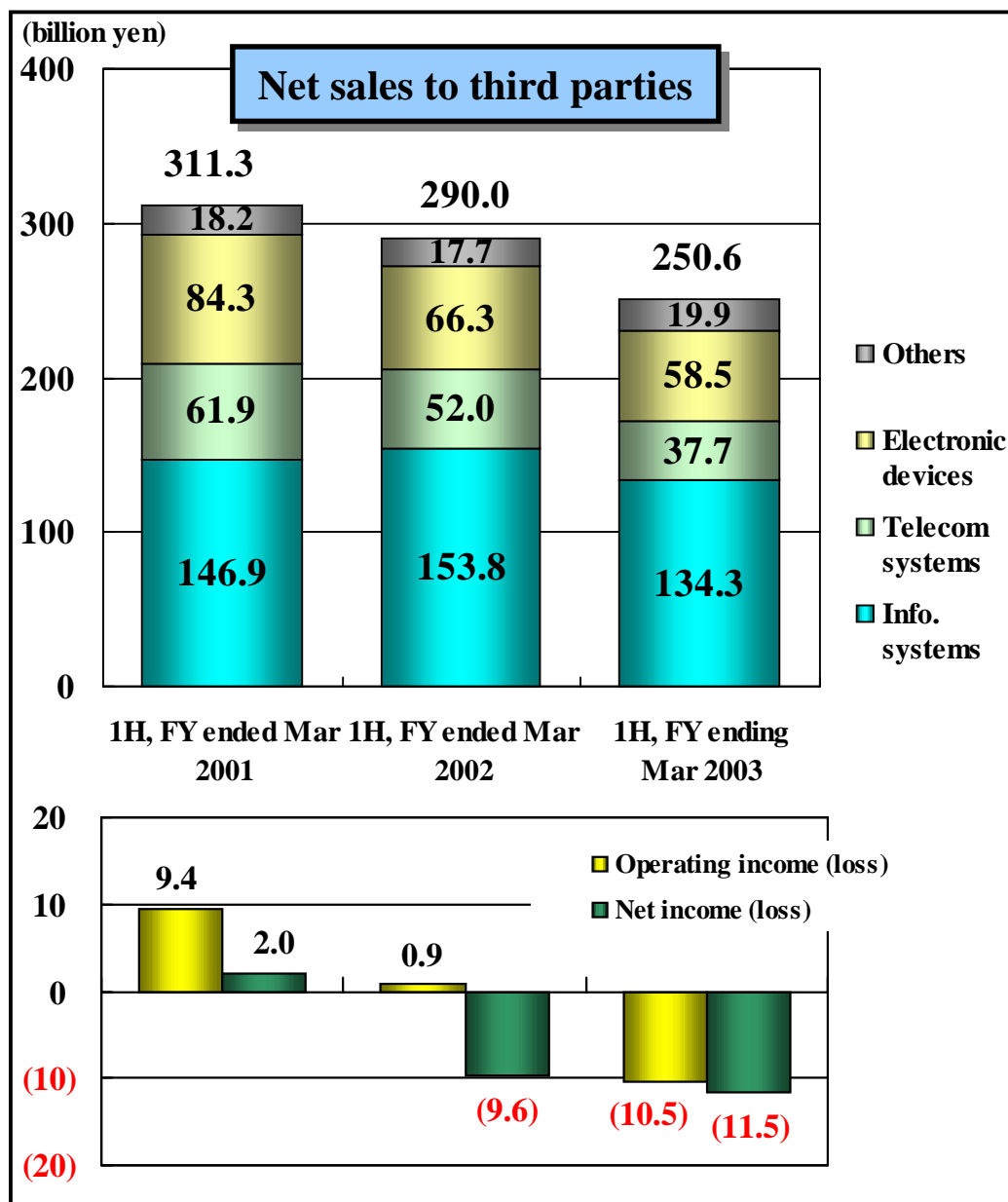

Oki Electric Financial Results for the First Half of the Fiscal Year ending March 31, 2003

Oct. 31, 2002

Oki Electric Industry Co., Ltd.

<http://www.oki.com/>

Consolidated Financial Results for 1st Half of FY Ending Mar. 2003



<Outline of the 1st half>

- ◆ Same figures as announced on Oct. 10.
- ◆ Net sales decreased 39.3B yen relative to the previous 1st half.
 - Investment suspension by incumbent carriers and decreased demand in optical components, both caused by telecom market deterioration
 - ATMs for convenience stores and banks are forwarded to 2H.
 - Effect of withdrawal from automotive electronics and other businesses
 - Decreased demand from governments and public sectors
- ◆ Though fixed cost is reduced by the “Second Restructuring Plan”, operating income is worsened by 11.4B yen due to decreased sales.



The “Third Restructuring Plan”

- ▶ Fundamental structural reform in telecom, electronic devices, optical, and manufacturing service businesses.
- ▶ Urgent measures (1,500 headcount reduction, sales of assets)
- ▶ Active investments in businesses with potential growth

Outline of Consolidated P/L for the First Half of FY Mar. 2003

- ◆ **Variable cost ratio and fixed cost improved relative to the 1st half of the previous year. However, the decreased sales led 11.4 billion-yen drop in operating loss and 1.8 billion-yen drop in net income.**

(billion yen)

	1H, FY Mar 02	1H, FY Mar 03	Variance	Notes
Net sales	290.0	250.6	(39.3)	Info (19.5): Financial (9.1), General info (7.6) Telecom (14.3): Core (12.0), NCC (2.0) Device (7.8): Optical compo. (6.5), Memories (2.5) Others 2.2: EMS, etc.
Cost of sales	(76.3%) 221.4	(77.6%) 194.4	(1.3% worsened) (26.9)	
Gross profit	68.6	56.2	(12.3)	Gross profit reduction by sales decrease: approx. 22.0B yen Effect from fixed cost reduction: approx. 10.0B yen
SG&A expenses	67.6	66.7	(0.9)	
Operating income	0.9	(10.5)	(11.4)	
Other income	(4.2)	(5.2)	(0.9)	Currency exchange loss (1.0): (1.1)→(2.1)
Extraordinary income	(12.0)	(2.7)	9.2	Write down loss of marketable securities 13.8: (14.3)→(0.5) Restructuring loss (1.3): (1.1)→(2.4)
Net income	(9.6)	(11.5)	(1.8)	

