

# Financial Results for the Q1 of FY ending March 31, 2013

September 14, 2012

Oki Electric Industry Co., Ltd.

- Indication method of amounts in hundred millions (yen) are as follow:  
Amounts in each item are rounded to the nearest hundred million yen. Variances are calculated in the hundred millions.
- The projections and plans in this material are subject to change depending upon the changes of business environments and other conditions.

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# Overview of Restatements to Past Financial Results

## ■ Improper accounting at Spanish sales subsidiary

- Overstatement of accounts receivable
  1. Cover-up of irrecoverable accounts receivable (reciprocal funding etc.)
  2. Recording of fictitious accounts receivable
  
- Non-recording of liability
  1. Non-recording of rebate (liability)
  2. Non-recording of of guaranteed debt (liability)
  3. Non-recording of advances (liability) received

## ■ Term

Beginning of FY end. Mar.31, 2007 – Q1 of FY end. Mar.31, 2013  
(6 years and 3 months)

## ■ Impact amount attributable to this matter (cumulative)

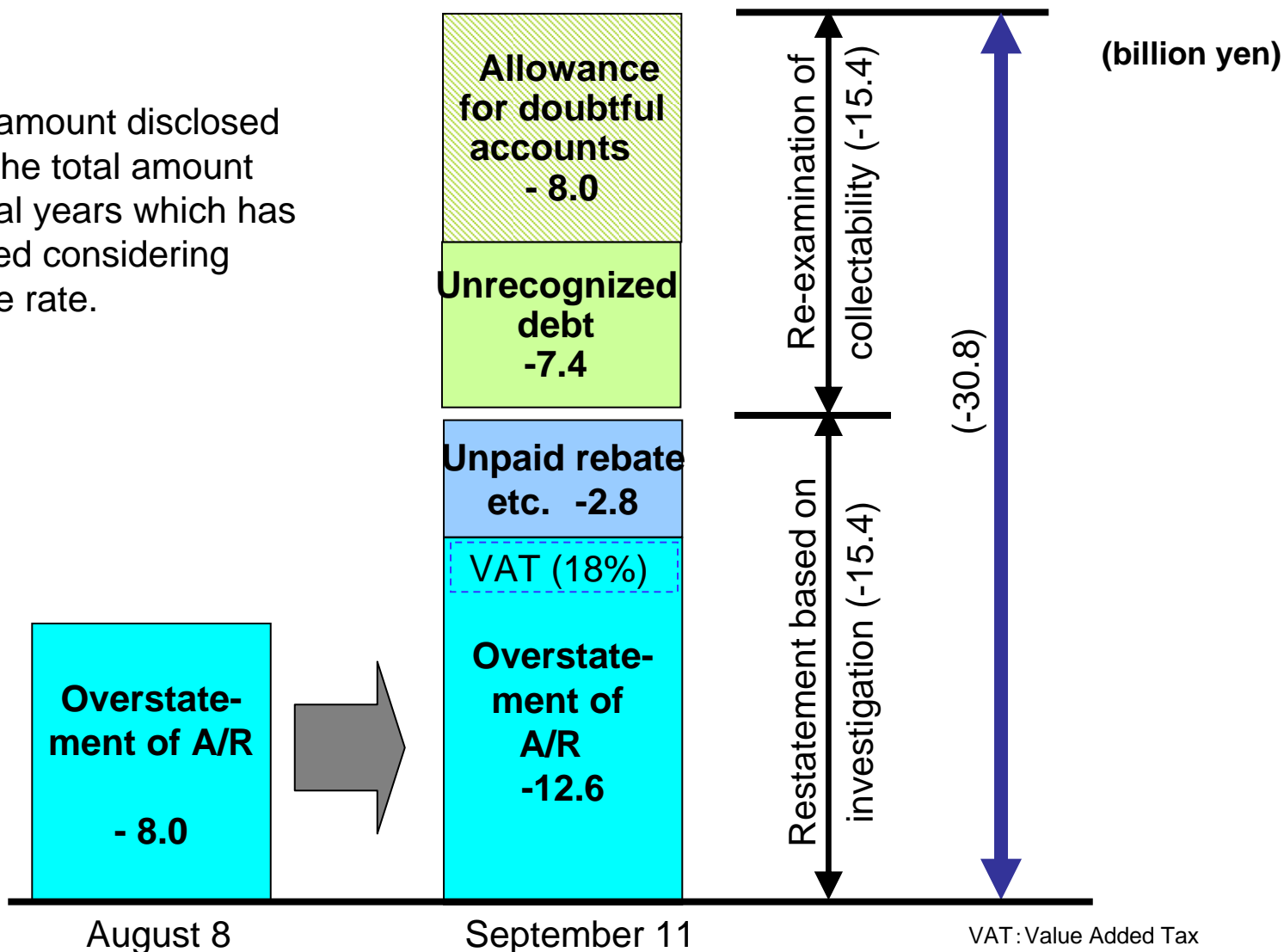
- |                               |                                     |
|-------------------------------|-------------------------------------|
| - Net sales: 7.5 B decline    | - Operating income: 21.6 B yen loss |
| - Net income: 30.8 B yen loss | - Net assets: 24.4 B yen decrease   |

