

Financial Results for the 3rd Quarter of Fiscal Year ending Mar. 31, 2007

Feb. 15, 2007

Oki Electric Industry Co., Ltd.

Table of Contents

1. Revision of Full Year Projections for the FY Mar. 2007
 - 1) Revision of Net Sales and Operating Income
 - 2) Segment Information
 - 3) Profit and Loss Projections
2. Outline of Q3 Results
 - 1) Q3 Profit and Loss
 - 2) Q3 Segment Information
3. Revamp Business Structure to Enhance Profitability

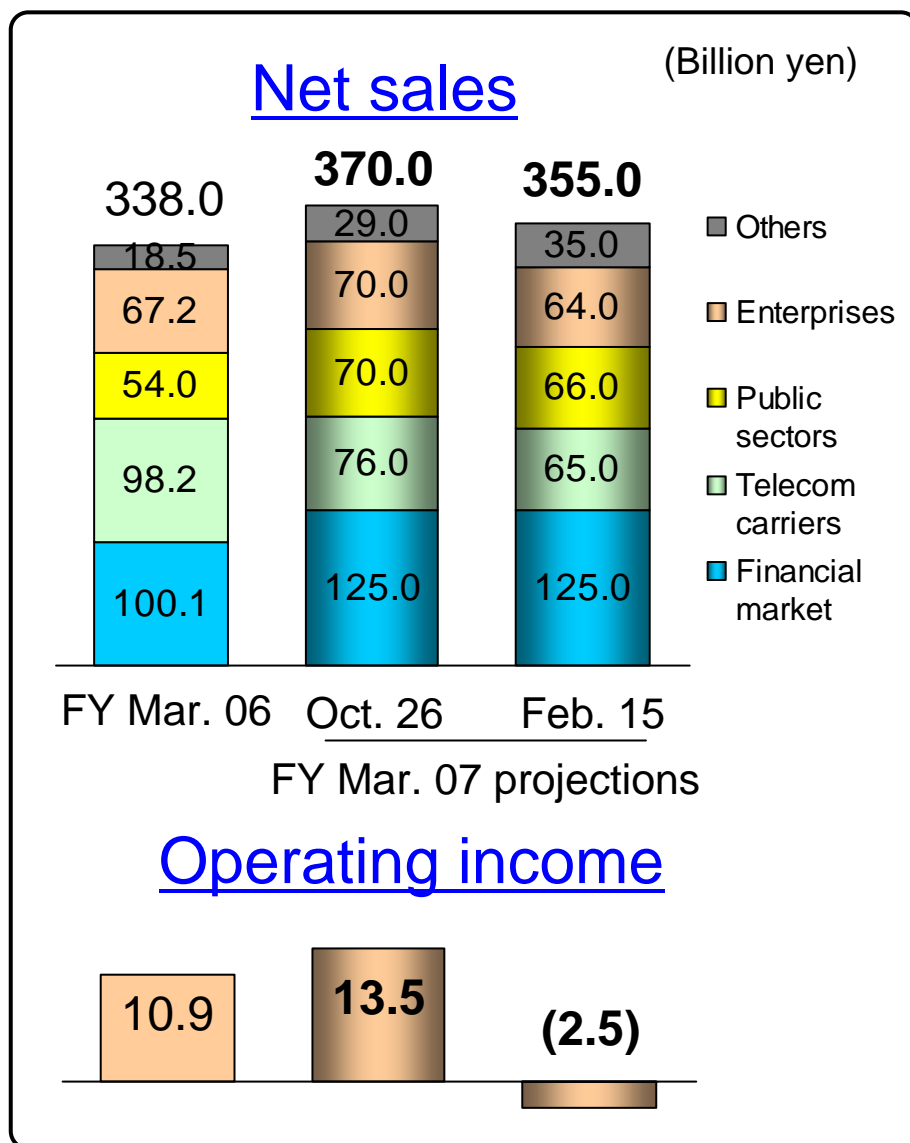
The projections and plans on this material are subject to change depending upon the changes of business environments and other conditions.

1-1) Full Year: Revision of Net Sales and Operating Income

- Net sales is 720.0 B yen, decreases by 10.0. While increase in Printer sales, sharp decline in sales for Info-telecom Systems
- Operating loss is expected to be 6.0 B yen due to sales decrease by changes in operating environment and delay in cost reduction

(Billion yen)	Net sales			Operating income		
	FY Mar. 07		<Ref.> FY Mar. 06	FY Mar. 07		<Ref.> FY Mar. 06
	Feb. 15 proj.	Oct. 26 proj.		Feb. 15 proj.	Oct. 26 proj.	
Info-telecom	355.0	370.0	338.0	(2.5)	13.5	10.9
Semiconductors	150.0	154.0	150.7	1.5	5.5	3.0
Printers	180.0	172.0	160.5	1.5	4.0	4.1
Others	35.0	34.0	31.3	3.0	2.0	2.8
Eliminates & Corp	-	-	-	(9.5)	(10.0)	(10.2)
Total	720.0	730.0	680.5	(6.0)	15.0	10.6

