

Financial Results for the Third Quarter of the Fiscal
Year ending March 31, 2005

January 28, 2005
Oki Electric Industry Co., Ltd.

1. **Financial results for the third quarter of the fiscal year ending March 31, 2005**
 - 1) Outline of financial results
 - 2) Profit and loss outline
 - 3) Balance sheet outline
 - 4) Segment information
 - 5) Cash flows

2. **Full year projections for the fiscal year ending March 31, 2005**
 - 1) Premises
 - 2) Segment information

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

- Sales increased substantially, especially sales of IP networks for telecom carriers and sales of LSIs including LCD drivers and P2ROM
(Approach for leveling imbalance between quarters also contributed)
- Incomes improved considerably along with sales growth
(Recurring income achieved positive for the nine months)
- Improvement of balance sheet includes decrease of interest-bearing debt by 36.2 billion yen on a year-on-year basis

(Billion yen)

	Nine month results			Three month results		
	Dec. 03	Dec. 04	Variance	Dec. 03	Dec. 04	Variance
Net Sales	428.3	478.4	50.1	147.0	158.7	11.7
Operating income	(0.5)	6.4	6.9	3.3	4.9	1.6
Recurring income	(7.0)	1.7	8.7	1.1	2.3	1.2
Net income	(11.5)	(1.1)	10.4	(0.9)	1.8	2.7
Total assets	610.7	589.1	(21.6)	-	-	-
Shareholders' equity	94.9	111.5	16.6	-	-	-
Interest-bearing debt	322.3	286.1	(36.2)	-	-	-

■ Comparison of consolidated P/L

(Billion yen)

	Q1 – Q3 (nine months)			Q3 (three mo.)	
	Dec. 03	Dec. 04	Variance	Dec. 03	Dec. 04
Net sales	428.3	478.4	50.1	147.0	158.7
(Cost of sales ratio)	(75.4%)	(74.1%)	(+1.3%)	(74.3%)	(73.0%)
Cost of sales	323.0	354.6	31.6	109.2	115.9
(SG&A ratio)	(24.7%)	(24.5%)	(- 0.2%)	(23.4%)	(23.9%)
SG&A	105.8	117.4	11.6	34.5	37.9
Operating income	(0.5)	6.4	6.9	3.3	4.9
Other income	(6.5)	(4.7)	1.8	(2.2)	(2.6)
Recurring income	(7.0)	1.7	8.7	1.1	2.3
Extraordinary income	1.1	2.7	1.6	0.3	2.2
Extraordinary loss	10.4	5.3	(5.1)	3.0	0.7
Income before taxes	(16.3)	(0.9)	15.4	(1.6)	3.8
Income taxes	(4.8)	0.2	5.0	(0.7)	2.0
Net income	(11.5)	(1.1)	10.4	(0.9)	1.8

<Nine month P/L points>

- Sales increased in all segments, particularly in telecom and electronic devices
- Cost of sales improved due to reduction of procurement cost, etc.
- Operating income achieved profitability, due to large improvement in telecom and electronic device sectors, while decline in info segment
- Net income developed considerably due to improvement in other and extraordinary incomes, added to increase in operating income

■ *Nine month comparison*

- Other income/expenses improved by 1.8 billion yen as financial account balance and foreign exchange balance improved
- Extraordinary income/loss improved by 6.7 billion yen, largely due to gain on sales of fixed assets this year and disaster loss in the previous year

(Billion yen)

	Dec. 03	Dec. 04
Operating income	(0.5)	6.4
Interest and dividends income	0.9	1.1
Foreign currency gain	-	0.4
Others	1.4	0.6
Other income	2.3	2.1
Interest expense	5.5	5.1
Foreign currency loss	1.6	-
Others	1.7	1.7
Other expenses	8.8	6.8
Recurring income	(7.0)	1.7