\* includes re-examination into collectability of A/R

## Transition of Impact Amount to Consolidated Financial Results

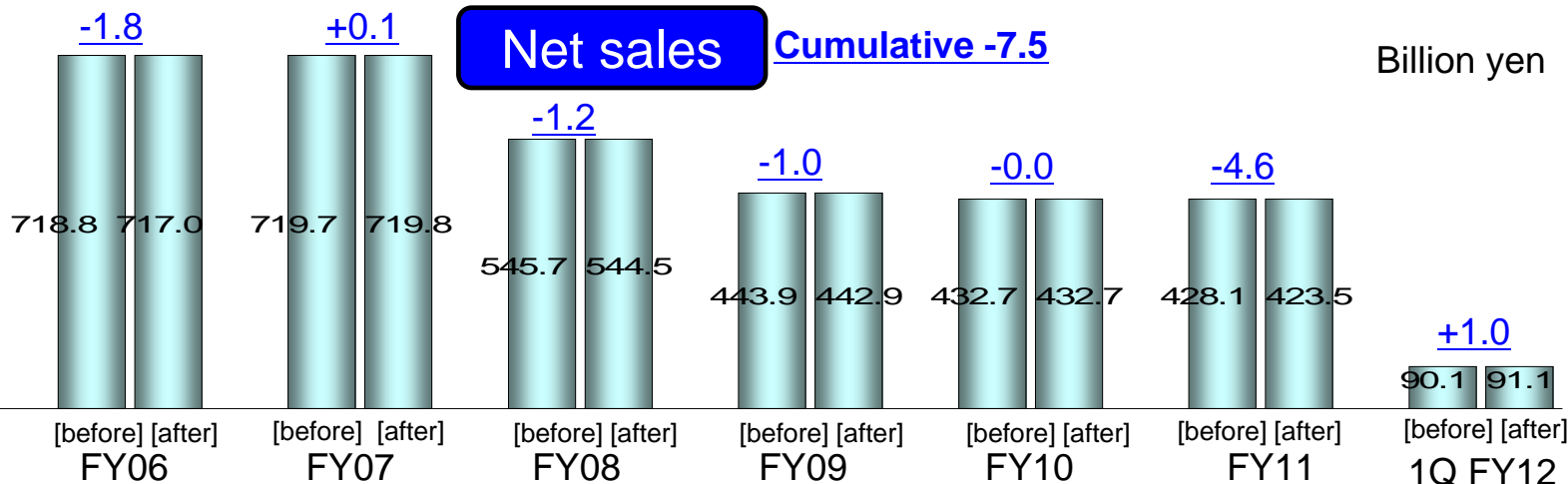
- Impact amount on net income based on the investigation by outside experts and re-examination into collectability of accounts receivable

Note: Impact amount disclosed on Sep 11 is the total amount from past fiscal years which has been calculated considering past exchange rate.



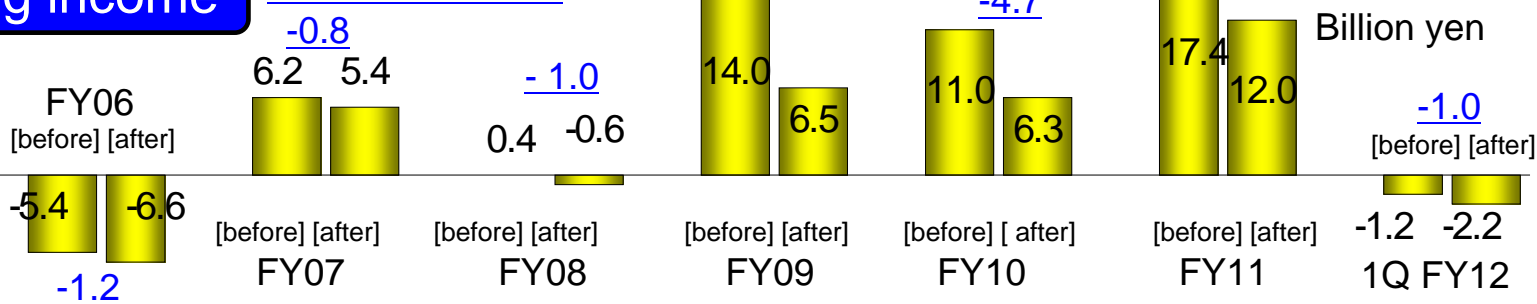
# Overview of Restatement 1 (P/L)

Blue represents restatement amount



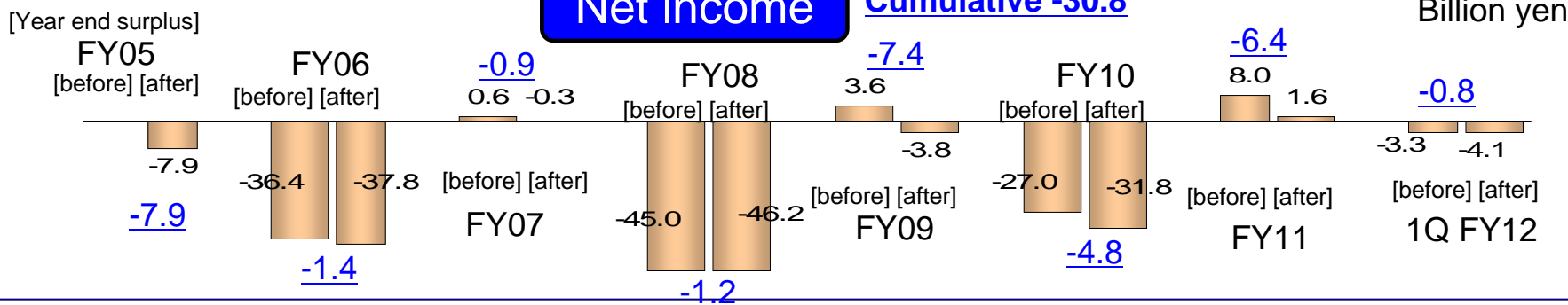
### Operating income

**Cumulative -21.6**



### Net income

**Cumulative -30.8**



# Overview of Restatement 2 (B/S)

(Billion yen)