1-2) Full Year: Segment Information: Info-telecom Systems



<Difference from previous projections>

Net sales

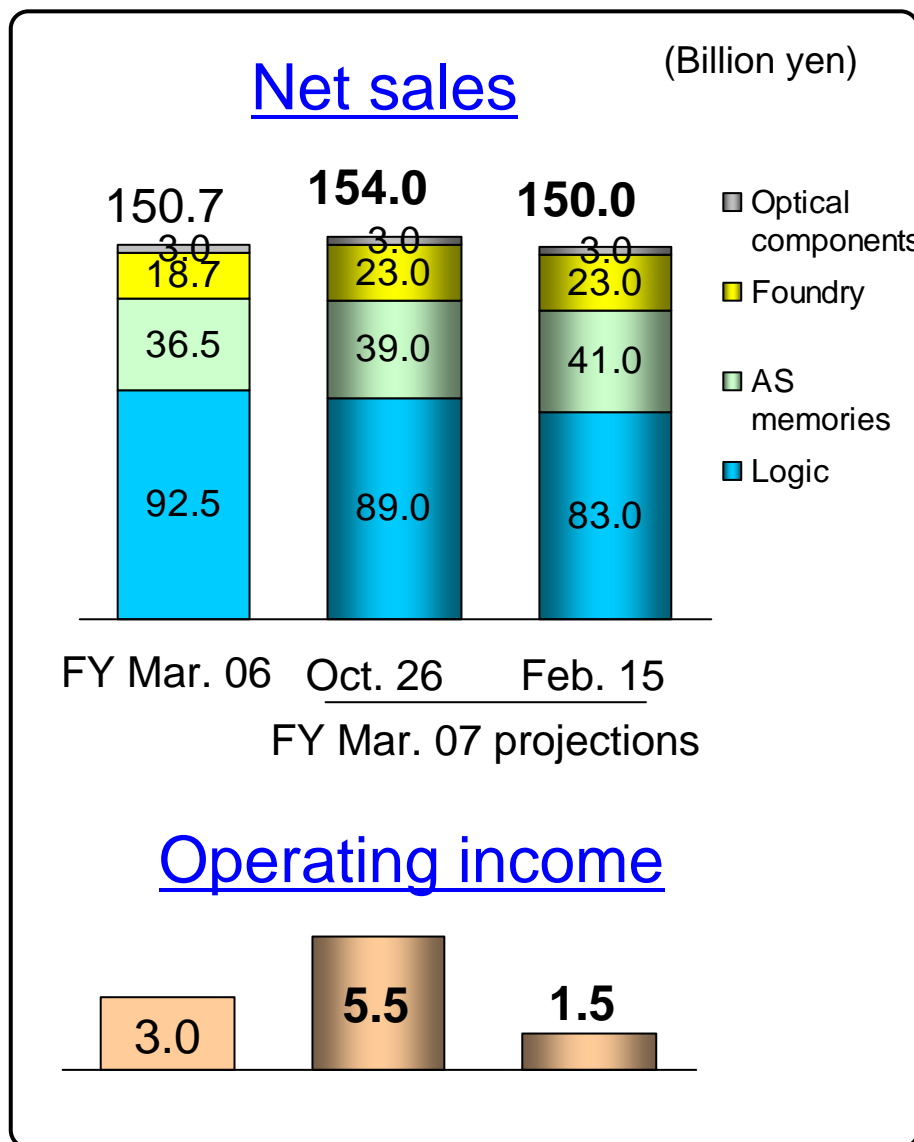
- Sales for telecom carriers decreases by 11.0 B yen due to decline and postponement in carriers' investment and delay in product development
- Sales for public sectors decreases by 4.0 B yen due to decline in orders by fiercer competition and delay in market development
- Sales for enterprises decreases by 6.0 B yen due to delay in developing new dealers for IP-PBX

Operating income

Decreases by 16.0 B yen due to:

- Sales decrease
- Product mix change: decrease in original products, increase in third party products
- Delay in cost reduction plans

