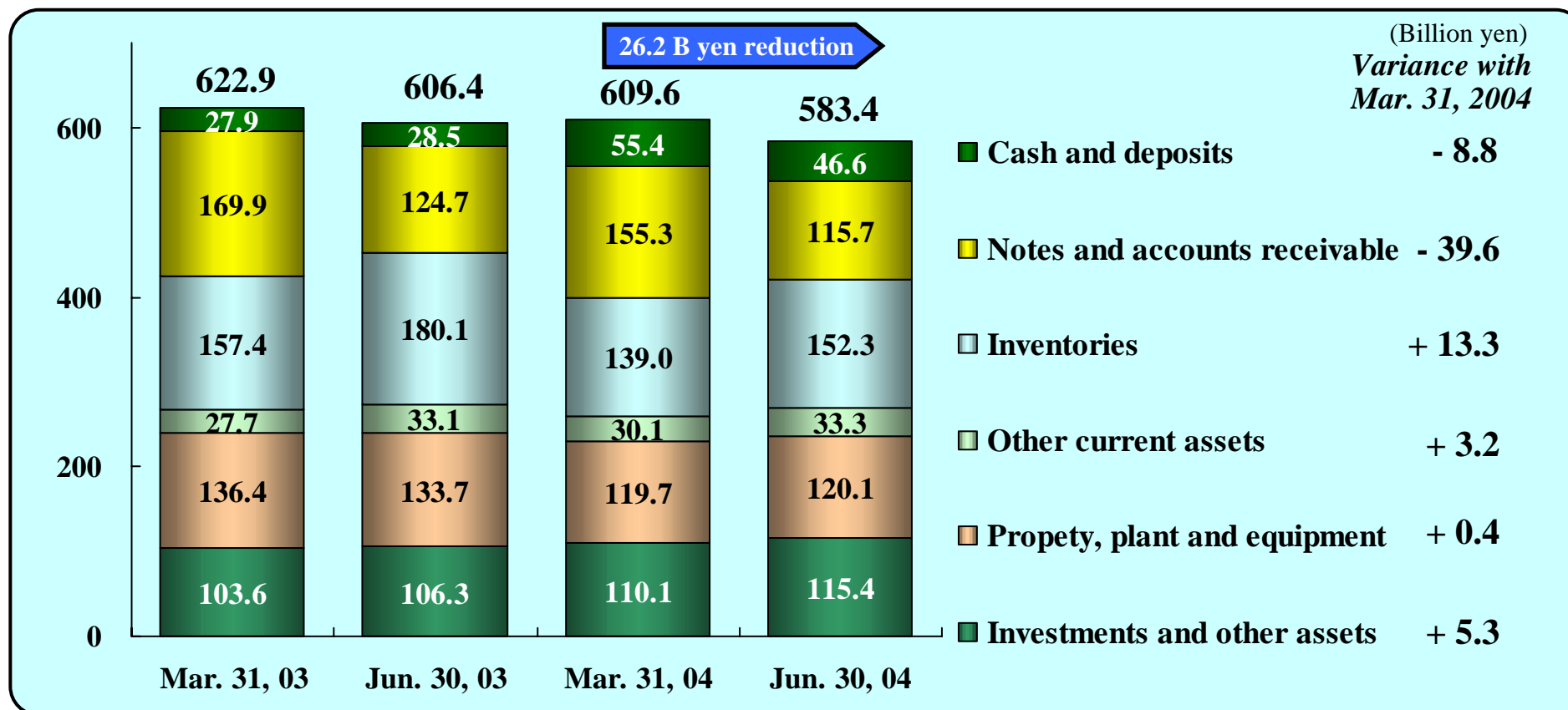
# Q1 Balance Sheet Outline (1)

(Times)

## <Balance Sheet: Assets>

- Total assets decreased due to reduction of accounts receivable.
- Major turnover ratios improved substantially.

<i>Turnover ratio</i>	Q1, FY Mar. 04	Q1, FY Mar. 05	Variance
Total assets	0.73	0.95	0.22 improvement
Notes and accounts receivable	3.04	4.19	1.15 improvement
Inventory	2.65	3.90	1.25 improvement



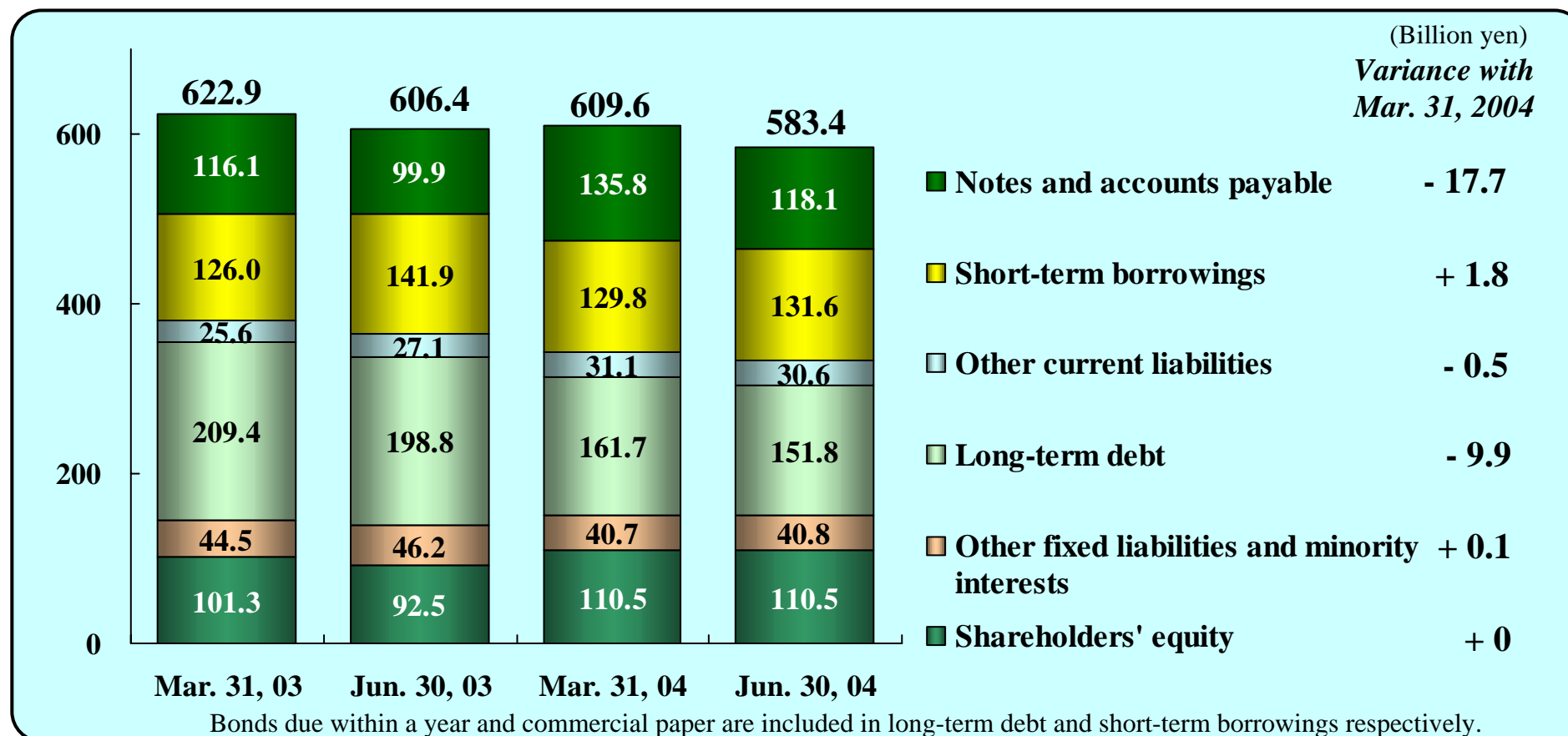
## Q1 Balance Sheet Outline (2)

### <Balance Sheet: Liabilities and Shareholders' Equity>

(%)

- Interest bearing debt decreased by 8.0 B yen from Mar. 04, due to improvement in cash flows.