June end 2012

## Assets

## Liabilities & shareholders equity

## Net assets restatement (BS)

Correcting false sales etc. -11.8

Net assets -24.4

Allowance for D/A -12.6

June end net assets -24.4

## Cumulative net income restatement (PL)

Correcting false sales etc. -15.4

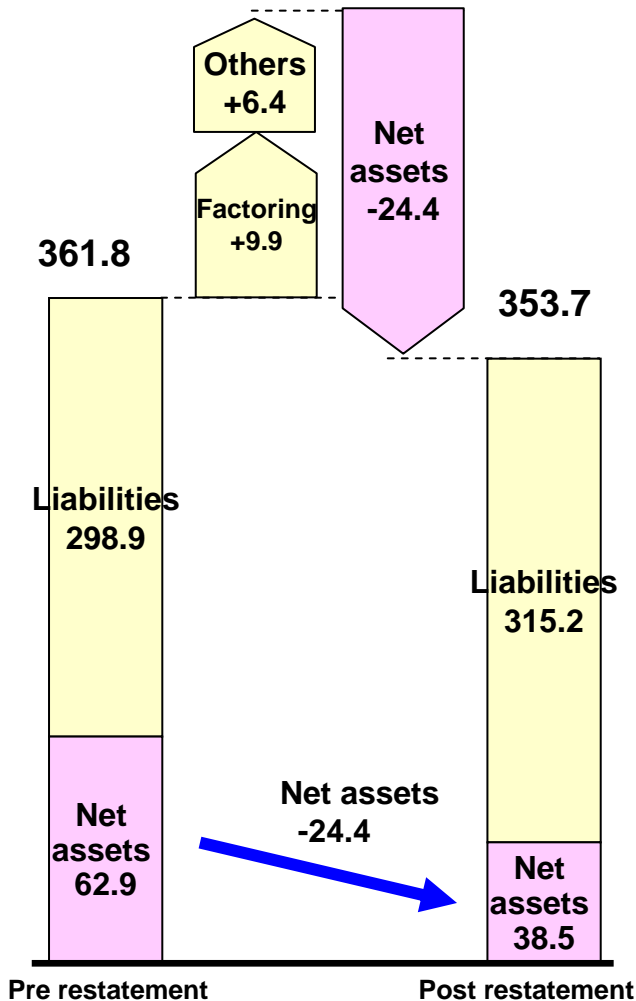
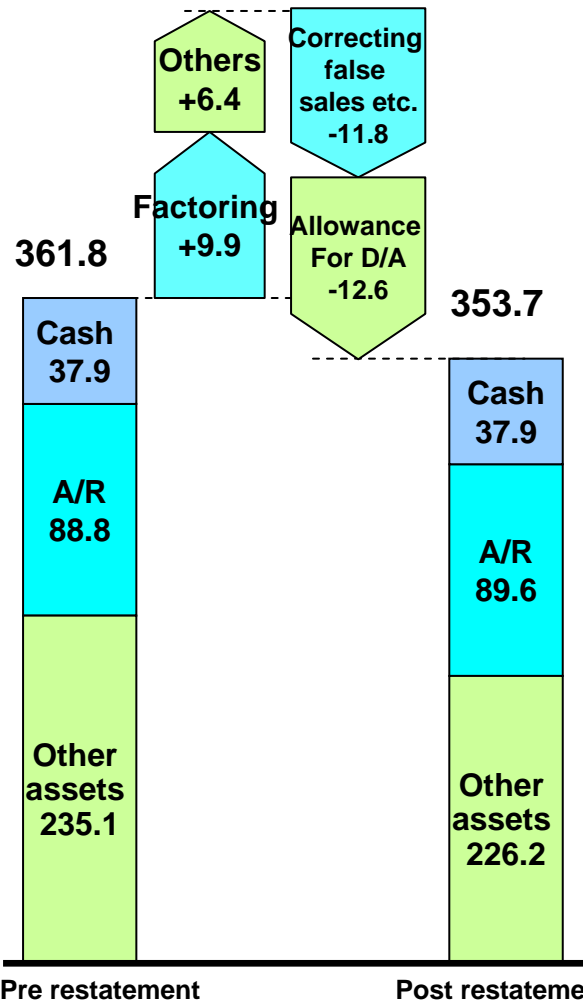
Cumulative Net loss -30.8

Net assets -24.4

Allowance for D/A -15.4

Currency -6.4

Cumulative net loss -30.8



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## Summary of Segment Information

- OKI's Q1 results were approximately as projected though circumstances for each segment were somewhat different.

[YoY comparison]

- Net sales increased by 7.2 B yen. (Impact of currency exchange:-1.8 B yen, impact of restatement:+0.9 B yen)
  - Info-telecom segment: Sales increased due to the increase in ATM for China and the impact of the change in accounting period for consolidated subsidiaries in China, etc.
  - Printers segment: Sales for color LED printers were steady.
  - Others: Components related business for amusement market was firm.
- Operating loss increased by 2.1 B yen. (Impact of currency exchange:-0.8 B yen, impact of restatement:-1.2 B yen)
  - Operating loss increased due to rise in SG&A caused by the increase in printer transportation cost.