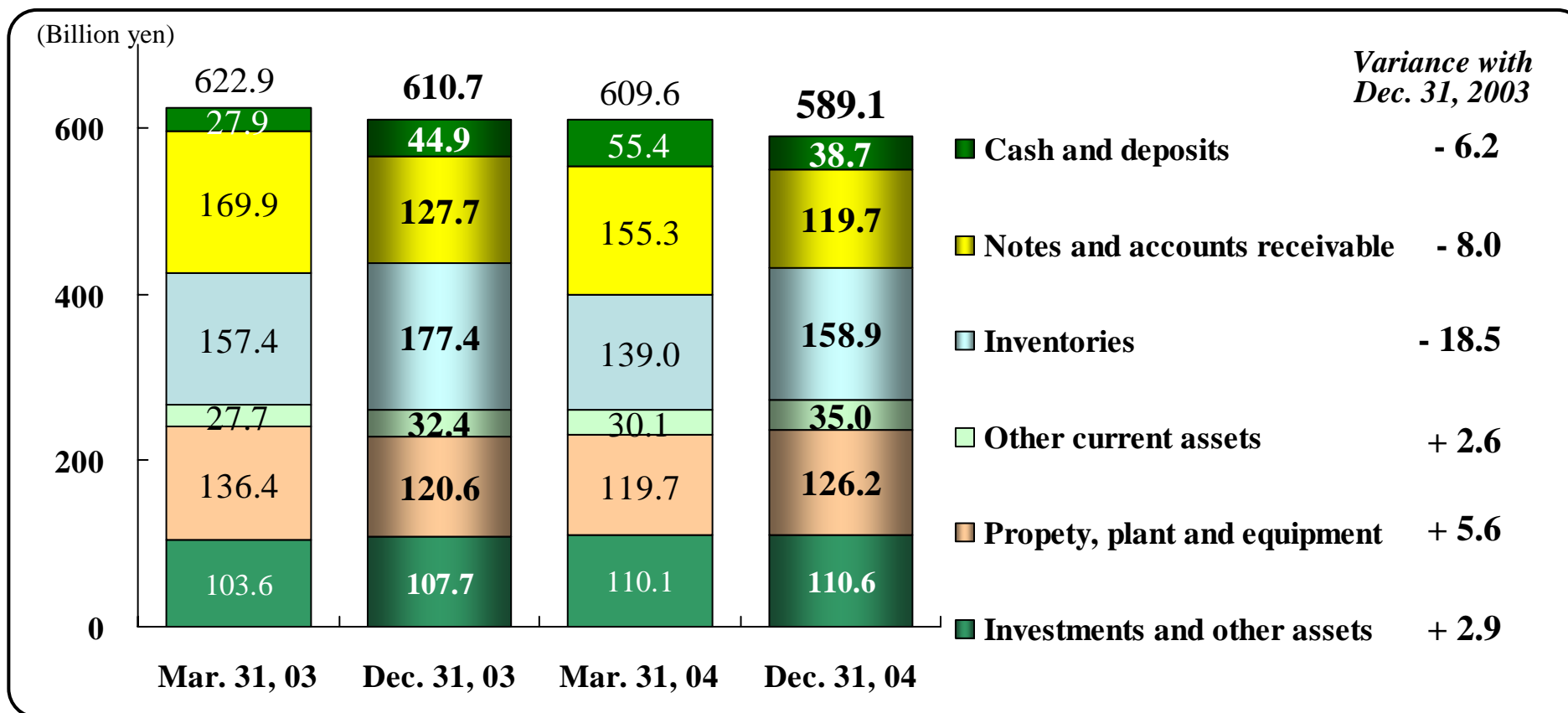
	Dec. 03	Dec. 04
Recurring income	(7.0)	1.7
Gain on sale of fixed assets	0.0	1.2
Gain on sale of marketable securities	0.9	1.5
Others	0.2	0.0
Extraordinary income	1.1	2.7
Loss on sale and disposition of fixed assets	2.3	2.1
Disaster loss	3.4	0.0
Special retirement payments	2.1	1.6
Others	2.6	1.6
Extraordinary loss	10.4	5.3
Income before tax	(16.3)	(0.9)

<Balance Sheet: Assets>

(Times)

