

Financial Results for the First Quarter of Fiscal Year ending March 31, 2007

July 27, 2006

Okī Electric Industry Co., Ltd.

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1. 1st Quarter of FY ending March 2007
 - 1.1 Financial Results Outline
 - 1.2 Profit and Loss
 - 1.3 Segment Information
 2. Target for 1st Half of FY ending March 2007
 3. Measures in Major Businesses

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

Q1 results and H1 projections are as planned

	Q1	H1 projections/measures
Overall	Sales and income decreased on a year-on-year as planned Larger sales and income in Q2 and H2	As planned
Info-Telecom Systems	<p>Financial: Recovery in ATM, heavy sales of counter terminals in H2 (heavy in Q1 last year)</p> <p>Telecom: Reduction in legacy networks</p> <p>Public: Forwarded plans in public sectors</p> <p>Enterprises: Forwarded plans</p> <p>In-house venture: Steady business</p>	<p>Financial: Increase in security-available and overseas ATMs, Recovery in bank branch terminals, Preparation for privatization of postal services</p> <p>Telecom: Optical network and NGN will expand after H2</p> <p>Public: Larger sales in H2, preparation for ITS</p> <p>Enterprise: Enhance indirect sales and overseas sales</p> <p>In-house venture: Steady biz. expansion</p>
Semiconductors	<p>Logic: LCD panel inventory adjustment</p> <p>Memory: Continued price down pressure</p> <p>Foundry: Favorable in high voltage process</p>	<p>Logic: Add values, enhance SOS and wireless</p> <p>Memory: Reduce cost, higher-density</p> <p>Foundry: Active deployment focusing on profit</p>
Printers	<p>Color NIP: Increase in unit, decrease in consumables compared to original plan</p> <p>SIDM: Steady increase</p>	<p>Color NIP: Reduced cost, shift to mid and high end, expand sales in Japan market, no threat from Dell</p> <p>SIDM: Introduce low-end new products, expand sales in BRIC markets</p>

- Results were as planned, while sales and income decreased on year-on-year basis
- Comparison to previous Q1
 - Net sales: Decreased by 5.9 B yen to 130.4 B yen due to reduced investment for fixed-line systems by telecom carriers, and impact from LCD panel inventory adjustment
 - Operating income: Decreased by 5.1 B yen to 9.0 B yen due to decreased sales and worsened product mix

	Q1, FY Mar. 06	Q1, FY Mar. 07
Net sales	136.3	130.4
Operating income	(3.9)	(9.0)
Recurring income	(4.5)	(10.5)
Net income	(4.0)	(7.4)
Net income per share	(6.54) yen	(12.04) yen
Total assets	595.4	* 617.9
Shareholders' equity	118.0	* 121.0
Shareholders' equity per share	192.90 yen	197.90 yen
Interest-bearing debt	279.0	296.0

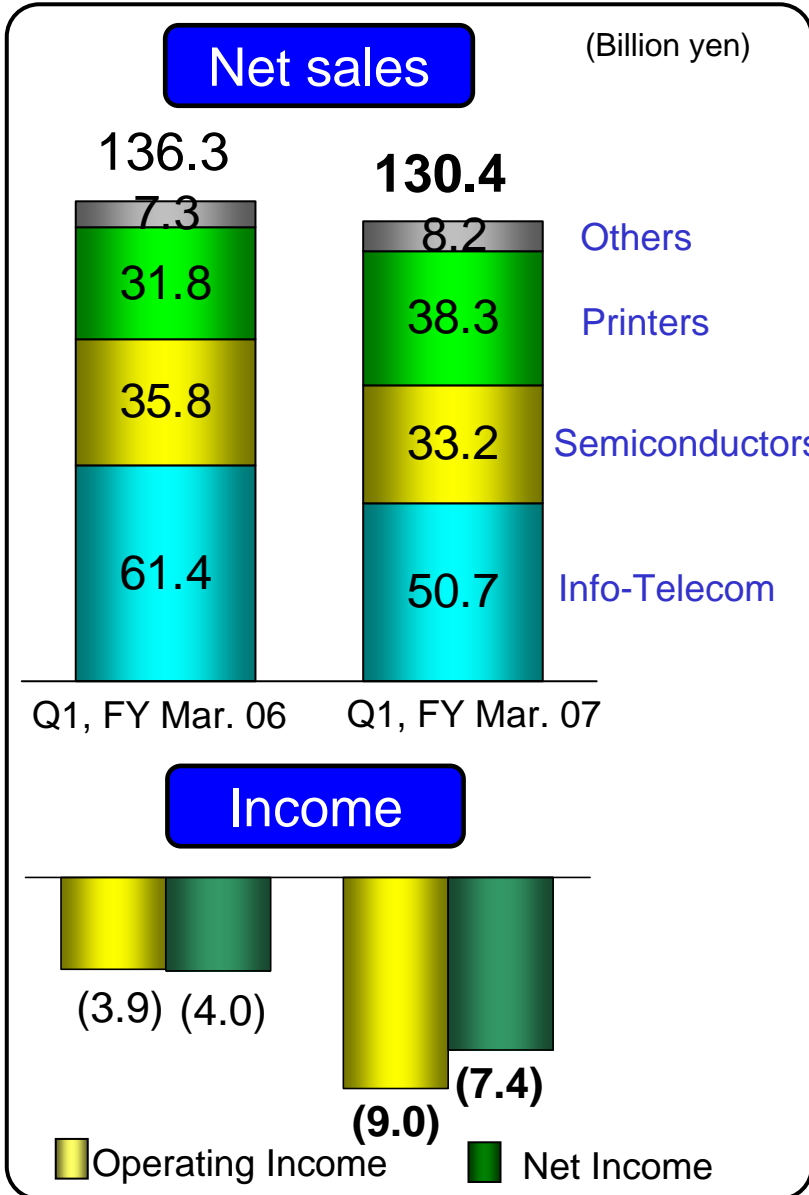
* For easier comparison, the amount is calculated based on the previous method before the change of the corporate law