(Billion yen)	FY end Mar. 2013		FY end Mar. 2012	
	Net sales	Operating income (loss)	Net sales	Operating income (loss)
Info-telecom	51.0	1.4	46.7	1.5
Printers	28.5	(3.0)	26.9	(0.8)
EMS	6.7	0.1	6.9	0.1
Others	4.9	0.7	3.4	0.6
Eliminates & Corp.	—	(1.4)	—	(1.5)
<b>Total</b>	<b>91.1</b>	<b>(2.2)</b>	<b>83.9</b>	<b>(0.1)</b>



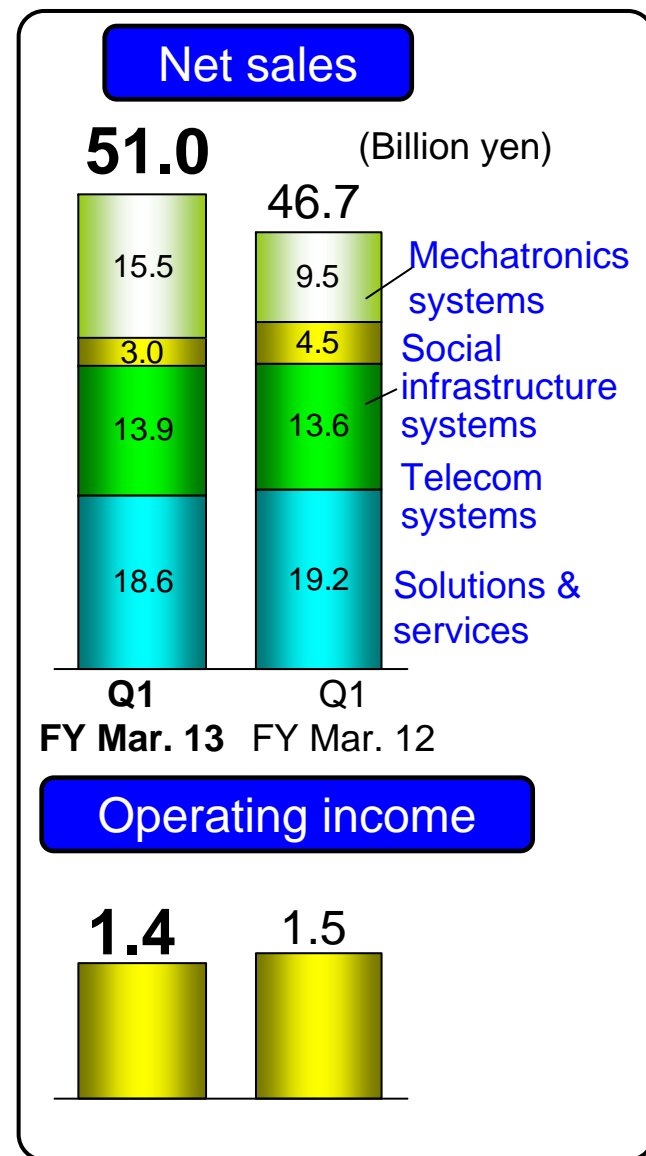
# Segment Information: Info-telecom Systems

## ■ Net sales:

- **Solutions & services:**  
Though sales for public sectors increased, some maintenance projects decreased.
- **Telecom systems:**  
Sales for core network and home gateway were steady.
- **Social infrastructure systems:**  
Sales were approximately the same as the previous fiscal year excluding the impact of sales delaying in Q1, caused by earthquake disaster in the previous fiscal year.
- **Mechatronics systems:**
  - Sales for ATM in China continues to be steady.
  - Sales increased by about 4.0 B yen due to the impact of change in accounting period for consolidated subsidiaries in China.

## ■ Operating income:

Operating income was approximately the same as the previous fiscal year since impact of sales delaying in Q1 disappearing, caused by earthquake disaster in the previous fiscal year, despite improvement in marginal profit due to increase in volume and making efforts to reduce variable costs.



# Segment Information: Printers

## ■ 1. Impact of currency exchange:

- Net sales fell by 1.9 B yen.  
Operating loss increased by 0.8 B yen.

## ■ 2. Impact of restatement

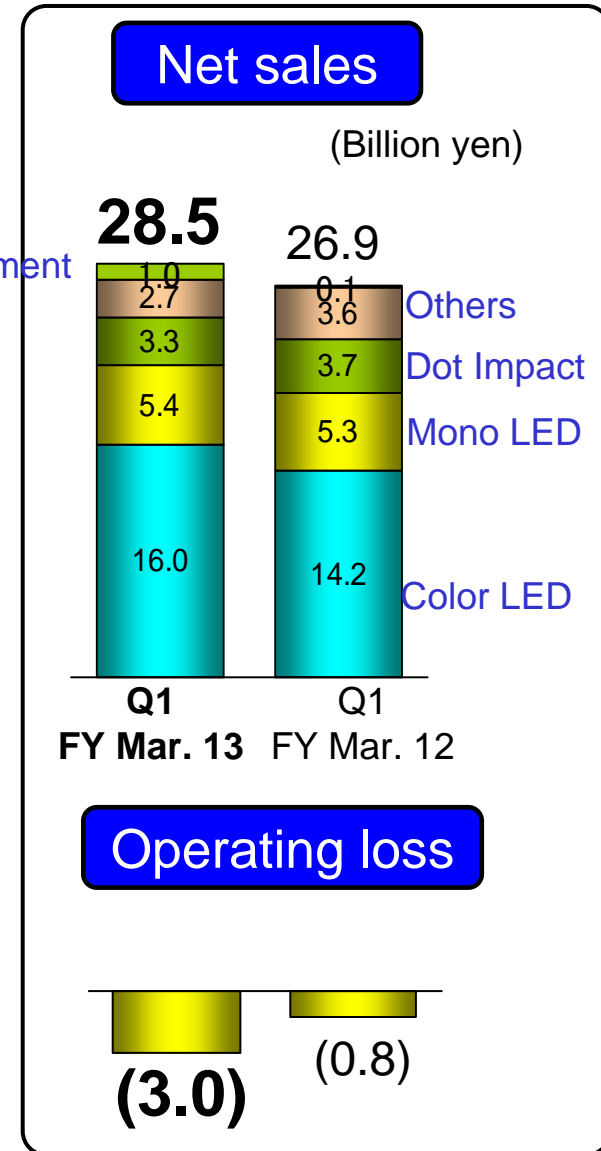
- Net sales increased by 9.0 B yen.  
Operating loss increased by 1.2 B yen.

