

# Financial Results for the Fiscal Year ended March 31, 2007

April 27, 2007

Oki Electric Industry Co., Ltd.

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## Financial Results Outline

Net sales and incomes:  
Same level as previous announcement on Feb. 15

(Billion yen)	FY Mar. 06	<b>FY Mar. 07</b>	Feb. 15 announcement
Net sales	680.5	<b>718.8</b>	720.0
Operating income	10.6	<b>(5.4)</b>	(6.0)
Recurring income	7.2	<b>(12.8)</b>	(14.0)
Net income	5.1	<b>(36.4)</b>	(38.0)
Net income per share	8.27 yen	<b>(56.27) yen</b>	-
Total assets	618.9	<b>628.4</b>	-
Shareholders' equity	133.9	<b>109.4</b>	-
Shareholders' equity per share	218.96 yen	<b>160.13 yen</b>	-
Interest bearing debt	268.3	<b>284.8</b>	-

## Profit and Loss

(Billion yen)	FY Mar. 06	<b>FY Mar. 07</b>	Feb. 15 announcement
Net sales	680.5	<b>718.8</b>	720.0
(Cost of sales ratio)	(75.6%)	<b>(78.0%)</b>	
Cost of sales	514.5	<b>560.9</b>	
SG&A	155.4	<b>163.3</b>	
Operating income	10.6	<b>(5.4)</b>	(6.0)
Other income	(3.4)	<b>(7.4)</b>	(8.0)
Recurring income	7.2	<b>(12.8)</b>	(14.0)
Extraordinary income	11.0	<b>3.6</b>	(4.0)
Extraordinary loss	7.6	<b>7.0</b>	
Income before taxes	10.6	<b>(16.2)</b>	(18.0)
Income taxes	5.5	<b>20.2</b>	20.0
Net income	5.1	<b>(36.4)</b>	(38.0)