- Total assets decreased by 21.6 B yen on year-on-year base, due to reduction of accounts receivables and inventories
- Major turnover ratios improved substantially

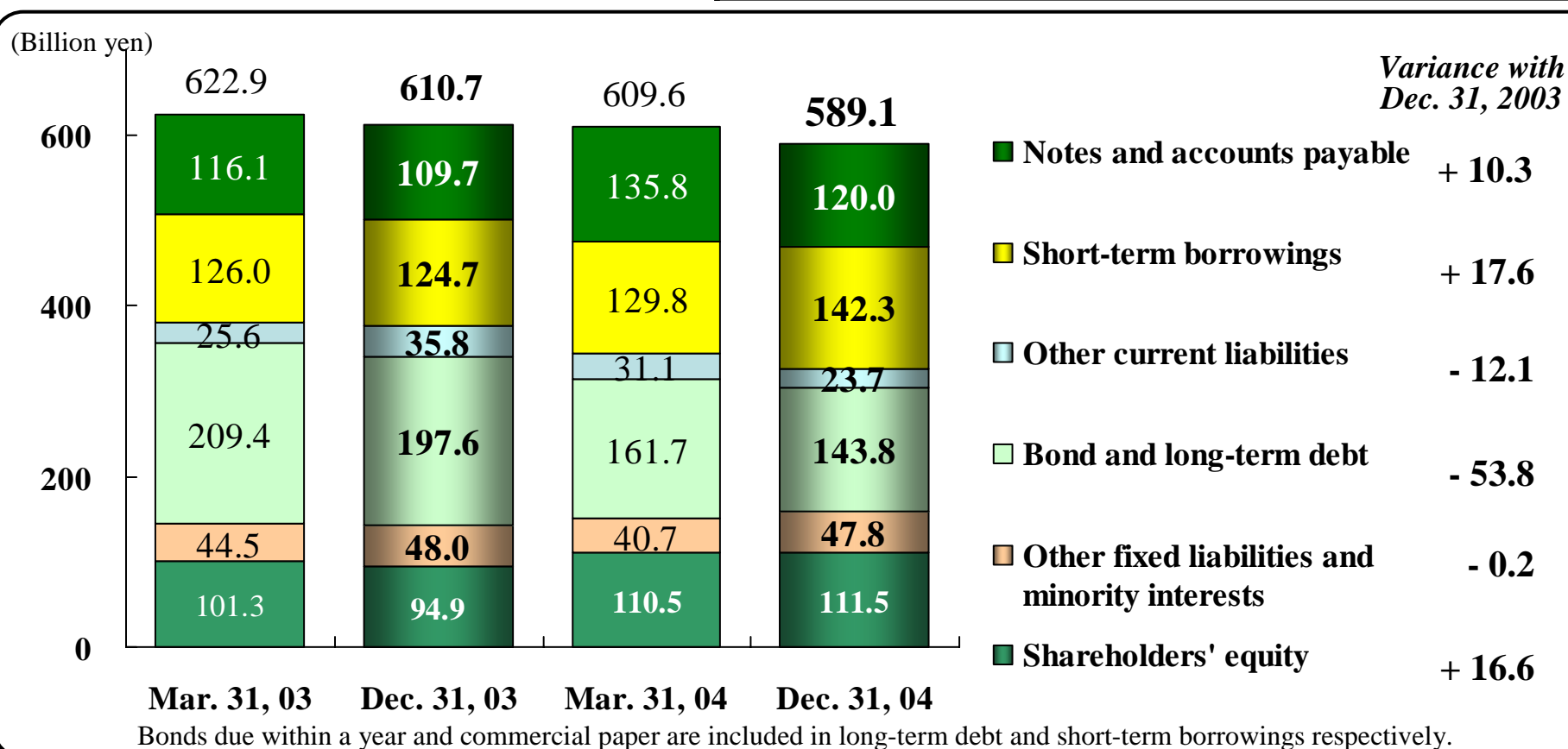
<i>Turnover ratio</i>	Dec. 03	Dec.04	Variance
Total assets	0.93	1.06	0.13 improved
Notes and accounts receivable	3.84	4.64	0.80 improved
Inventory	3.41	4.28	0.87 improved



