

Ok Electric Financial Results for the Fiscal Year ended March 31, 2003

April 28, 2003

Ok Electric Industry Co., Ltd.

<http://www.oki.com>

(1) Financial Results for the Fiscal Year ended March 31, 2003

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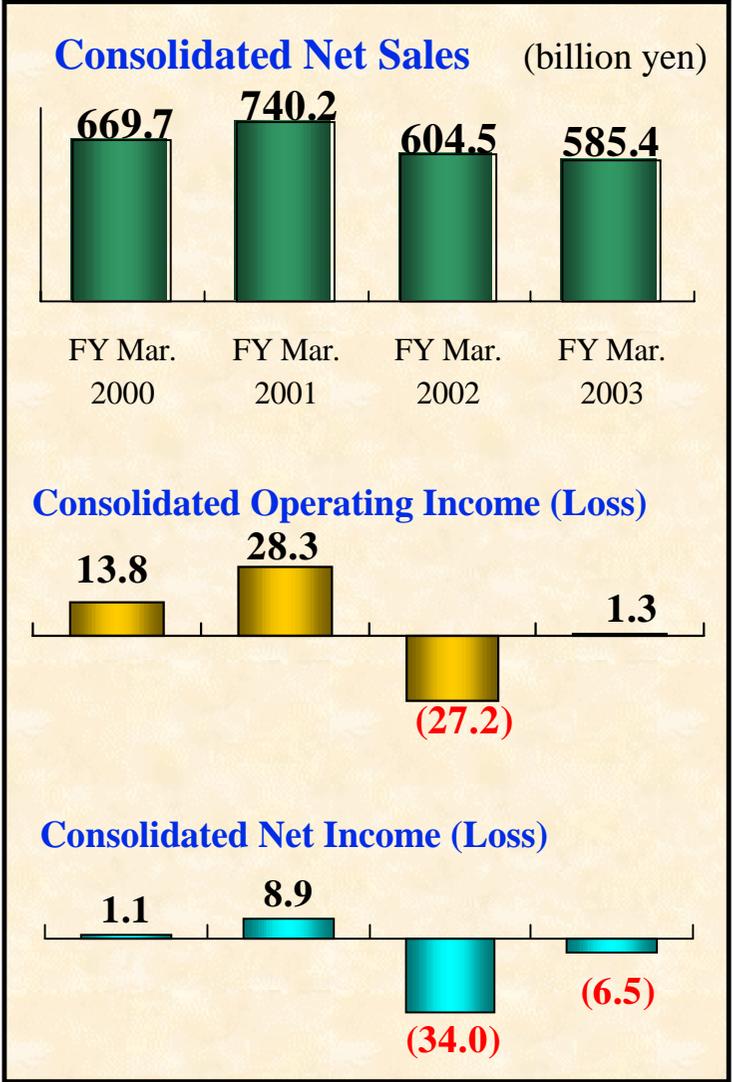
Outline of Consolidated Financial Results

Operating Income returns to profitability due to the implementation of business structural reform

Highlights

- **Net sales** marked **585.4B yen**, a 19.1 B yen decrease (down 3.2%) relative to the previous year due to the market curtail in capital investments and downturn in IT market
- **Operating income** marked **1.3 B yen**, **improving 28.5 B yen** relative to the previous year due to the effort of fixed cost reduction, shifting fixed costs to variable costs and cutting down procurement costs (Refer to p6)
- **Net income/loss** improved by 27.5 B yen relative to the previous year. However with the write-down loss of marketable securities and restructuring expenses that occurred, net income resulted in a **negative 6.5 B yen**. (Write-down loss of marketable securities: 7.2 B yen)

Business structural reform puts an end to the decreasing profit. Next challenge is to increase total shareholders' equity by increasing net income.



FY Mar.2003 Results

Summary of Performance

Five-year summary

(Projections)

Category		FY Mar. 2000	FY Mar. 2001	FY Mar. 2002	FY Mar. 2003	FY Mar. 2004
Net sales	(billion yen)	669.7	740.2	604.5	585.4	630.0
Operating income (loss)	(billion yen)	13.8	28.3	(27.2)	1.3	20.0
Recurring income (loss)	(billion yen)	7.2	22.2	(31.1)	(7.8)	11.0
Net income (loss)	(billion yen)	1.1	8.9	(34.0)	(6.5)	3.5
Net income (loss) per share	(yen)	1.87	14.60	(55.66)	(10.72)	—
Total assets	(billion yen)	748.4	732.4	651.5	622.8	—
Total shareholders' equity	(billion yen)	142.5	148.8	109.0	101.3	—
Total shareholders' equity ratio	(%)	19.0	20.3	16.7	16.3	—
Return on equity	(%)	0.8	6.1	(26.4)	(6.2)	—
Shareholders' equity per share	(yen)	232.86	243.12	178.16	165.63	—
Cash flows from operating activities	(billion yen)	55.9	62.4	16.9	0.2	80.0
Cash flows from investing activities	(billion yen)	(43.4)	(13.9)	(25.8)	4.3	(40.0)
Cash flows from financing activities	(billion yen)	(54.5)	(63.5)	0.3	(20.0)	(40.0)

FY Mar.2003
Results

Outline of Profit and Loss

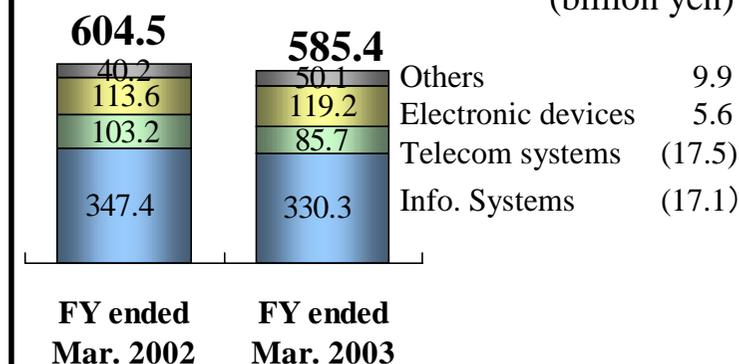
■ P/L Comparison

(billion yen)

	FY end. Mar. 02	FY end. Mar. 03	Variance
Net sales	604.5	585.4	(19.1)
(percentage)	(81.1%)	(76.1%)	(improve 5.0%)
Cost of sales	490.2	445.7	(44.5)
SG&A expenses	141.5	138.3	(3.2)
Operating income	(27.2)	1.3	28.5
Other income	(3.9)	(9.2)	(5.3)
Recurring income	(31.1)	(7.8)	23.3
Extraordinary income	12.0	(*1) 21.1	9.1
Extraordinary loss	37.9	(*2) 16.7	(21.2)
Income before taxes (benefits)	(57.0)	(3.4)	53.6
Income taxes	(22.9)	3.0	25.9
Net income	(34.0)	(6.5)	27.5

Consolidated Net Sales

(billion yen)



Consolidated Operating Income/Loss

(billion yen)

	FY 02	FY03	Variance
Info. Systems	3.1	19.8	16.7
Telecom Systems	(9.5)	(8.1)	1.4
Electronic Devices	(11.8)	(0.9)	10.9
Others	0.7	1.0	0.3
Corporate and eliminates	(9.7)	(10.3)	(0.6)
Total	(27.2)	1.3	28.5

(*1) Gain on sale of land and buildings (Shibaura, Koganei, others in Japan) 19.6

Gain on sales of marketable securities 1.4

(*2) Restructuring loss 6.1

Write-down loss of marketable securities 7.2

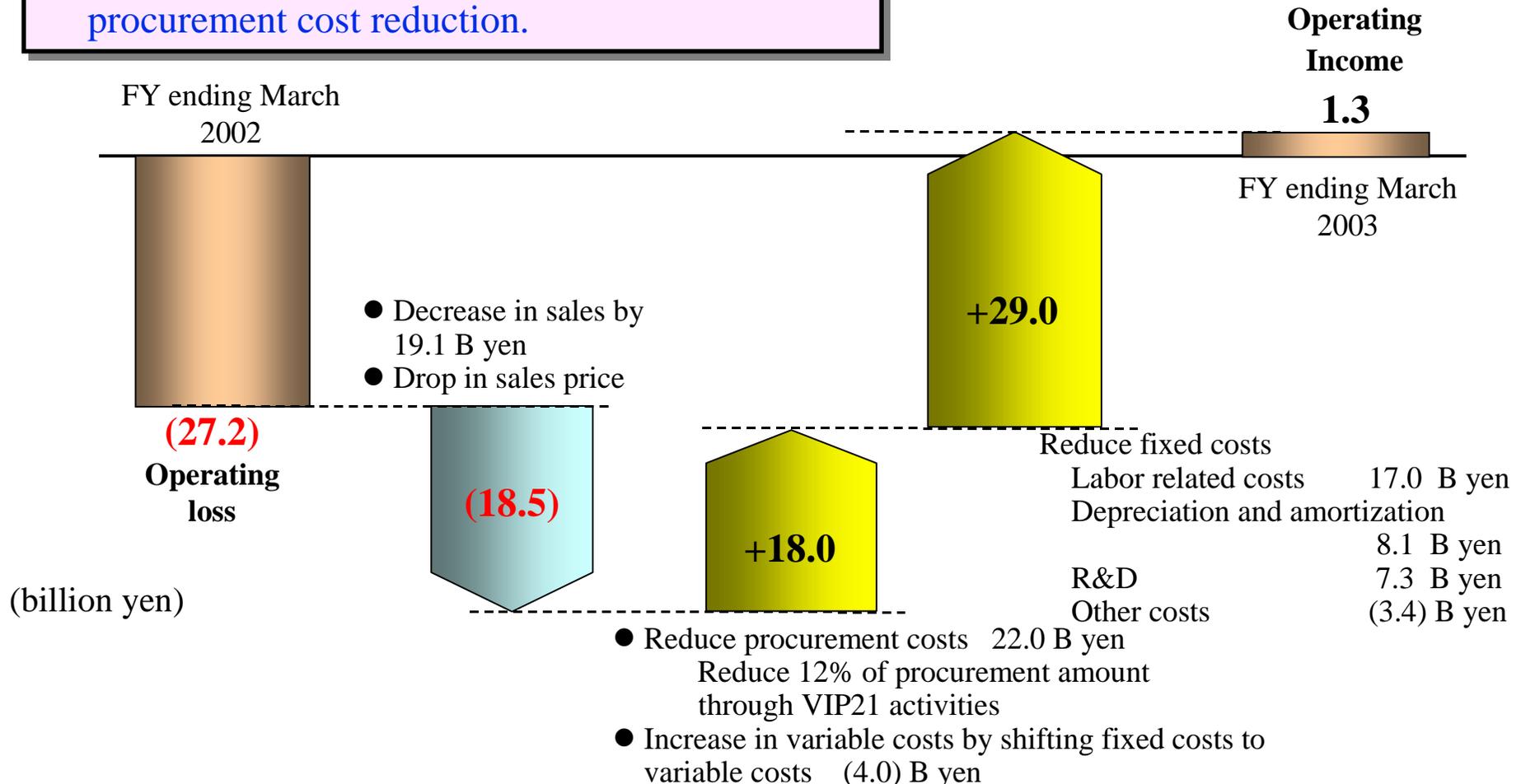
Loss on disposal of fixed assets 1.0, etc.