	Jun. 03	Jun. 04	Variance
Interest-bearing debt ratio	56.2	48.6	7.6 improvement
Shareholders' equity ratio	15.2	18.9	3.7 improvement



## Conditions of Cash Flows

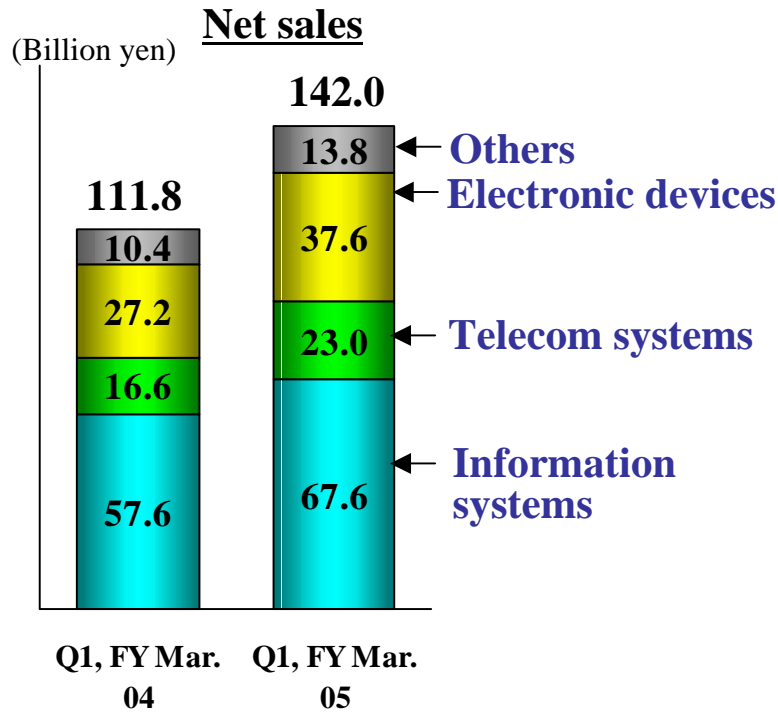
- Reduction of net loss and working capital improved free cash flow by 5.4 B yen.
- Continue reduction of interest-bearing debt

(Billion yen)	Q1, FY Mar. 04	Q1, FY Mar. 05	Variance	Notes
<b>I. Cash flows from operating activities</b>	<b>(1.0)</b>	<b>10.4</b>	<b>11.4</b>	
Income (loss) before income taxes	(15.6)	(4.3)	11.3	<b>&lt;Operating assets &amp; liabilities details&gt;</b> (Q1/FY 04) (Q1/FY 05) Receivables 46.0 40.3 Inventories (21.9) (13.2) Payables (10.2) ( 9.9) Total 13.9 17.2
Depreciation & amortization	7.8	7.3	(0.5)	
Changes in operating assets & liabilities	13.9	17.2	3.3	
Others	(7.1)	(9.8)	(2.7)	
<b>II. Cash flows from investing activities</b>	<b>(3.0)</b>	<b>(9.0)</b>	<b>(6.0)</b>	
Purchases of property, plant & equipment	(3.1)	(6.7)	(3.6)	
Others	0.1	(2.3)	(2.4)	
<b>Free cash flows (I+II)</b>	<b>(4.0)</b>	<b>1.4</b>	<b>5.4</b>	
<b>III. Cash flows from financing activities</b>	<b>4.8</b>	<b>(8.4)</b>	<b>(13.2)</b>	
Redemption of bonds	(7.7)	0	7.7	
Changes in other interest bearing debts, etc.	12.5	(8.4)	(20.9)	
<b>Net cash flow (I+II+III)</b>	<b>0.8</b>	<b>(7.0)</b>	<b>(7.8)</b>	
<b>IV. Cash and cash equivalents at the period end</b>	<b>30.3</b>	<b>51.4</b>	<b>21.1</b>	

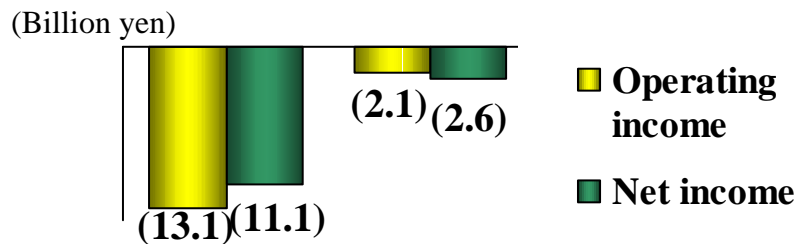
# Q1 Results & 1<sup>st</sup> Half Projections

- Both sales and profits for the 1st half are expected to increase from the previous projections.