<Balance Sheet: Liabilities and Shareholders' Equity>

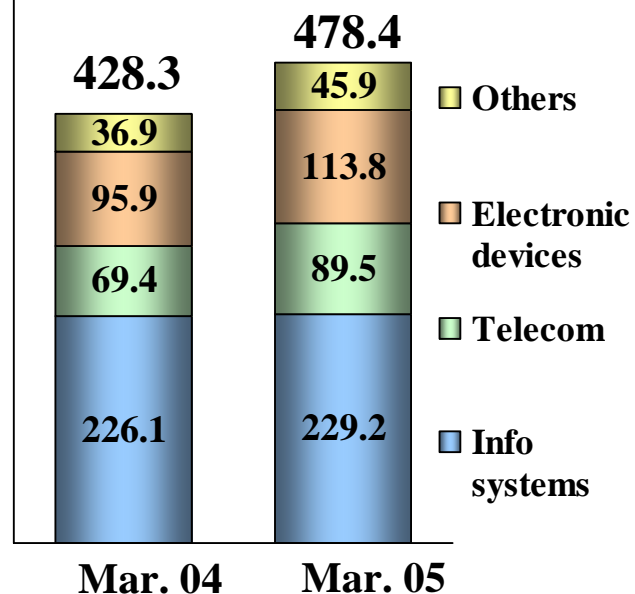
- Interest-bearing debt decreased by 36.2 B yen on year-on-year base, due to improvement in cash flows

	Dec. 03	Dec. 04	Variance
Amount of interest-bearing debt (B yen)	322.3	286.1	36.2 decreased
Interest-bearing debt ratio (%)	52.8	48.6	4.2 improved
Shareholders' equity ratio (%)	15.5	18.9	3.4 improved

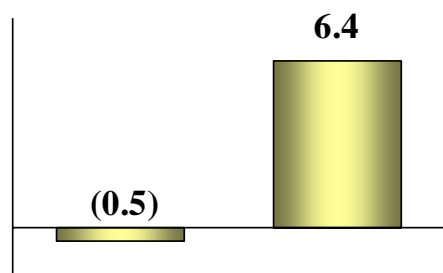


<Q1-Q3 (nine months)>

Net sales (Billion yen)



Operating income



Net sales

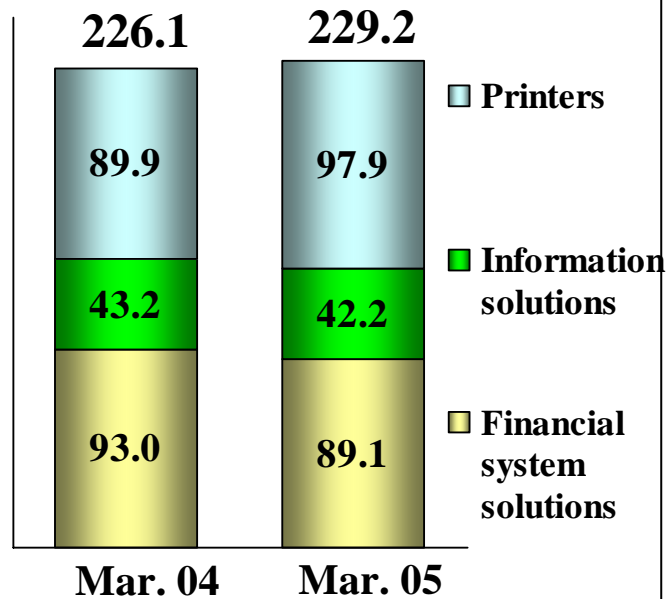
- Sales increases in all segments
- In information systems segment, while printer sales grows, total sales remains slight increase due to significant decline of ATM caused by completion of new banknote-related business
- Telecom segment shows significant growth due to expansion of investments on infrastructures by carriers
- Sales in electronic devices segment increases considerably, especially sales of LCD drivers and P2ROMs (5.0 billion yen of business loss caused by earthquakes in the previous year)