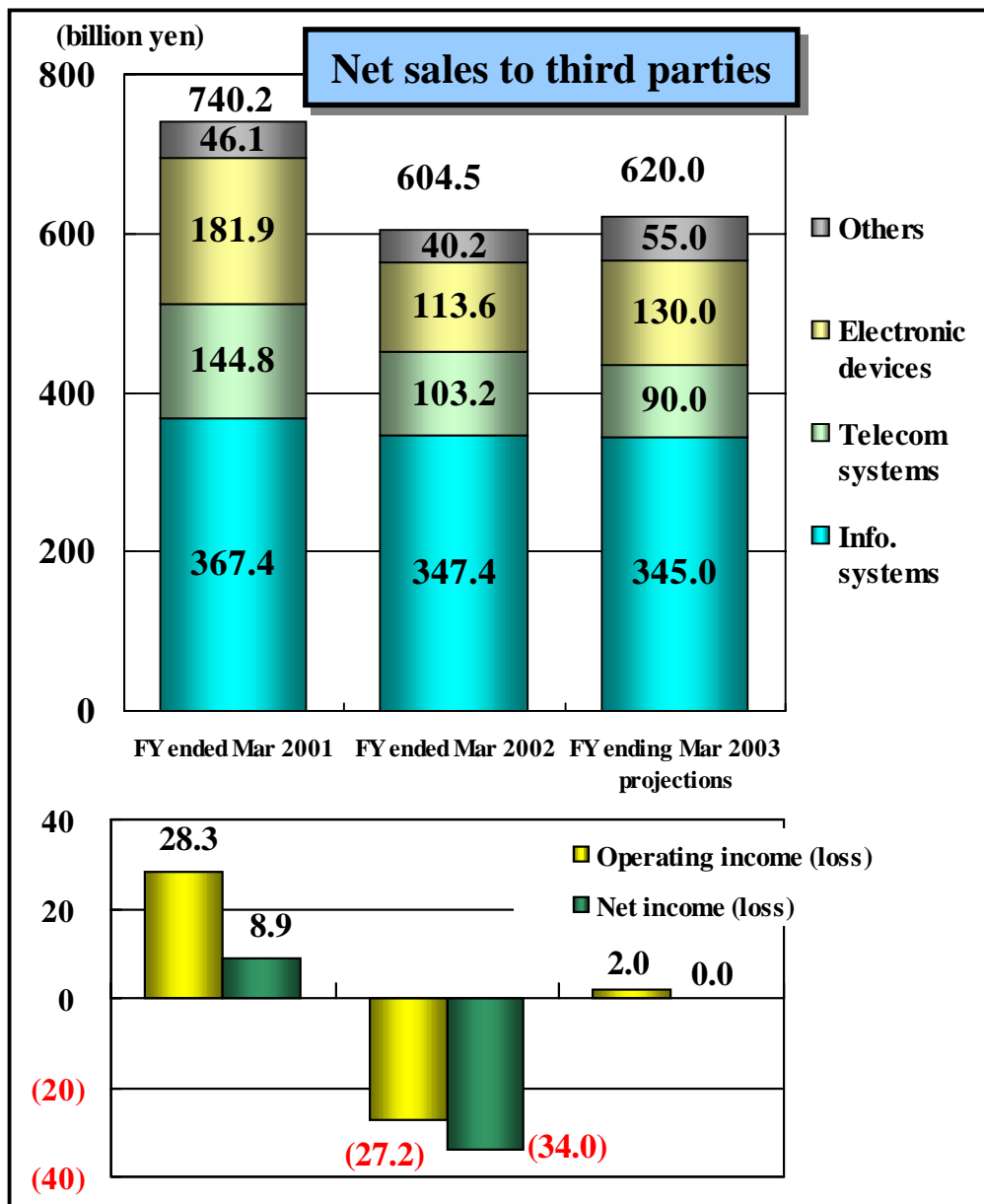
Outline of Consolidated P/L for the Second Half of FY Mar. 2003

- ◆ **Operating income is to increase 40.6 billion yen relative to the 2nd half of the previous fiscal year, caused by increase of marginal profit by sales growth and fixed cost reduction via the structural reform.**

(billion yen)

	2H, FY Mar 02	2H, FY Mar 03	Variance	Notes
Net sales	314.5	369.4	54.9	Info 17.1: Financial 6.1, General info 7.2, Printer 3.8 Telecom 1.1: Core (7.2), NCC 3.0, Enterprise 5.3 Device 24.2: System LSI & Logics 10.9, Memories 11.5 Others 12.6: Sales increase in consolidated subsidiaries and EMS
Cost of sales	(85.5%) 268.8	(76.4%) 282.1	(9.1% improves) 13.3	
Gross profit	45.7	87.3	41.6	Increase of sales expands profit approx. 28.0B yen. Effect from fixed cost reduces approx. 12.0B yen.
SG&A expenses	73.8	74.8	1.0	
Operating income	(28.1)	12.5	40.6	
Other income	0.3	(4.8)	(5.1)	Currency exchange loss (3.3): 3.3→0, etc.
Extraordinary income	(13.9)	12.2	26.1	Gain on sales of assets 7.6: 8.5→16.2 Write down loss of marketable securities and inventories 12.1: (12.1)→0 Restructuring loss 3.9: (6.4)→(2.5), etc.
Net income	(24.4)	11.5	35.9	

Consolidated Earning Projections for FY Ending Mar. 2003



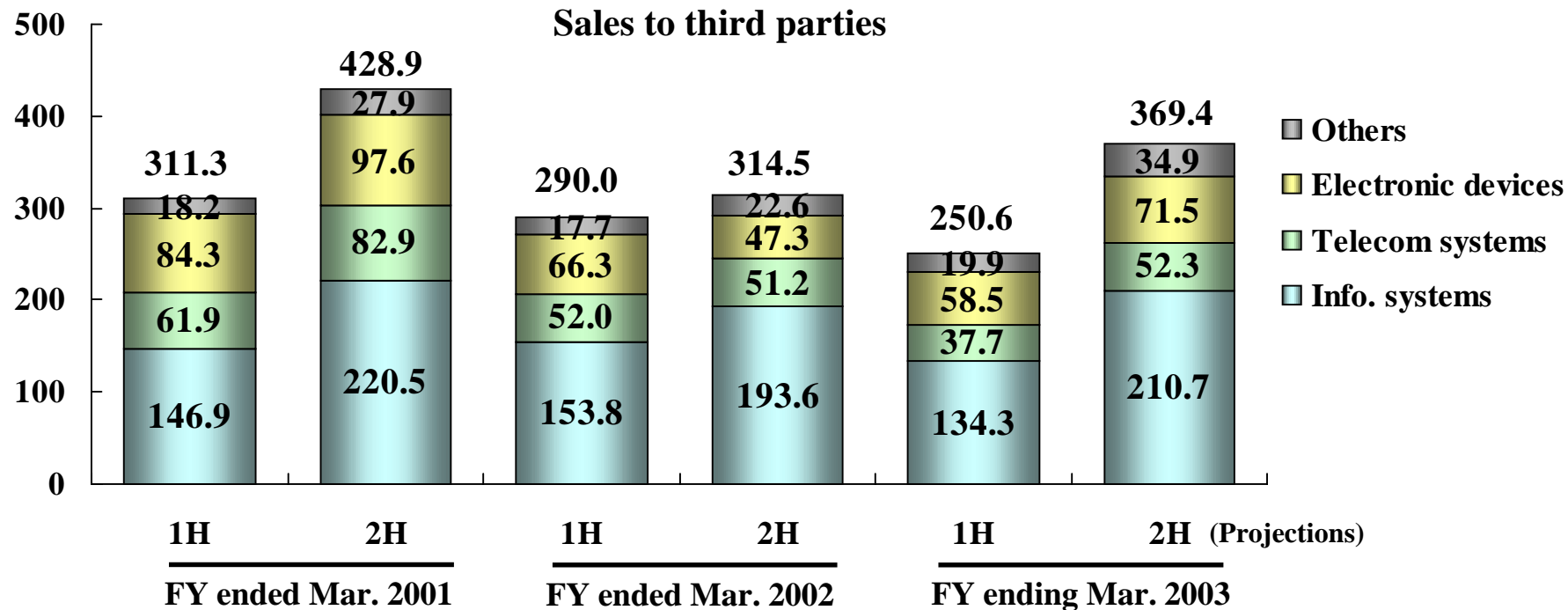
<Outline of the full year>

- ◆ Net sales increases 15.5B yen relative to the previous fiscal year.
 - In information systems, despite investment suspension by financial institutions, sales of ATMs for new bank notes increase.
 - Though broadband and IP related sales grow, investment suspension to the existing systems by incumbent carriers reduces sales by 13.2B yen relative to the previous year.
 - The semiconductor market recovery stagnates in 2H, but system LSIs, P2ROMs, and new products of AS-LSIs increase electronic devices sales 16.4B yen relative to the previous year.
- ◆ Operating income is expected to improve 29.2B yen compared with the previous FY, due to 22.0B yen of fixed cost reduction by the structural reform and 7.0B yen increase from sales growth.
- ◆ Though 5.0B yen of cost for structural reform is expected, net income becomes a break-even, by improving 34.0B yen from the previous year because of 17.0B yen of gain on sales of assets.