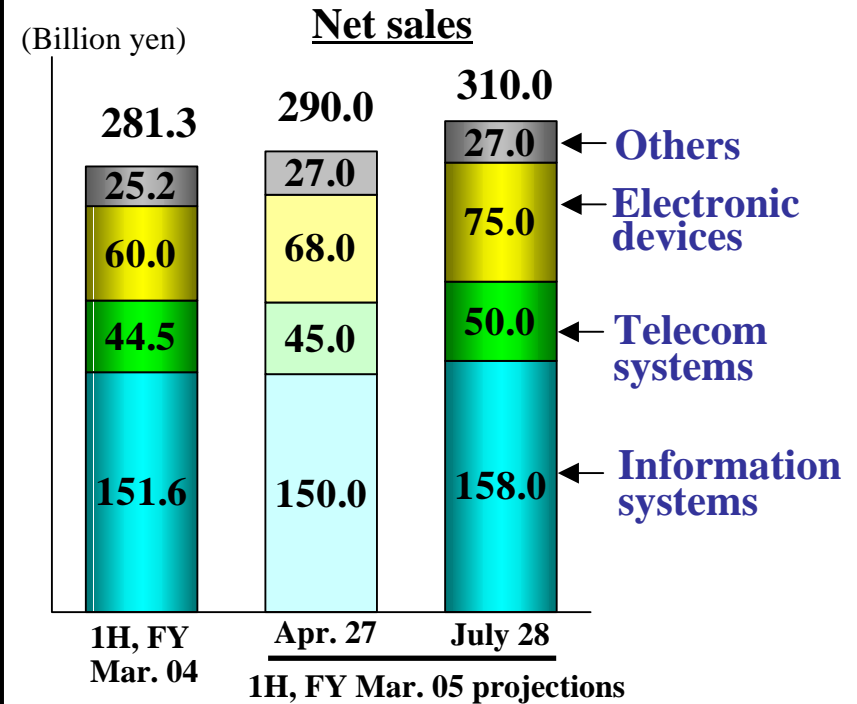
<Results for Q1, FY ending Mar. 05 >



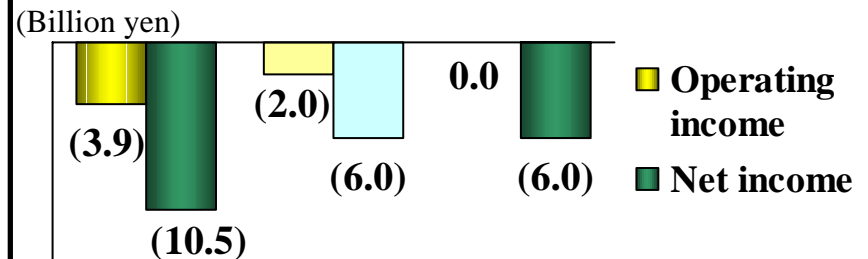
**Operating & net incomes**



<Projections for the 1<sup>st</sup> Half, FY Mar. 05 >



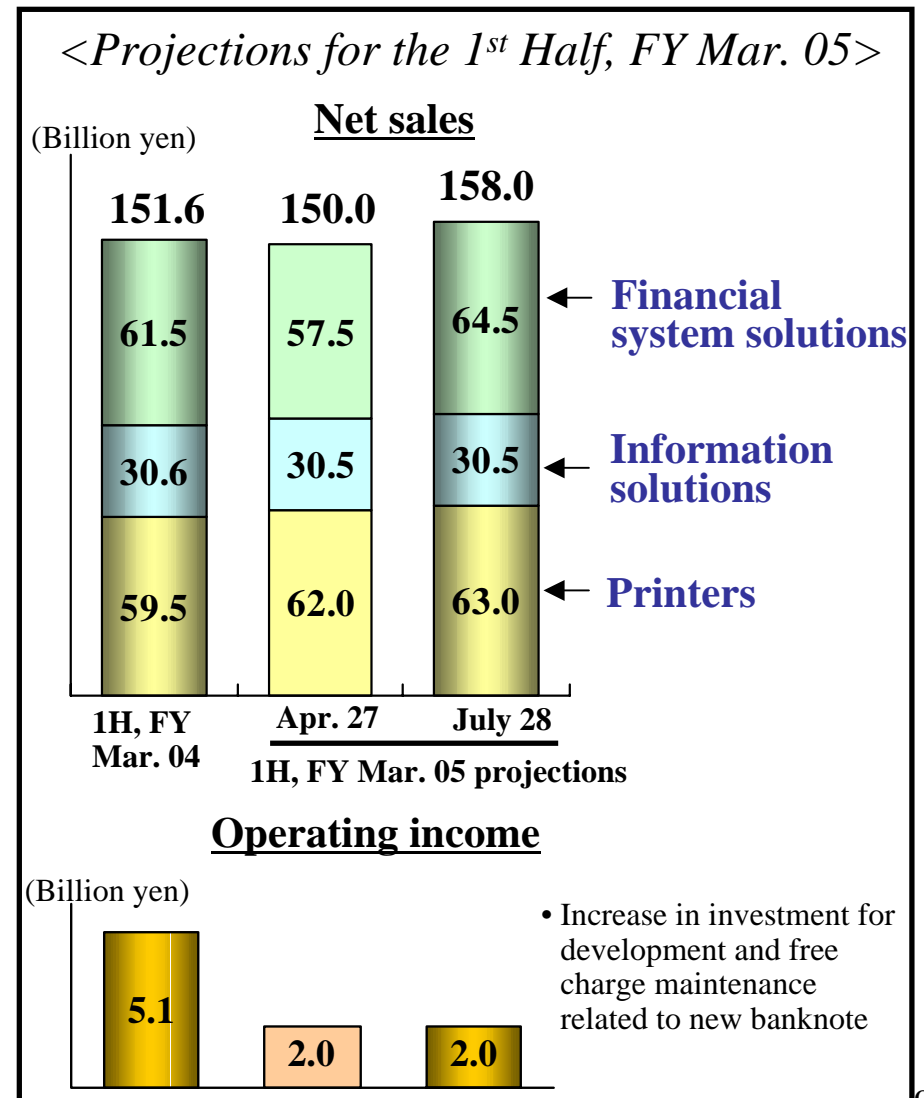
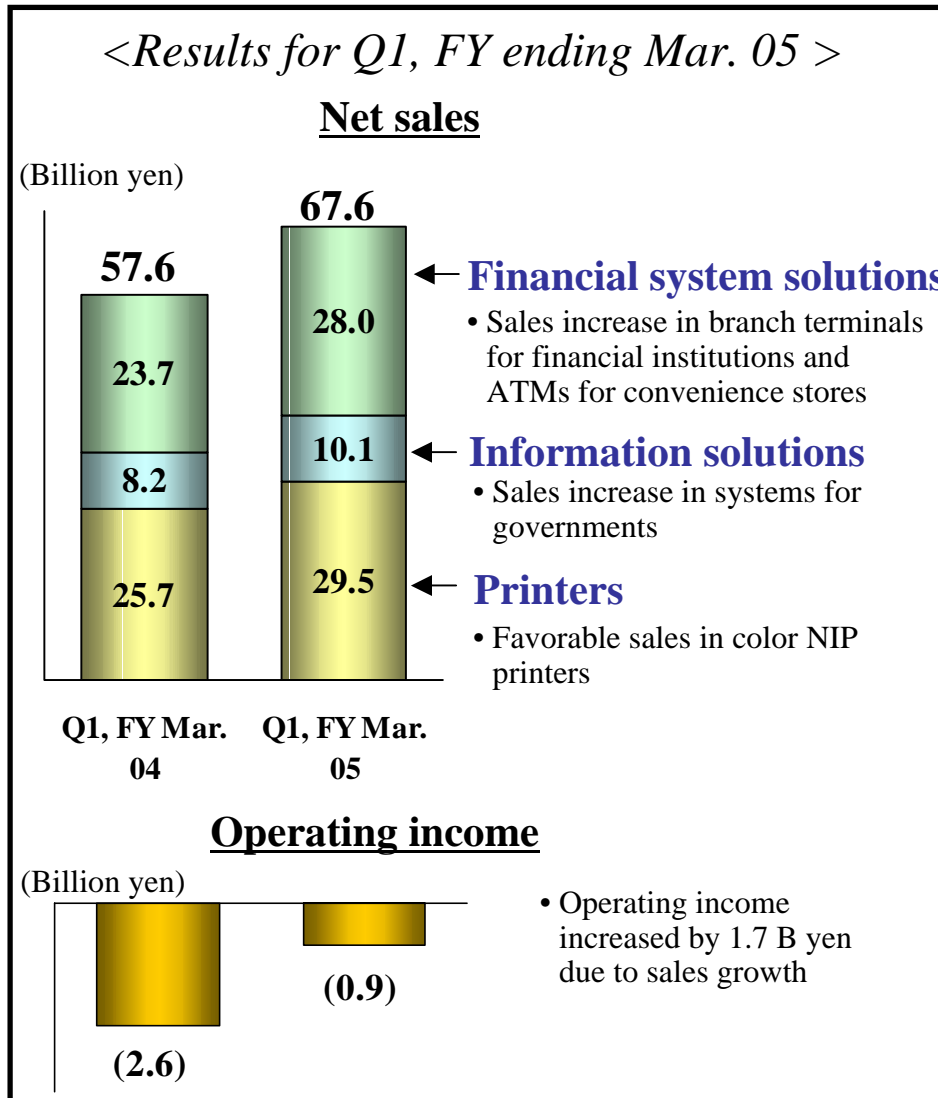
**Operating & net incomes**





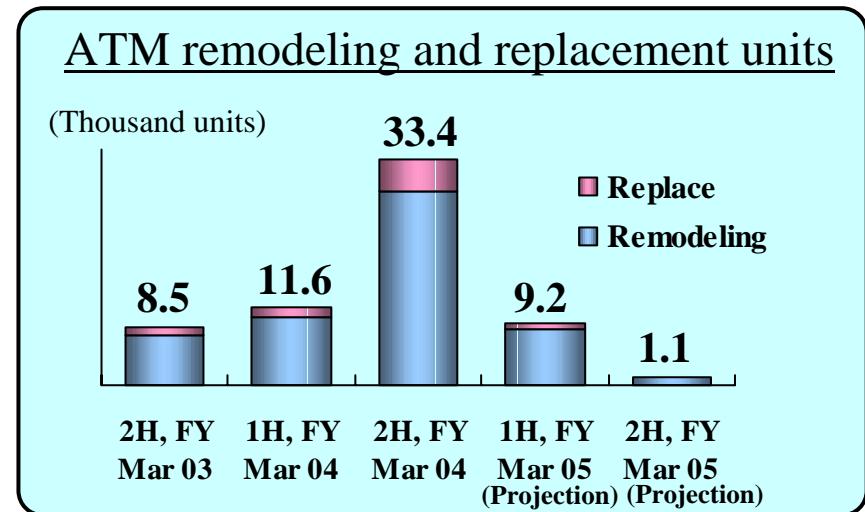
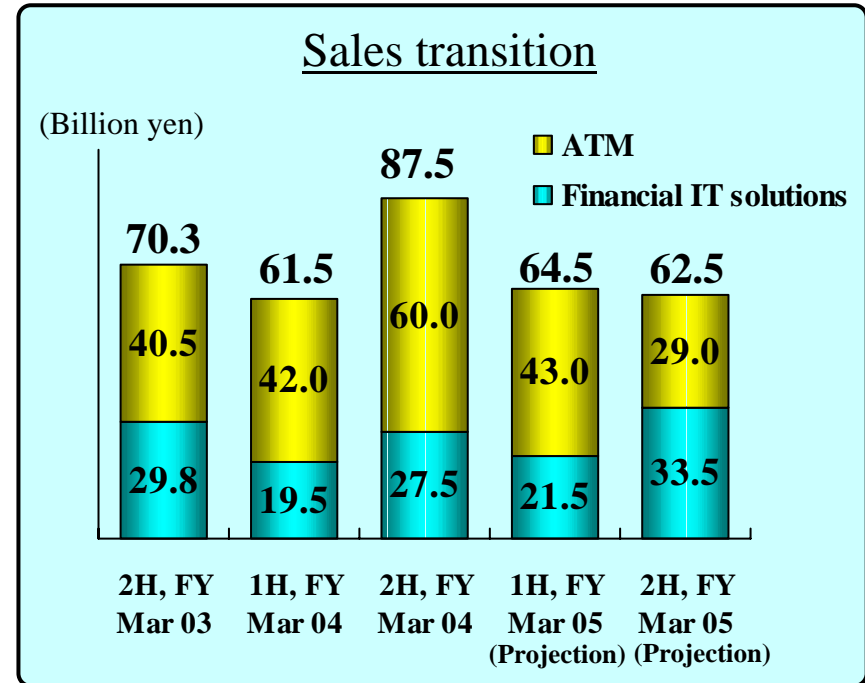
# Info Systems: Q1 Results & 1<sup>st</sup> Half Projections