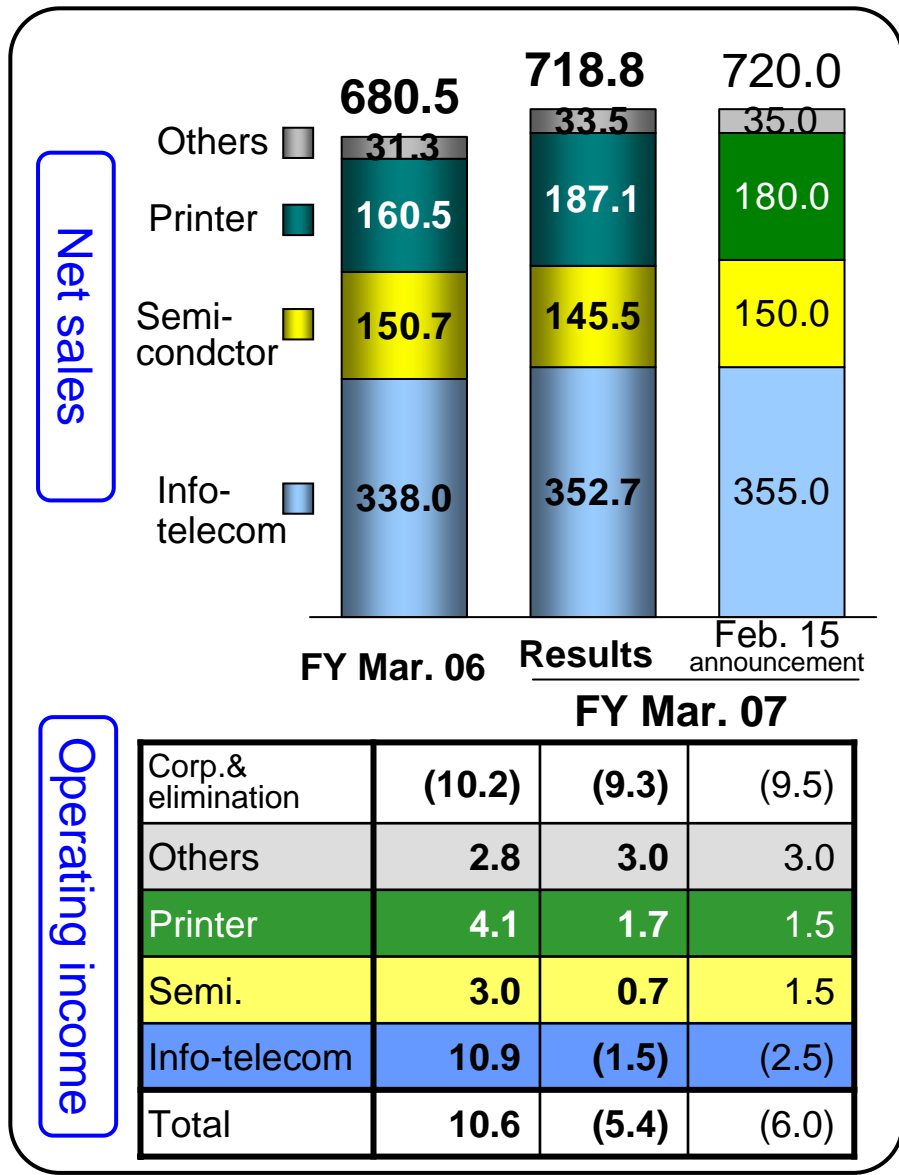
### Details of other income

(Billion yen)	Mar. 06	<b>Mar. 07</b>
Interest & dividends received	1.8	<b>1.5</b>
Gain on currency exchange	1.4	
Others	1.4	<b>0.9</b>
Interest paid	6.2	<b>6.8</b>
Others	1.8	<b>3.0</b>

### Details of extraordinary income/loss

(Billion yen)	Mar. 06	<b>Mar. 07</b>
Gain on sales of securities	8.0	<b>3.4</b>
Gain on sales of fixed assets	2.1	<b>0.2</b>
Others	0.9	
Loss on disposal of fixed assets	1.0	<b>1.0</b>
Impairment loss	3.0	
Cost for business restructuring		<b>2.3</b>
Write down loss of securities		<b>2.1</b>
Special retirement payments	1.4	<b>0.9</b>
Others	2.2	<b>0.7</b>