(Billion yen)	Q1, FY Mar. 06	Q1, FY Mar. 07
Net sales	136.3	130.4
(Cost of sales ratio)	(76.8%)	(78.4%)
Cost of sales	104.7	102.2
SG&A	35.5	37.2
Operating income	(3.9)	(9.0)
Other income	(0.6)	(1.5)
Recurring income	(4.5)	(10.5)
Extraordinary income	0.1	0.3
Extraordinary loss	0.6	0.4
Income before taxes	(5.0)	(10.6)
Income taxes	(1.0)	(3.2)
Net income	(4.0)	(7.4)

- Cost of sales ratio worsened by 1.6 points due to price down and increase in fixed costs
- Increase in SG&A due to increase in personnel costs, advertisement expenses, and promotion expenses
- Other income/expense decreased due to worsened currency exchange and decreased dividend received

<Currency exchange ratio>

	FY end. Mar. 2007		
	H1 Internal	Q1 actual	Q2 projections
USD	115.0	114.5	115.0
Euro	140.0	143.8	140.0



Though decreased on a year-on-year basis, results were as planned

■ Net sales: Decreased by 5.9 B yen on a year-on-year basis

Printer sales increased, particularly in color NIP

Sales for the financial market and sales for telecom carriers decreased

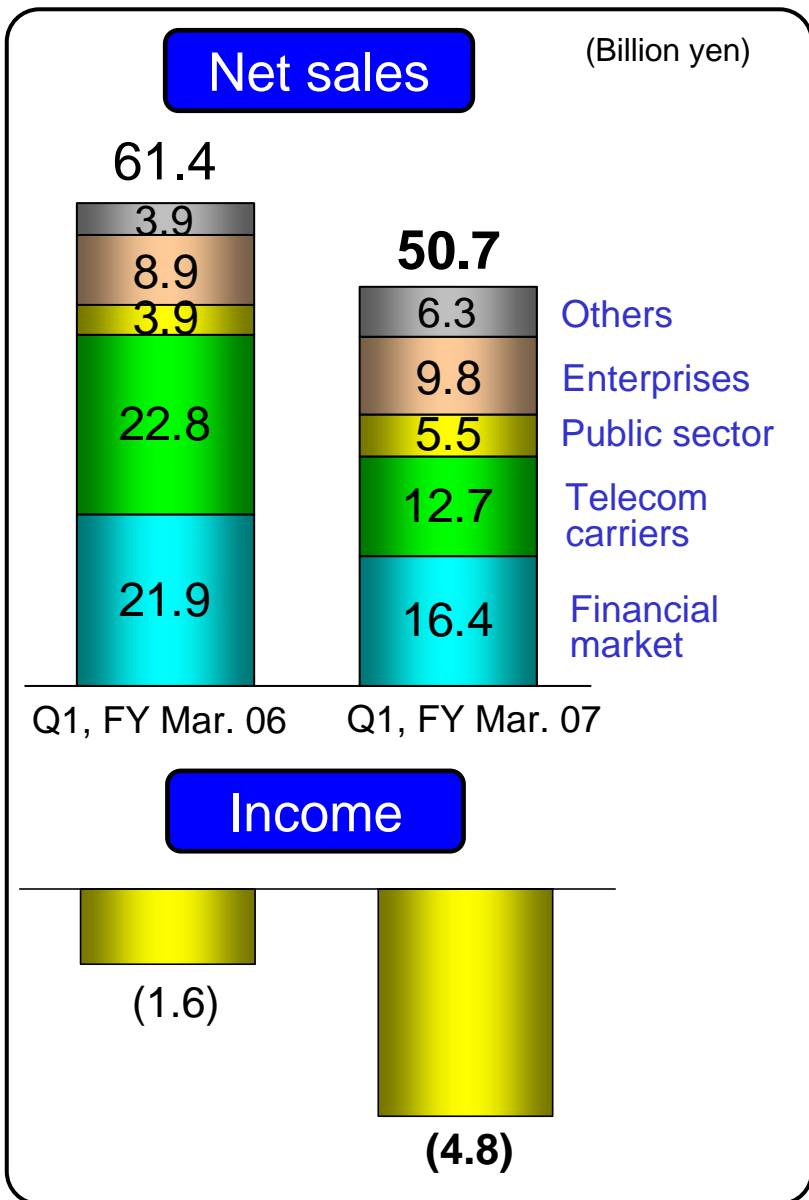
■ Operating income: Decreased by 5.1 B yen on a year-on-year basis

Reasons include:

Sales decrease in Info-Telecom

Active investment in printer sales

Unit increase in low-end printers



■ Net sales

Financial market: Decreased by 5.5 B yen

Recovery trend in ATM

Though sales of counter terminals was large in Q1 last year, this year it will be heavy in H2