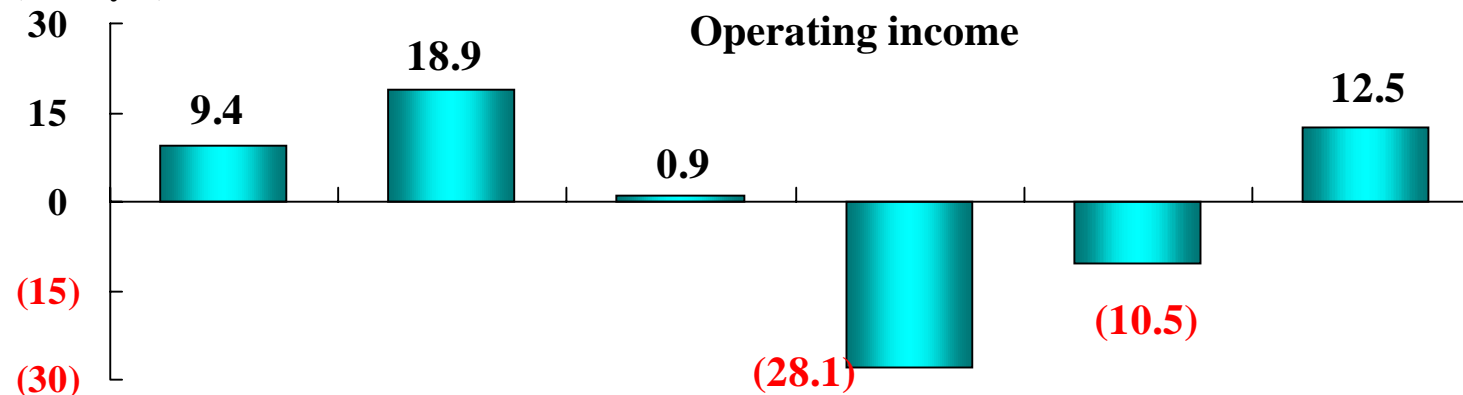
Consolidated Net Sales & Operating Income

(billion yen)

<Financial results by half-year>



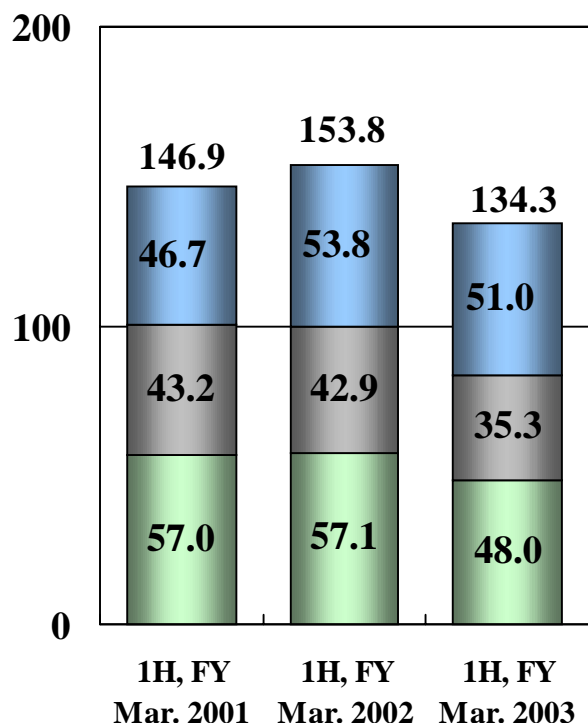
(billion yen)



Information Systems: Consolidated Net Sales & Operating Income

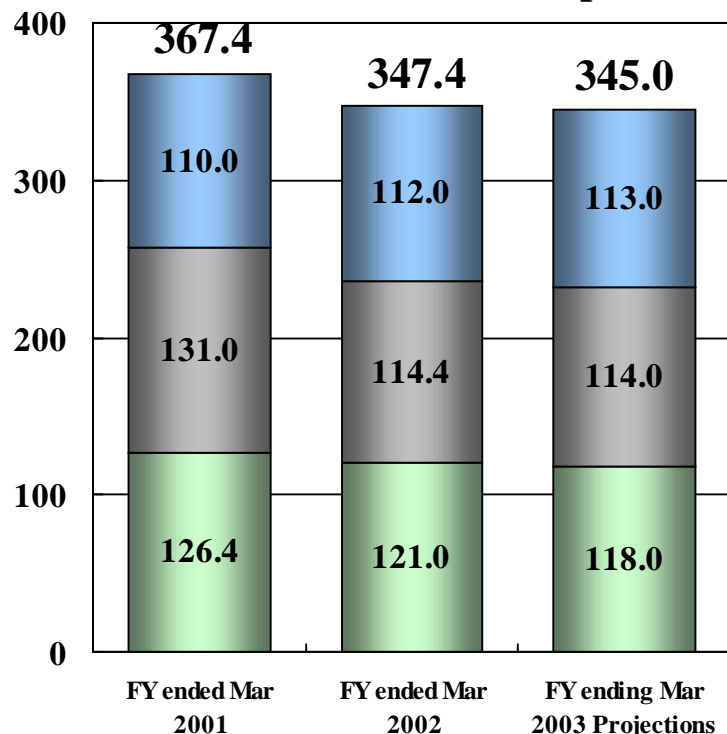
<1H Results>

(billion yen) Sales to third parties



<Full Year Projections>

(billion yen) Sales to third parties



■ Printer

- Decrease in SIDM
- Sales increase in color printers

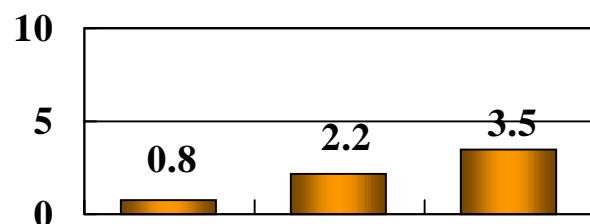
■ Info. solutions

- Recovery in ticketing system for travel industry
- Sales decrease in withdrawn businesses

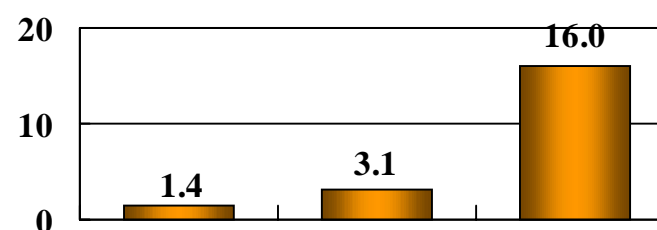
■ Financial system solutions

- Investment suspension by financial institutions
- Sales increase in ATMs for new bank notes

(billion yen) Operating income



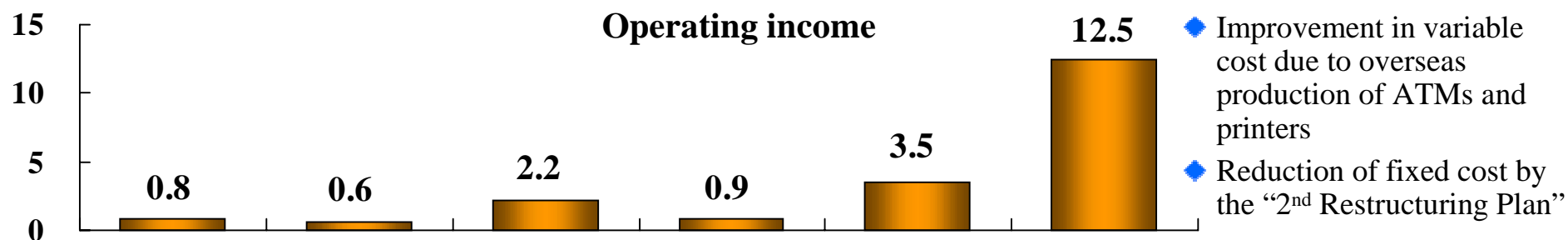
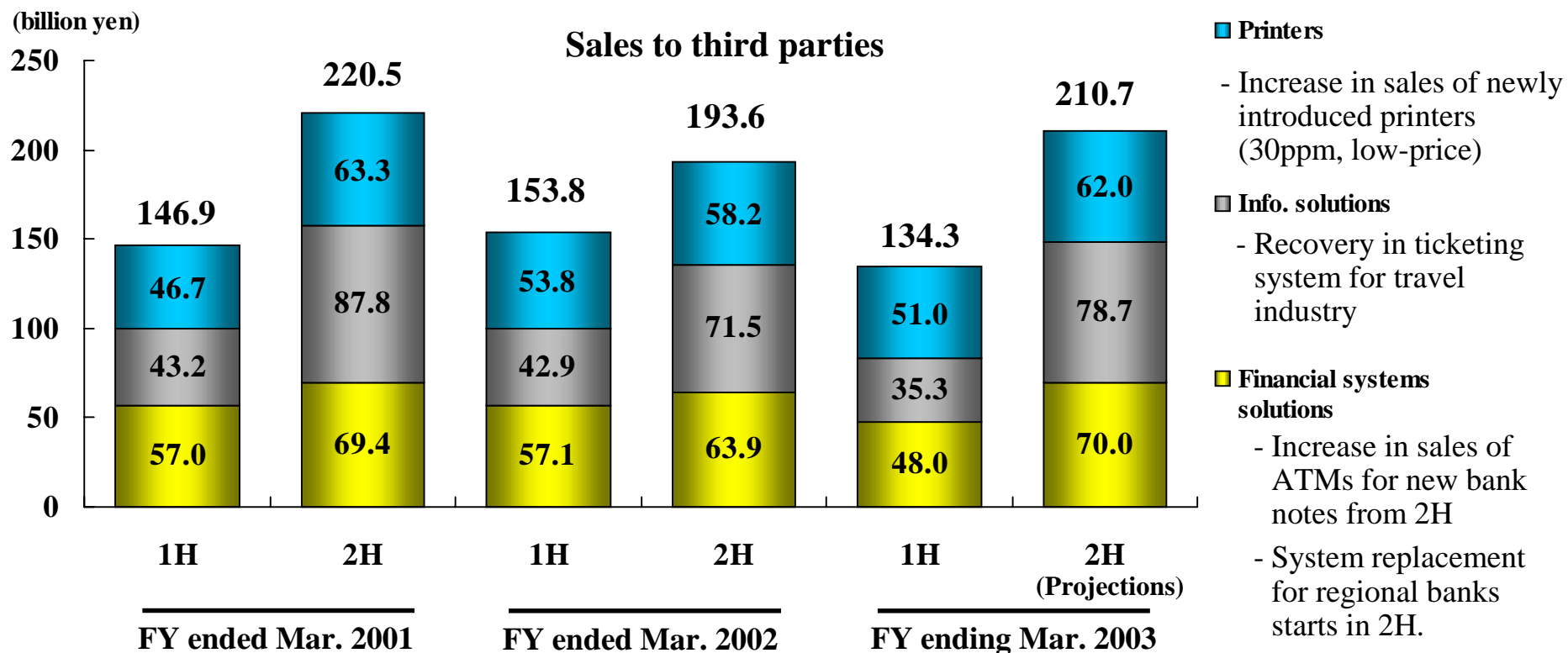
(billion yen) Operating income



