



**Katsumasa Shinozuka**  
*President and  
Chief Executive Officer*

### Management Results

Organizational and structural changes in the financial and communications industries, as well as global competition and changes in business models brought on by the information technology (IT) revolution, are dramatically transforming Oki Electric's business environment. In this rapidly evolving environment, the companies of the Oki Group smoothly and steadily implemented the "Phoenix 21" strategy, formulated in 1998, and worked together to achieve stable profits and fulfill Oki's vision under the slogan: "Oki, Network Solutions for a Global Society."

For the year ended March 31, 2001 (fiscal 2001), Oki's consolidated net sales rose 10.5% to ¥740,250 million. Strong sales of electronic devices, particularly logic and system LSIs, and silicon wafer foundries, as well as growth in information and telecommunications systems, were major contributors to these results. Operating income more than doubled from the previous fiscal year, to ¥28,314 million, and net income grew approximately eight times, to ¥8,944 million, reflecting firm memory prices and continuous efforts to reduce costs.

- Stimulated by demand for ATMs capable of handling
- ¥2,000 bills, introduced in Japan in calendar 2000, and
- new-model color printers, net sales to third parties in the
- information systems segment rose 3.2% to ¥352,418 million.
- Telecommunications systems saw growth in sales of CTI
- and VoIP, pushing net sales up 11.0%, to ¥163,330 million.
- In the electronic devices segment, net sales grew 27.0%, to
- ¥181,978 million.
- For fiscal 2002, ending March 31, 2002, we anticipate
- consolidated net sales of ¥780,000 million and consolidated
- net income of ¥9,000 million.

### Basic Management Policies

- In line with the vision summarized in the "Oki, Network
- Solutions for a Global Society" slogan, the Oki Group
- focuses its basic management policies on ensuring agility
- and concentrating resources in businesses that optimize
- strengths, thereby enabling continuous expansion despite
- stiffening global competition.
- The Group's management style contributes to the devel-
- opment of a global network society (e-society) while
- emphasizing profit, growth and speed. Increased corporate

value benefits all stakeholders, including shareholders, customers and employees.

We are upgrading and strengthening our business systems by investing in research and development and by introducing state-of-the-art manufacturing facilities in preparation for future business expansion. Our basic policy also emphasizes stable cash dividends in line with profits. Dividends for fiscal 2001 were ¥5.0 per share.

### Progress of Phoenix 21

Oki remains committed to promoting and implementing its management reorganization plan, Phoenix 21, launched in September 1998 and scheduled for completion in fiscal 2002. The plan's measures were steadily and smoothly implemented in its first two years. Fiscal 2000 consolidated financial statements show that profitability had been restored, allowing the resumption of dividends for fiscal 2001. Sharp changes in the business environment and a revised accounting system have caused our predictions and budget to fall short of the original Phoenix 21 goals for fiscal 2002. The plan has begun to bear fruit, however, and we are confident we will achieve our goals in the near future.

On March 29, 2001, in response to the significant changes in our business environment, we presented "Phoenix 21 Sky-High," a growth plan that draws on the results of Phoenix 21 and will guide us until fiscal 2006. This medium-range business plan will be amended as necessary to reflect changes in the business and management environment. Using "the flight of the phoenix" as its key adage, the plan sets out the growth strategies necessary to transform Oki from a stable and profitable company into an outstanding growth company. In fiscal 2002, we will lay the groundwork that will lead to an increase in corporate value in fiscal 2003.

### Phoenix 21 Sky-High, the Next Medium-Term Plan

Improved profitability and growth and, consequently, increased corporate value are the management goals of this plan. We have adopted return on equity (ROE) as our principal indicator of profitability, and sales growth as a measure of growth.

Fiscal 2002 is the preparatory year that will serve as the basis of the Phoenix 21 Sky-High plan, in which we are aiming for average annual sales growth higher than 6.0%, which, in fiscal 2006, should culminate in ¥1.0 trillion in consolidated net sales, ROE exceeding 12.0%, and net income of ¥30.0 billion.

The plan's measures include reorganizing our businesses to achieve our vision in four segments. This will enable us to concentrate on businesses that represent our strengths, and to move away from product-oriented IT solutions toward e-business solutions, thereby making service a source of competitive strength. To reinforce our management base, we are pursuing a networked in-house company system and carrying out measures that will support growth strategies, such as realigning in-house companies, promoting venture companies, strengthening procurement and reorganizing our production structure. Furthermore, we are improving corporate governance to enhance management transparency, appointing external directors (elected at the general meeting of shareholders in June 2001) and establishing management advisory and compensation boards. We are also striving to lessen the environmental impact of our activities by offering environment-friendly products and implementing environmental accounting.

In closing, we express our gratitude to shareholders for their continued support.

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