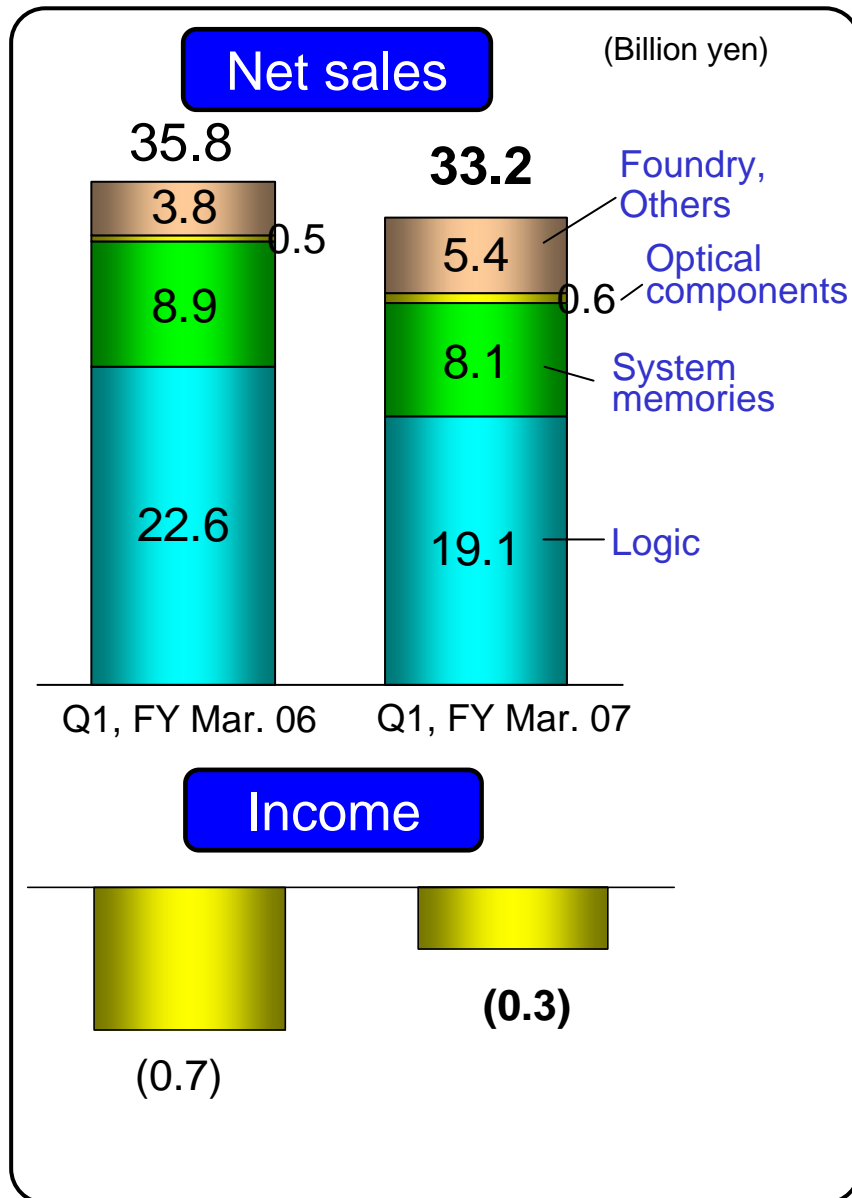
Telecom carriers: Decreased by 10.1 B yen

Decline in carriers' investments on fixed-network equipment

Although sales in both Financial and Telecom carriers decreased, the results remain as planned

■ Operating income: Decreased by 3.2 B yen

Sales decrease in Financial and Telecom carriers reduced marginal profits



■ Net sales

Logic: Decreased by 3.5 B yen

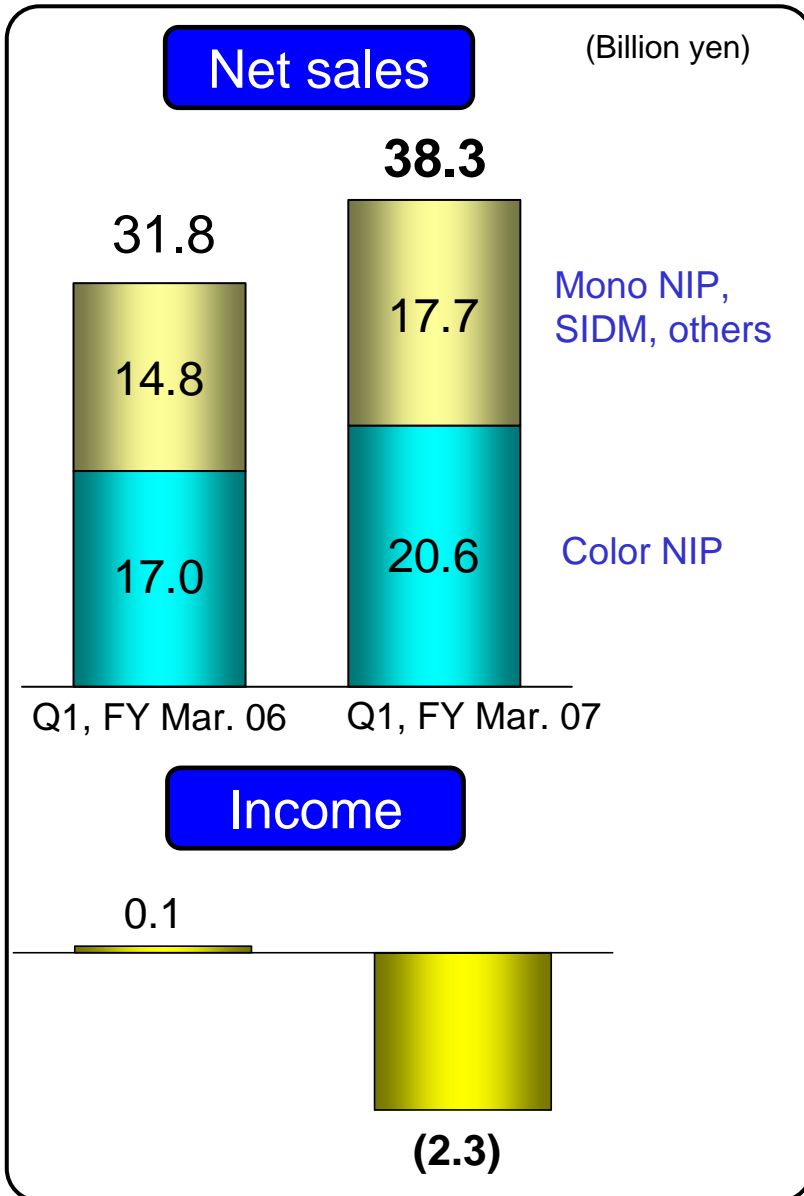
Major reasons include decrease in driver sales due to inventory adjustment by LCD panel vendors

Foundry: Increased by 1.6 B yen

Due to active business deployment riding on the strength of high voltage process

■ Operating income: Increased by 0.4 B yen

Impact of price drops
Improvement in profitability for drivers and P2ROM, and currency exchange