- ◆ Improvement in variable cost due to overseas production of ATMs and printers
- ◆ Reduction of fixed cost by the "2nd Restructuring Plan"

Information Systems: Consolidated Net Sales & Operating Income

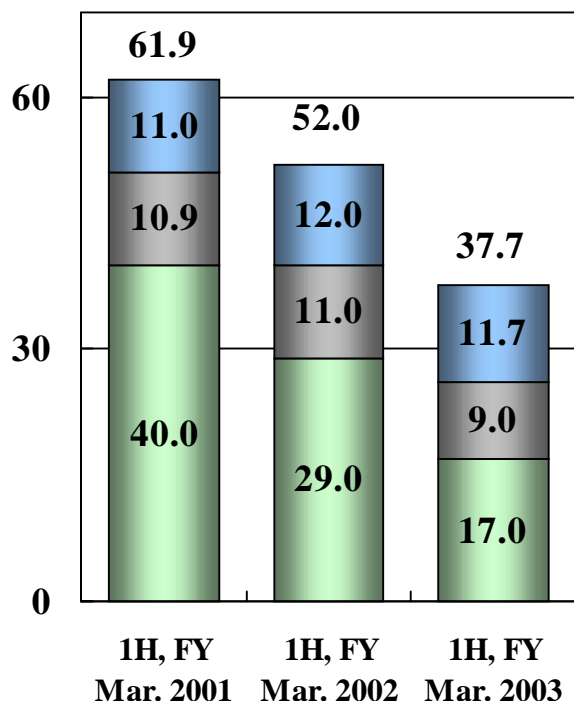
<Financial results by half-year>



Telecom Systems: Consolidated Net Sales & Operating Income

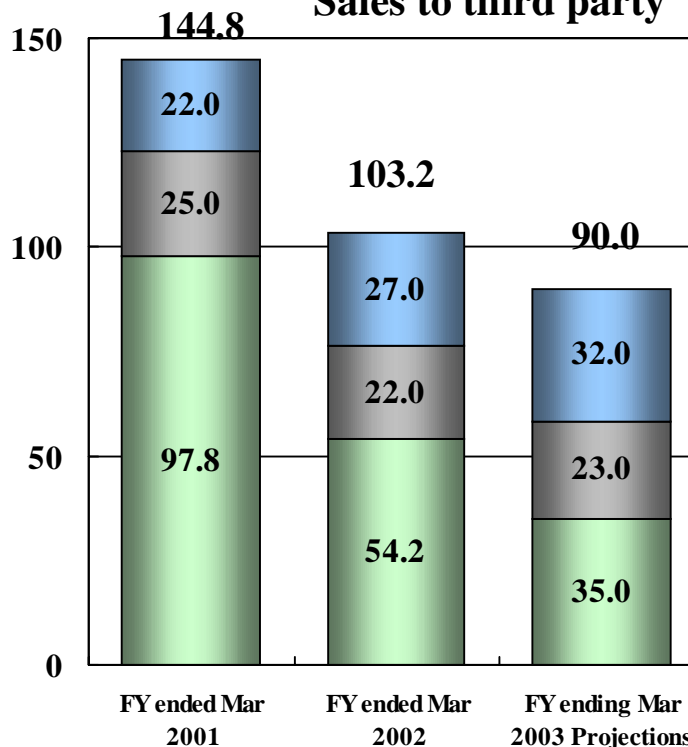
<1H Results>

(billion yen) Sales to third party



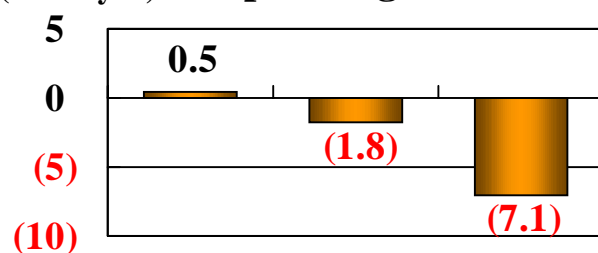
<Full Year Projections>

(billion yen) Sales to third party

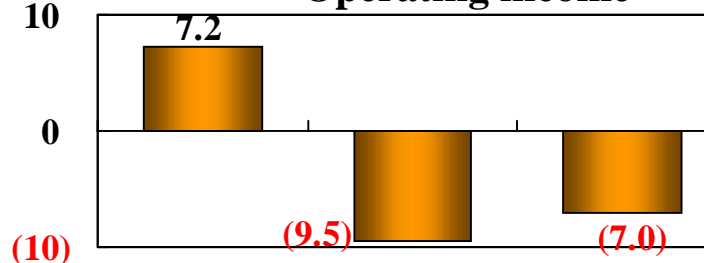


- Enterprise network
 - Increase in IP telephony sales to enterprises and ISPs
- NCC network
 - Investment curb by NCCs
- Core network
 - Sharp decrease in sales of existing systems to carriers

