

## Fiscal 2002 Results

Economic conditions in fiscal 2002, ended March 31, 2002, were extremely harsh, with a stagnant telecommunications market in Japan and North America and a global slump in the semiconductor market. In this environment, sales of telecommunications and electronic devices fell far below fiscal 2001 levels, leading to consolidated net sales totaling ¥604,572 million, an 18.3% drop.

To respond to these sudden market changes, we reduced variable costs by accelerating overseas production and lowering procurement costs for materials. Retrenchments in personnel expenses and capital investment reduced fixed costs, but these measures were not enough to counteract deep drops in sales, resulting in an operating loss of ¥27,247 million.

Extraordinary losses owing to restructuring losses incurred in structural reforms, write-downs of investments in subsidiaries and other investments in securities caused by the sluggish stock market, and write-downs of inventories resulted in a ¥34,077 million net loss, compared with net income of ¥8,944 million in fiscal 2001.

## Results of the Phoenix 21 Plan

The Oki Group worked together to accomplish the medium-term Phoenix 21 management plan, which was launched in September 1998 for completion in fiscal 2002. This plan emphasizes four priority tasks: making transitions in business structure that focus management resources on sectors that represent Oki strengths and withdrawing from unprofitable business; rebuilding the semiconductor business to achieve stable revenues; revamping and strengthening Group management through the introduction of an in-house company system; and performing morale-building activities and reforming the organization to achieve our corporate vision of becoming a network solutions company. These are the most important issues ahead of us.

Although the Phoenix 21 plan was successful in implementing measures that reformed Oki's business structure, in fiscal 2002—the last year of the plan—changes in the business environment far exceeded our predictions, and we were not able to achieve the plan's goals. I believe the primary reason for this was our insufficient ability to respond to sudden changes in the business environment. It is now essential that we improve this ability and build a stable business foundation.

## Revisions to Phoenix 21 Sky-High

In March 2001, Phoenix 21 Sky-High, the new medium-term management plan, was established. The plan was for the three years from fiscal 2003 to fiscal 2005, with fiscal 2002 as the preparatory year. In consideration of market changes in fiscal 2002, however, the plan was revised.

In the revised Phoenix 21 Sky-High plan, the competencies of each business were reassessed to stress pursuit of revenues. This will enable a transition to a qualitative business structure that can respond to sudden changes in the management environment.

I believe the IT market will recover in a year, so the plan has been extended until fiscal 2006, for a total of four years. The management objectives for fiscal 2006 are sales totaling over ¥800,000 million and operating income exceeding ¥48,000 million.

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

June 2002



Katsumasa Shinozuka  
President and Chief Executive Officer