Operating income

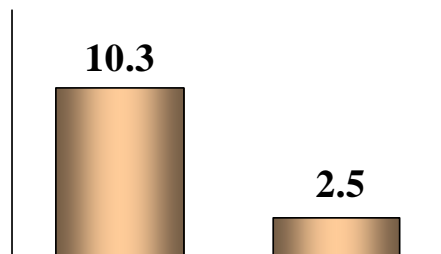
Increase in telecom and device sectors covers large decline in info systems segment. Significant growth in total

<Q1-Q3 (nine months)>

Net sales (Billion yen)



Operating income



Net sales

Printers

Printer total sales grows on year-on-year basis. Increase in color NIP sales and steady in SIDM

Information solutions

Slight decrease from the previous year results due to tendency of investment deferment in both governments and enterprises sectors

Financial system solutions

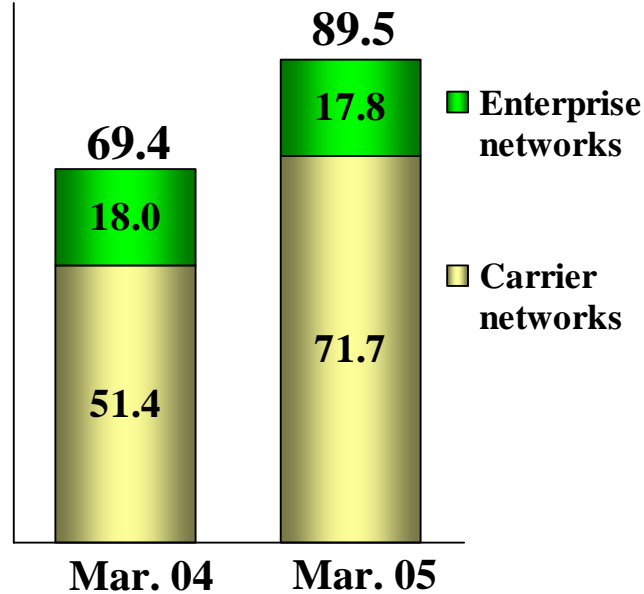
Decrease in sales due to large declines in ATM sales and pertinent charge-free maintenance incomes, though sales of counter terminals for financial institutions grows

Operating income

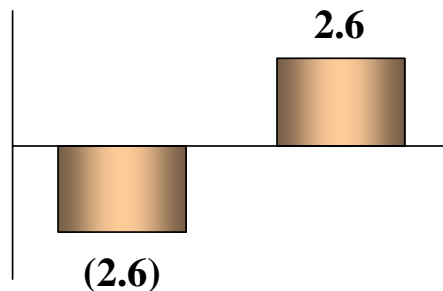
Large decrease in income, due to decrease in ATM sales and its maintenance fees, fierce competitions in information segment, and prior investments for R&D and for sales expansion in printers

<Q1-Q3 (nine months)>

Net sales (Billion yen)



Operating income



Net sales

Enterprise networks

Business inquiries are active, especially in SS9100, a pillar of information and telecom converged solutions, but almost same level of sales as the previous year

Carrier networks

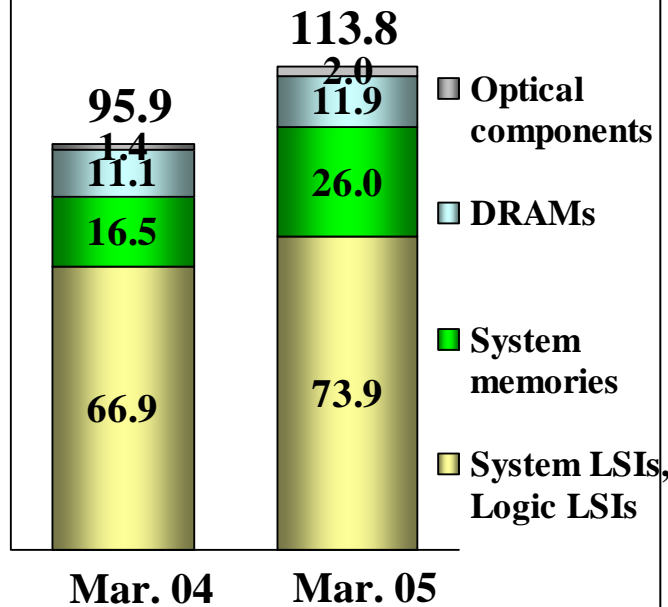
Considerable sales increase due to expansion of investments on IP network infrastructures by telecom carriers