FY Mar.2003
Results

Cost Reduction – Operating Income Restores Profitability

- Reduce fixed cost under the Business Structural Reform Plan
- Improve operating income by 28.5 B yen relative to the previous year through cost reduction under VIP21 activities such as procurement cost reduction.

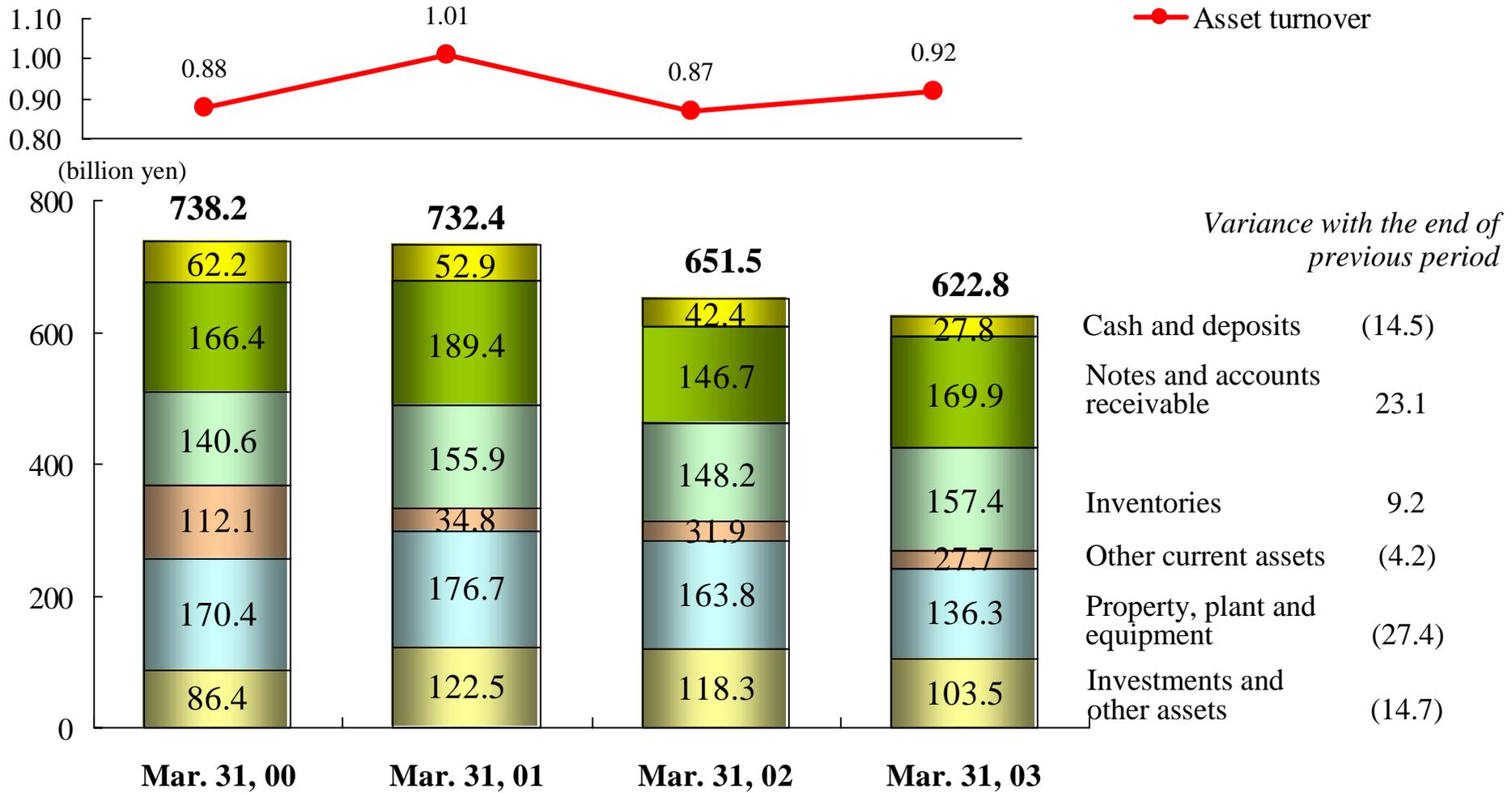
*VIP21 : Value Innovation Program 21
A company-wide cost reduction program



FY Mar.2003
Results

Outline of Balance Sheet - Assets

- Create fund available for investment in focused business areas by liquidating assets and by selling out assets
- Asset turnover improves by 0.05 times



Mar. 31, 00

Mar. 31, 01

Mar. 31, 02

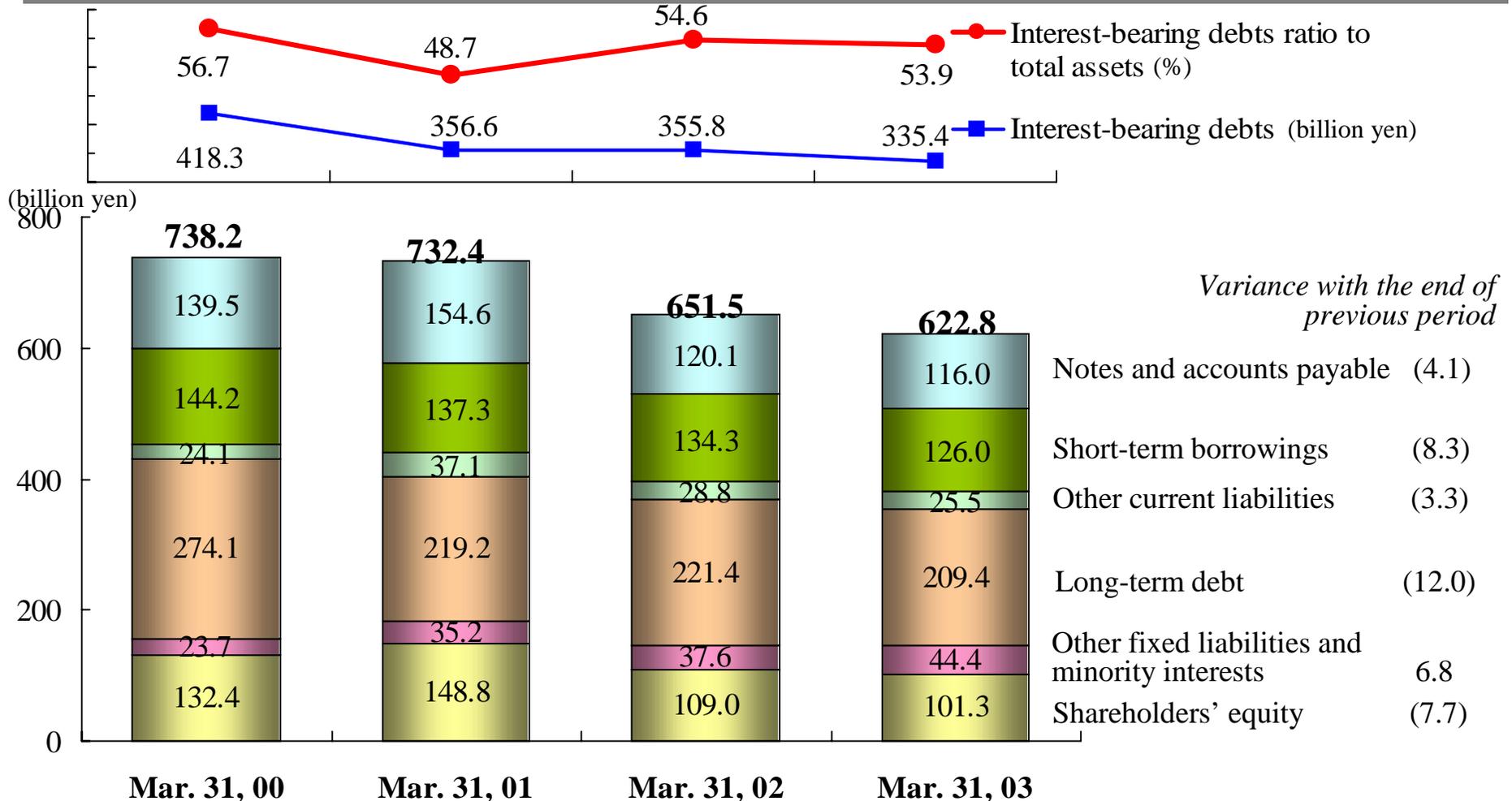
Mar. 31, 03

Note: Translation adjustments are included as part of shareholders' equity for Mar 31. 00

FY Mar.2003
Results

Outline of Balance Sheet - Liabilities and Shareholders' Equity

- Interest-bearing debts were reduced by 20.3 B yen, which improved the interest-bearing debts ratio to total assets to 0.7%
- Shareholders' equity ratio dropped by 0.4 % due to net loss (16.7% to 16.3%)



Note: Translation adjustments are included as part of shareholders' equity for Mar 31. 00

Short-term borrowing for Mar.31, 2003 includes a 4.1B yen commercial paper

Premise for Projections

<Economic outlook>

- ◆ Japan Recovery will continue to be unclear due to war in Iraq and SARS
Enterprise investment will be delayed despite business improvements
- ◆ Europe&USA Uncertainty increases due to war in Iraq, Plan on the premise of downturn