# Segment Information

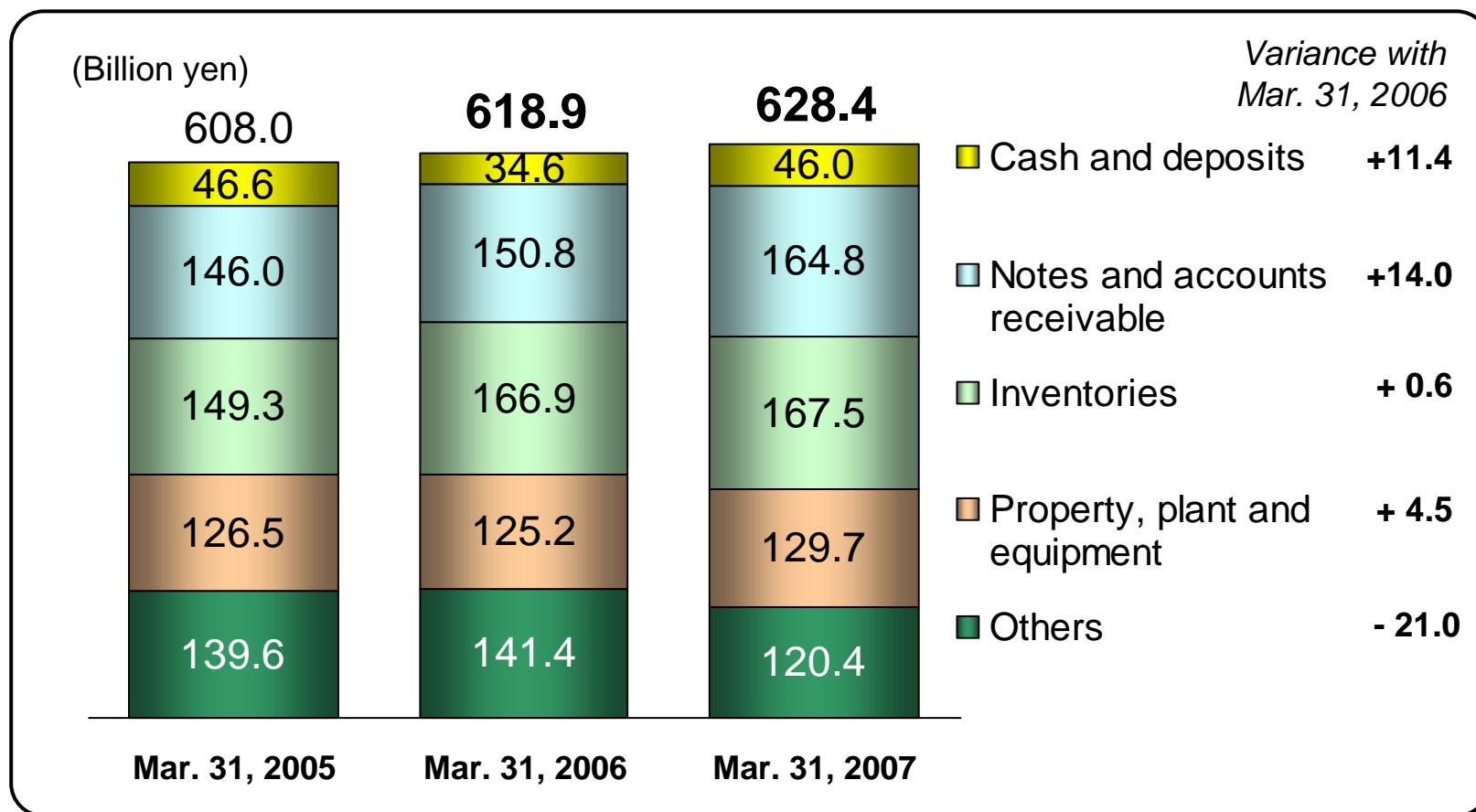


**Net sales** Increase by 38.3 B yen YoY

- Financial sector: Increased by 29.4 B yen due to increase of security-enhanced ATMs and ATMs for overseas market
- Telecom carrier sector: Decreased by 36.0 B yen as carriers' investments on fixed-network equipment went through cycle
- Public sector: Increased by 13.2 B yen due to increase in sales of wireless systems for municipalities
- Semiconductor: Though sales for P2ROM for the amusement market and foundry businesses increased, total sales decreased by 5.2 B yen from decrease in sales of LCD drivers
- Printer: Increased by 26.6 B yen, largely from the increasing demand for office-use color NIP

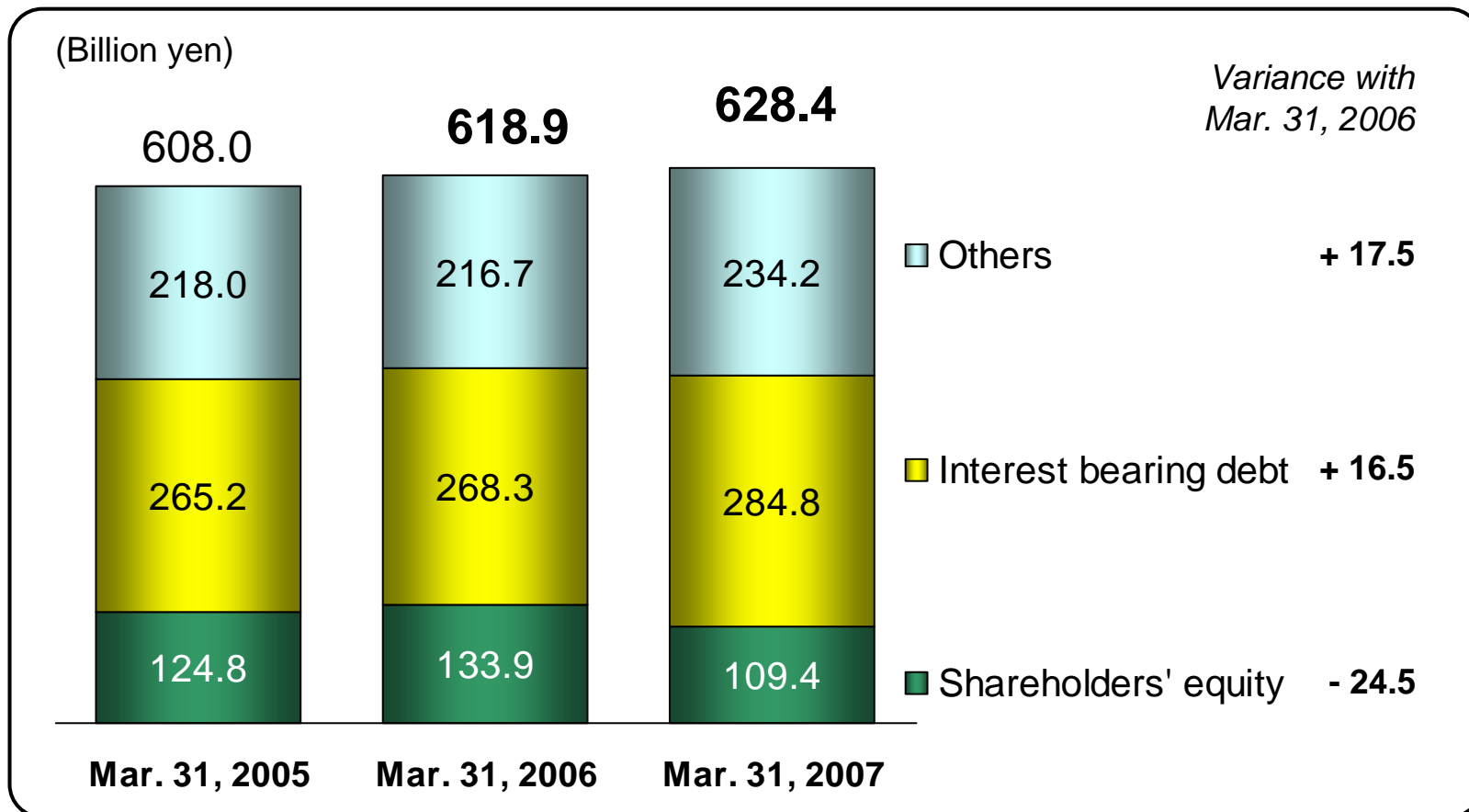
## Balance Sheet [Assets]