Operating income

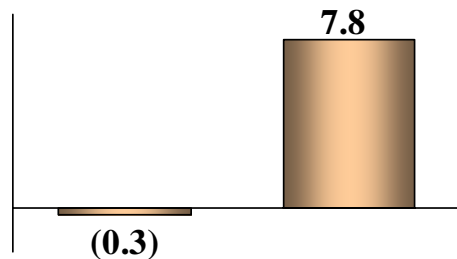
Growth of sales for telecom carriers contributes significant increase of operating income

<Q1-Q3 (nine months)>

Net sales (Billion yen)



Operating income



Net sales

System memories

Increase in sales of P2ROMs used for amusement equipment including games, electronic dictionary, educational equipment, and printers

System LSIs, Logic LSIs

Significant increase, especially in LCD drivers and foundry business. However, signs of weakening market in LCD drivers and PHS

Operating income

Significant increase due to large sales increase, results of business reforms in optical components, and 3.0 billion yen of business loss by earthquakes in previous year

- Issued 20.0 billion yen of convertible bonds in Nov. 2004
- Full year projections on cash flow is unchanged from Oct. 28 2004 announcement

(Billion yen)

Q1 – Q3 (Nine months)	FY Mar. 04 (results)	FY Mar. 05 (projections)	Variance	Full year for FY Mar. 05 (Oct 28 project.)
I. Cash flows from operating activities	38.7	24.8	(13.9)	65.0
Income (loss) before income taxes	(16.3)	(0.9)	15.4	16.0
Depreciation & amortization	25.2	23.7	(1.5)	35.0
Changes in operating assets & liabilities	16.9	9.4	(7.5)	10.0
Others	12.9	(7.4)	(20.3)	4.0
II. Cash flows from investing activities	(7.6)	(35.9)	(28.3)	(45.0)
Purchases of property, plant & equipment	(14.5)	(30.5)	(16.0)	(36.0)
Others	6.9	(5.4)	(12.3)	(9.0)
Free cash flows (I+II)	31.1	(11.1)	(42.2)	20.0
III. Cash flows from financing activities	(12.6)	(5.6)	7.0	(25.0)
Bond issuance	0.0	20.0	20.0	
Redemption of bonds	(7.7)	(15.0)	(7.3)	(15.0)
Changes in other interest bearing debts, etc.	(4.9)	(10.6)	(5.7)	(10.0)
Net cash flow (I+II+III)	18.5	(16.7)	(35.2)	(5.0)
IV. Cash and cash equivalents at the period end	47.2	41.7	(5.5)	53.1
V. Interest-bearing debts at the period end	322.3	286.1	(36.2)	266.4

<Economy forecast>

- While enterprise capital investment remains steady, the active digital appliance market, a leading force of economy, is toning down
- High material prices, appreciation of yen, and slowdown of exports are causes of concern

<Business environment>

- Info systems: Expansion in the color printer market. Fierce competition in info systems including financial system solutions
- Telecom: Continuous expansion of carriers investments to broadband IP networks
- Device: Semiconductor market growth slows down, which leads downward trend in unit prices

<Impact on profit by currency exchange rate>

	Q3 (nine months) results		Q4 projections
	Projected rate	Actual rate	Projected rate
US dollar	105 yen/\$	107.7 yen/\$	105 yen/\$
Euro	130 yen/E	139.5 yen/E	130 yen/E

Full year projection is unchanged from the previous announcement on Oct. 28, 2004