<Market Trend>

- ◆ Information Systems Demand from government and enterprise sector stagnates,
ATM demand for replacement and remodeling expands with the issue of new banknotes
- ◆ Telecom Systems Increased demand in IP telephony from carries and enterprises
- ◆ Electronic Devices Recovery in semiconductor market from 2nd half of the year,
Increase demand in some markets (mobile phones in Europe and China, LSIs for Personal Handyphone Systems in China)

<Forecast on foreign currency and the effect on the FY ending March 2004>

	FY ended March 2003 Results	FY ending March 2004 Projections	Affect on Net Sales	Affect on Operating Income
US dollar	¥122.0/US\$	¥120/US\$	¥750 Mil./¥1	¥200 Mil./¥1
Euro	¥121.0/EUR	¥125/EUR	¥550 Mil./¥1	¥200 Mil./¥1

FY Mar.2004
Projections

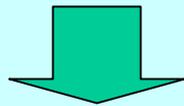
Business Deployment Strategy

- Enhance the creation of information and telecom converged products and thoroughly expand its sales

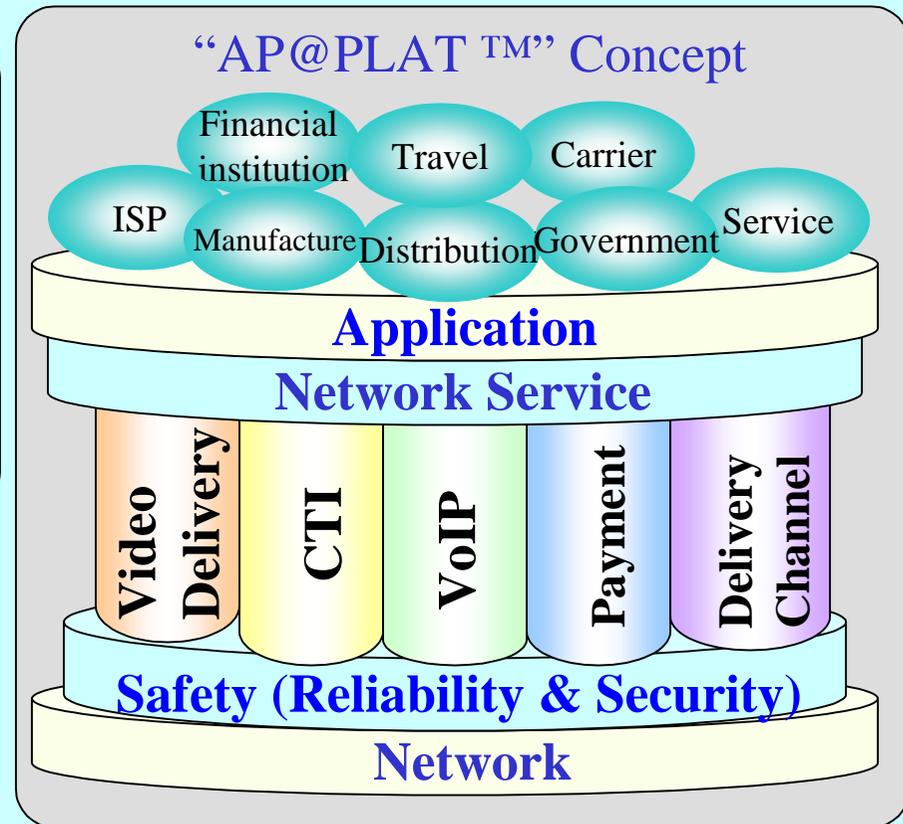
Enhance creation

Focus resources on Oki's strengths such as VoIP, CTI, payment, video delivery, delivery channel, providing reliability and security

→ Effectively create applications and network services with a standard platform as a basis



Thorough sales expansion



- Enhance profitability by appropriately shifting cost and resources to variable costs

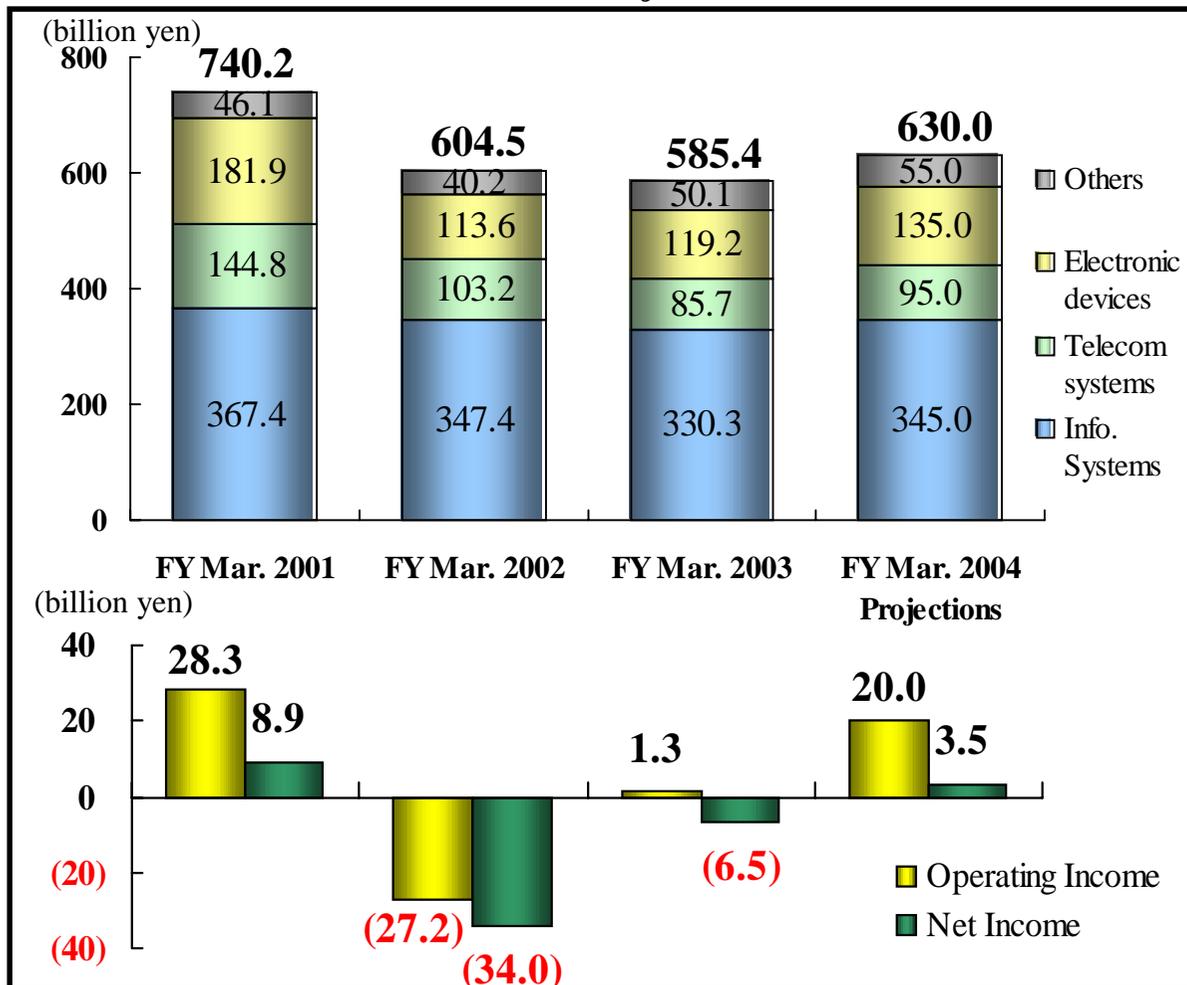
Increase resource mobility, Reduce procurement cost, Create cash flow

FY Mar.2004
Projections

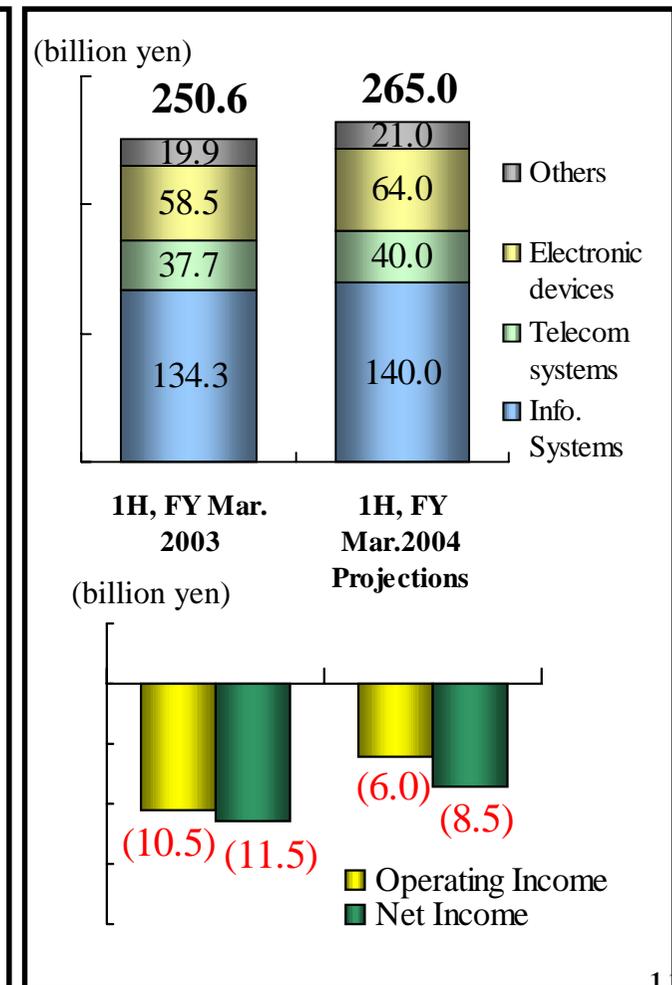
Consolidated Net Sales & Operating Income Projections

- Net sales increase by 44.6 B yen and operating income improves by 18.7 B yen relative to the previous fiscal year
- Net income projected to be 3.5 B yen due to implementation of continued business structural reform (Improves 10 B yen from previous fiscal year)