- Due to sales increase at the end of fiscal year, notes and accounts receivable increase YoY
- Other assets decrease due to reversal of deferred tax assets



## Balance Sheet [Liabilities and shareholders' equity]

- 18.0 B yen of moving strike convertible bond has been converted to stock
- Shareholders' equity declines by 24.5 B yen due to net loss of 36.4 B yen, and others



# Cash Flows

- Free cash flow worsens by 5.2 B yen YoY, while working capital improves

(Billion yen)	Mar. 06	Mar. 07	
<b>I. Cash flows from operating activities</b>	15.0	<b>16.1</b>	
Income before income taxes	10.6	<b>(16.2)</b>	<b>&lt;Changes in working capital&gt;</b> Mar. 06    Mar. 07 Receivables ( 1.4)    (7.4) Inventories (15.5)    2.7 Payables ( 5.3)    (0.1) <hr/> Total (22.2)    (4.8)
Depreciation & amortization	34.7	<b>35.0</b>	
Changes in working capital	(22.2)	<b>(4.8)</b>	
Others	(8.1)	<b>2.1</b>	
<b>II. Cash flows from investing activities</b>	(28.6)	<b>(34.9)</b>	
Purchases of property, plant & equipment	(29.2)	<b>(26.7)</b>	
Others	0.6	<b>(8.2)</b>	
<b>Free cash flows (I+II)</b>	(13.6)	<b>(18.8)</b>	
<b>III. Cash flows from financing activities</b>	0.8	<b>28.1</b>	
Issuance and redemption of bonds	(10.0)	<b>10.0</b>	
Changes in other interest bearing debts, etc.	12.6	<b>19.9</b>	
Payment of dividends	(1.8)	<b>(1.8)</b>	
<b>Net cash flow (I+II+III)</b>	(12.8)	<b>9.3</b>	
<b>IV. Cash and cash equivalents at the period end</b>	38.4	<b>49.8</b>	
<b>V. Interest bearing debt at the period end</b>	268.3	<b>284.8</b>	



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# Business Overview

## ■ Info-telecom System

- While financial institutions are active in IT investment, acceleration in pursuit of investment efficiency (stiffer competition)
  - Full-scale system replacement for branch systems from 2H of FY Mar. 08
  - Actively respond to increased demand from overseas market for ATM business
- Expanded business opportunities through privatization of postal services (Savings and other businesses)
- In addition to steady growth in FTTH, optical IP telephony products for telecom carriers are expected to grow steadily. NGN-related investment will gain momentum from 2H of FY Mar. 08
- Expansion in integrating common works in central government / Severe competition in the local government and OKI's existing enterprise market
- Actively deploy highly secure mobile systems (Financial institutions and Government)

## ■ Slower growth in Semiconductor market with stiffer competition

- Shift from chip-only business to electronic functional module business
- Business restructuring (business selection and concentration, pursuit of business efficiency) accelerates to improve profitability
- As Ubiquitous Services expand, market demands for wireless, low power consumption, high voltage operation, power control, small and high density packaging increase

## ■ Printer

- Color NIP and Mono NIP market are in growing trend centered on MFP. OKI changed business strategy to shift to mid and high end models
- SIDM market will remain steady, as the market will expand in growing markets and shrink in developed countries

## Profit and Loss Projections

Achieve a V-sign recovery with 8.0 B yen operating income  
for the FY Mar. 08

(Billion yen)	Full year			First Half		
	FY Mar. 07 Actual	FY Mar. 08 Plan	Variance	FY Mar. 07 Actual	FY Mar. 08 Plan	Variance
Net Sales	718.8	<b>750.0</b>	31.2	312.8	<b>330.0</b>	17.2
Operating income	(5.4)	<b>8.0</b>	13.4	(11.6)	<b>(8.0)</b>	3.6
Other income	(7.4)	<b>(8.0)</b>	(0.6)	(3.5)	<b>(4.5)</b>	(1.0)
Recurring income	(12.8)	<b>0</b>	12.8	(15.1)	<b>(12.5)</b>	2.6
Extraordinary income/loss	(3.4)	<b>3.5</b>	6.9	(0.9)	<b>(1.5)</b>	(0.6)
Income before taxes	(16.2)	<b>3.5</b>	19.7	(16.0)	<b>(14.0)</b>	2.0
Income taxes	20.2	<b>2.5</b>	(17.7)	(6.2)	<b>1.0</b>	7.2
Net Income	(36.4)	<b>1.0</b>	37.4	(9.8)	<b>(15.0)</b>	(5.2)