■ Net sales

Color NIP: Increased by 3.6 B yen

Increase in unit shipment and sales for consumables

Mono NIP, SIDM, etc.: Increased by 2.9 B yen

Sales increase in SIDM and office machines including facsimiles

■ Operating income: Decreased by 2.4 B yen

Active investment on sales

Worsened cost to sales ratio in printer due to volume increase in low-end

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■ Net sales: 300.0 B yen

Unchanged from the previous announcement on April 27

Sales by segment also remains the same as previously announced

■ Operating income/loss: 12.0 B yen of loss

Unchanged from the previous announcement on April 27

Info-telecom: Plan to increase by 2.0 B yen

Printers: Plan to decrease by 2.0 B yen

	Net sales			Operating income		
	H1, FY Mar. 2007		<Ref.> H1, FY Mar. 2006	H1, FY Mar. 2007		<Ref.> H1, FY Mar. 2006
	July 27 plan	Apr. 27 plan		July 27 plan	Apr. 27 plan	
Info-Telecom Systems	136.0	136.0	155.3	(6.0)	(8.0)	(1.6)
Semiconductors	72.0	72.0	77.6	0	0	0.2
Printers	76.0	76.0	71.0	(2.0)	0	1.5
Others	16.0	16.0	15.2	1.0	10	1.1
Corp. & elimination	-	-	-	(5.0)	(5.0)	(5.4)
Total	300.0	300.0	319.1	(12.0)	(12.0)	(4.2)

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Target of net sales and operating income by segment

(Billion yen)		FY Mar. 2006 (Results)		FY Mar. 2007 (Plan)		FY Mar. 2008 (Target)	
		Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
	Financial market	100.1		121.0		130.0	
	Telecom carriers	98.2		79.0		87.0	
	Public sectors	54.0		66.0		68.0	
	Enterprises	67.2		70.0		75.0	
	Others	18.5		24.0		20.0	
	Info-Telecom Systems	338.0	10.9	360.0	12.5	380.0	20.0
	Semiconductors	150.7	3.0	154.0	5.5	160.0	10.0
	Printers	160.5	4.1	172.0	5.0	190.0	10.0
	Others	31.3	(7.4)	34.0	(8.0)	30.0	(10.0)
	Total	680.5	10.5	720.0	15.0	760.0	30.0

Main Measures

- Enhance profitability in base financial business (ATM, bank branch systems, cash management systems)
 - Increase in sales by full-scales expansion of security-available ATMs and renewal in ATMs for convenience stores
 - Expand sales of cash management equipment to postal service and overseas market (Korea, etc.)
- Expand new financial business (e-financial systems, networks)
 - Horizontal deployment of Oki's strong track record solutions in the Internet banking market to new Internet banks
 - Expand service and software businesses, including bank branch video surveillance and ATM operation full-consignment
- Prepare business development targeting privatization of postal services
 - Established a division dedicated for postal service solutions
 - Cultivate biz opportunities for counter terminals, cash management equipment, next-gen branch terminals, security (cash management, video surveillance), and service consignment
- Expand ATM business for the China market
 - Shift to China localized business, targeting to gain 30% share in the FY Mar. 2009 (5% in the FY Mar. 2006)

Market Trend

- Convenience stores enhance security against counterfeit cards and stolen PIN numbers
- The banknote recycling-type ATM market grows in China, Korea, etc.
- Financial institutions deploy measures for sound management (biz outsourcing, price-cut request)

Business Strategy

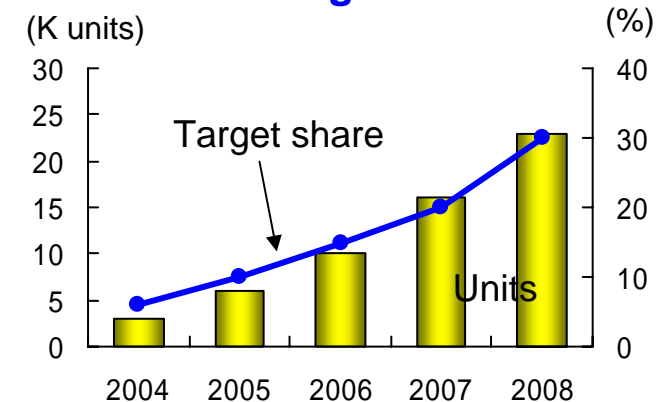
- Enhance security functions of existing products, expand sales of IC card and biometrics-available ATM-BankIT
- Enhance outsourcing business: ATM centralized monitoring, total network services, etc.
- Strengthen ATM business for China (H2: cultivate channels, introduce new ATM dedicated for China)

Strengthen ATM business for China

- 4 large city banks and commercial banks: Deploy business by cultivating new partners following Yihua
- Middle and small size banks: Gain approvals through establishing new sales channels and OEMing deposit/withdrawal modules

Gain 30% share of ATM in operation during FY Mar. 2009

ATM in operation in China & Oki's target share



Main Measures: Targeting NGN (Next Generation Network)

- NGN: Next generation network for the ubiquitous society, which realizes all-IP, service layer separation, enhancement of QoS and security, and integration of fixed/wireless infrastructures (mobile/WiMax)

Biz. area	Oki's strengths & targets	Focus products
Applications & Platforms	<ul style="list-style-type: none"> ■ Reflect know-how in development, service and operations of existing various TDM, and world's largest class carrier-grade switches to new IMS products - Gain businesses of NGN migration from existing VoIP/PSTN - Create SDP (service delivery platform) killer applications, and enter the mobile phone market 	<ul style="list-style-type: none"> - CenterStage NX series - SDP products, SIP-AS as a core - OpS (NMS)
Core network	<ul style="list-style-type: none"> ■ Introduce products and enter the market via alliances with open-product vendors, utilizing know-how and technologies in large network SI and TDM systems - Strengthen optical and router solutions which realizes GMPLS - Enhance relationship with partners and co-development structure 	<ul style="list-style-type: none"> - ADM for multiple services - Routers, switches
Access network	<ul style="list-style-type: none"> ■ Reflect development/system technologies and know-how in core LSI and optical components for optical access systems - Enhance line-up of products, xPON as a core, and strengthen marketing and sales structure - Enter the wireless access market 	<ul style="list-style-type: none"> - GE-PON/COF/MSAN - Various wireless access products
Home network	<ul style="list-style-type: none"> ■ Create products by linking core technologies of "eSound" and "eVideo" with application layer - Provide total solutions from platform to end-end equipment, which offer high quality in voice and video with high competitiveness 	<ul style="list-style-type: none"> - VoIP/NGN-TA - Broadband home routers