<Full Year Projections >



<1H Projections >



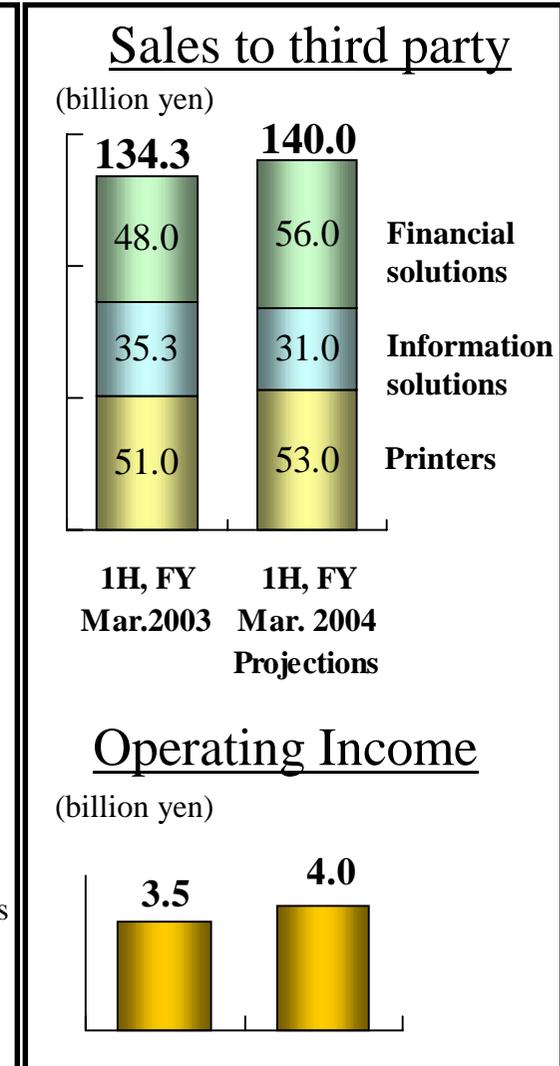
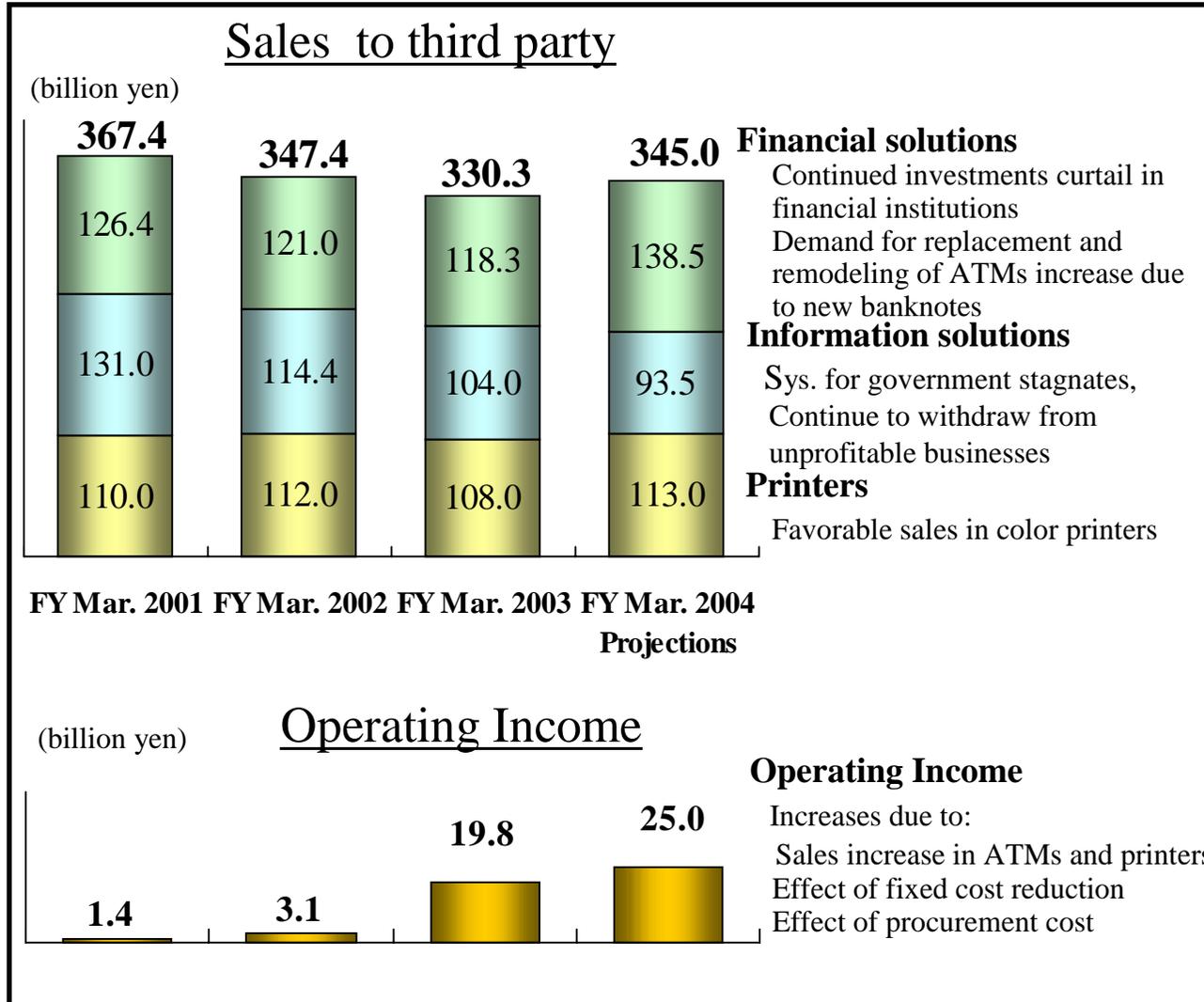
FY Mar.2004
Projections

[Information Systems]

- Increase in profit due to sales growth in ATMs and printers

< Full year Projections >

< 1H Projections >

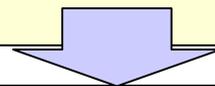
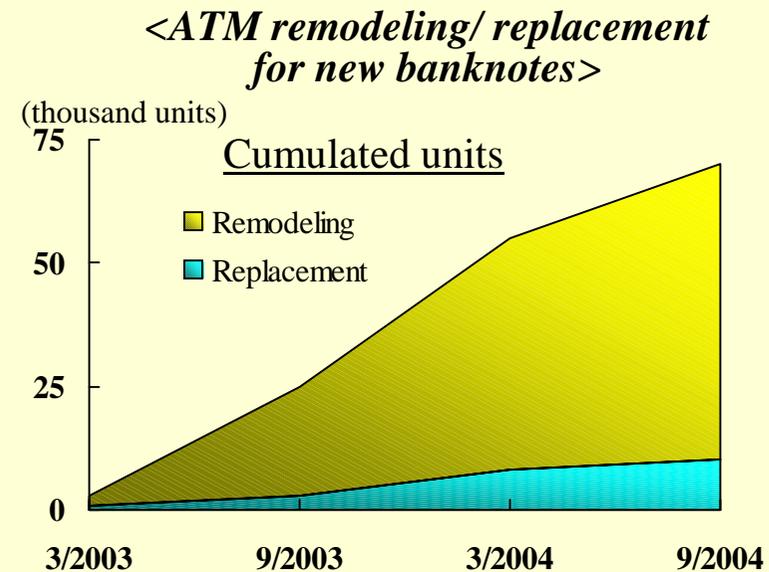
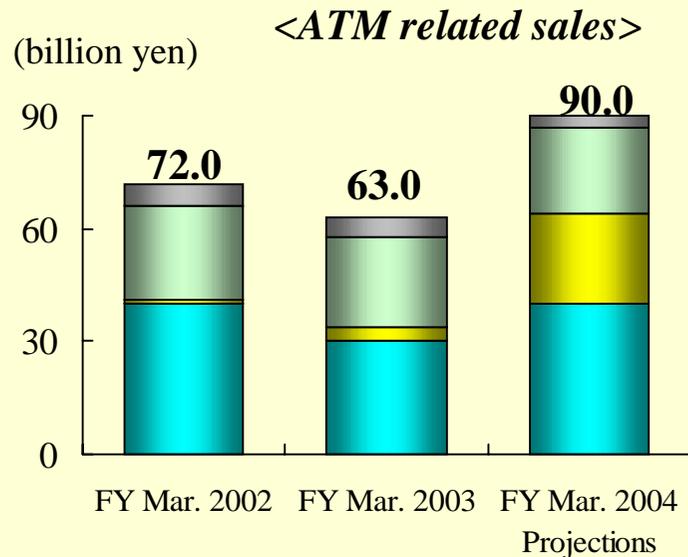


FY Mar.2004
Projections

[Information Sys.] Increased Demand in ATM Remodeling and Replacement

Enhance structure to respond to new banknotes

- ◆ Establish a fully prepared structure for ATM replacements and remodeling
- ◆ Level-off work process of hardware production for new banknotes, remodeling and installation