Net sales

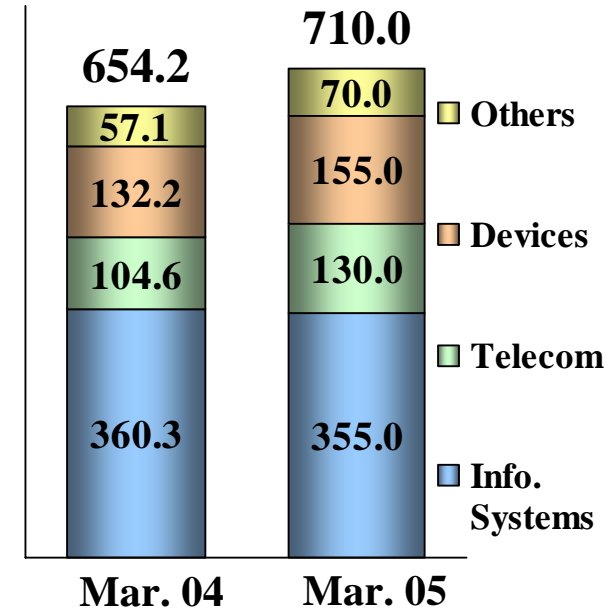
- In info systems segment, the printer market remains steady. Severer price competitions and deferred investments in financial and government sectors
- In telecom segment, accelerated investments on infrastructures by telecom carriers are expected
- Slowdown of growth in electronic device segment due to LCD driver price down led by the weakening market and volume decrease in LSIs for PHS led by inventory adjustment of terminals
- Slight decrease in total sales

Operating income

In total, no significant changes. While there are concerns of income decrease along with sales reduction in information and device segments, income increase in telecom sector is expected

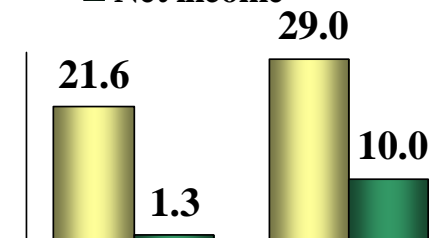
<Previous announcement>
(Oct. 28, 04)>

Net sales (Billion yen)



Operating income

■ Operating income
■ Net income



Net sales

Printers

Sales is expected to reach the projected numbers due to the steady color NIP and SIDM markets

Information solutions

Deferments of government systems to the next period and investment curb and delays by travel industry

Financial system solutions

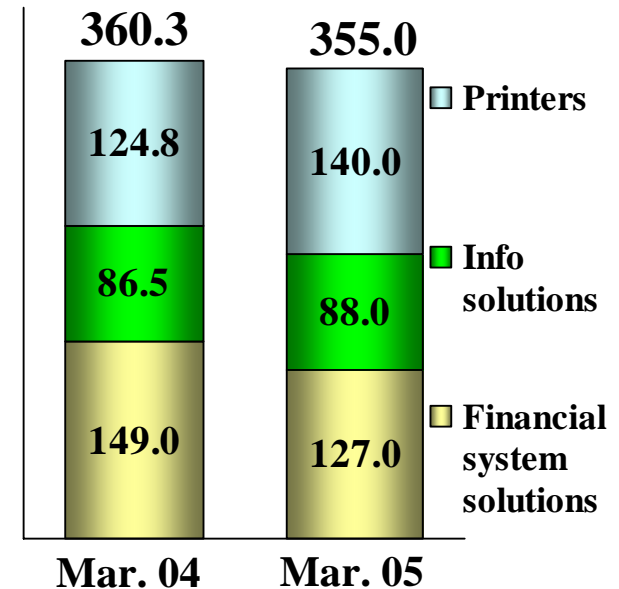
Delay in rise of new market, such as e-financial systems, after completion of new banknote-related businesses, and deferment of investments by financial institutions

Operating income

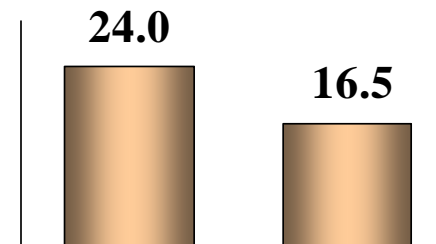
Risk of income reduction caused by sales decline in the financial system and government markets