Public Sector: Main Measures

- Government solutions: Enhance promotion for large projects by government. Deploy Oki's unique EA solutions through u-Japan promotion team
- Transportation systems: Enhance DSRC-related business for next version VICS. Increase share in ETC
- Public systems: Catch demands and increase share for municipal wireless system, which are increasing due to municipal mergers, digitalization, and renewals (Focus on the area of disaster/fire prevention)

Enterprises: Main Measures

- Info-telecom systems for enterprises: Provide triple play communications. Differentiating strategy with Oki's unique "eSound," and "eVideo"
 - Enhance overseas deployment and sales expansion with new products of PBX and KTS
 - Establish top-brand in contact center market through new the CTstage 5i
- Transportation & retail systems: Provide infrastructure for "ubiquitous service," with the network and middle-size mechatronics technologies
 - Retain renewals of ticket reservation and issuing systems for the existing customers. Enhance line-up of self check-in systems and ATMs and cash management systems for the retail market, and cultivate new customers

Main Measures (1)

Focus on differentiating technologies including high voltage process, low power consumption and non volatile memories

■ Large TFT driver:

T-CON : Timing Controller

Drive the industry with high quality, high definition, high-speed and low power consumption technologies. Expand sales and profit by providing high value-added solutions with chipsets including T-CONs

■ P2ROM:

- Enhance cost response by an early launch of large capacity P2ROMs using high density cells for games and amusement market at an early stage
- Maintain sales and expand profit by providing high value-added products by converging custom logic and security functions

■ Power control:

- Expand foundry business utilizing advantages in high voltage process
- Increase sales of Oki's low voltage to high voltage devices

Main Measures (2)

Concentrate on wireless market for system LSIs

Differentiate with “wireless technology” including mixed signal, modulation

/demodulation and RF, and “low power consumption technology” including SOS

■ PHS Base band:

With the technologies cultivated in the Japanese PHS market (No.1 share), Oki will focus on “RF-equipped-single-chip” and maintain sales and increase profit in the Chinese PHS market (currently No.1)

Market share in Jan-Mar 2006

(Source: Oki)

- Voice terminal in China: 35% (No.1)
- Voice terminal in Japan: 100% (No.1)
- Data card in Japan: 70% (No.1)

■ SOS:

Expand sales with differentiating products: RF front end for mobile phones and mobile terminals (Utilize partnership with Peregrine/ Increase production of in-house fab)

■ WiMax:

Deploy business with high value-added products including RF front end utilizing SOS advantages

■ ZigBee:

Increase sales with high value-added products including “RF-equipped-single-chip” by converging wireless technology for use in ubiquitous network (sensor, security)

■ ITS:

Expand sales with high value added products for automotive systems by converging with wireless technology such as DSRC

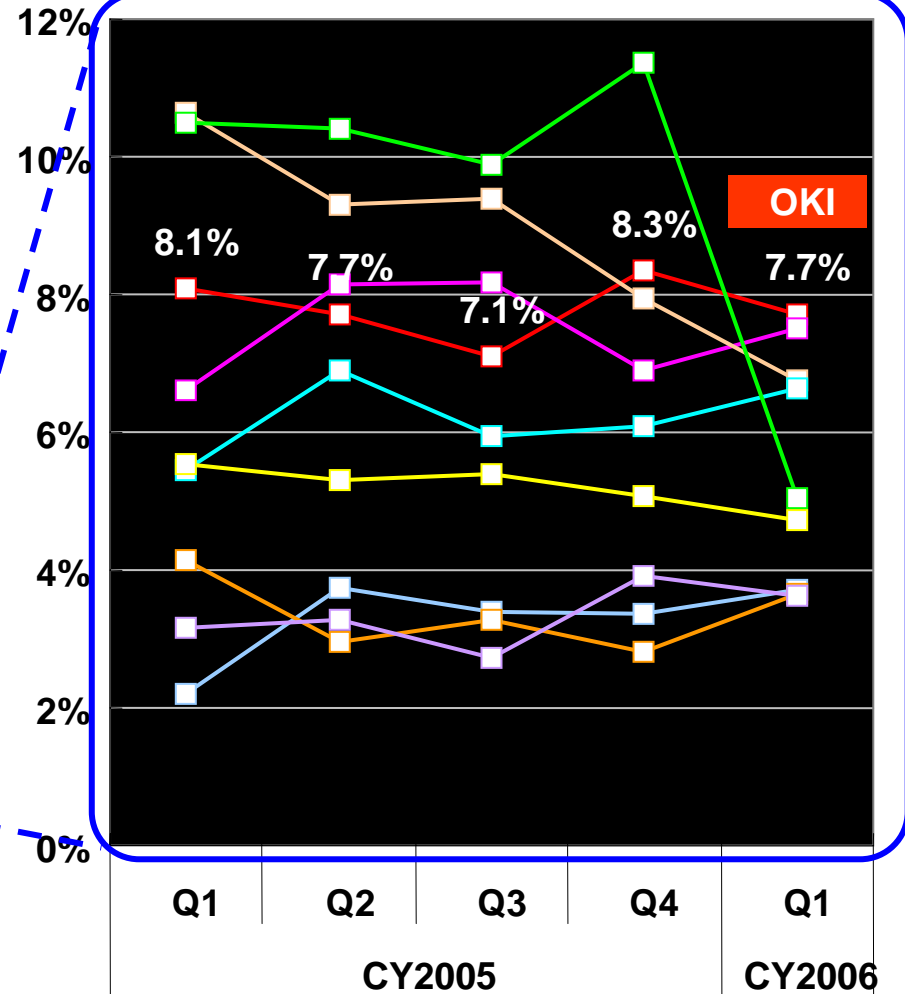
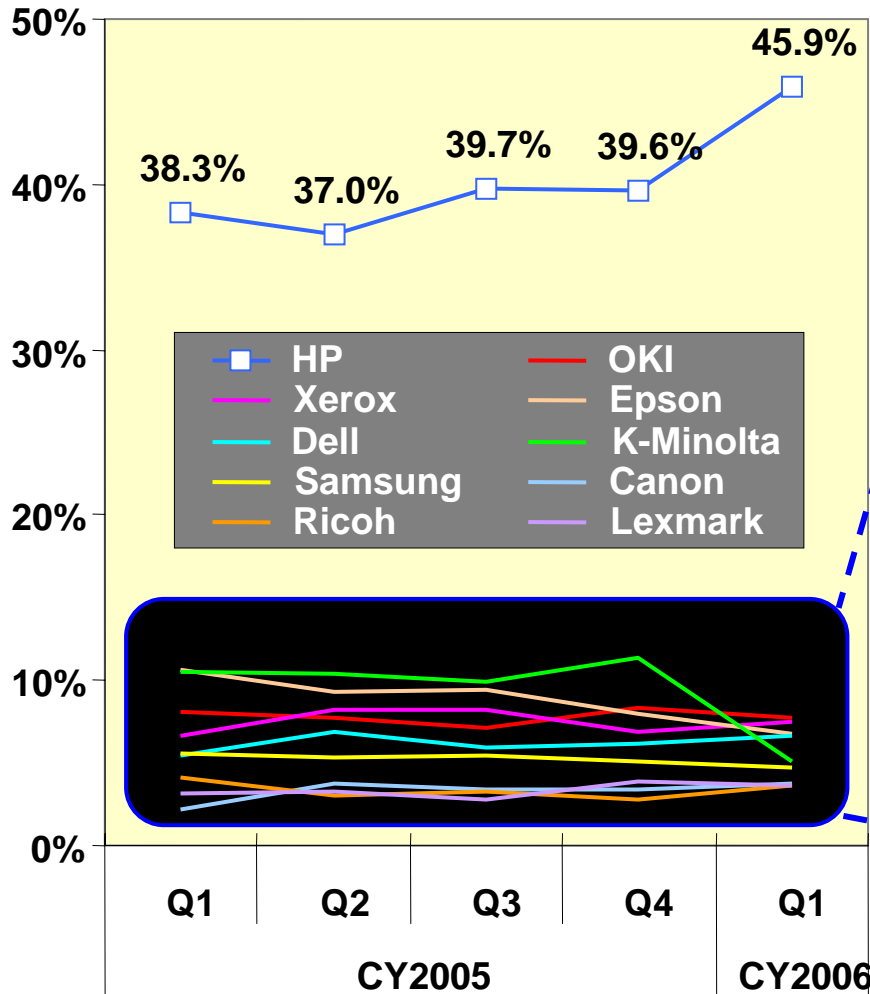
Color NIP: Main Measures