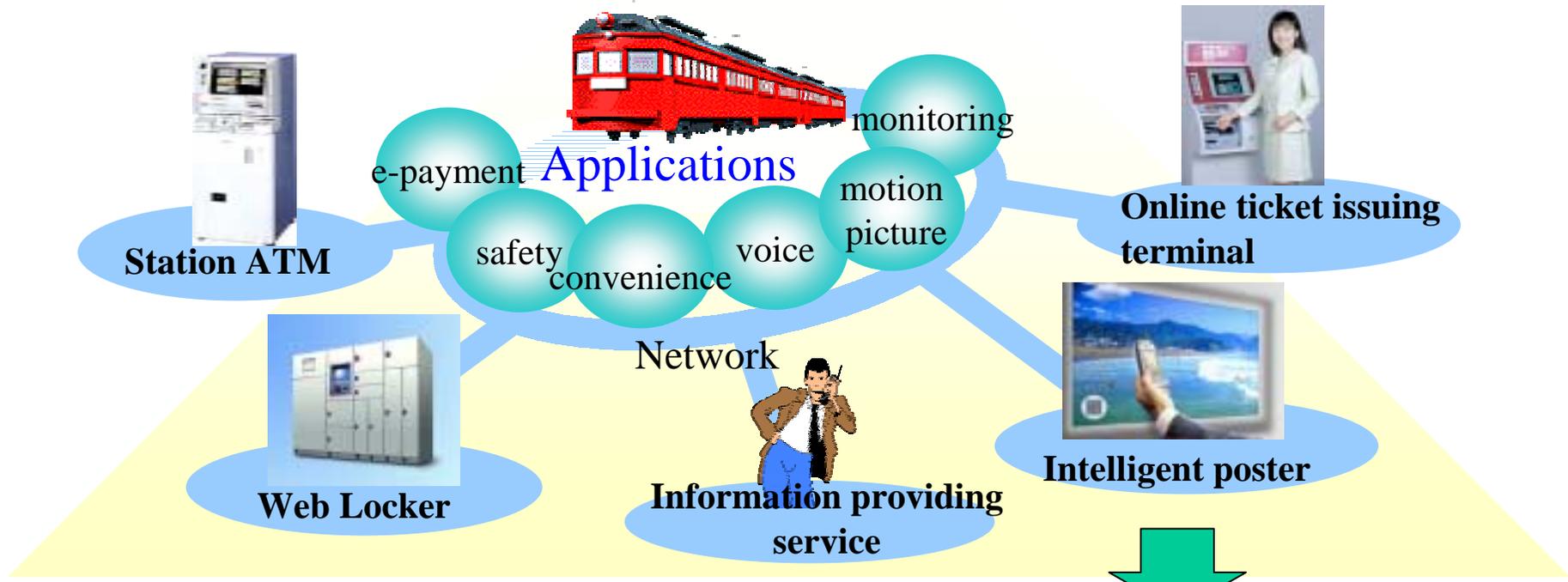
Increase and expand new business domains for financial institutions

- ◆ Expand information and telecom converged products (call center, secure network, VoIP, etc.)
- ◆ Expand service business (payment related, ATM monitoring, outsourcing, etc.)
- ◆ Deploy ATM business in overseas market (China)

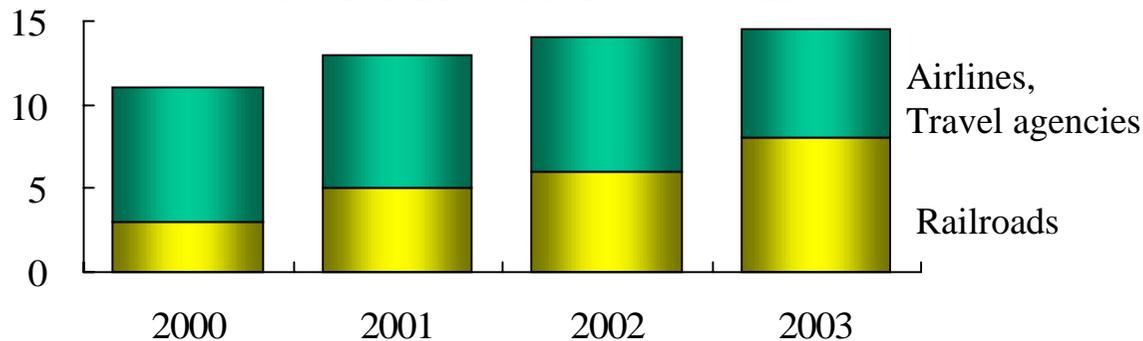
FY Mar.2004
Projections

[Information Sys.] Traveling and Transportation Market

Focus on new information service for railroad market



(billion yen) <Sales for Travel related business>



- Sales decrease in airlines and travel agencies due to war in Iraq and SARS
- Cover sales drop by expanding sales for the railroad market

FY Mar.2004
Projections

[Information Sys.] Color Printers

Ever since the launch of the world's fastest LED color printer (at the time) in June 2000, share has increased steadily

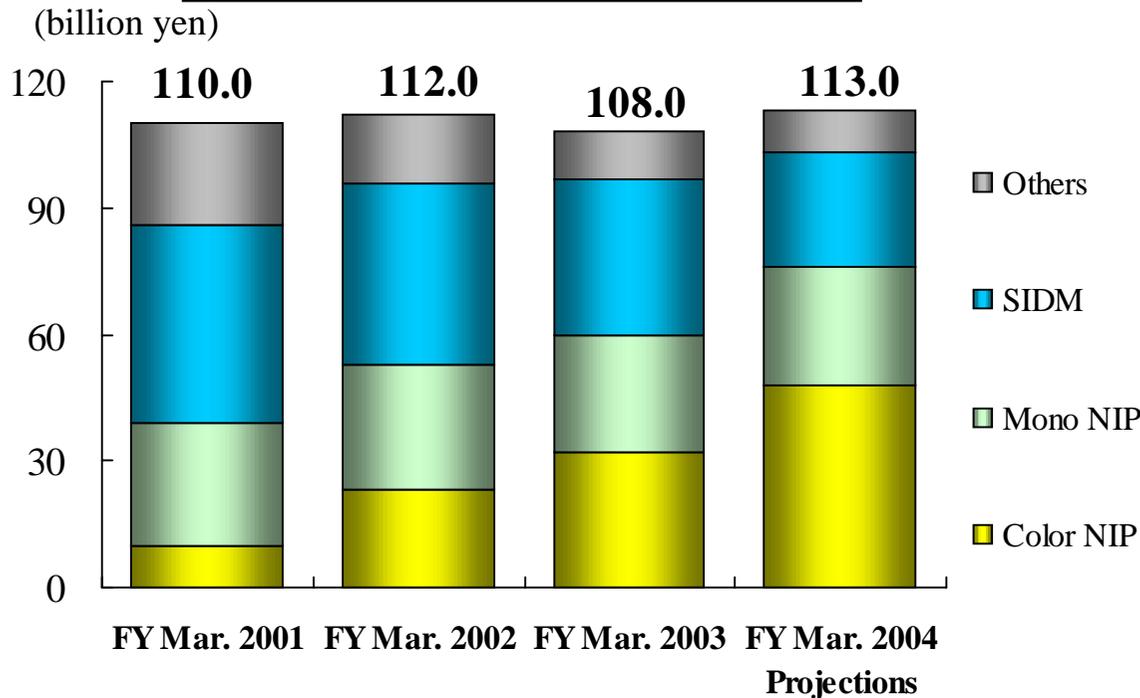
Target a 10% share in color printer for the office and SOHO market (FY ending Mar. 2003 worldwide shipment)

MICROLINE 5100/5300

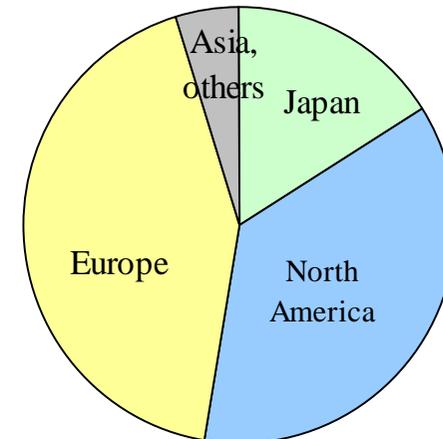


Color page printer increases in SOHO market share by the introduction of the compact, high-speed, low cost printer

Net sales by model



Printer sales by region



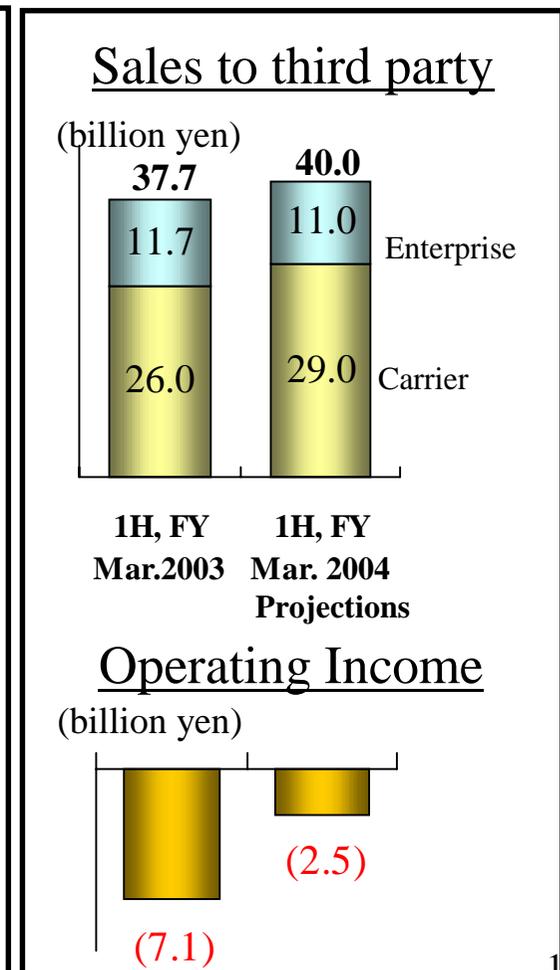
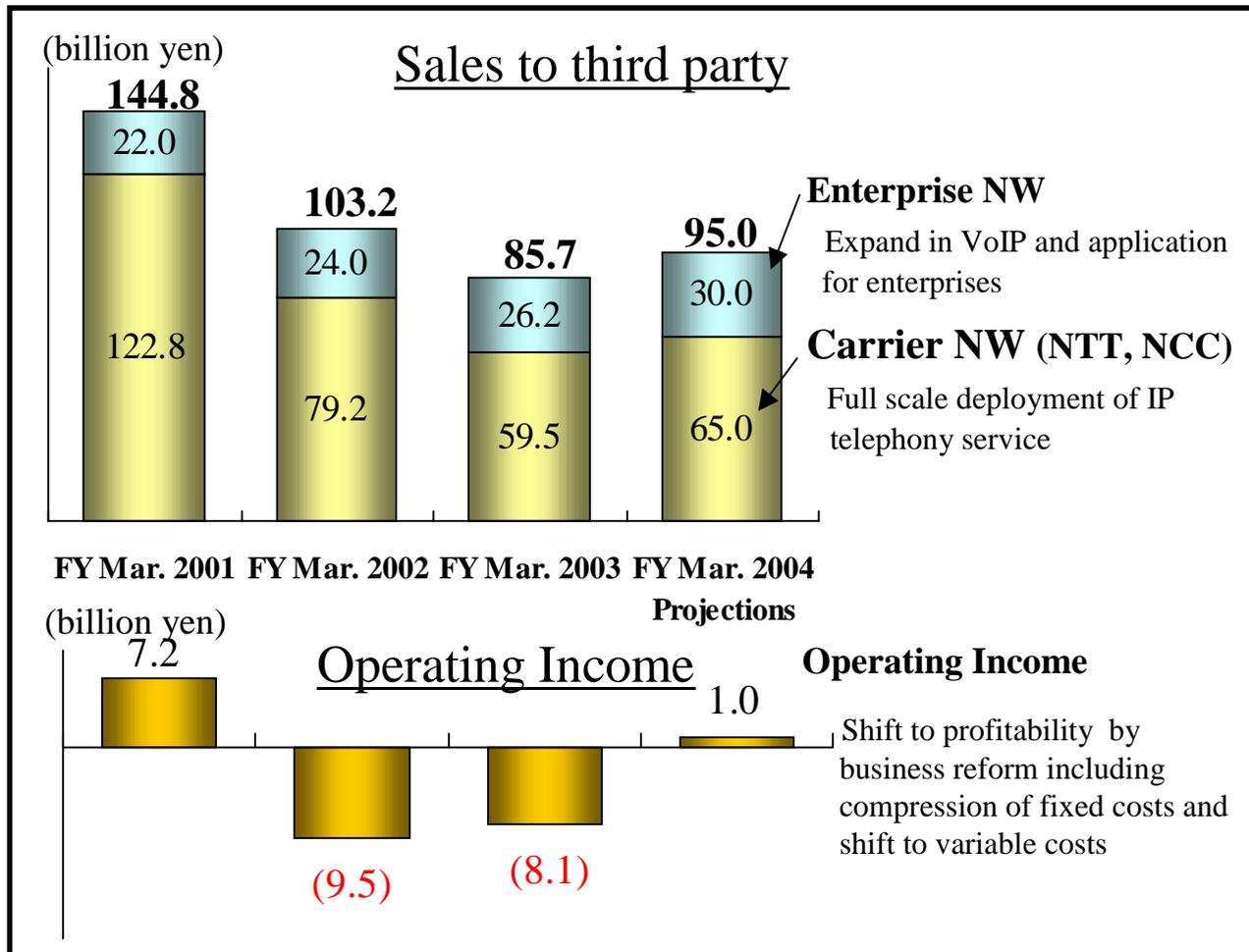
FY Mar.2004
Projections