## Net Sales by Segment

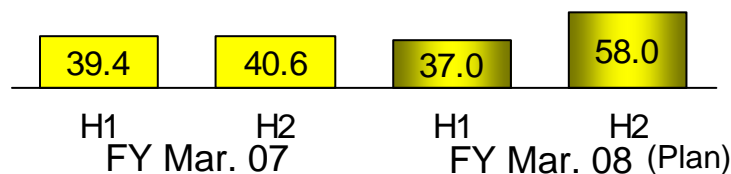
(Billion yen)

	Full year			First half		
	FY Mar. 07 Actual	FY Mar. 08 Plan	Variance	FY Mar. 07 Actual	FY Mar. 08 Plan	Variance
Financial	130.4	130.0	(0.4)	51.1	67.0	15.9
Telecom	80.0	95.0	15.0	39.4	37.0	(2.4)
Info. system	113.0	115.0	2.0	36.9	35.0	(1.9)
Others	29.3	25.0	(4.3)	15.1	12.0	(3.1)
<b>Info-telecom Total</b>	<b>352.7</b>	<b>365.0</b>	<b>12.3</b>	<b>142.5</b>	<b>151.0</b>	<b>8.5</b>
Logic	77.9	80.0	2.1	39.9	37.0	(2.9)
System memory	41.4	42.0	0.6	19.7	21.5	1.8
Foundry	23.5	25.0	1.5	10.7	12.0	1.3
Optical Component	2.7	3.0	0.3	1.4	1.5	0.1
<b>Semiconductor Total</b>	<b>145.5</b>	<b>150.0</b>	<b>4.5</b>	<b>71.7</b>	<b>72.0</b>	<b>0.3</b>
Color NIP	103.3	115.0	11.7	45.7	50.0	4.3
Mono NIP/ SIDM	83.8	80.0	(3.8)	36.7	37.0	0.3
<b>Printer Total</b>	<b>187.1</b>	<b>195.0</b>	<b>7.9</b>	<b>82.4</b>	<b>87.0</b>	<b>4.6</b>
Others	33.5	40.0	6.5	16.2	20.0	3.8
<b>Total</b>	<b>718.8</b>	<b>750.0</b>	<b>31.2</b>	<b>312.8</b>	<b>330.0</b>	<b>17.2</b>

# Net Sales Comparison by Half Year

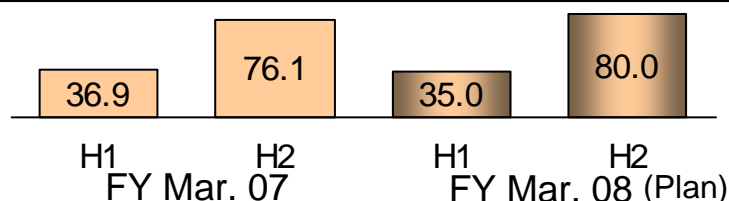
## <Major Sub-segments>

### <Telecom>



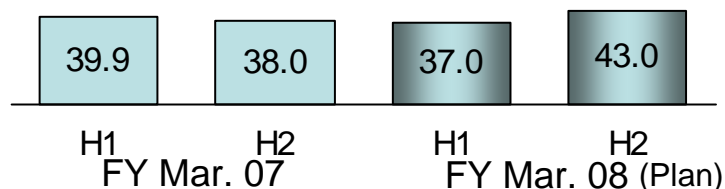
- NGN gains momentum from the 2H of FY Mar. 08. New optical IP telephony products complete in the 2H of FY Mar. 08

### <Information System>



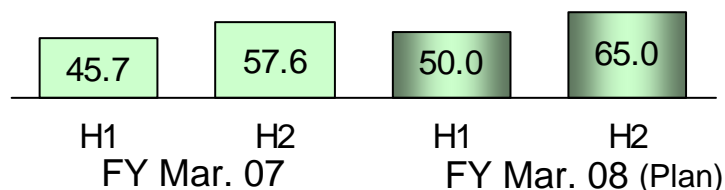
- Large projects are expected in the 2H of FY Mar. 08. Implement cost reduction measures

### <Logic LSI>



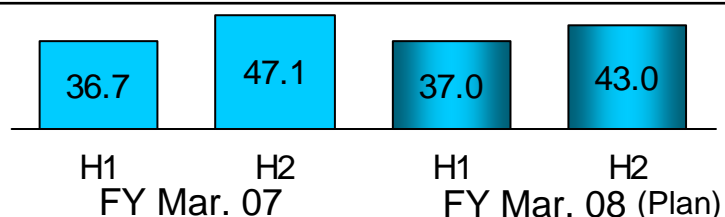
- Recovery of large-size TFT drivers in the 2H of FY Mar. 08, and start of micro-device business