- Reduce costs:
 - Review cost measures at all process points
 - Reduce logistic costs, make efficient sales investments, and review other costs
 - Reduce costs through new LED head
- Shift from low-end desktop models to mid and high-end models
 - Increase street price for low-end models
 - Maintain advantage of cost to performance for mid and high-end models
- Enhance profitability for consumables
 - Increase toner product lineup and ensure appropriate sales route
 - Launch RFID equipped consumables to maintain sales of genuine products
 - Enhance consumable sales by developing various applications

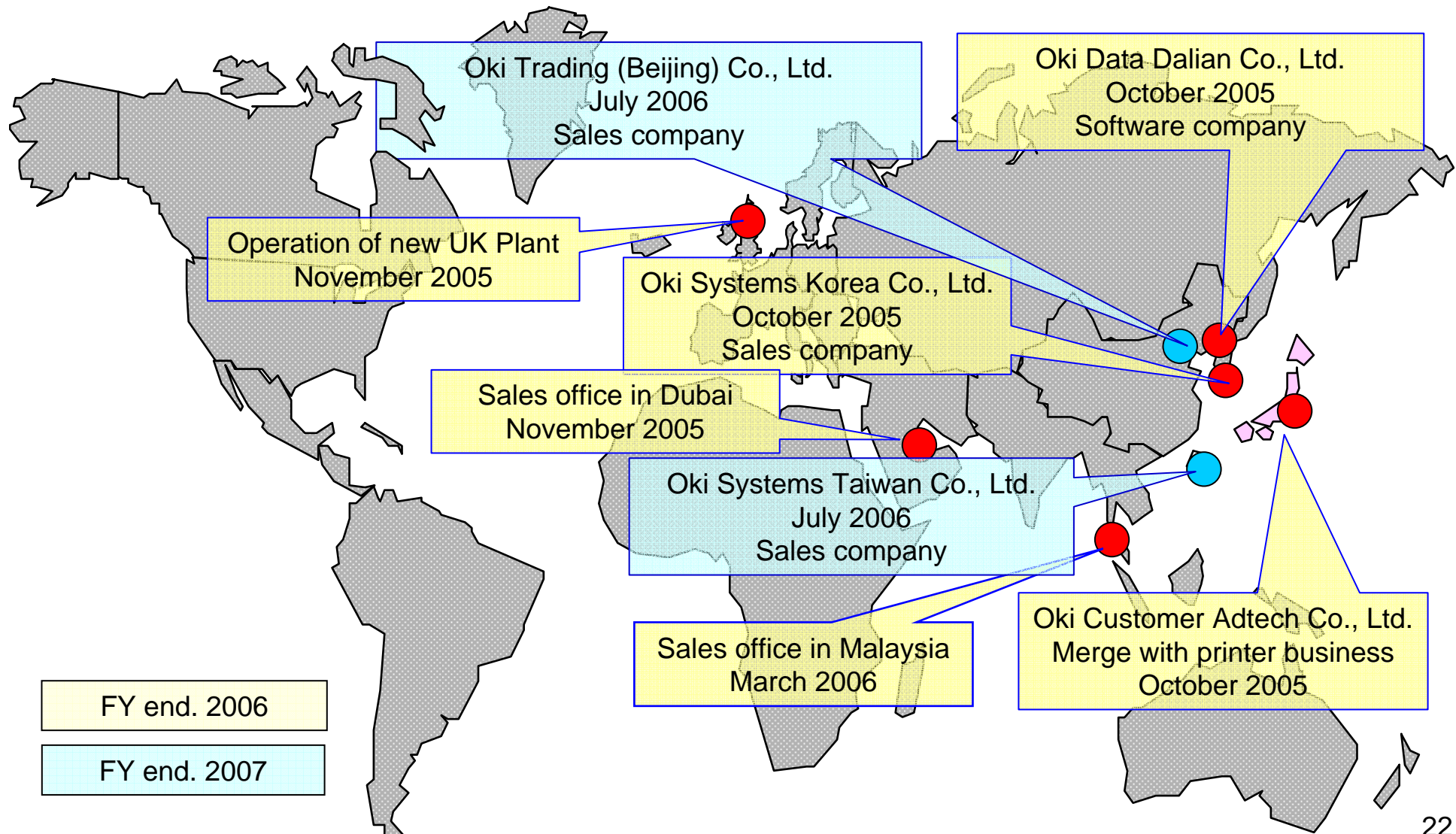
SIDM: Main Measures

- Expand market share by launching new low-end products to the BRIC markets

HP expands market share with laser tandem model
Oki remains No.2



Enhance global offices, including sales company in Beijing, to increase sales ability



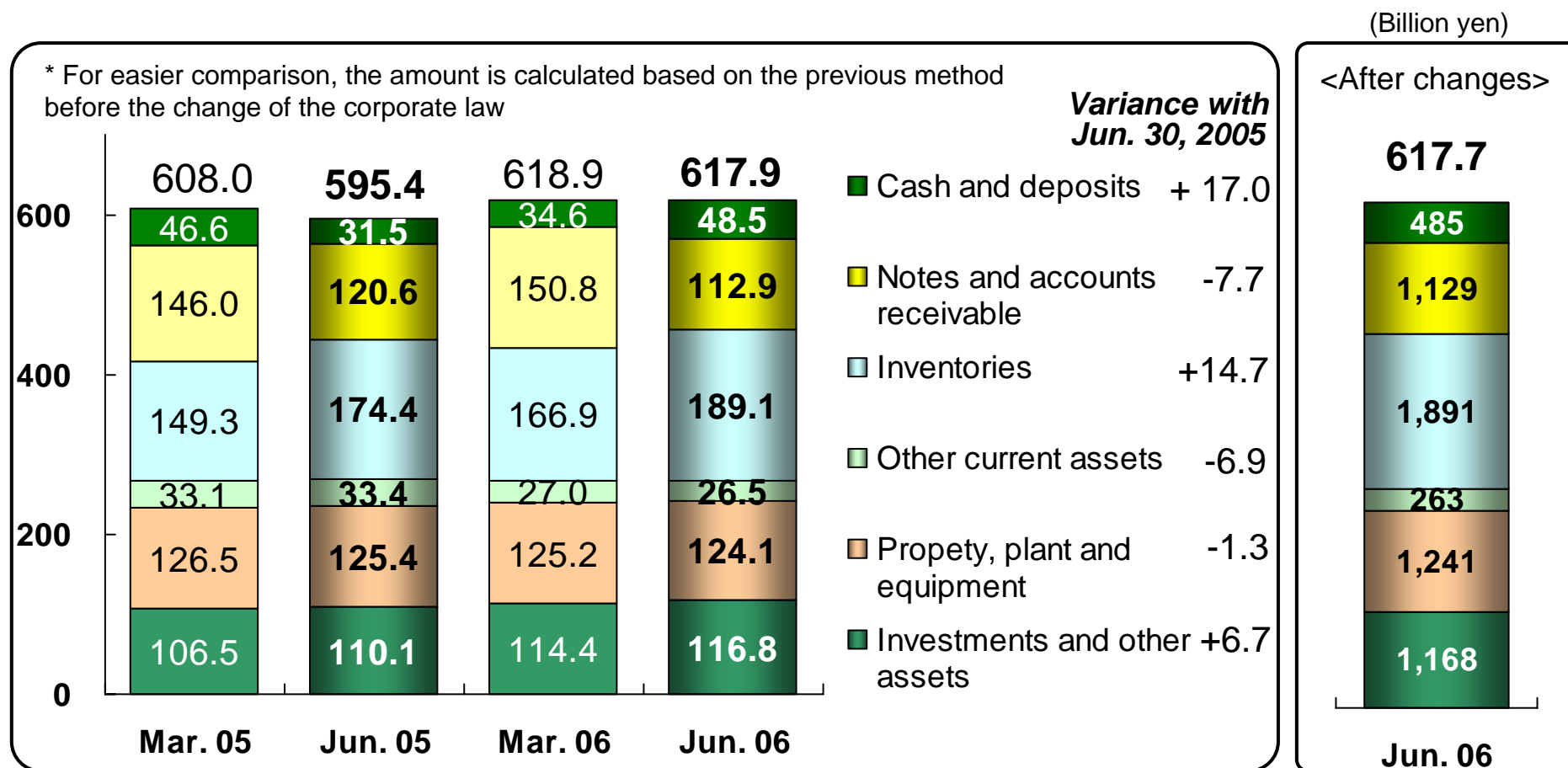
<Reference> Q1 Cash Flows