## ■ Net sales: increased by 2.6 B yen excluding 1 & 2 above.

- Color and mono LED printers
  - Unit sales increased by large as planned.
  - Sales for flagship new A4 color and mono models were also steady.
- Dot Impact Printers:
  - Sales amount decreased due to the price decline of hardware, though unit sales rose.

## ■ Operating loss: increased by 0.2 B yen excluding 1 & 2 above.

Operating loss increased due to the increase in SG&A caused by rise in transportation cost though marginal profit improved due to rise in volume.



# Segment Information: EMS, Others

## ■ Net sales:

### ➤ EMS:

Sales were approximately the same as previous fiscal year due to the launch of new business models in medical equipment market, etc. though demand for semiconductor equipment decreased.

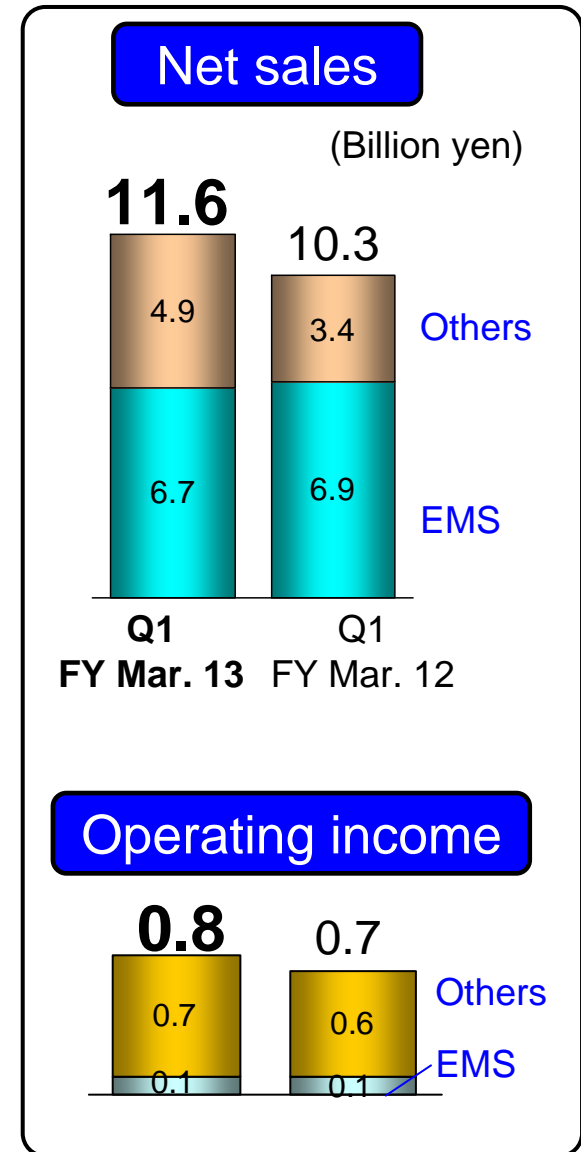
### ➤ Others:

Sales for components related business increased due to the rise in demand for amusement market, etc.