### <Color NIP>



- New product release in the 2H of FY Mar. 08, plus seasonality reason

### <Mono NIP, SIDM, others>

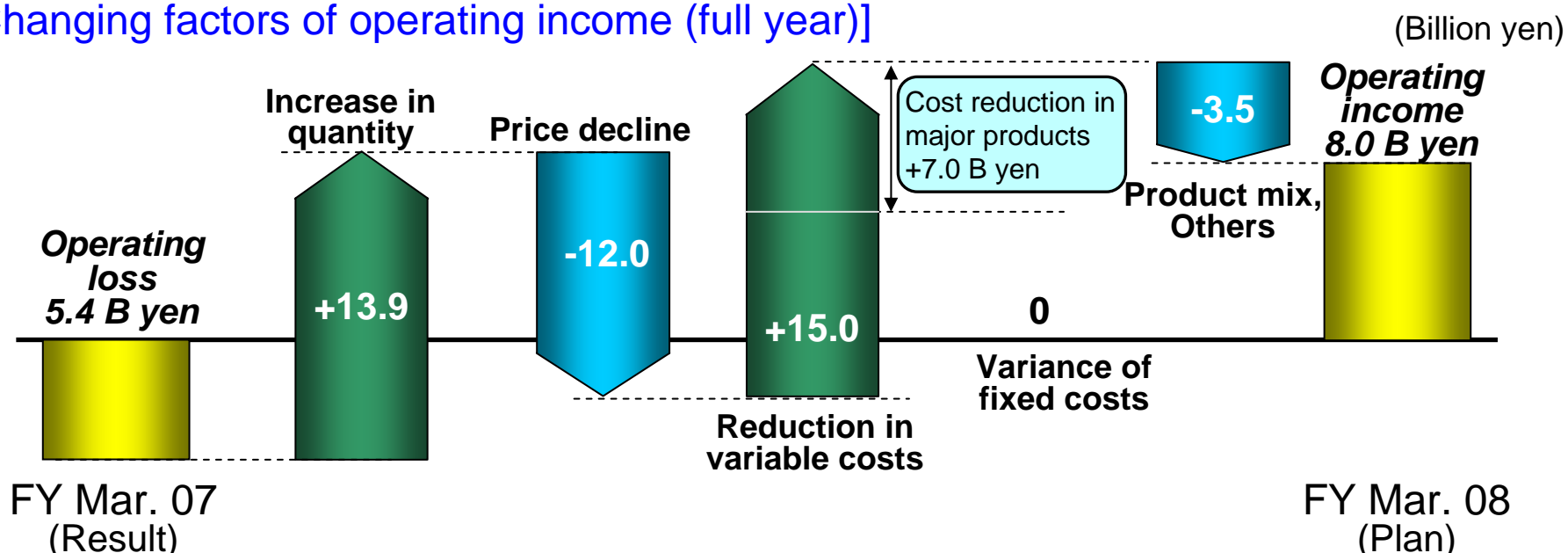


- Seasonality reason as usual

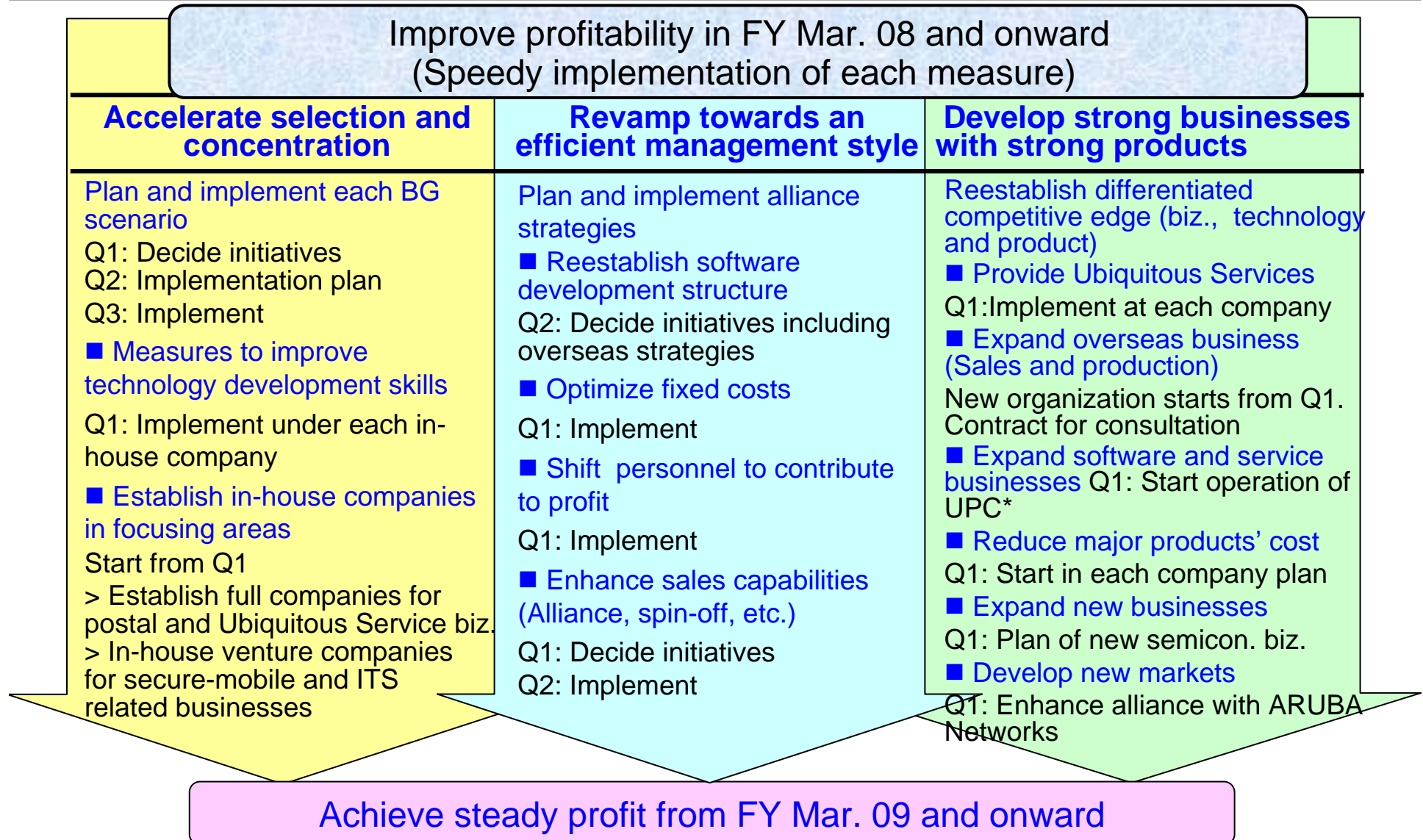
# Operating Income by Segment & Changing Factors

(Billion yen)	Full year			First half		
	FY Mar. 07 (Results)	FY Mar. 08 (Plan)	Variance	FY Mar. 07 (Results)	FY Mar. 08 (Plan)	Variance
Info-telecom system	(1.5)	3.5	5.0	(5.9)	(6.5)	(0.6)