(billion yen) Operating income



(billion yen) Operating income

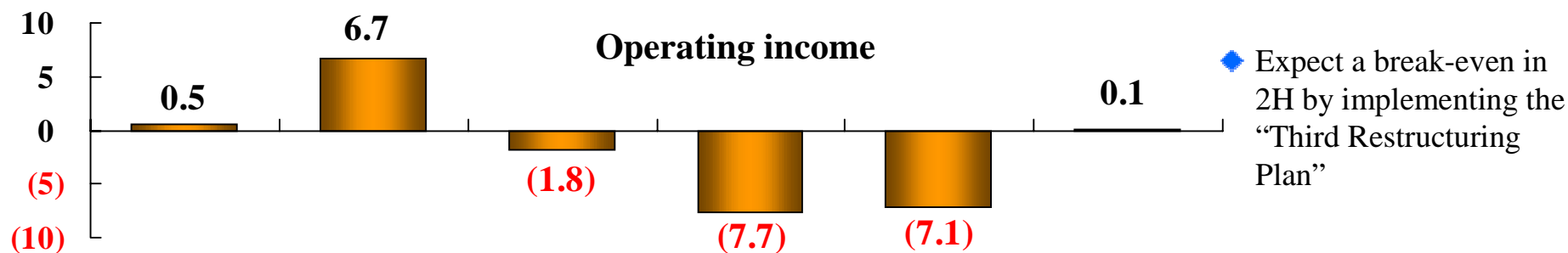
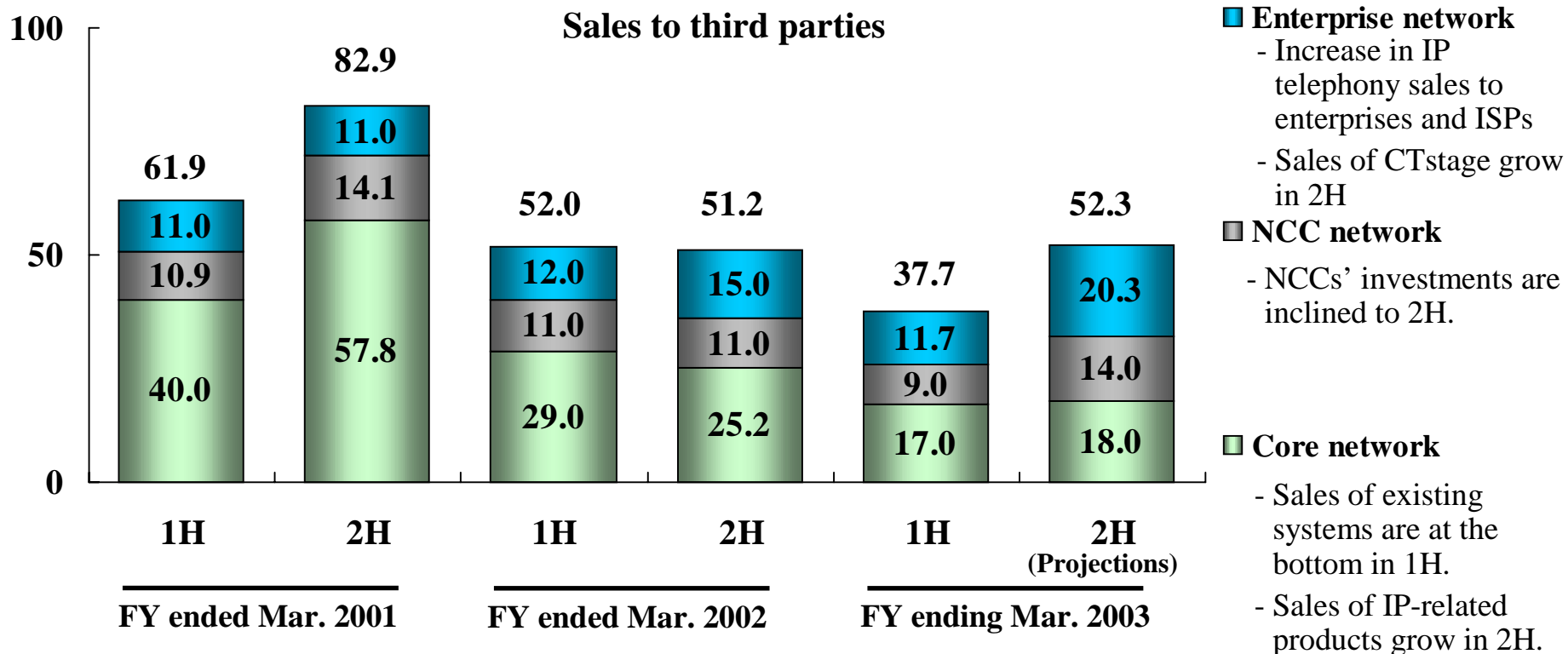


- ◆ Expect a break-even in 2H by implementing the "Third Restructuring Plan"

Telecom Systems: Consolidated Net Sales & Operating Income

(billion yen)

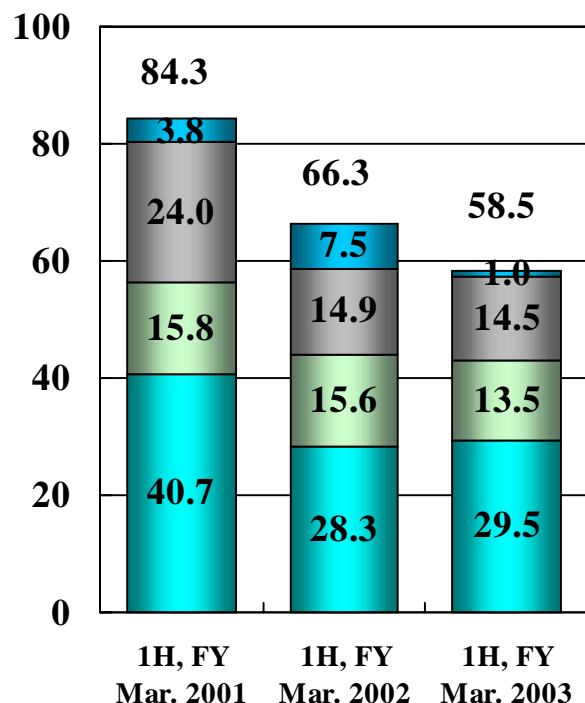
<Financial results by half-year>



Electronic Devices: Consolidated Net Sales & Operating Income

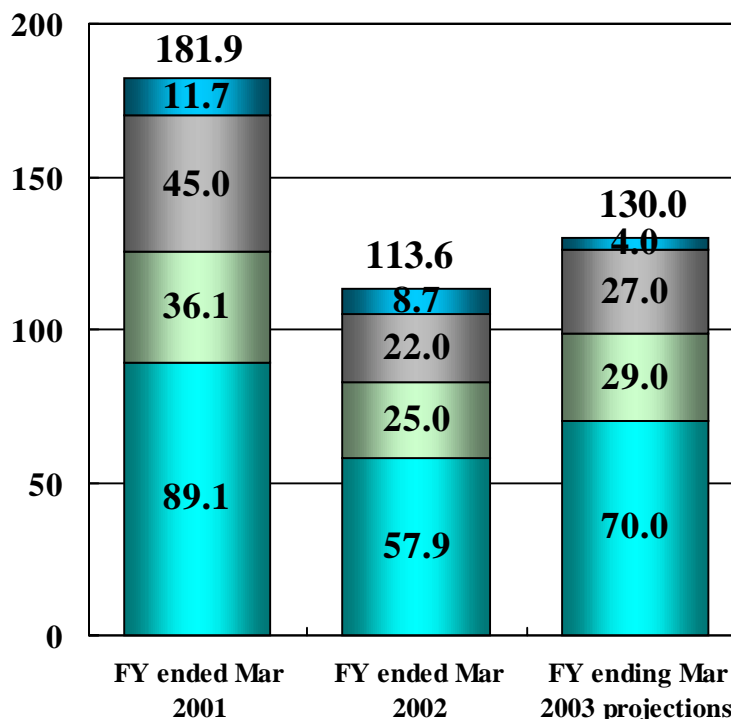
<1H Results>

(billion yen) Sales to third party



<Full Year Projections>

(billion yen) Sales to third party



Optical components

- Continuing deterioration in optical communication market in North America

DRAMs

- Recovery in market price and sales volume of 4M and 16M DRAMs

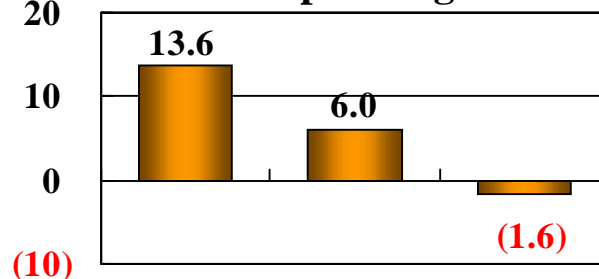
System memories

- Sales increase in P2ROM

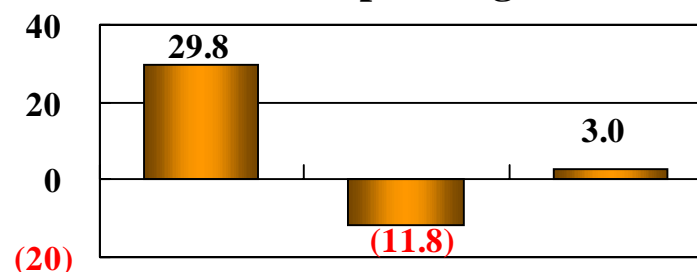
System LSIs, Logics

- Sales increase in system LSIs, and AS-LSIs for PHS, sound generator, watch, etc.