## ■ Operating income:

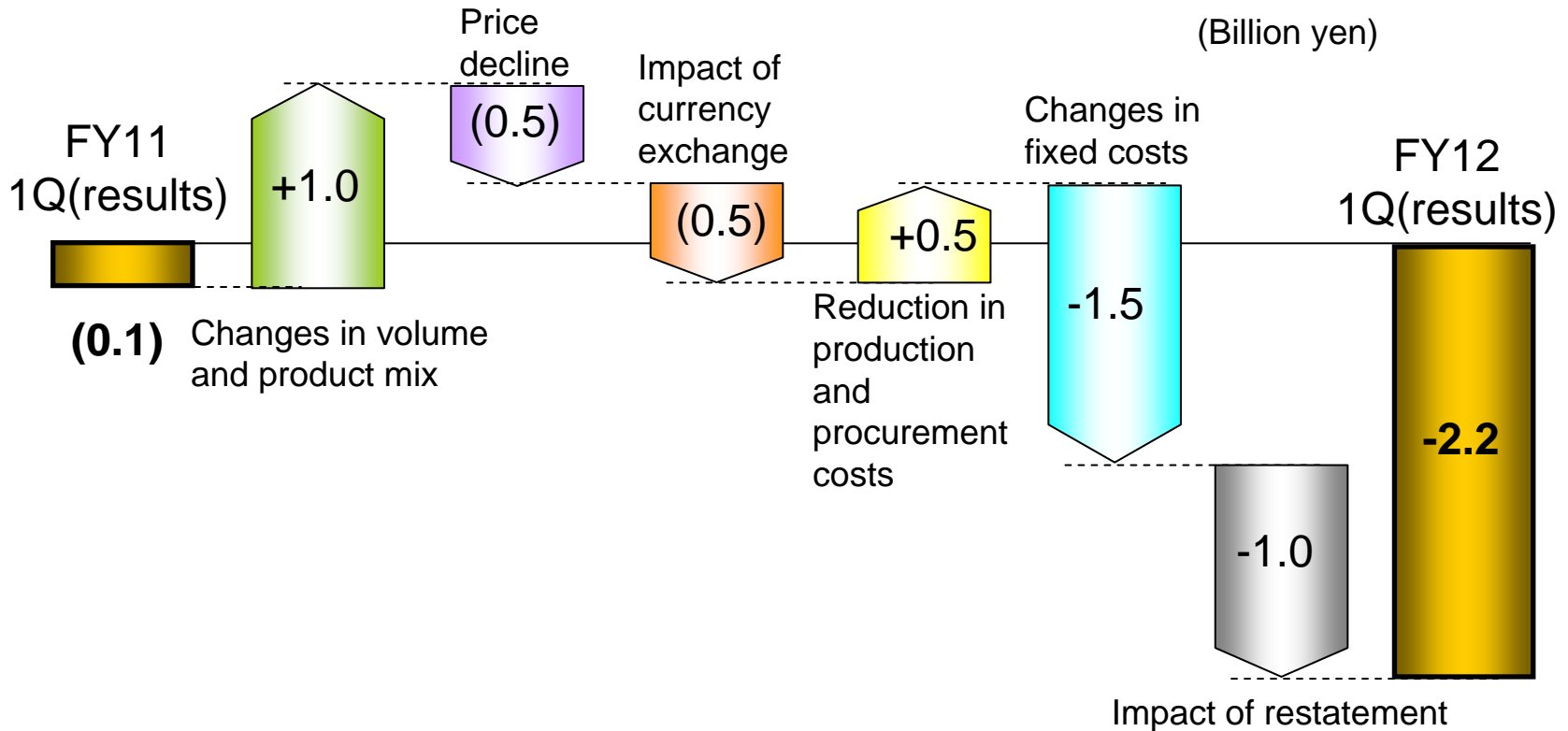
Operating income increased by 0.1 B yen due to improvement in marginal profit caused by rise in volume, etc.

EMS: Electronics Manufacturing Service



# Changing Factors of Operating Income

■ Operating loss increased by 2.1 B yen Y on Y due to the increase in SG&A in printer business, in addition to the impact of the strong yen and restatement, despite increase effect such as rise in volume.



## Q1 Profit and Loss

(Billion yen)	FY Mar. 2013	FY Mar. 2012
Net Sales	<b>91.1</b>	83.9
Cost of Sales	<b>66.7</b>	61.4
SG&A	<b>26.7</b>	22.6
Operating loss	<b>(2.2)</b>	(0.1)
Other income/loss	<b>(1.1)</b>	(0.7)
Recurring loss	<b>(3.3)</b>	(0.8)
Extraordinary loss	<b>(0.3)</b>	(0.4)
Income before income taxes	<b>(3.6)</b>	(1.2)
Net loss	<b>(4.1)</b>	(3.1)

[Y on Y comparison]