- Sales is expected to increase from the previous projection.
- Operating income is unchanged from the previous projection due to development cost increase.



# Financial System Solutions

- Demand related to new banknote finishes in the 1<sup>st</sup> half of FY Mar. 05, followed by increasing investment for retail channel enhancement and back office operation efficiency.
- Focus on sales expansion of solutions for bank branches and back office operation concentrations, and solutions for information and telecommunication convergence
  - *Solutions for bank branches and back office operation concentrations:*  
“ConsulStation”, individual identification, and sales support systems “NokiNavigation”
  - *Solutions for info and telecom convergence:*  
IP network, call center “CTstage 4i,” and IP telephony transfer solutions
- Favorable sales in ATMs for convenience stores, unattended response system for financial institutions “RT21,” and unified cash management system “CM21”



■ 1<sup>st</sup> half projections

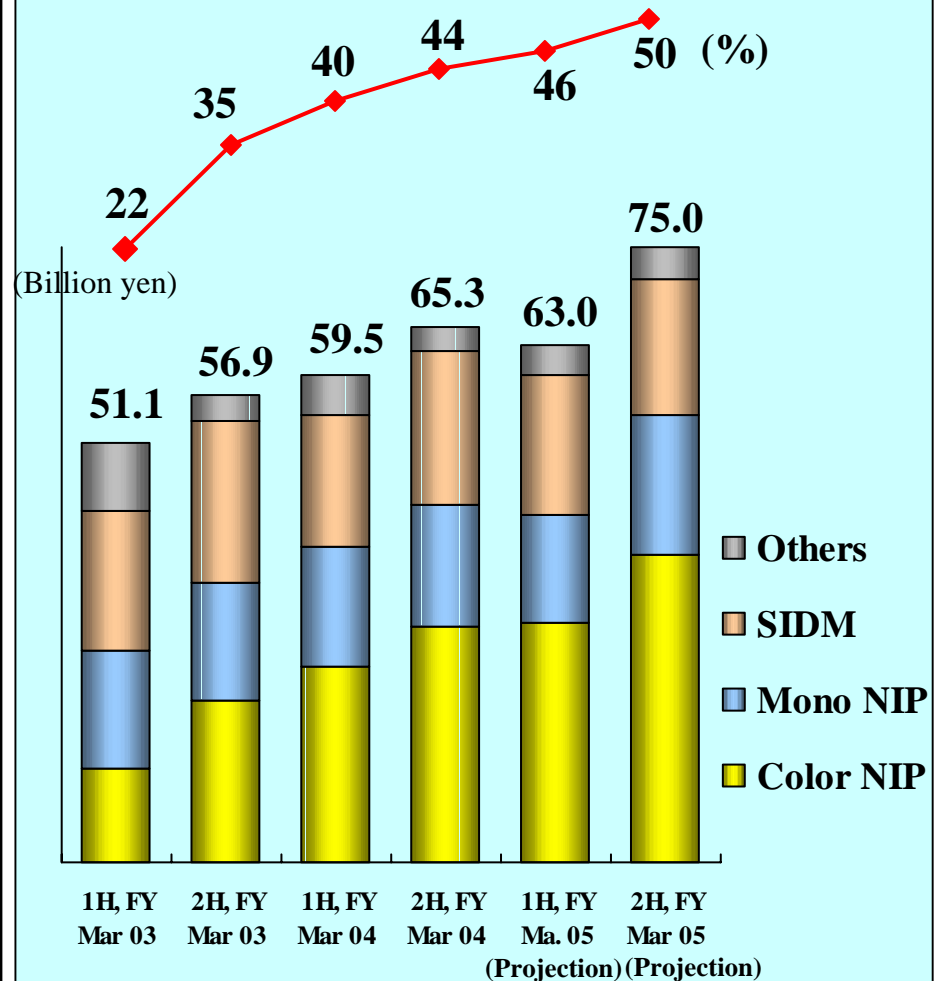
- Sales of color NIP increases by 22% on year-on-year basis.
- Despite the shrink in the SIDM and monochrome NIP markets, Oki keeps sales equivalent to the previous 1<sup>st</sup> half by increasing its share.

■ Topics

- New York Times (July 1, 2004) evaluates Oki highly for its printing quality and easy set-up
- 3 models of Oki printer was ranked in the top 10 color business printers by PC World magazine (May 2004)

<b>1. Oki C7300</b>	6. IBM Infoprint 1354
2. HP LaserJet 5500	7. Xerox Phaser 7300
<b>3. Oki C9500</b>	8. Brother HL-4200
4. HP LaserJet 3700	9. Xerox Phaser 6250
5. Lexmark C752	<b>10. Oki C5100</b>