(billion yen) Operating income



(billion yen) Operating income

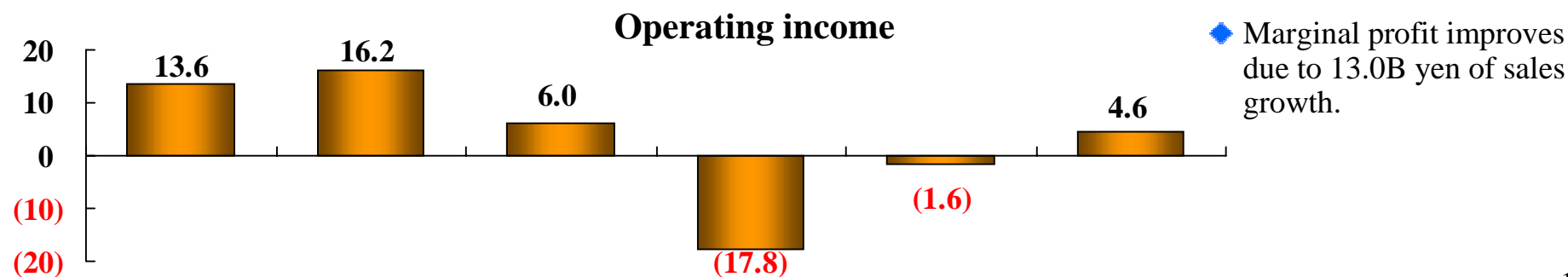
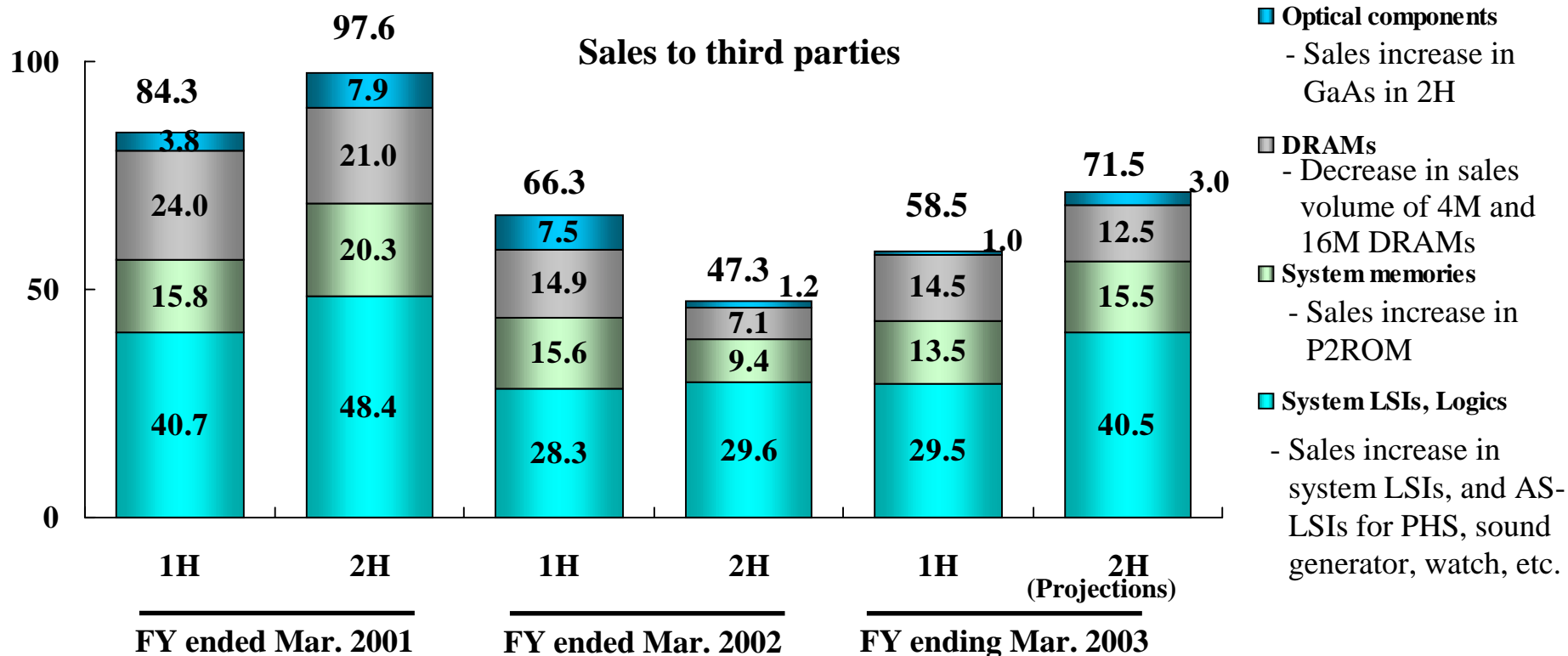


- ◆ Improvement of marginal profit and fixed cost caused by 16.4B yen sales growth contributes to increase 14.8B yen operating income relative to the previous FY.

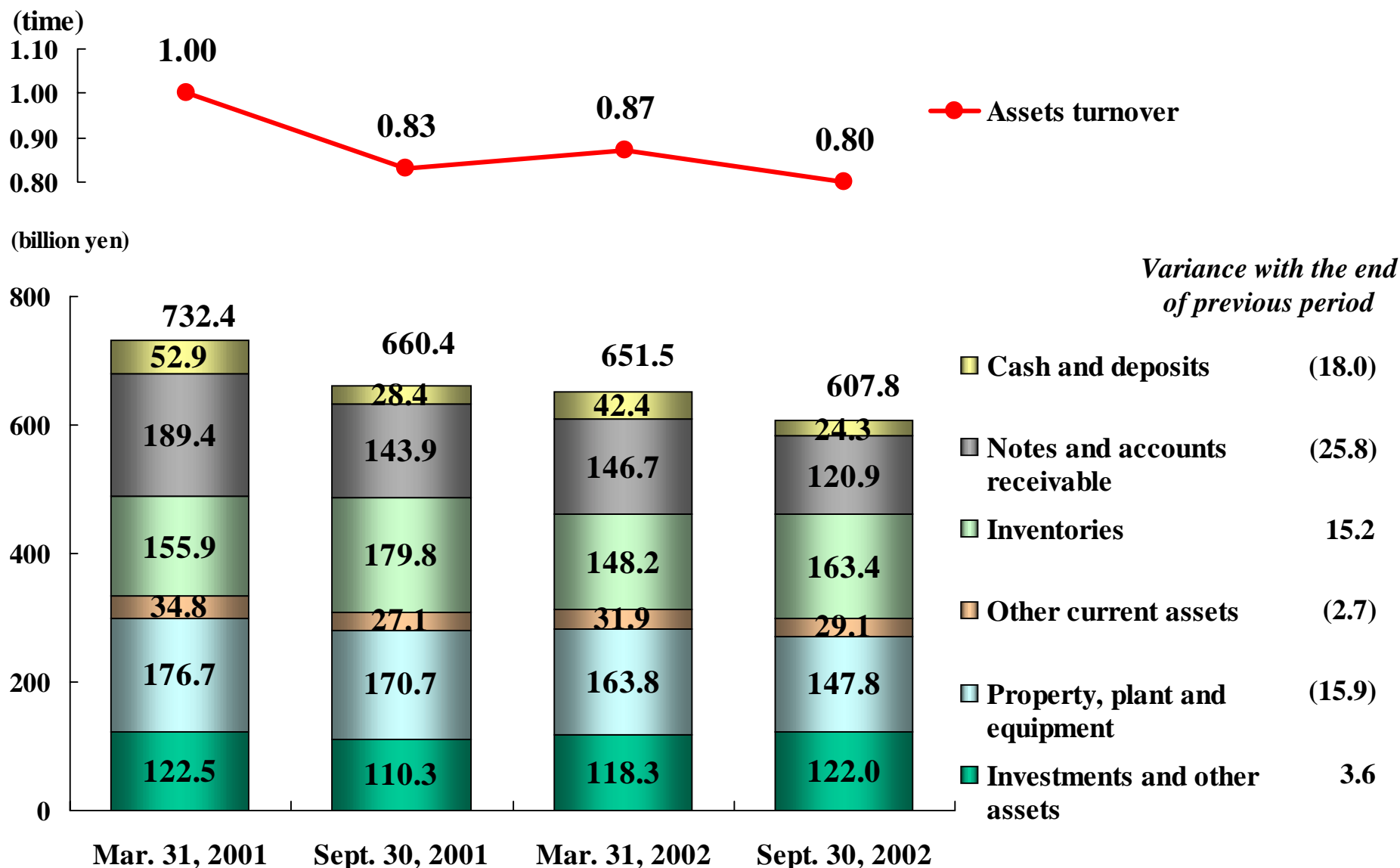
Electronic Devices: Consolidated Net Sales & Operating Income