- Issued 30.0 B yen of convertible-bond-type-bonds with stock acquisition rights in June 2006

	Q1, FY Mar.06	Q1, FY Mar.07	Variance	Notes
I. Cash flows from operating activities	(18.7)	(6.6)	12.1	
Income before income taxes	(5.0)	(10.6)	(5.6)	<Working capital> Mar.06 Mar.07 Receivables 26.1 39.8 Inventories (25.0) (22.0) Payables (13.7) (10.9) Total (12.6) 6.9
Depreciation & amortization	7.9	7.9	0	
Changes in working capital	(12.6)	6.9	19.5	
Others	(9.0)	(10.8)	(1.8)	
II. Cash flows from investing activities	(7.5)	(5.6)	1.9	
Purchases of property, plant & equip.	(6.2)	(4.7)	1.5	
Others	(1.3)	(0.9)	0.4	
Free cash flows (I+II)	(26.2)	(12.2)	14.0	
III. Cash flows from financing activities	11.9	26.7	14.8	
Issuance of bonds	0	30.0	30.0	
Redemption of bonds	(10.0)	0	10.0	
Changes in other interest bearing debts, etc.	21.9	(3.3)	(25.2)	
Net cash flows (I+II+III)	(14.3)	14.5	28.8	
IV. Cash and cash equivalents at the period end	36.3	53.8	17.5	