1-2) Full Year: Segment Information: Semiconductors



<Difference from previous projections>

Net sales

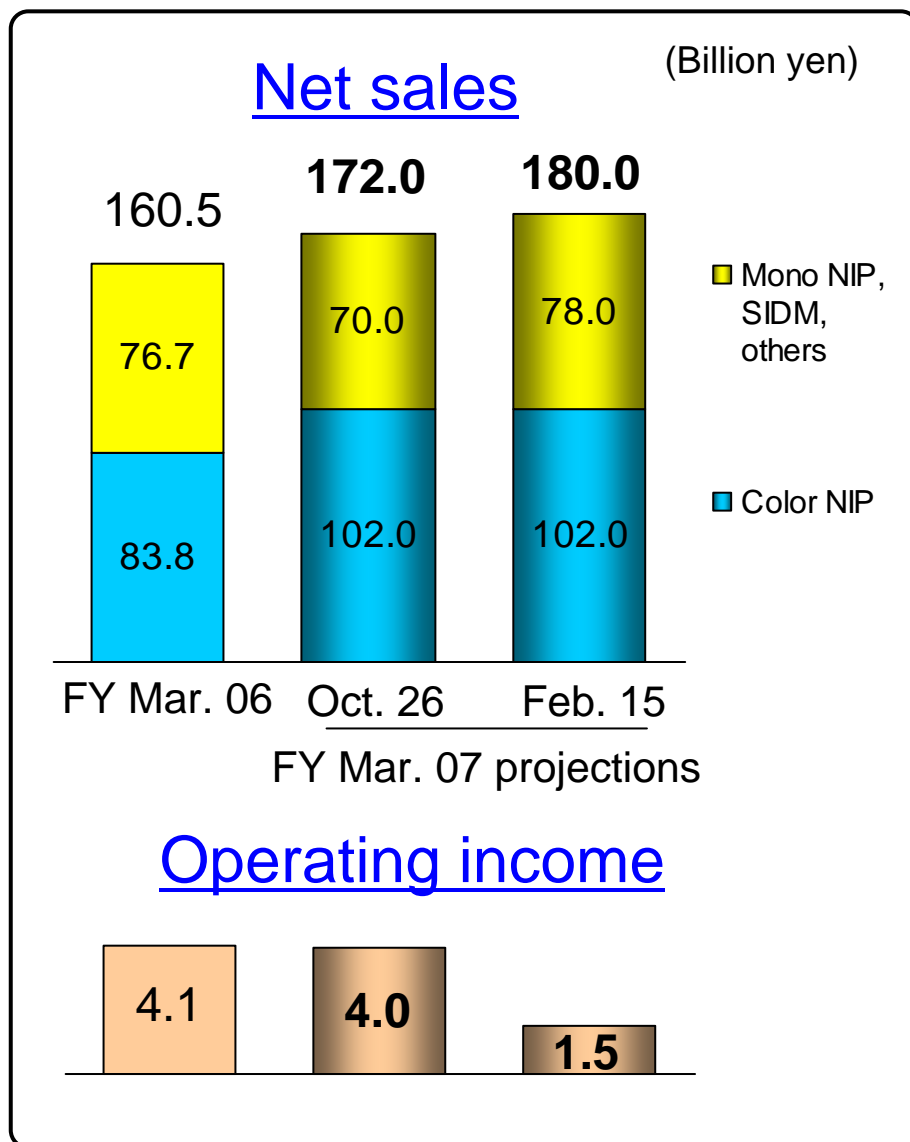
- Increase in sales of P2ROM for the amusement market
- Decrease in sales for driver LSIs due to decrease in demand caused by customers' inventory adjustment
- Decrease in orders for custom products due to fiercer competitions

Operating income

Decreases by 4.0 B yen due to:

- Decline in sales
- Price down
- Delay in cost reduction plans

1-2) Full Year: Segment Information: Printers



<Difference from previous projections>

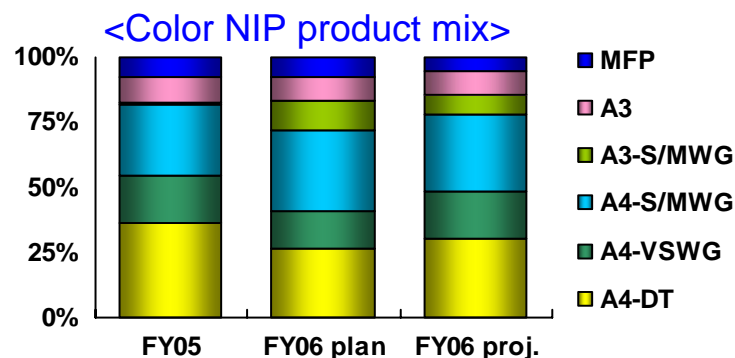
Net sales

- Excluding the currency exchange impact, sales of both units and consumables for color NIP decrease due to delay in shift to mid/high-end models
- Sales for mono NIP and SIDM slightly increase, even excluding impact from currency exchange

Operating income

While some impact from currency exchange, in total decreases by 2.5 B yen due to:

- Increase in ratio of low-end models
- Decrease in consumable sales
- Delay in cost reduction plans



1-3) Full Year: Profit and Loss Projections

(Billion yen)

	FY Mar. 07 Proj.		FY Mar. 06
	Oct. 26	Feb. 15	
Net sales	730.0	720.0	680.5
Operating income	15.0	(6.0)	10.6
Other income	(7.0)	(8.0)	(3.4)
Recurring income	8.0	(14.0)	7.2
Extraordinary income/loss	(4.0)	(4.0)	3.4
Income before taxes	4.0	(18.0)	10.6
Income taxes	1.5	2.0	5.5
Reversal of deferred tax asset		18.0	
Net income	2.5	(38.0)	5.1

■ Net income

- 18.0 B yen of loss in income before tax
- 38.0 B yen of net loss, including 18.0 B yen of reversal of deferred tax assets

Table of Contents

1. Revision of Full Year Projections for the FY Mar. 2007
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 - 3) Profit and Loss Projections
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 - 1) Q3 Profit and Loss
 - 2) Q3 Segment Information
3. Revamp of Business Structure for Enhancing Profitability

2-1) Q3 Profit and Loss

(Billion yen)	9 months FY Mar. 06	9 months FY Mar. 07
Net sales	465.3	476.4
Cost of sales	357.8	372.9
SG&A	113.4	116.3
Operating income	(5.9)	(12.8)
Other income	(2.0)	(5.2)
Recurring income	(7.9)	(18.0)
Extraordinary income/loss	(0.7)	(1.5)
Income before taxes	(8.6)	(19.5)
Income taxes	(2.4)	1.0
Reversal of deferred tax asset		17.9
Net income	(6.2)	(38.4)

- Net sales increased by 11.1 B yen on a year-on-year basis
- Operating income worsened by 6.9 B yen due to increase in cost of sales (78.3%, increasing 1.4 points YoY), and increase in SG&A
- 17.9 B yen of reversal of deferred tax asset due to revision of full year projections

<Currency exchange rate>

	FY Mar. 06	FY Mar. 07	
		Actual	Proj.
USD	112.1	116.2	115.0
Euro	136.9	148.0	145.0

2-2) Q3 Segment Information

(Billion yen)		9 months FY Mar. 06	9 months FY Mar. 07
Info-telecom Systems	Sales	218.8	215.8
	OP	(1.3)	(5.9)
Semiconductors	Sales	112.0	107.0
	OP	(0.8)	(0.2)
Printers	Sales	111.4	129.9
	OP	2.1	(0.9)
Others	Sales	23.1	23.7
	OP	1.9	1.9
Eliminates & Corp.	OP	(7.8)	(7.7)
Total	Sales	465.3	476.4
	OP	(5.9)	(12.8)

● Info-telecom

- Increased sales for security-enhanced ATM, counter terminals for post offices
- Decreased sales for telecom carriers due to decline in carriers' investment on fixed network
- Operating income decreased largely due to sales decrease, worsened business mix, and delay in cost reduction plans

● Semiconductors

- Decreased sales for driver LSIs due to LCD panel inventory adjustment
- Increased sales for P2ROM and foundry
- Operating income improved due to cost reduction and improved product mix

● Printers

- Increased sales due to increase in color NIP unit shipment and currency exchange
- Operating income decreased due to delay in mid/high-end shift and delay in cost reduction plans