(billion yen)

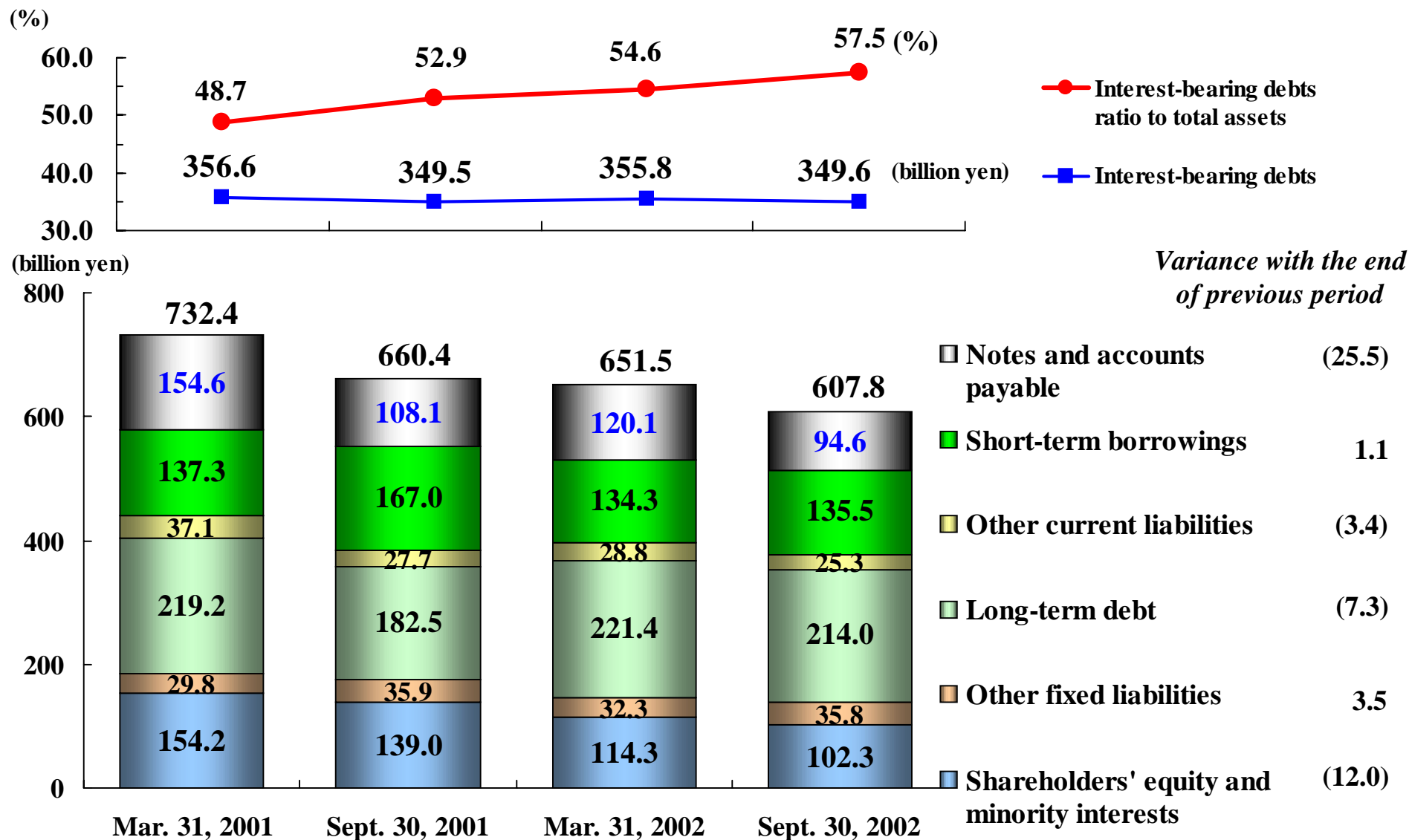
<Financial results by half-year>



Balance Sheet for 1st Half of FY Ending Mar. 2003 : Assets



Balance Sheet for 1st Half of FY Ending Mar. 2003 : Liabilities and shareholders' equity



Notes) Commercial paper is included in short-term borrowings. Bonds due within a year are included in long-term debt.

Consolidated Cash Flows

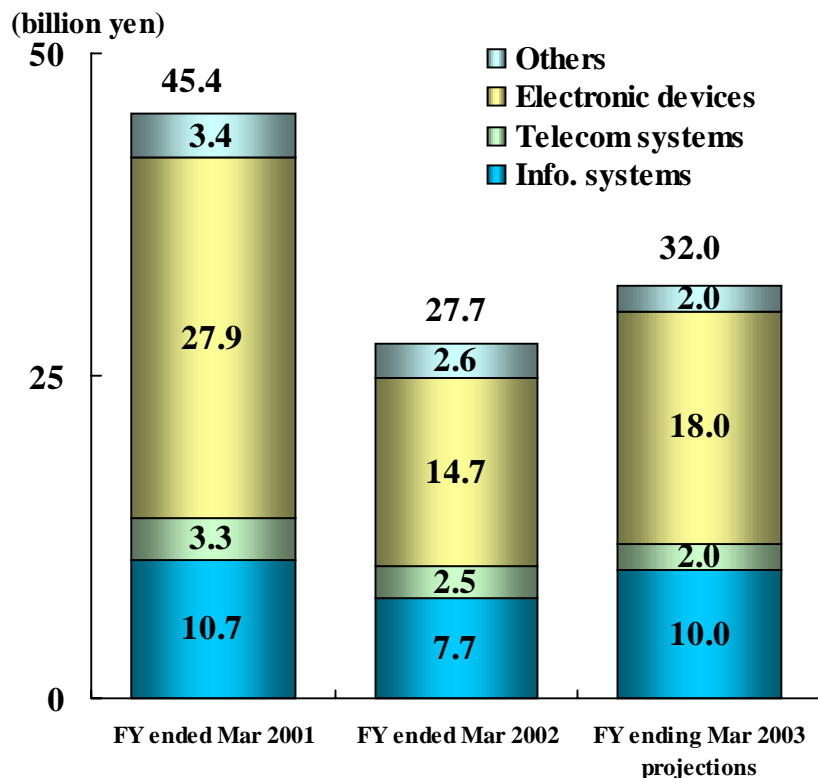
- Bonds of 22.5B yen due in August 2002 were redeemed. 20.0B-yen interest-bearing debts is to be reduced within this fiscal year.
- Plan to sell assets (real estates, marketable securities, etc.) in order both to improve cash flows and to reform business structure

(billion yen)