[Telecom Systems]

- Sales increase due to full-scale deployment of IP telephony service
- Operating income will recover with the effect of Business Structural Reform Plan

< Full year Projections >

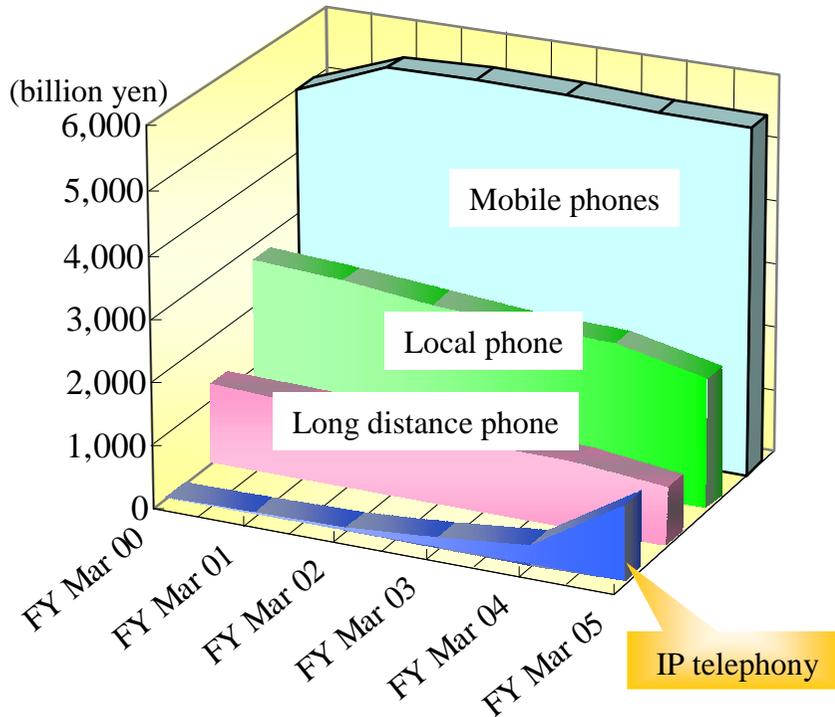
< 1H Projections >



FY Mar.2004
Projections

[Telecom Systems] Full-Scale Growth in IP Telephony Market

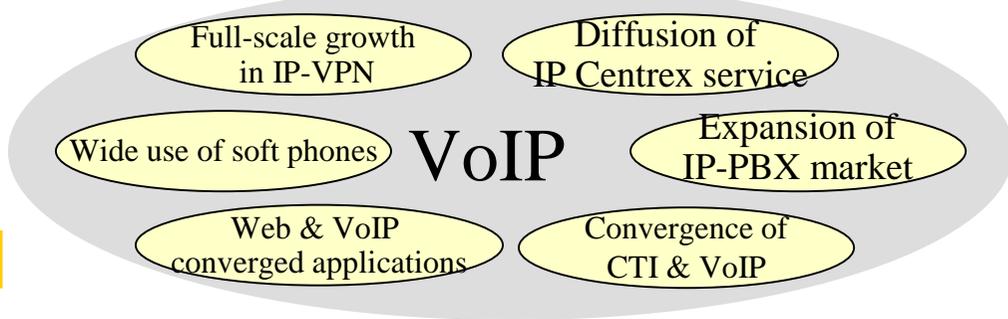
Various telephone service market trend in Japan



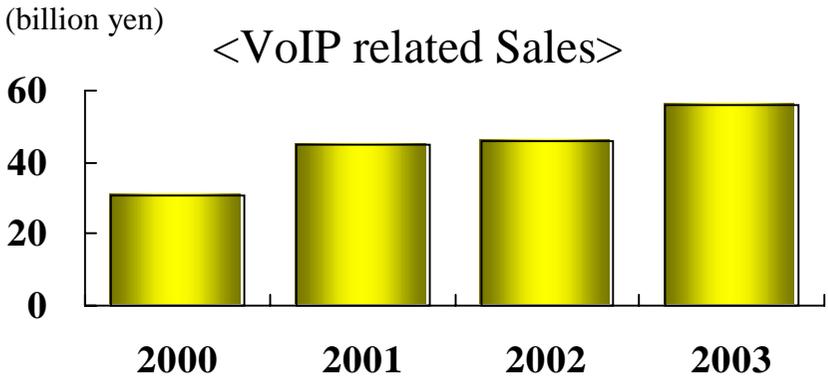
IP telephony market rises in full-scale in FY ending Mar. 2004

- Surpass 6 million IP telephony subscribers
- Increase in enterprise use, 050 service starts

IP telephony users expand
Web and VoIP converged new services start



Thoroughly expand sales in IP telephony market for carriers and enterprise in this fiscal year, as the top vendor in Japan.



VoIP: Voice over Internet Protocol
CTI: Computer Telephony Integration
IP-VPN: Internet Protocol based Virtual Private Network

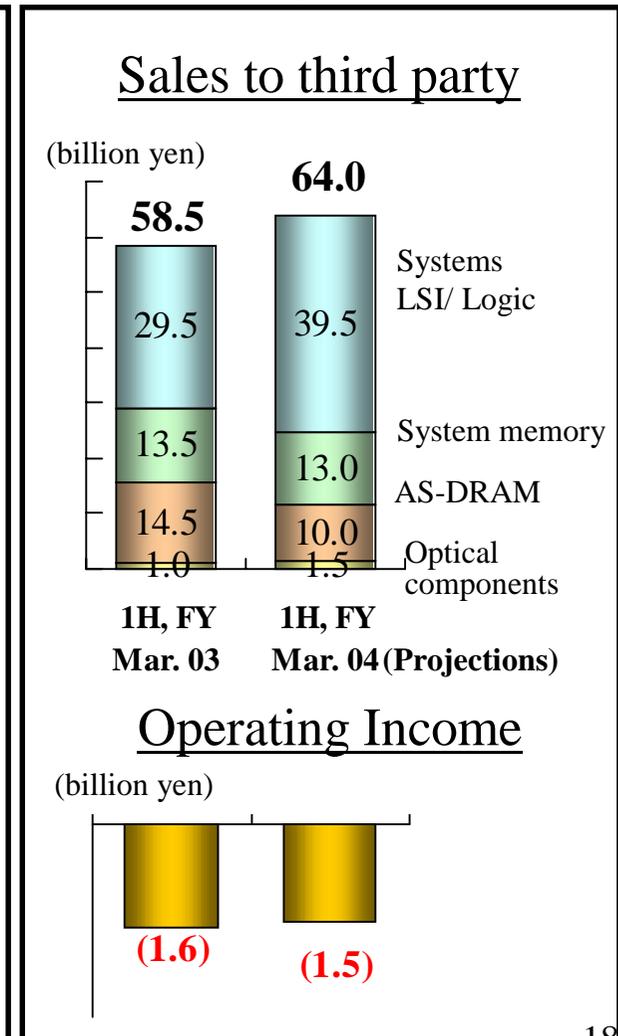
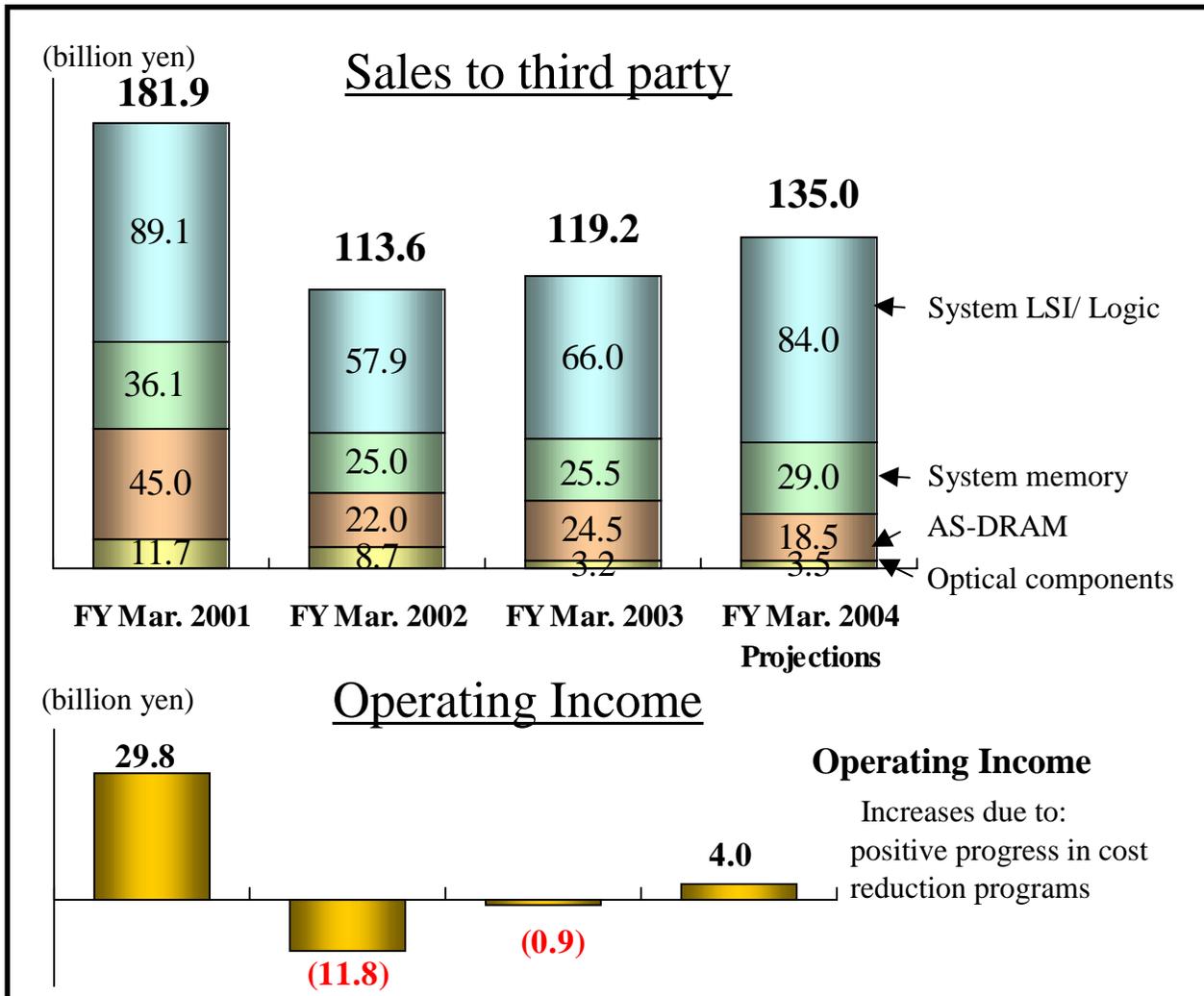
FY Mar.2004
Projections