Semiconductor	0.7	5.0	4.3	0.1	0.5	0.4
Printer	1.7	5.0	3.3	(2.0)	1.0	3.0
Others	3.0	3.5	0.5	1.3	1.5	0.2
Corp. & elimination	(9.3)	(9.0)	0.3	(5.1)	(4.5)	0.6
<b>Total</b>	<b>(5.4)</b>	<b>8.0</b>	<b>13.4</b>	<b>(11.6)</b>	<b>(8.0)</b>	<b>3.6</b>

## [Changing factors of operating income (full year)]



# Status of Mid-long Term Initiatives



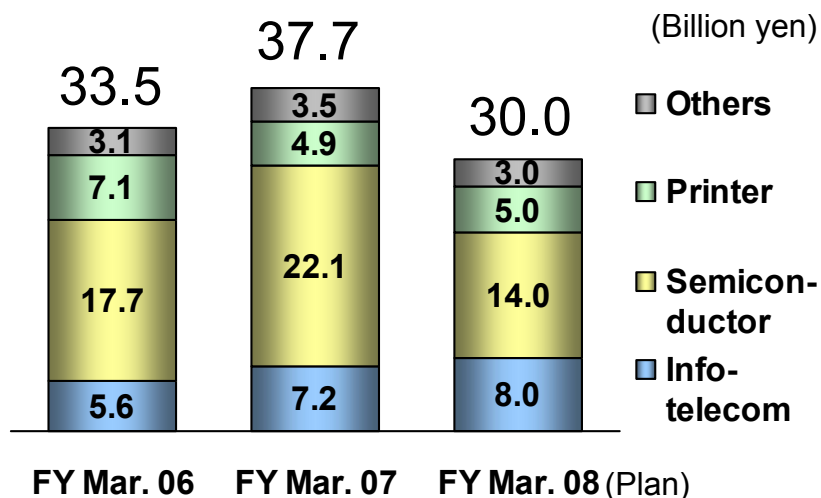
UPC: Ubiquitous Service Platform Company