<Balance Sheet: Assets>

- Cash and deposits increase by 17.0 B yen on a YoY basis due to increase in cash from issuance of corporate bond (For corporate bond redemption)
- Inventories increase by 14.7 B yen on a YoY basis due to sales increase in printers, long-term project for the government, and the affect of currency exchange

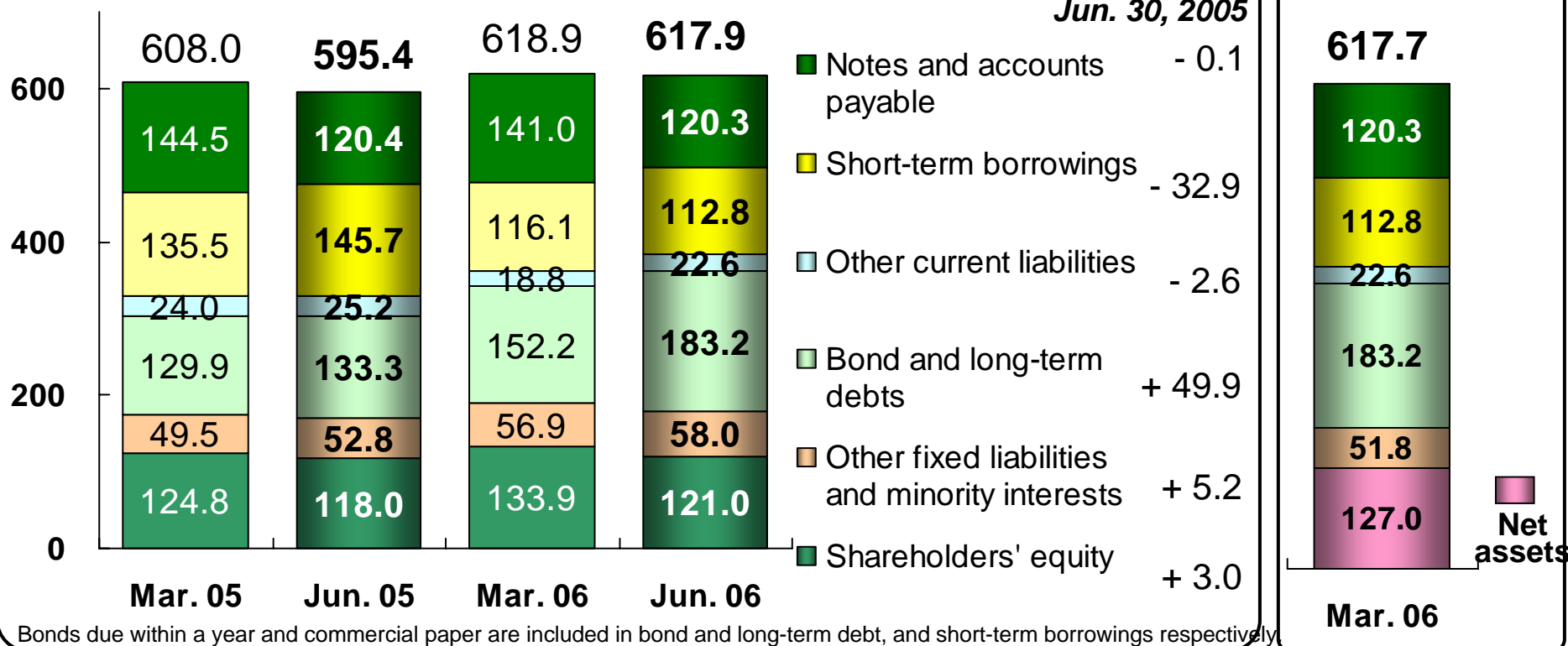


<Balance Sheet: Liabilities and Shareholders' Equity>

- Issued 30.0 B yen of convertible-bond-type-bonds with stock acquisition rights in June 2006

(Billion yen)

* For easier comparison, the amount is calculated based on the previous method before the change of the corporate law



Bonds due within a year and commercial paper are included in bond and long-term debt, and short-term borrowings respectively

P3	ATM	Automated Teller Machine	P16	NMS	Network Management System
	NGN	Next Generation Network		SI	System Integration
	ITS	Intelligent Transport System		GMPLS	Generalized Multi-Protocol Label Switching
	LCD	Liquid Crystal Display		ADM	Add-Drop Multiplexer
	SOS	Silicon on Sapphire		PON	Passive Optical Network
	NIP	Non-Impact Printer		GE-PON	Gigabit Ethernet PON
	SIDM	Serial Impact Dot Matrix		COF	CDMA over Fiber
	BRIC	Brazil, Russia, India, and China		MSAN	Multi Service Access Node
P5	SG&A	Selling, General and Administrative expense		TA	Terminal Adapter
P8	LSI	Large Scale Integration	P17	EA	Enterprise Architecture
	P2ROM	Production Programmed Read Only Memory		VICS	Vehicle Information Communication System
P15	PIN	Personal Identification Number		DSRC	Dedicated Short Range Communication
	IC	Integrated Circuit		ETC	Electronic Toll Collection
	OEM	Original Equipment Manufacturer		PBX	Private Branch Exchange
P16	IP	Internet Protocol		KTS	Key Telephone System
	QoS	Quality of Service	P18	TFT	Thin Film Transistor
	TDM	Time Division Multiplexing	P19	RF	Radio Frequency
	IMS	IP Multimedia Subsystem		PHS	Personal Handy-phone System
	VoIP	Voice over IP		LED	Light-Emitting Diode
	PSTN	Public Switched Telephone Networks	P20	ID	Identification
	OpS	Operation System			