Table of Contents

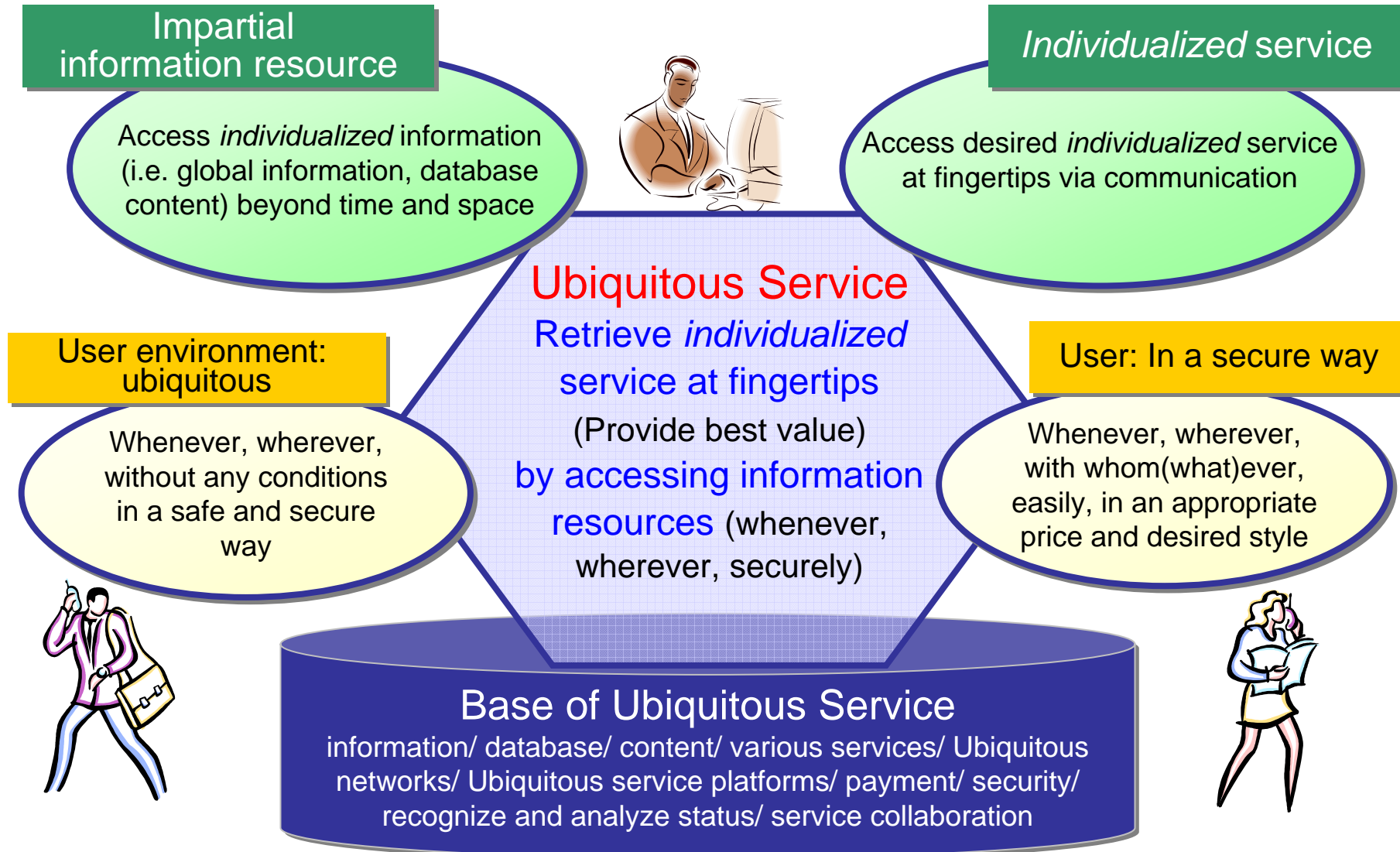
1. Revision of Full Year Projections for the FY Mar. 2007
2. Outline of Q3 Results
3. Revamp Business Structure to Enhance Profitability
 - 1) Business Challenges
 - 2) Measures to Enhance Profitability
 - i. Accelerating Selection and Concentration of Businesses
 - ii. Developing Strong Businesses based on Strong Products
 - iii. More Efficient Management Style

Details will be reported in the Management Strategy Meeting, which will be held separately.

Segment Status and Directions for the Full Fiscal Year

Segment	Issues	Directions
Info-telecom	Scattered resources Delay in shifting business style	Redefining biz domain Enhance int'l biz/ Accelerate alliances
Financial	Curtailed customer investment Declined product competitive edge Provide financial Ubiquitous Service	Merge divisions (market-based + ATM development) Enhance overseas, OEM and software biz
Telecom	Curtailed customer investment Shrinking existing network business Achieve Ubiquitous network	Merge carrier and enterprise biz Participate in NGN trials. Enhance FMC development, info-telecom convergence
Public	Slow to respond to competitions Delay in developing new markets	Establish in-house venture company for private-sector ITS biz Enhance alliances
Enterprise	Delay in developing sales channel Achieve Ubiquitous Service Platform	Strengthen Japan and overseas sales channels Establish and implement Ubiquitous Service strategy
Semi conductors	Stagnating driver business Decline in custom products Delay in cost reductions	Strengthen fab-free mgmt and SOS biz Commit to technologies for energy saving and network
Printers	Price decline in color NIP Decline in SIDM profitability Delay in cost reductions	Shift biz to mid-high end models Review production and logistics

Ubiquitous Service: Impartial Individualization



* Individual includes: people, goods, living beings, places, environments, facilities, enterprises, societies, countries, etc.

3-1) Business Challenges

Factors of weakened profitability

OKI is taking the right business direction:

Provide products indispensable for “Ubiquitous Services” through a proposal-oriented approach

Development of info-telecom converged technologies and products, which is the base for OKI’s business directions, has also started steadily.