Sales by segment and color NIP ratio

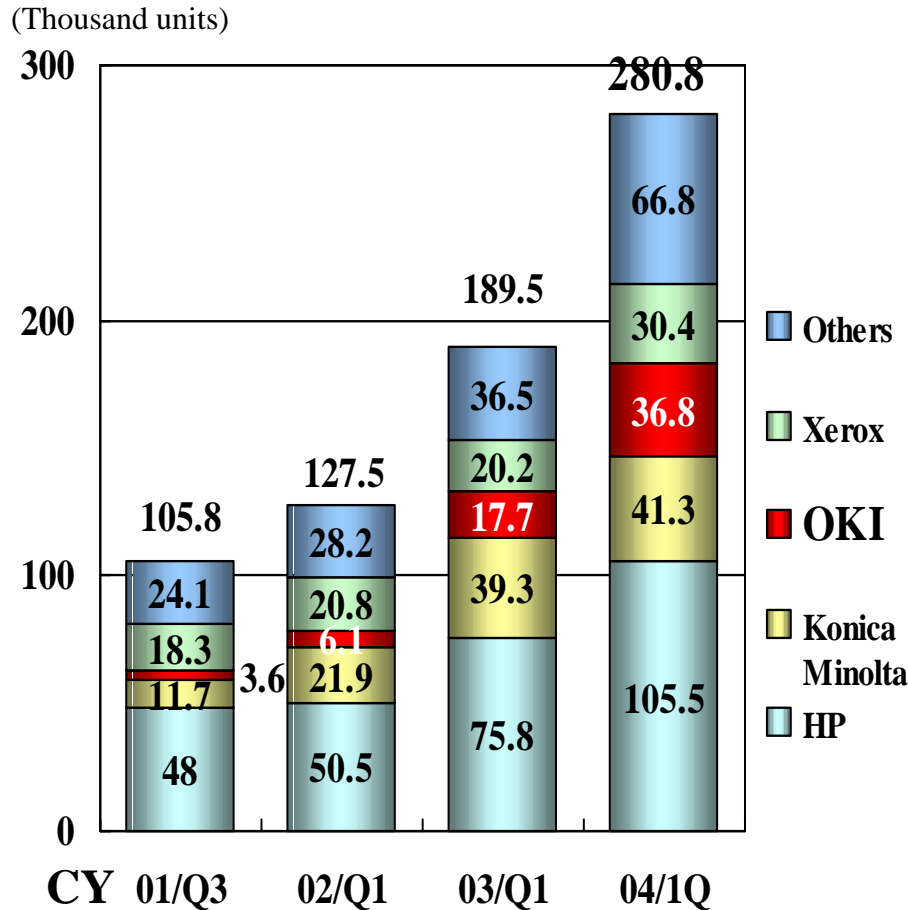


# Printer Business: Color NIP

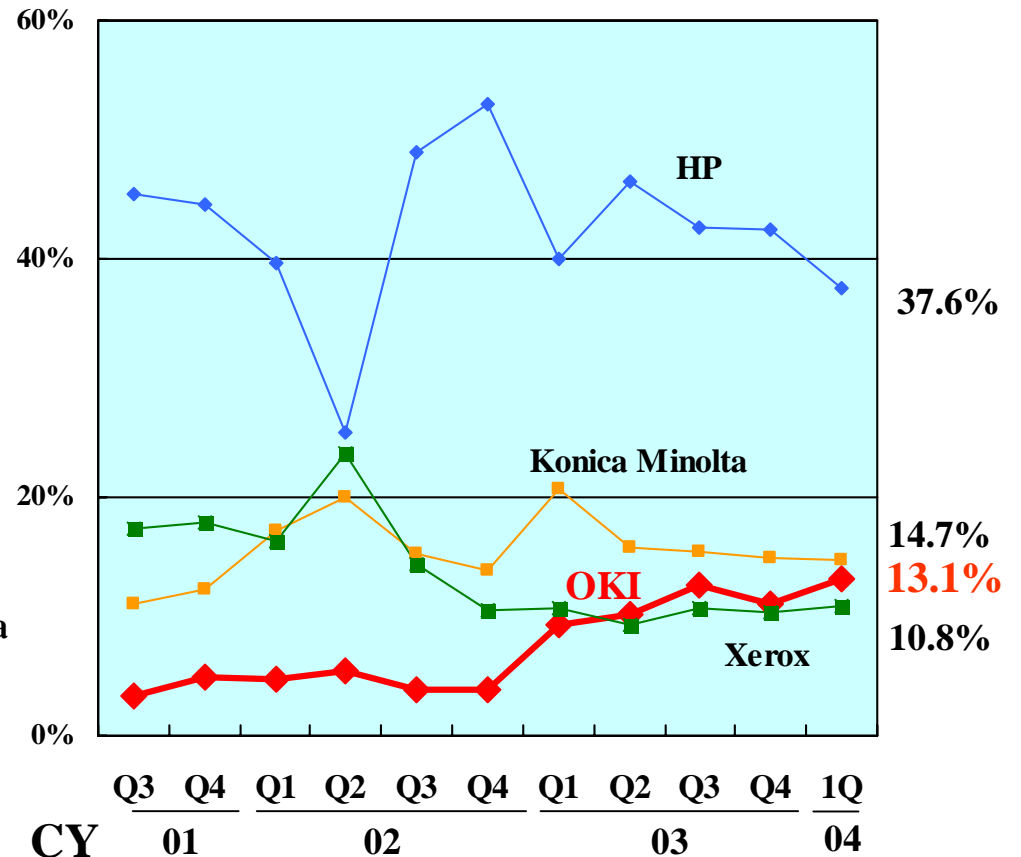
- Oki's shipment in Europe and North America increased by 10 folds in units and by 4 folds in share within 2 years and half.

## Color NIP units of shipment and share by manufacturers (Europe + N. America)

<Units of shipment>

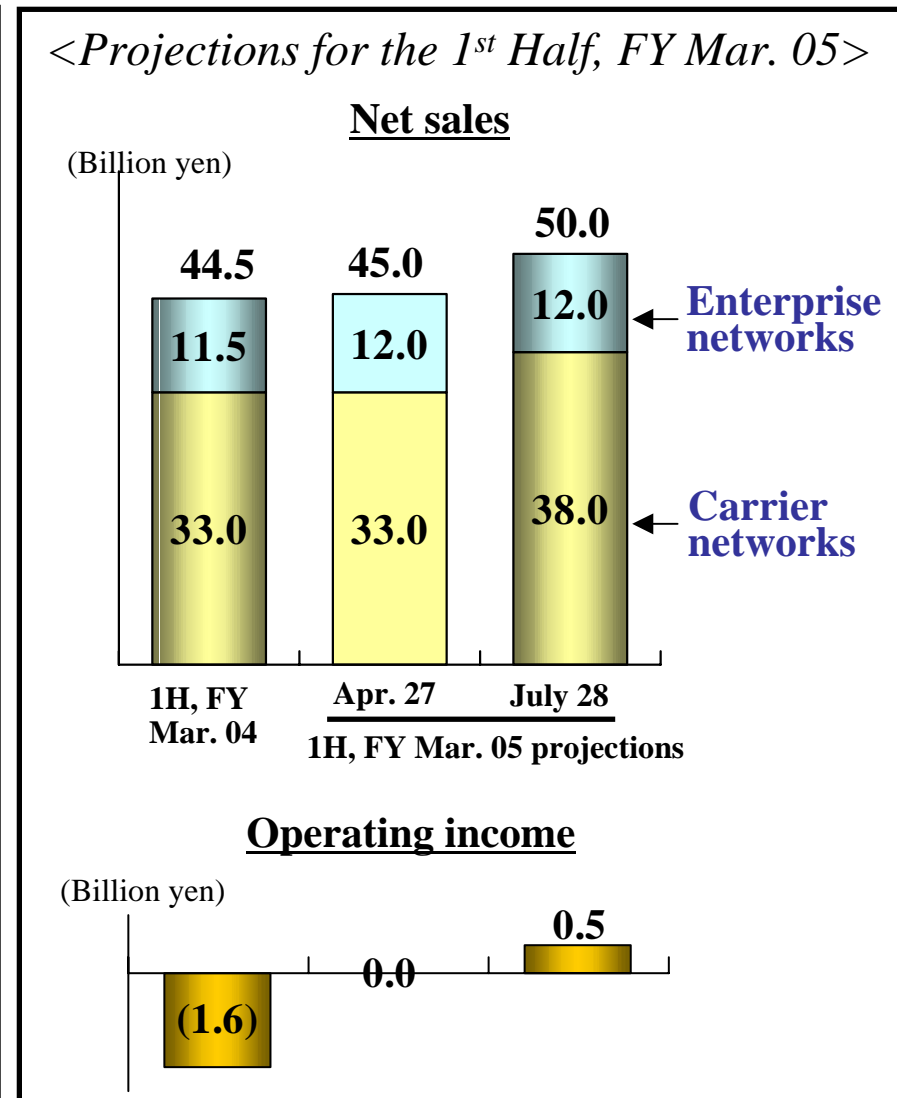
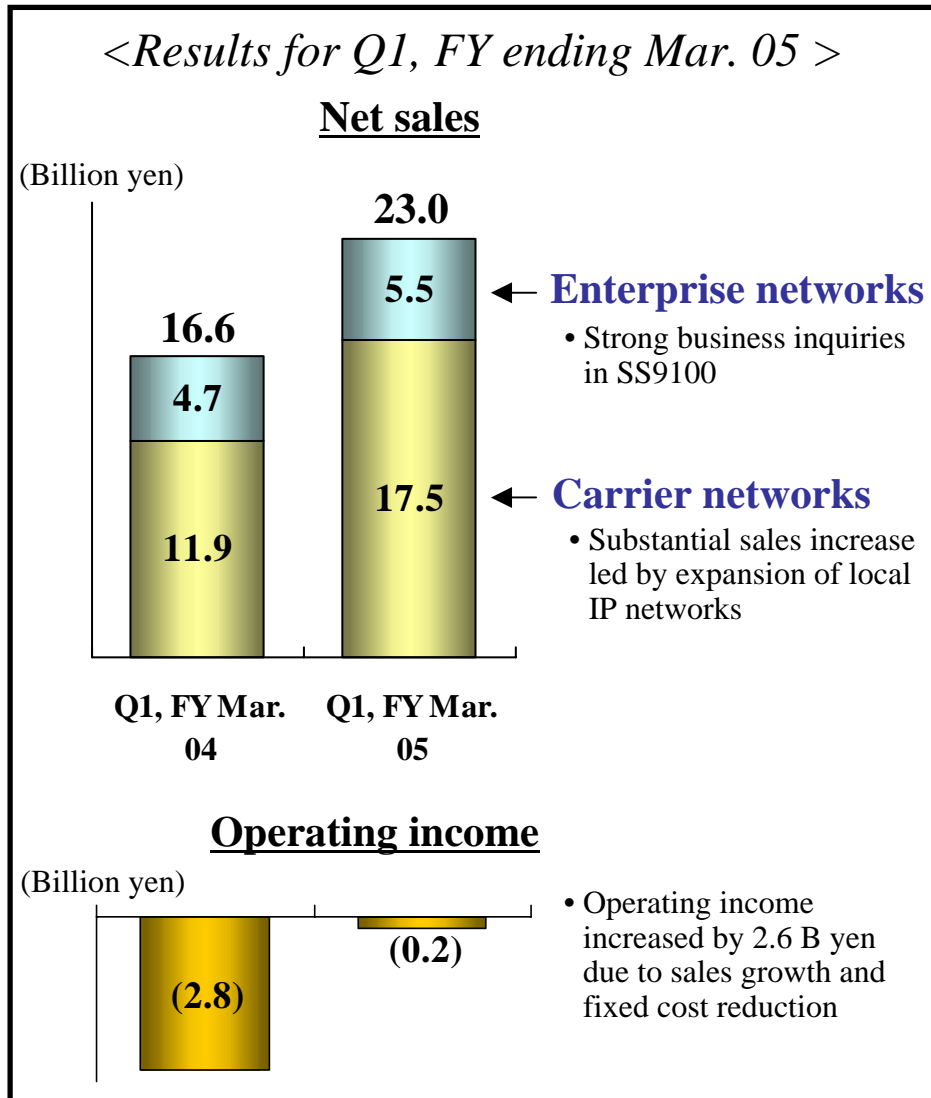