[Electronic Devices]

- Expand sales in Oki's unique and strategic products (Sound generator, PHS, SOI, P2ROM, etc.)
- Accelerate structure reform of optical component business

<Full year Projections >

<1H Projections >



FY Mar.2004
Projections

[Electronic Devices] Sales Expansion of Strategic Products

Expanding demands for Oki's strategic products in the personal & mobile market

Products	Business trend	Sales target						
<p>Base-band (BB) LSI for PHS</p>	<ul style="list-style-type: none"> ◆ Japan: Sales increase of BB-LSIs for 128k data communication card “μPLAT®” features, CODEC technology ◆ China: Rapid demand increase for voice terminals, introduction of low-priced BB-LSIs 	<p>(Increased sales amount to the previous fiscal year) (billion yen)</p> <table border="1"> <tr><th>Fiscal Year</th><th>Sales Target (billion yen)</th></tr> <tr><td>FY Mar 03</td><td>5.0</td></tr> <tr><td>FY Mar 04</td><td>8.0</td></tr> </table>	Fiscal Year	Sales Target (billion yen)	FY Mar 03	5.0	FY Mar 04	8.0
Fiscal Year	Sales Target (billion yen)							
FY Mar 03	5.0							
FY Mar 04	8.0							
<p>Sound Generator LSIs for mobile phones Swinger Ringer™</p>	<ul style="list-style-type: none"> ◆ Music ringer services expand in Europe, China and North America following Japan and Korea. Oki has the top share in the GSM market ◆ High voice quality PCM sound generator, WCSP technology 	<table border="1"> <tr><th>Fiscal Year</th><th>Sales Target (billion yen)</th></tr> <tr><td>FY Mar 03</td><td>4.0</td></tr> <tr><td>FY Mar 04</td><td>10.0</td></tr> </table>	Fiscal Year	Sales Target (billion yen)	FY Mar 03	4.0	FY Mar 04	10.0
Fiscal Year	Sales Target (billion yen)							
FY Mar 03	4.0							
FY Mar 04	10.0							
<p>LSIs for drivers</p>	<ul style="list-style-type: none"> ◆ Sales increase of TFT drivers in accordance with the expansion of the large LCD monitor market ◆ High voltage process technology 	<table border="1"> <tr><th>Fiscal Year</th><th>Sales Target (billion yen)</th></tr> <tr><td>FY Mar 03</td><td>10.0</td></tr> <tr><td>FY Mar 04</td><td>13.0</td></tr> </table>	Fiscal Year	Sales Target (billion yen)	FY Mar 03	10.0	FY Mar 04	13.0
Fiscal Year	Sales Target (billion yen)							
FY Mar 03	10.0							
FY Mar 04	13.0							
<p>P2ROM</p>	<ul style="list-style-type: none"> ◆ Increase in market share for the game, electronic dictionary, education equip., and TV markets, replacing Mask-ROM and Flash. ◆ Oki's unique high density cell structure, low cost, and short TAT (ship at the next date of data receiving) 	<table border="1"> <tr><th>Fiscal Year</th><th>Sales Target (billion yen)</th></tr> <tr><td>FY Mar 03</td><td>15.0</td></tr> <tr><td>FY Mar 04</td><td>20.0</td></tr> </table>	Fiscal Year	Sales Target (billion yen)	FY Mar 03	15.0	FY Mar 04	20.0
Fiscal Year	Sales Target (billion yen)							
FY Mar 03	15.0							
FY Mar 04	20.0							

FY Mar.2004 Projections

Consolidated Cash Flows

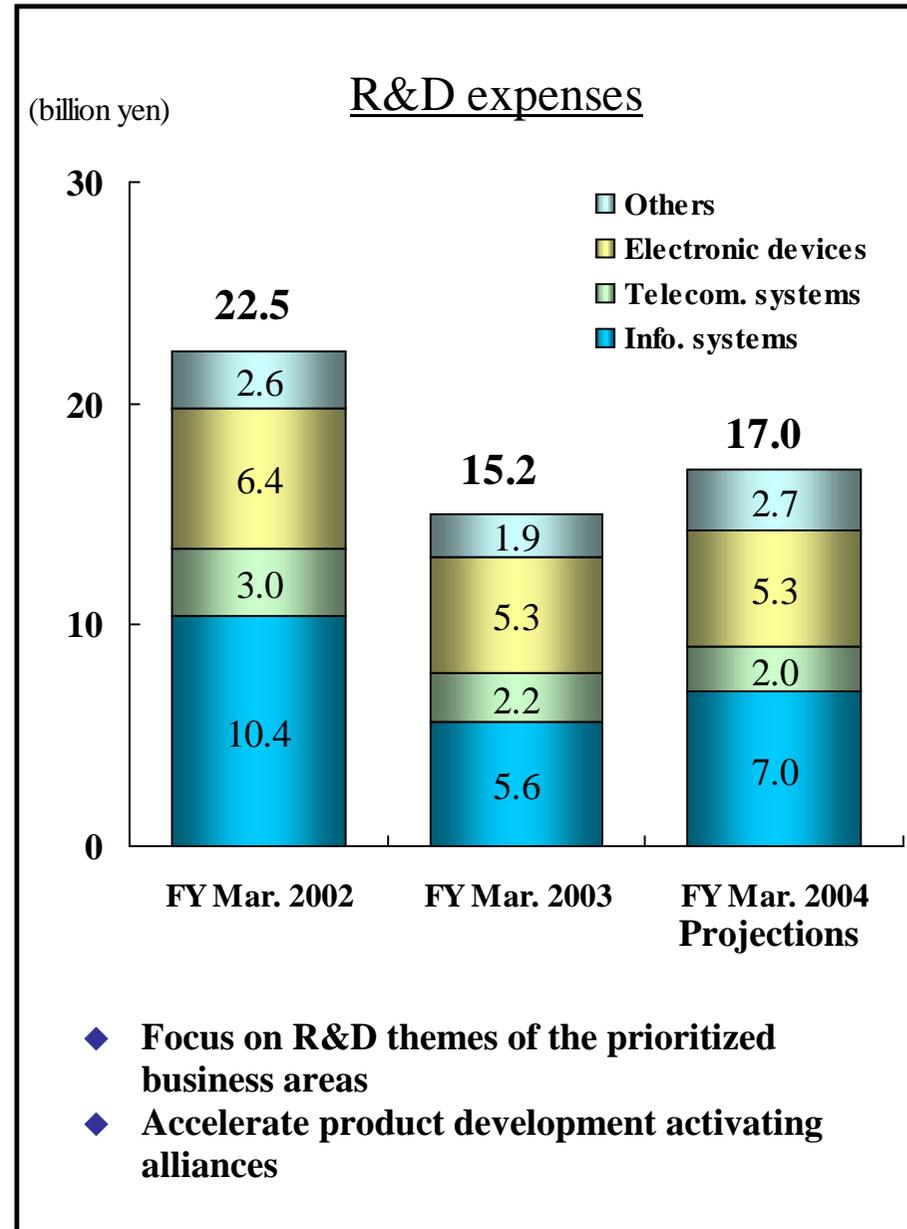
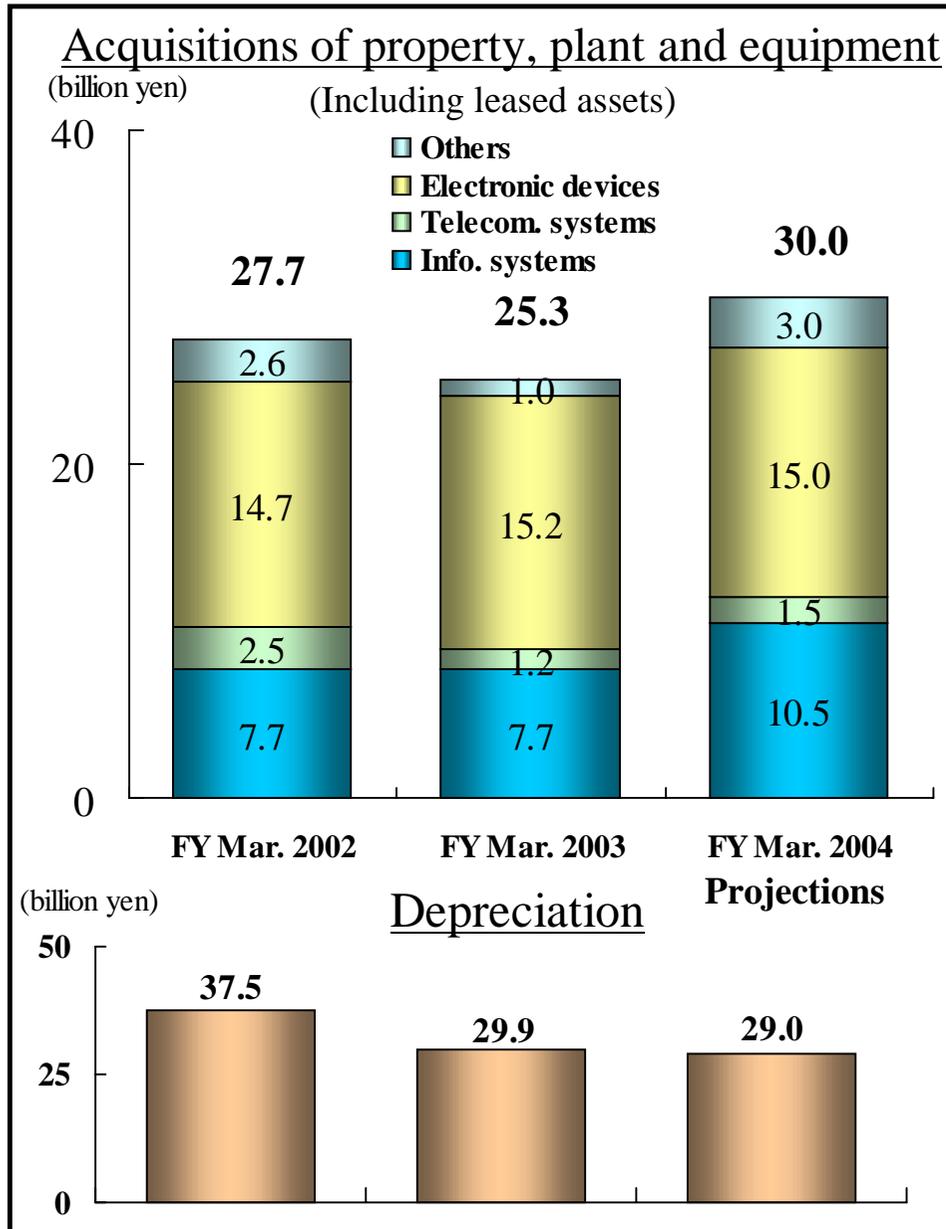
(billion yen)