Challenges in the operating environment

- ◆ Environmental changes are faster than OKI’s expectation
Accelerating global competition. Saturation in domestic market. Shortened product development cycle. Continuing price decline
- ◆ Decline and delay in investments from some customers/ Fiercer competition from price decline

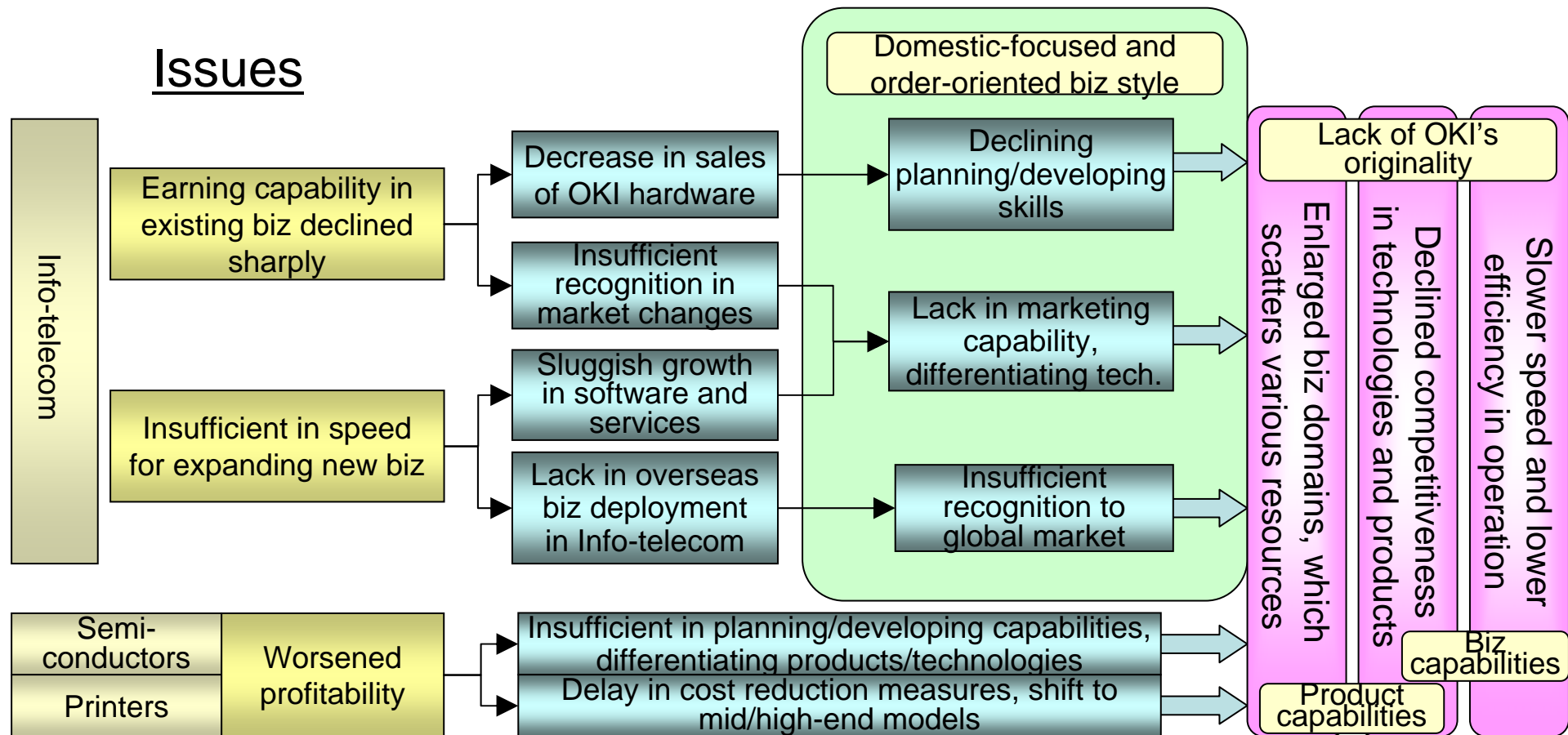
OKI’s challenge

- ◆ Existing businesses shrinks faster than expected, causing sharp decline in earning capability
- ◆ Insufficient in selection and concentration of businesses
- ◆ Insufficient in speed for expanding new businesses
- ◆ Delay in measures to revamp business structure
 - Info-telecom: Delay in shift from order-oriented style
 - Semiconductors: Though structure changed, insufficient earning capability
 - Printers: Though sales grows, large discrepancy in profit target

3-1) Business Challenges and Factor Analyses

OKI's responsible issues

- ◆ Delay in revamping biz structure/ Insufficient selection and concentration of businesses
- ◆ Sharp decline in earning capability of existing businesses beyond expectation
- ◆ Delay in expanding new businesses and planning/developing new products