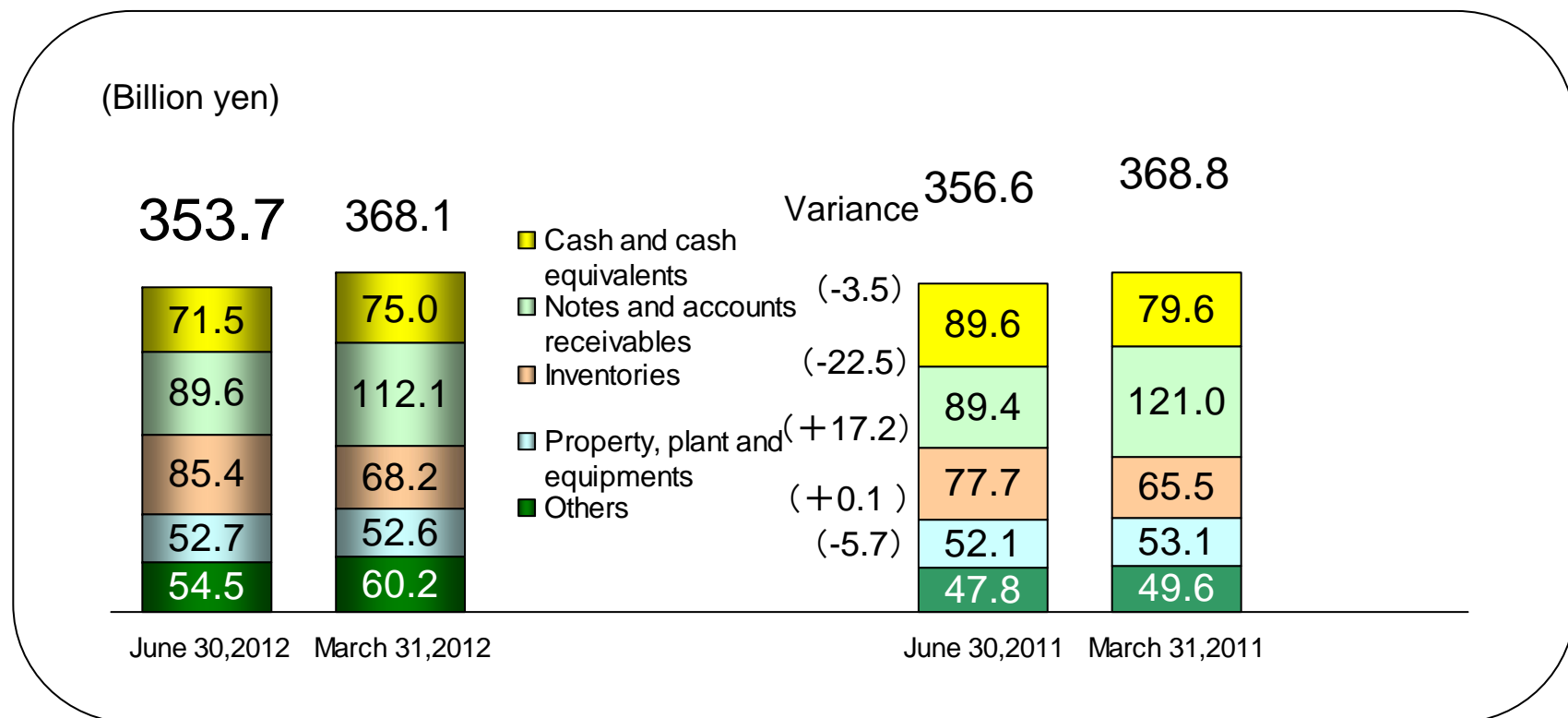
- SG&A increased caused by allowance for doubtful accounts due to the issue in Spain and rise in transportation cost in the printer business etc.
- In other income and expenses, foreign exchange loss increased though interest expense fell.

[Reference: Currency exchange rate]

	FY Mar. 2013	FY Mar. 2012
USD	80.2	81.8
EUR	102.9	117.4

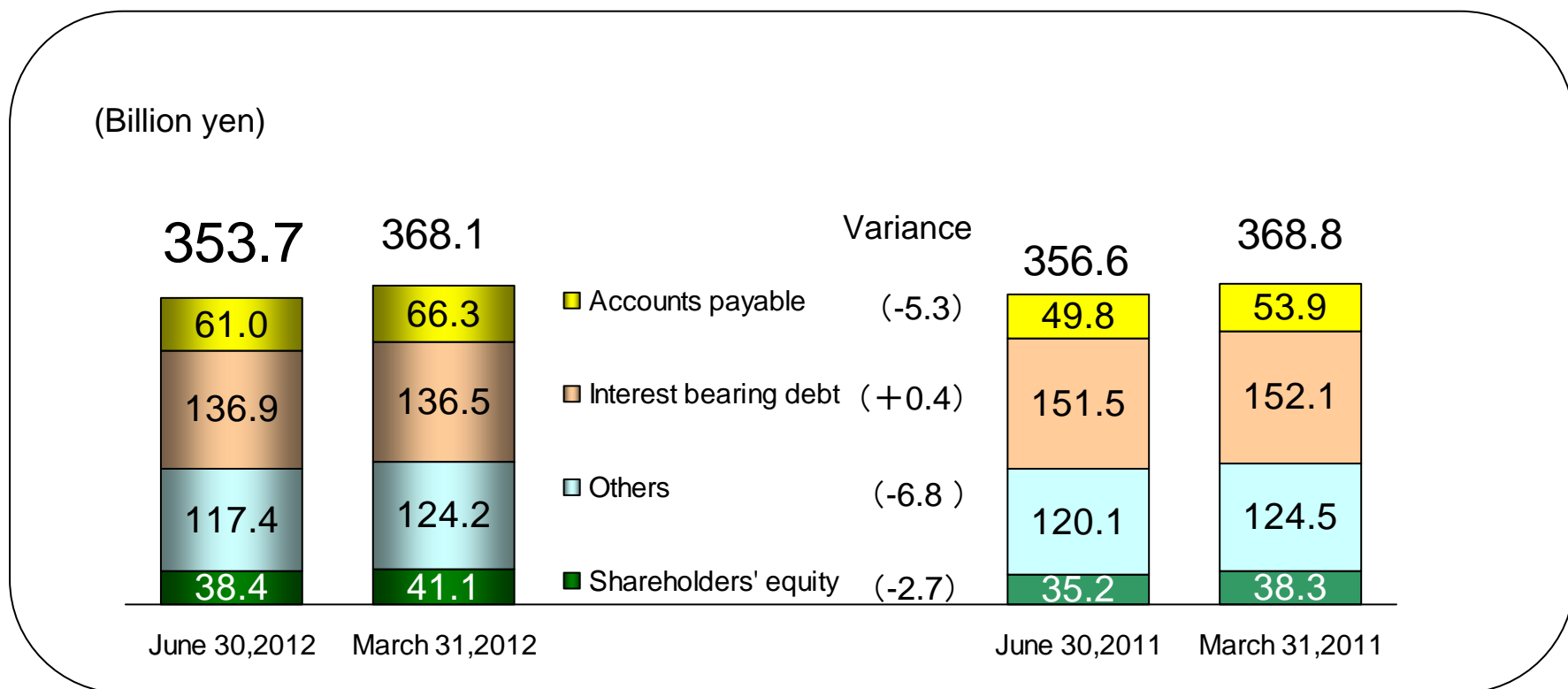
## Balance Sheet [Assets]

- Total assets declined by 14.4 B yen due to the reduction in notes and accounts receivables.
- Cash and cash equivalents decreased by 3.5 B yen.
- Due to the tendency of larger sales in Q4 of the previous fiscal year, notes and account receivables at March end increased. These receivables are collected in cash, etc., during this Q1 which reduces the portion of receivables at June end. Inventories declined at March end and increased at June end because of production equalization during this Q1.