	FY ended Mar. 02	FY ended Mar. 03	FY ending Mar. 04	Notes *
I. Cash flows from operating activities	16.9	0.2	80.0	
Income (loss) before income taxes	(57.0)	(3.4)	6.0	
Depreciation and amortization	48.0	39.9	39.0	
Changes in operating assets and liabilities	24.8	* (33.8)	24.0	Increased account receivables due to sales concentration to term end.
Others	1.1	(2.5)	* 11.0	Increase of retirement benefits reserves 15.0 B
II. Cash flows from investing activities	(25.8)	4.3	(40.0)	
Purchases of property, plant and equipment	(32.5)	(23.5)	(25.0)	
Others	6.7	* 27.8	(15.0)	Sales of land and buildings 25.8 B, etc.
(I+II) Free cash flows	(8.9)	4.5	40.0	
III. Cash flows from financing activities	0.3	(20.0)	(40.0)	
Redemption of bonds	(24.5)	(22.6)	(39.9)	Due Apr. 03 7.7 B (redeemed) Due Mar. 04 32.2 B
Changes in other interest-bearing debts, etc.	24.8	* 2.6	(0.1)	Increase of CP 4.1 B
(I+II+III) Net cash flow	(8.6)	(15.5)	0	
IV. Cash and cash equivalents at the year end	45.4	29.2	29.2	
V. Interest bearing debts at the year end	355.8	* 335.4	295.4	Including CP 4.1 B

(projections)

FY Mar.2004
Projections

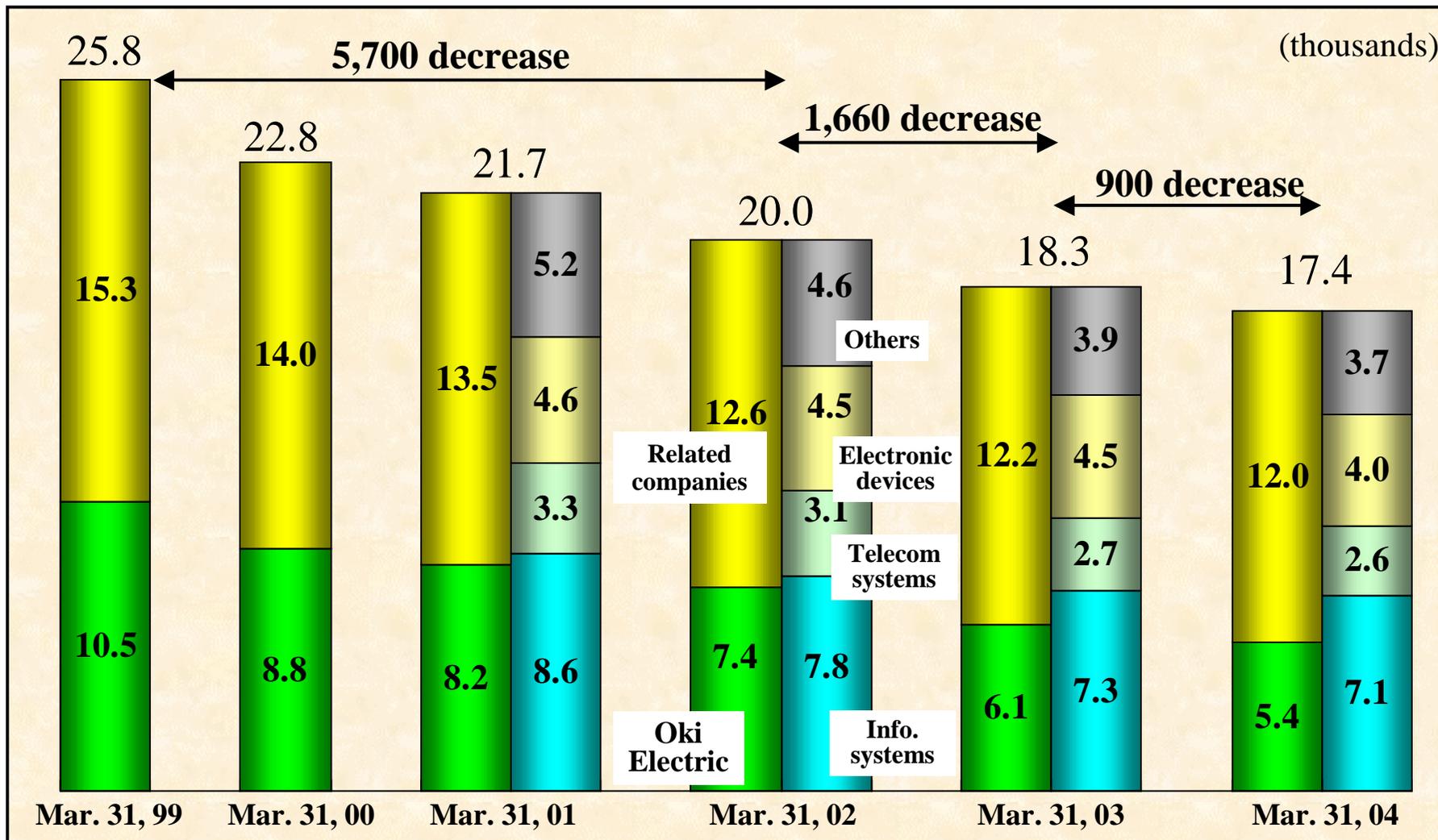
Acquisitions of Property, Plant and Equipment; R&D Expenses



FY Mar.2004
Projections

Number of Employees

Number of Employees in Japan (Including non-consolidated subsidiaries and affiliates)



Glossary

P3.	IT	Information Technology	P19.	BB-LSI	Baseband Large Scale Integrated circuit
P9.	SARS	Severe Acute Respiratory Syndrome		CODEC	Coder Decoder
	ATM	Automated Teller Machine		GSM	Global System for Mobile Communications
	IP	Internet Protocol		PCM	Pulse Code Modulation
	PHS	Personal Handyphone System		W-CSP	Wafer level Chip Size Package
	LSI	Large Scale Integrated circuit		LCD	Liquid Crystal Display
P10.	VoIP	Voice over Internet Protocol	P20.	CP	Commercial Paper
	CTI	Computer Telephony Integration			
	ISP	Internet Services Provider			
	NW	Network			
P15.	LED	Light-Emitting Diode			
	SOHO	Small Office/Home Office			
	SIDM	Serial Impact Dot Matrix			
	NIP	Non-Impact Printer			
P17.	IP-VPN	Internet Protocol - Virtual Private Network			
	IP-PBX	Internet Protocol - Private Branch eXchange			
	CTI	Computer Telephony Integration			
P18.	SOI	Silicon on Insulator			
	P2ROM	Production Programmed Read Only Memory			
	AS-DRAM	Application Specific Dynamic Random Access Memory			

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