3-2) Measures to Enhance Profitability

■ OKI's Growth Strategy and Enhancing its Business Foundation

Continue to revamp business structure to improve profitability

Develop strong businesses based on strong products unique to OKI

- ◆ Create strong products unique to OKI: Accurately understand trends/ Strengthen competitive edge and differentiating advantages
Keep attention on OKI's current strengths: info-telecom convergence, mechatronics/
Focus on product cycle/ Utilize OKI's collective strength (Information + telecom + semiconductor, System integration + software + electronics + mechatronics)
- ◆ Establish strong businesses unique to OKI
Business selection and concentration/ Utilize OKI's strong customer base
Develop new products in strong markets/ Overseas biz deployment/ Increase alliances
- ◆ Achieve adaptable management unique to OKI
Flexibility and faster speed. Sensitive to market changes

- Market focus: Global
- Technology focus:
Info-telecom convergence + mechatronics + power savings
- Product focus: Ubiquitous Service

3-2): Measures to Enhance Profitability

- Basic measures to enhance profitability by revamping business structure

Innovating from the Chinese Character Oki (沖) to OKI

Measure 1

Accelerating Selection and Concentration of Businesses
(Initial stage of revamping business structure)

Measure 2

Developing Strong Businesses based on Strong Products

Measure 3

More Efficient Management Style

3-2): (1) Accelerating Selection and Concentration of Biz (1/2)

Accelerate business selection and concentration as the initiative step to revamp business structure

Shift resources to focusing businesses and processes
- Selection and concentration of existing businesses-

◆ Re-defining OKI's focusing business domain

- Info-telecom: Financial systems, Telecom systems, Information systems
- Semiconductor: Focus on personal & mobile markets based on differentiating technologies (power saving, high-voltage processing)/ Thorough fab-free business/ Enhance foundry business
- Printer: Focus on SMB (Small and Medium-size Business)/ Enhance SIDM profitability

◆ Clarifying focusing markets and shifting resources to focusing business

- Inspecting business: Decide and implement to withdraw, spin-off or sell out businesses that are: low or loss making/ Sharp fall in profitability/ Low synergy
- Reset business domain: Merge and integrate businesses/ Reduce number of BU by 20%
- Shift resources to focusing businesses and processes: 1,000 people

3-2): (1) Accelerating Selection and Concentration of Biz (2/2)

Start new businesses independent from existing businesses
and shift resources

Operate flexible organization that matches each business characteristic

- ◆ Enhance structure for new focusing biz. / Accelerate network-style company management
 - Maximize business opportunity for privatization of postal office by establishing new full-company
 - Expand new business by establishing in-house venture companies: ITS for private-sector, mobile security, etc.
 - Expand overseas business in the info-telecom business area
 - Alliance with companies following Yihua, Nautilus Hyosung, ARUBA Networks,
 - Establish business administration company in China by the end of FY end. Mar. 08
 - Accelerate service and software business
 - Provide products for Ubiquitous Service by establishing new in-house company
 - Outsource financial-related business (Operation, software development and maintenance)
 - Enhance and make independent structure for telecom carriers' Universal Service