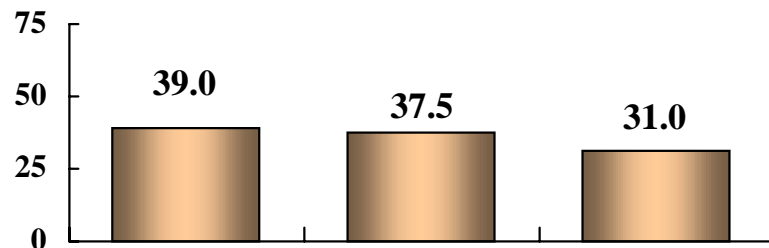
	FY ended Mar. 2002		FY ending Mar. 2003	
	1st half	Full year	1st half results	Full year projections
I. Cash flows from operating activities	(2.5)	16.8	(9.0)	40.0
Income (loss) before income taxes	(15.3)	(57.0)	(18.5)	1.5
Depreciation and amortization	24.7	48.0	20.0	41.0
Changes in operating assets and liabilities	(17.7)	24.8	(11.6)	10.0
Others	5.7	1.0	1.1	(12.5)
II. Cash flows from investing activities	(15.8)	(25.8)	(4.4)	(14.0)
Purchases of property, plant and equipment	(18.7)	(32.5)	(12.2)	(27.0)
Others	2.8	6.8	7.8	13.0
(I+II) Free cash flows	(18.3)	(9.0)	(13.4)	26.0
III. Cash flows from financing activities	(5.0)	0.3	(6.0)	(20.0)
Redemption of bonds	(24.0)	(24.5)	(22.5)	(22.5)
Changes in other interest bearing debts, etc.	18.9	24.8	16.4	2.5
(I+II+III) Net cash flow	(23.4)	(8.6)	(19.4)	6.0
Cash and cash equivalents at the end of the year	29.7	45.4	25.4	51.4
Interest bearing debts at the end of the year	349.5	355.8	349.6	335.8

Acquisitions of property, plant and equipment; Depreciation and amortization; R&D expenses

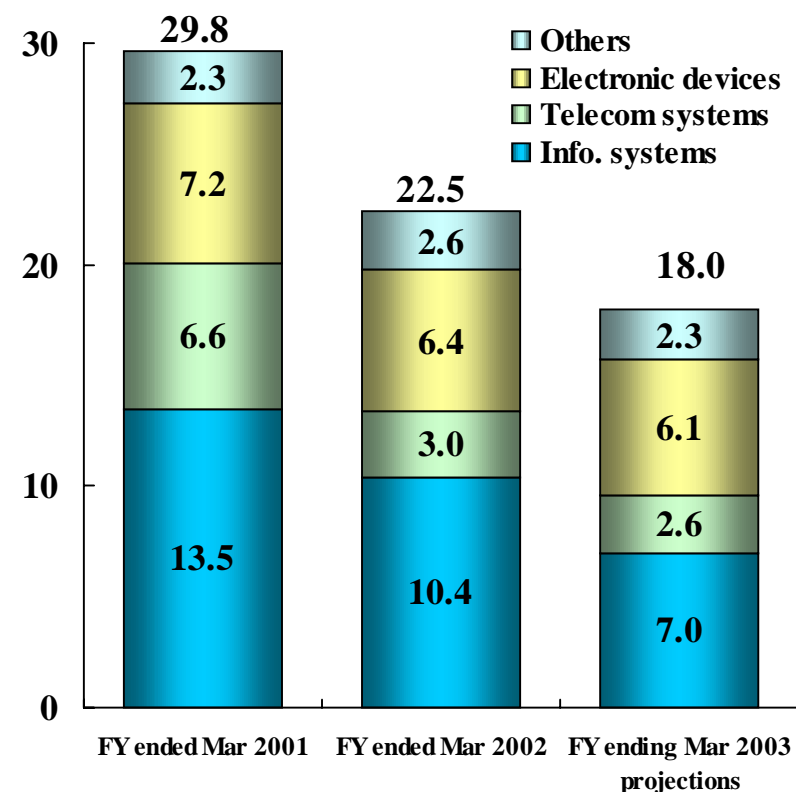
Acquisitions of property, plant and equipment



(billion yen) Depreciation and amortization



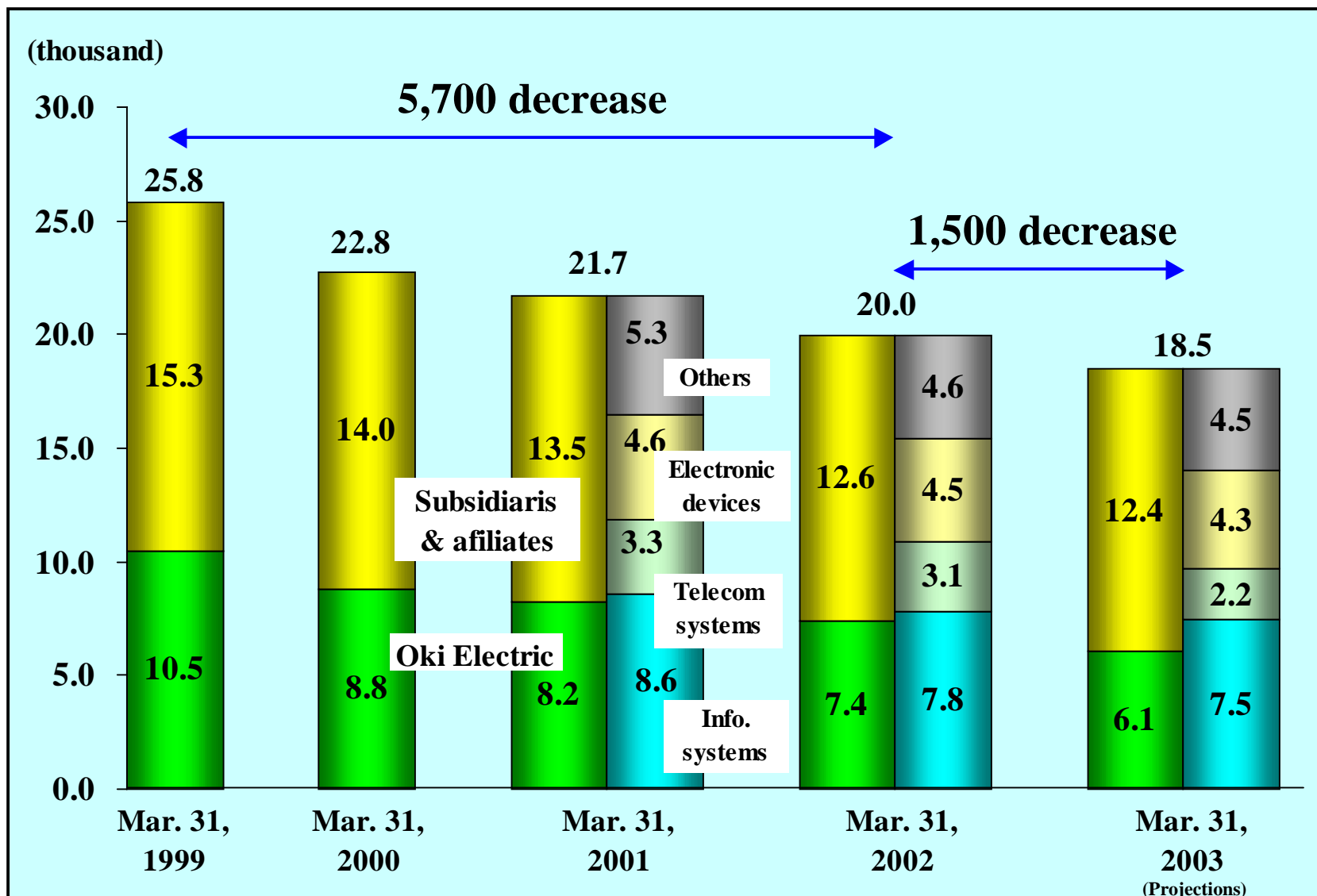
(billion yen) R&D expenses



- ◆ Focus on themes of prioritized businesses and promote effective activities
- ◆ Enhance product development utilizing alliances
- ◆ Put importance on “acquisition & development”

Transition of Headcounts

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



Glossary

P2.	ATM	Automated Teller Machine
P3.	NCC	New Common Carrier
	EMS	Electronic Manufacturing Services
P5.	IP	Internet Protocol
	P2ROM	Production Programmed Read Only Memory
	AS-LSI	Application Specific LSI
P7.	SIDM	Serial Impact Dot Matrix
P8.	ppm	page per minute
P9.	ISP	Internet Services Provider
P11.	DRAM	Dynamic Random Access Memory
	LSI	Large Scale Integrated circuit
	PHS	Personal Handyphone System
P12.	GaAs	Gallium Arsenide

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