<Share by shipped units>



# Telecom Systems: Q1 Results & 1<sup>st</sup> Half Projections

- The telecom market, especially IP networks, shows recovery.
- Both sales and operating income are expected to increase from the previous projections.



**Carrier market**

- Telecom carriers, including NTT-G and KDDI, focus on expansion of broadband IP networks.

Improvement of local IP networks and FTTH, investment for IPv6, construction of CDN, switching FOMA to IP, etc.

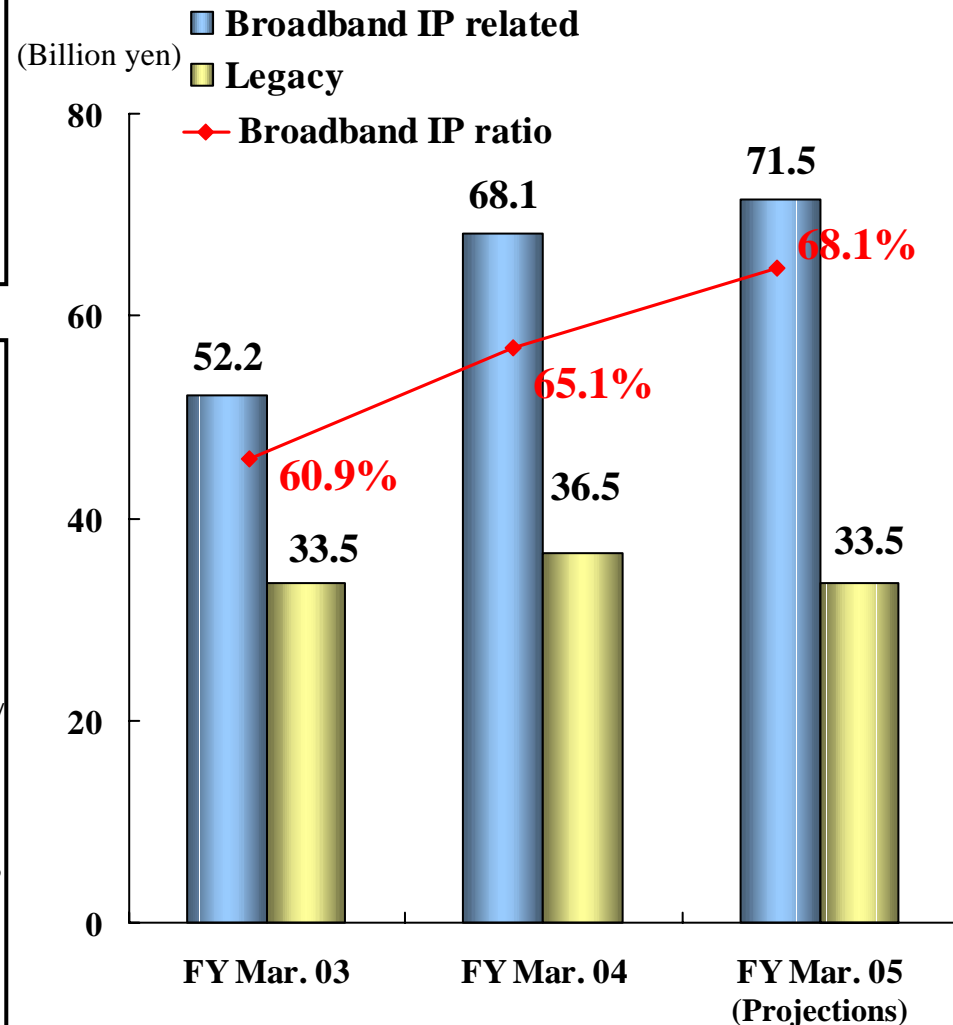
**Enterprise market**

- Objective of enterprises' investment to IP telephony shifts from communication cost reduction to enhancement of business efficiency via issue-solving applications.
- Increase of expectation for IT and IP convergence
  - Convergence of IP telephony and e-mail/group ware/e-commerce
  - Integration of voice and video communications to business processes applications