3-2): (2) Developing Strong Business Based on Strong Products

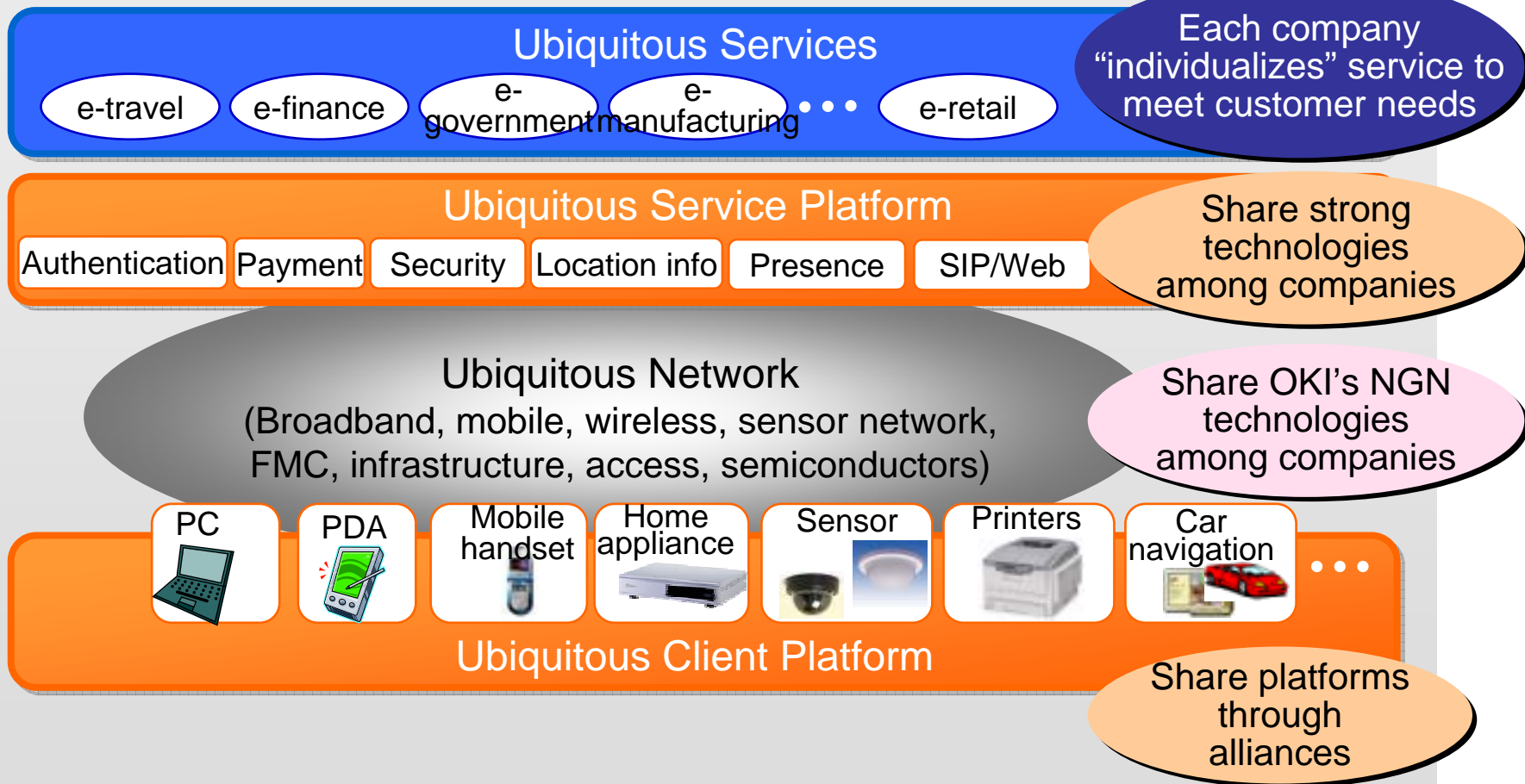
- Create strong products to provide Ubiquitous Services
- Strengthen OKI's technology in:
Info-telecom convergence + Mechatronics + Power savings

- ◆ Strengthen skills to create products for Ubiquitous Services: Clarify roles among divisions (refer to next page)
- ◆ Focus on OKI's strong technologies and products. Enhance product planning and development skills by shifting resources to development
 - Reduce variance cost by implementing plans to reduce costs by 50% in major products
 - Create hardware leveraging OKI's strong technologies
- ◆ Commit to power saving: Develop technology & products to reduce power consumption by 50%
- ◆ Create middle-size mechatronics. Enhance products with improved human interface capabilities
- ◆ Enhance profitability by reviewing cost structure:
 - Info-telecom: Improve breakeven point by 10%
 - Semiconductor: Achieve a 110 B yen breakeven point (Excluding partner fabs)
 - Printer: Thorough cost reduction and review supply chain management
 - Reduce outsourcing costs by reviewing software development structure and improving efficiency and production skills

Ubiquitous Service Layer and OKI's Approach

Provide systems efficiently by clarifying layers for Ubiquitous Service technologies and products

Business operation



3-2): (3) More Efficient Management Style

- ◆ Shift Info-telecom operation to become more autonomous and efficient
- ◆ Accelerate shift to a proposal-oriented approach:
 - Establish dedicated divisions for marketing and product planning
 - Enhance resources
- ◆ Downsizing in-direct planning divisions and shift to operation fields:
 - Shift 20% personnel
- ◆ Make in-direct operation in software business more efficient
- ◆ Reduce management man-hours through flatter corporate structure/
 - Clarify responsibility and authority: Reduce team by 25%
- ◆ Achieve a small but strong headquarters structure
- ◆ Accelerate network-style company management
- ◆ Implement efficient management by merging affiliated companies

Glossary

P4	IP-PBX	Internet Protocol- Private Branch Exchange
P5	P2ROM	Production Programmed Read Only Memory
	AS	Application Specific
	LSI	Large Scale Integration
P6	NIP	Non-Impact Printer
	SIDM	Serial Impact Dot Matrix
P10	ATM	Automated Teller Machine
	LCD	Liquid Crystal Display
P12	OEM	Original Equipment Manufacturer
	NGN	Next Generation Network
	FMC	Fixed Mobile Convergence
	ITS	Intelligent Transport Systems
	SOS	Silicon on Sapphire
P18	BU	Business Unit
P21	SIP	Session Initiation Protocol
	PDA	Personal Digital Assistants