# Capital Expenditure & R&D Expenses

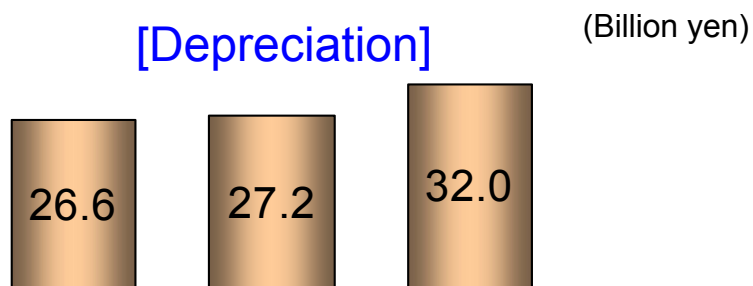
- Curb investment by 10.0 B yen (including 7.7 B yen of Capex) on YoY basis, by improving investment efficiency

## Property, Plant & Equip.

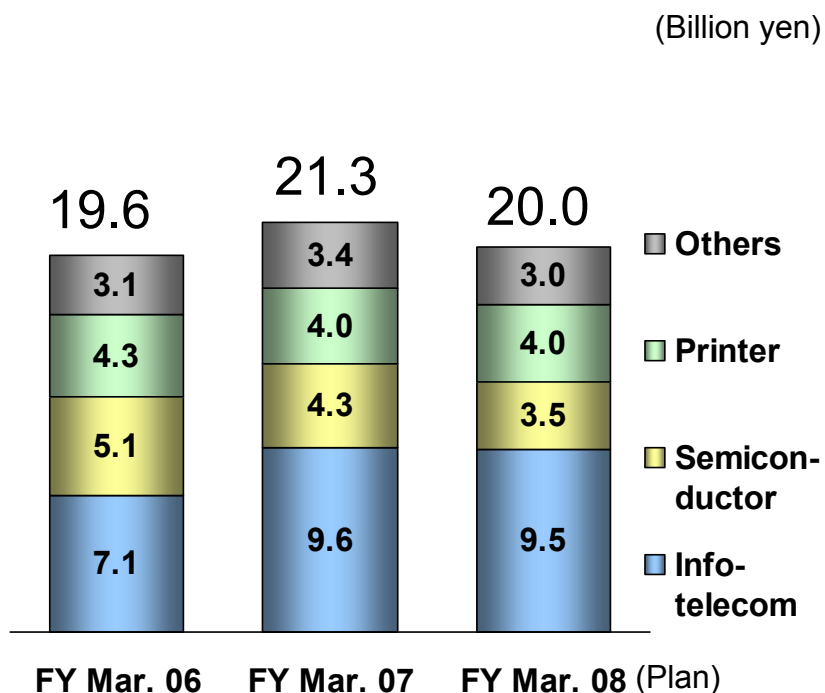
### [Capital Expenditure]



### [Depreciation]



## R&D Expenses





# Cash Flow Projections

- Free cash flow is expected to improve due to improvement in profit and decrease in working capital
- Interest bearing debt will decline by 25.2 B yen

	Mar. 07	Mar. 08 (Plan)	(Billion yen)
<b>I. Cash flows from operating activities</b>	<b>16.1</b>	<b>56.2</b>	
Income before income taxes	(16.2)	3.5	<b>&lt;Changes in working capital&gt;</b> Mar. 07 Mar. 08 Receivables (7.4) (12.3) Inventories 2.7 22.5 Payables (0.1) (1.4) Total (4.8) 8.8
Depreciation & amortization	35.0	40.0	
Changes in working capital	(4.8)	8.8	
Others	2.1	3.9	
<b>II. Cash flows from investing activities</b>	<b>(34.9)</b>	<b>(38.2)</b>	
Purchases of property, plant & equipment	(26.7)	(30.0)	
Others	(8.2)	(8.2)	
<b>Free cash flows (I+II)</b>	<b>(18.8)</b>	<b>18.0</b>	
<b>III. Cash flows from financing activities</b>	<b>28.1</b>	<b>(25.2)</b>	
Redemption of bonds	10.0	(9.5)	
Changes in other interest bearing debts, etc.	18.1	(15.7)	
<b>Net cash flow (I+II+III)</b>	<b>9.3</b>	<b>(7.2)</b>	
<b>IV. Cash and cash equivalents at the period end</b>	<b>49.8</b>	<b>42.6</b>	
<b>V. Interest bearing debt at the period end</b>	<b>284.8</b>	<b>259.6</b>	

# Glossary

P2	FY	Fiscal Year
	R&D	Research and Development
P4	SG&A	Selling, General and Administrative expense
P5	ATM	Automated Teller Machine
	P2ROM	Production Programmed Read Only Memory
	LCD	Liquid Crystal Display
	NIP	Non-Impact Printer
P10	FTTH	Fiber-to-the-home
	IP	Internet Protocol
	NGN	Next Generation Network
	MFP	Multi-functional Printer
	SIDM	Serial Impact Dot Matrix
P13	LSI	Large Scale Integration
	TFT	Thin Film Transistor
P15	BG	Business Group
	ITS	Intelligent Transport System

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