IP CONVERGENCE® Server **SS9100**

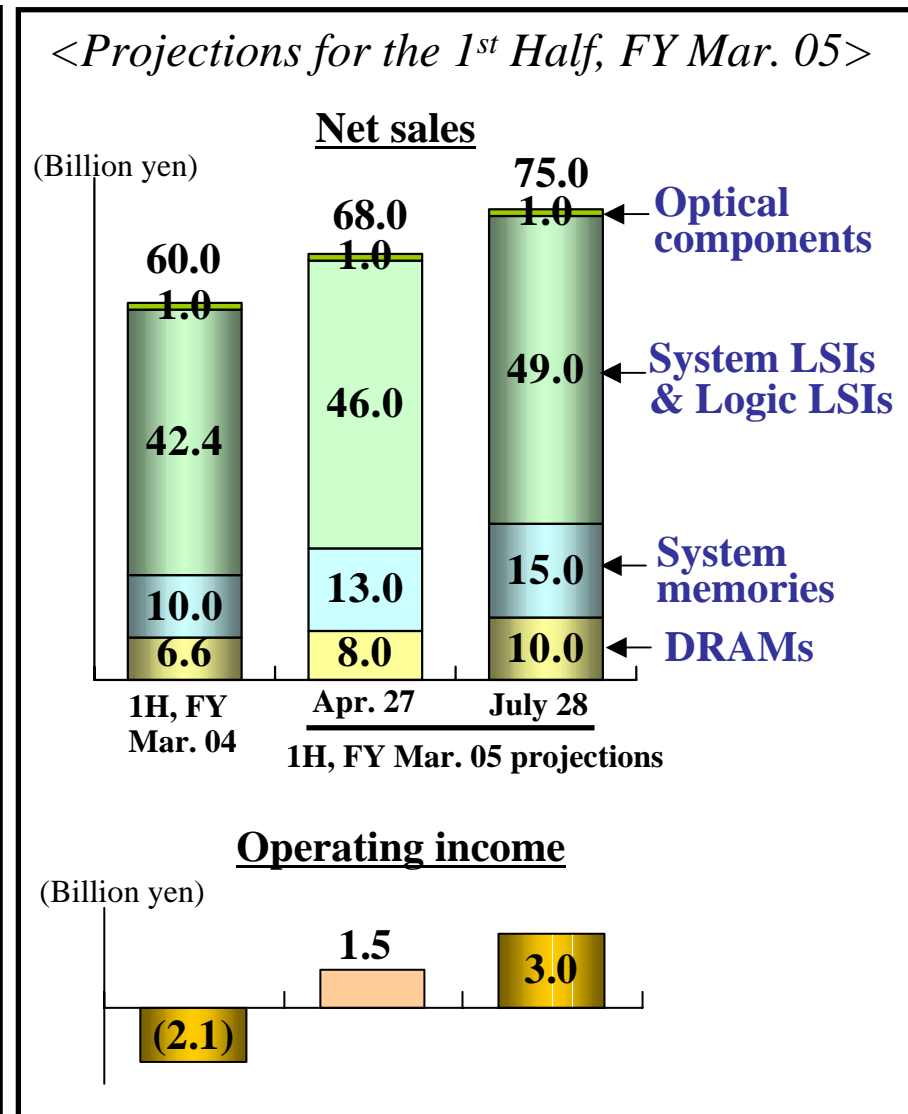
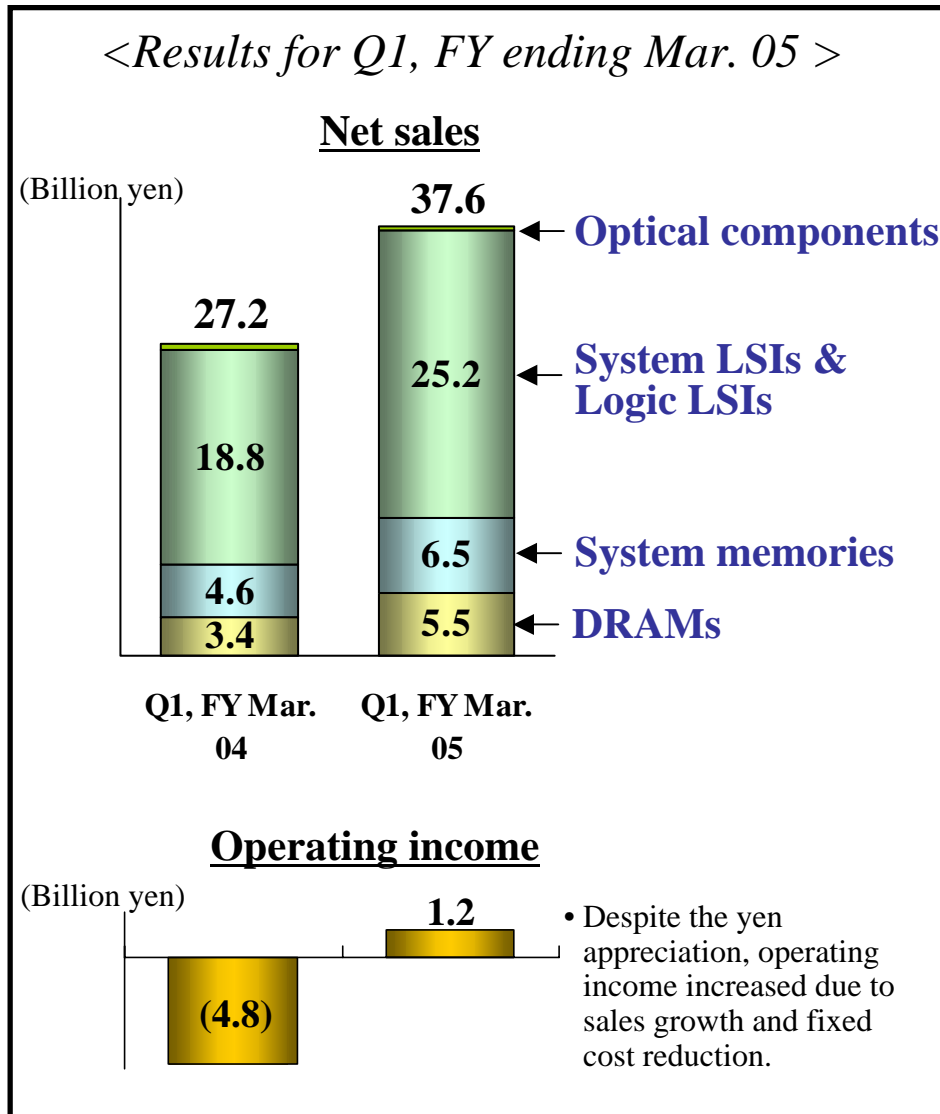


**Sales of broadband IP and its ratio**



# Electronic Devices: Q1 Results & 1<sup>st</sup> Half Projections

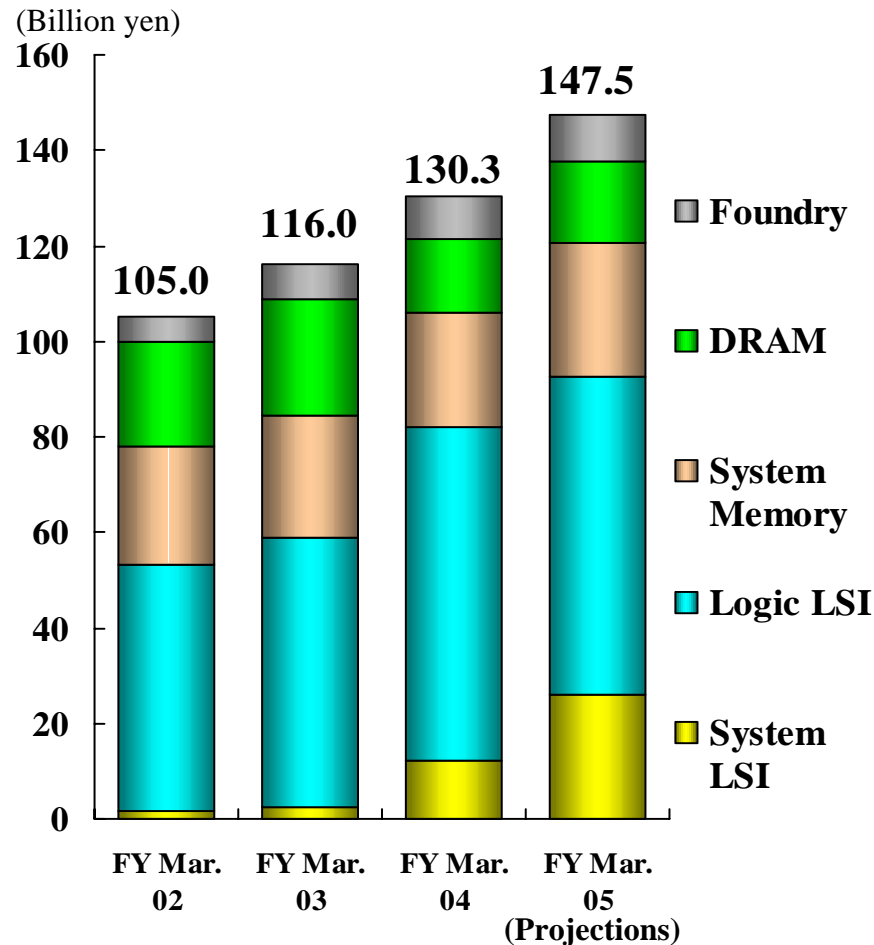
- Both sales and operating income are expected to increase from the previous projections.