<Previous announcement>
(Oct. 28, 04)>

Net sales (Billion yen)



Operating income



Net sales

Carrier networks

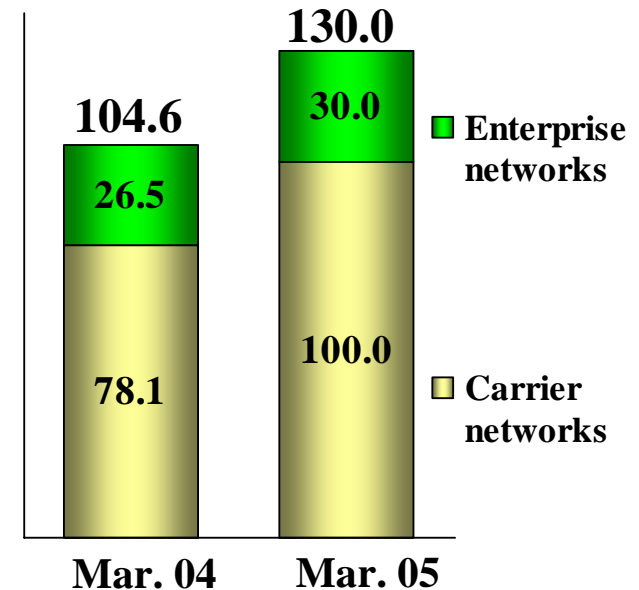
Upward sales due to accelerated expansion of local IP networks, investments on IP network constructions by telecom carriers, and steady sales of CPEs, including VoIP gateways

Operating income

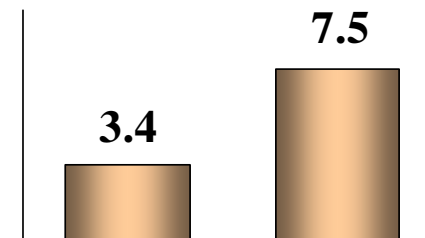
Expect increase of operating income caused by increasing sales

<Previous announcement>
(Oct. 28, 04)>

Net sales (Billion yen)



Operating income



Net sales

System memories

P2ROMs' sales further expands, particularly used for amusement equipment including games, electronic dictionaries, educational equipment, and printers

System LSIs, Logic LSIs

Sales reduction in PHS baseband LSIs due to inventory adjustments of terminals in China, and decline of price for driver LSIs

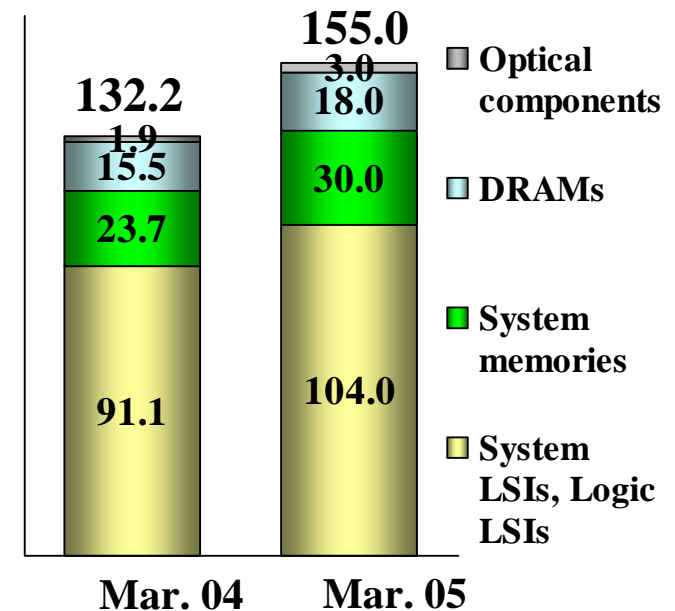
Operating income

Risks are becoming obvious, as shown in price pressures caused by the weakening market

<Previous announcement>
(Oct. 28, 04)>

Net sales

(Billion yen)



Operating income