# Balance Sheet [Liabilities and shareholders' equity]

- Shareholders' equity decreased by 2.7 B yen due to recording net loss and a dividend payment on preferred shares, etc.  
Shareholders' equity ratio: 10.8%
- Net interest bearing debt increased by 3.8 B yen to 65.3 B yen.  
Net D/E ratio: 1.7 times



## Cash Flows

- Working capital increased due to increase in acquiring orders for social infrastructure systems, in addition to sales growth of ATMs and printers etc.

(Billion yen)	<b>FY Mar. 2013</b>	FY Mar. 2012
<b>I Cash flows from operating activities</b>	<b>(1.3)</b>	<b>12.7</b>
Net income before income taxes	(3.6)	(1.2)
Depreciation & amortization	2.8	3.0
Changes in working capital	0.6	12.5
Others	(1.1)	(1.6)
<b>II Cash flows from investing activities</b>	<b>(3.7)</b>	<b>(1.8)</b>
Purchase of property, plants & equipment	(2.0)	(1.7)
Others	(1.7)	(0.1)
<b>Free Cash Flows( I + II )</b>	<b>(5.0)</b>	<b>10.9</b>
<b>III Cash flows from financing activities</b>	<b>(0.4)</b>	<b>(0.9)</b>
<b>Net cash flows ( I + II + III )</b>	<b>(5.4)</b>	<b>10.0</b>

Free cash flows and net cash flows are the total of each item which are rounded to the nearest hundred million yen.



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# 1H Projections for the FY end. March 31, 2013 \* After restatement

OKI revises 1H projections based on trend of each business segment and impact of restatement.

(billion yen)	1H projections for the FY end. Mar.2013			FY end.Mar.2012
	Sep 14 (impact of restatement)	Previous projections	Variance	
Sales	<b>195.0 (+ 1.0)</b>	<b>188.0</b>	<b>+ 7.0</b>	<b>186.3</b>
Info telecom	116.0	109.0	+ 7.0	108.9
Printer	<b>56.0 (+ 1.0)</b>	55.0	+ 1.0	53.2
EMS	15.0	16.0	- 1.0	15.5
Others	8.0	8.0	-	8.7
Operating income	<b>- 0.5 (- 1.0)</b>	<b>0.0</b>	<b>- 0.5</b>	<b>- 2.9</b>
Info telecom	4.5	4.0	+ 0.5	4.4
Printers	<b>- 3.5 (- 1.0)</b>	- 2.5	- 1.0	- 6.2
EMS	0.5	0.5	—	0.5
Others	1.0	1.0	—	1.4
Eliminates & Corp.	-3.0	- 3.0	—	- 3.1
Recurring income	<b>- 2.0 (- 0.8)</b>	<b>- 1.5</b>	<b>- 0.5</b>	<b>- 5.2</b>
Net income	<b>- 3.0 (- 0.8)</b>	<b>- 2.0</b>	<b>- 1.0</b>	<b>- 9.7</b>

# Full year Projections for FY end. March 2013 \*After restatement

Incomes remain the same due to the steady progress projection for info-telecom systems offsetting the fall in printer business

(reference)	Assumed exchange rate for 2H
USD	76.0
EUR	100.0

(billion yen)	Full year projections for the FY end. Mar. 2013			Full year previous results
	Sep 14	Previous projections	Variance	
Net sales	<b>447.0</b>	<b>440.0</b>	<b>+ 7.0</b>	<b>423.5</b>
Info telecom	280.0	272.0	+ 8.0	267.2
Printers	115.0	116.0	- 1.0	107.4
EMS	35.0	36.0	- 1.0	31.3
Others	17.0	16.0	+ 1.0	17.6
Operating income	<b>18.5</b>	<b>18.5</b>	<b>-</b>	<b>12.0</b>
Info telecom	21.0	19.5	+ 1.5	18.7
Printers	- 0.5	1.0	- 1.5	- 4.3
EMS	1.5	2.0	- 0.5	1.5
Others	3.0	2.5	+ 0.5	2.5
Eliminates & Corp.	- 6.5	- 6.5	—	- 6.4
Recurring income	<b>15.5</b>	<b>15.5</b>	<b>—</b>	<b>9.1</b>
Net income	<b>11.0</b>	<b>11.0</b>	<b>—</b>	<b>1.6</b>

## Qualitative Information

### Info telecom system

- Strong expansion of ATM sales for China continues (FY12 shipments projection: approx. 23K units to 28K units)
- Acquire new orders for social infrastructure system such as disaster prevention administrative radio systems and fire prevention wireless systems

### Printer

- MIF expands steadily due to proactive sales investment
- Enhancement of product lineup through new product development
- Review sales plan for Spain

### EMS Others

- Develop new areas such as medical and ecological
- Enhance competitiveness by expanding PCB business
- Demand fall of equipment related to semiconductors



*Open up your dreams*