# Semiconductor Business Status

## Sales composition by products

- Focus on system LSIs and logic LSIs
- Deploy unique memory business including P2ROM



## OkI's unique LSIs

### PHS base band LSIs

- Expand share in China and Taiwan (Currently 30%)
- Target to be world top share in LSIs for PHS

### Sound generator LSIs

- Expand share of sound generator LSIs for GSM with strengths including high sound quality, W-CSP, and standard format compliance (Currently 50%)

### Driver LSIs

- Top share in driver LSIs used for rapidly-growing large-scale LCD TVs
- Expand product line-up used for mobile phones, digital cameras, automobiles, and organic ELs

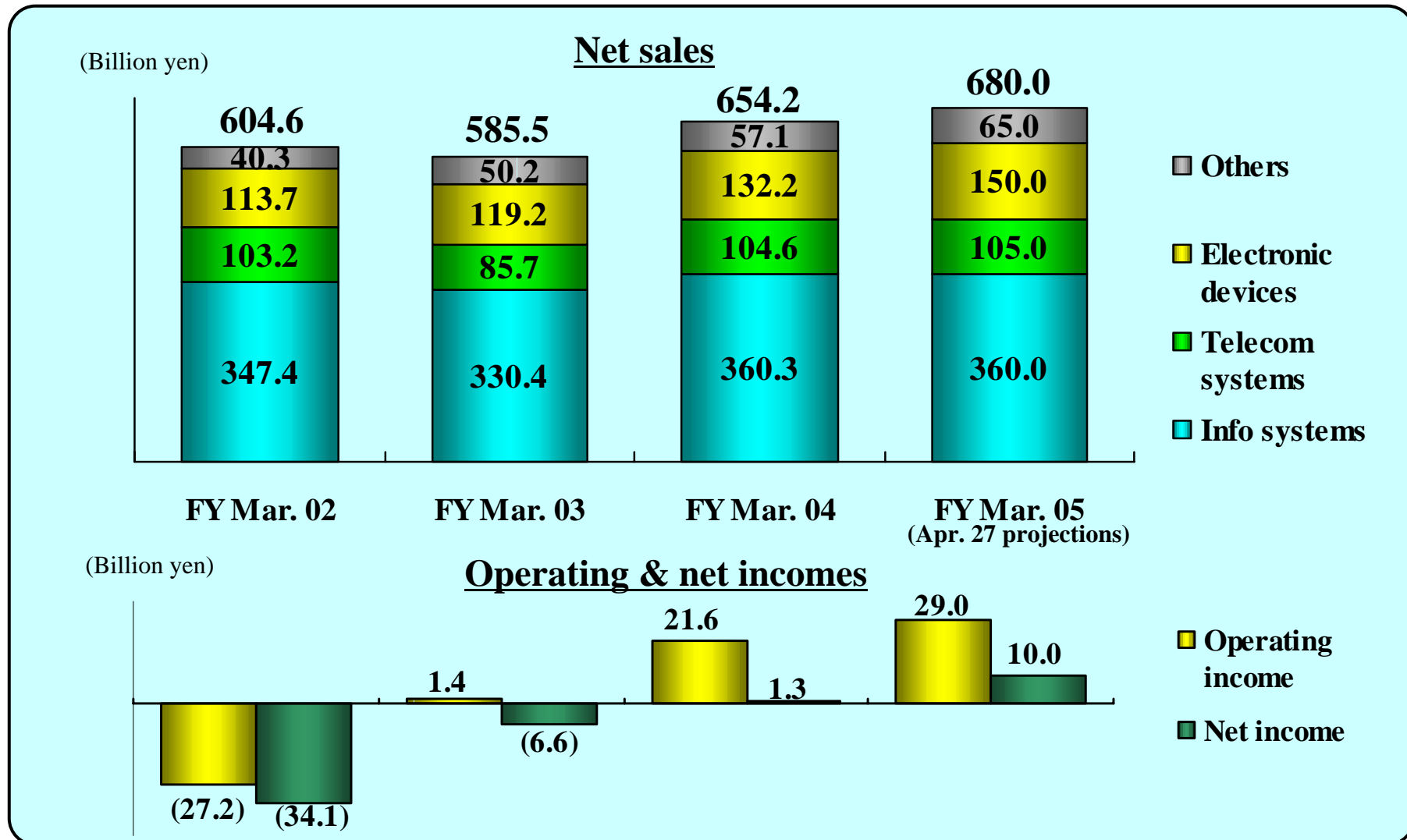
### P2ROMs (system memories)

- Expand share of LSIs used for games, electronic dictionaries and printers with strengths such as short TAT and low cost (Currently 30% of ROM market)
- Accelerate development of next generation large capacity P2ROMs (512M or more)



# Full Year Projections for the FY ending Mar. 2005

- Due to uncertainty of the semiconductor market in the 2<sup>nd</sup> half, full year projections will be reviewed when establishing the detail business plan.



# P/L Projections for the 1<sup>st</sup> Half of FY ending Mar. 2005

	1H, FY Mar. 04 (result)	<b>1H, FY Mar. 05</b> <b>(Jul. 28 projections)</b>	Variance	<b>(Reference)</b> 1H, FY Mar. 05 (Apr. 27 projections)
<b>Net sales</b>	281.3	<b>310.0</b>	28.7	290.0
(Cost to sales ration)	(76.0%)	<b>(- %)</b>		(-%)
<b>Cost of sales</b>	213.8	<b>-</b>	-	-
<b>SG&amp;A</b>	71.4	<b>-</b>	-	-
<b>Operating income</b>	(3.9)	<b>0</b>	3.9	(2.0)
<b>Other income</b>	(4.3)	<b>(4.5)</b>	(0.2)	(4.5)
<b>Recurring income</b>	(8.2)	<b>(4.5)</b>	3.7	(6.5)
<b>Extraordinary income (loss)</b>	(6.5)	<b>(3.5)</b>	3.0	(1.5)
<b>Income before taxes</b>	(14.7)	<b>(8.0)</b>	6.7	(8.0)
<b>Income taxes</b>	(4.2)	<b>(2.0)</b>	2.2	(2.0)
<b>Net income</b>	(10.5)	<b>(6.0)</b>	4.5	(6.0)

# Cash Flows Projections

- Free cash flows for the 1<sup>st</sup> half will improve by 5.0 B yen from the Apr. 27 projections due to working capital reduction.
- Full year projections will be reviewed when establishing the detail business plan.

(Billion yen)	FY Mar. 04	FY Mar. 05		Notes
		Full year	1 <sup>st</sup> Half	
<b>I. Cash flows from operating activities</b>	<b>92.3</b>	<b>55.0</b>	<b>13.0</b>	
Income (loss) before income taxes	2.3	18.0	(8.0)	<b>&lt;Operating assets &amp; liabilities details&gt;</b> (*1, *2) (Mar.04) (Mar.05) Receivables 10.1 (17.0) Inventories 17.1 8.0 Payables 12.9 9.0 <hr/> Total 40.1 0
Depreciation & amortization	33.6	36.0	17.0	
Changes in operating assets & liabilities	(*1) 40.1	(*2) 0	3.0	
Others	16.3	1.0	1.0	
<b>II. Cash flows from investing activities</b>	<b>(19.2)</b>	<b>(40.0)</b>	<b>(23.0)</b>	
Purchases of property, plant & equipment	(24.0)	(31.0)	(15.0)	
Others	4.8	(9.0)	(8.0)	
<b>Free cash flows (I+II)</b>	<b>73.1</b>	<b>15.0</b>	<b>(10.0)</b>	
<b>III. Cash flows from financing activities</b>	<b>(43.6)</b>	<b>(25.0)</b>	<b>(13.0)</b>	
Redemption of bonds	(39.9)	(15.0)	(10.0)	
Changes in other interest bearing debts, etc.	(3.7)	(10.0)	(3.0)	
<b>Net cash flow (I+II+III)</b>	<b>29.5</b>	<b>(10.0)</b>	<b>(23.0)</b>	
<b>IV. Cash and cash equivalents at the period end</b>	<b>58.1</b>	<b>48.1</b>	<b>35.1</b>	
<b>V. Interest-bearing debts at the period end</b>	<b>291.4</b>	<b>266.4</b>	<b>278.4</b>	

# Glossary

P3	NIP	Non-Impact Printer
	IP	Internet Protocol
P9	ATM	Automated Teller Machine
	LED	Light Emitting Diode
P10	IT	Information Technology
P11	SIDM	Serial Impact Dot Matrix
P14	FTTH	Fiber To The Home
	IPv6	Internet Protocol Version 6
	CDN	Content Delivery Network
	BB-IP	Broadband IP
P15	DRAM	Dynamic Random Access Memory
P16	P2ROM	Production Programmed Read Only Memory
	PHS	Personal Handy-phone System
	W-CSP	Wafer level Chip Size Package
	GSM	Global System for Mobile Communications
	EL	Electro-Luminescence
	ROM	Read Only Memory

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