

Interview with the President



Q1.

Operating conditions in the fiscal year ended March 2007 were particularly difficult. What are your views on the factors that contributed to this?

Shinozuka: Changes in the operating environment that occurred during the year were more profound than we had predicted. As a result, unfortunately, we weren't fully prepared to face the difficulties they presented.

There were three main transitions that took place during the year: accelerated globalization, domestic market saturation and stronger demand among customers for increased investment efficiency. The IT industry, within which OKI develops business, is undergoing rapid expansion as a globally competitive environment in line with the evolution of ubiquitous services and broadband networks. Within this competitive global environment, the actions customers took in pursuit of management efficiency were noteworthy. The pace of these changes far exceeded our expectations. OKI's response, I must admit, failed to match to our potential.

While our customers, our customers' customers and competitors all continue to advance toward globalization, the principle cause of OKI's performance slump stems from a gap between these environmental changes and OKI's business operation capabilities to access and offer products to the market.

Q2.

You have designated an "accelerated selection and concentration" scheme as one of OKI's policies to revamp the business structure for the fiscal year ending March 2008. Are businesses for selection already being determined?

Shinozuka: We have made our decisions. Businesses with operating income ratios of 3% or below will be carefully monitored for future growth potential, while businesses lacking profit potential will be considered for consolidation, spun off or sold, with customers' understanding.

On the other hand, we will concentrate management resources on businesses that are highly profitable now as well as those that we have earmarked for future growth. Simply consolidating businesses doesn't guarantee future growth; it is essential that we develop distinct businesses. We have already established a total of five in-house and in-house venture companies, and designated them as our growth businesses for the fiscal year ending March 2008. Also, in response to market fluctuations, we are working to rapidly expand these businesses.

Q3.

There is a possibility that the short-term measures of the current fiscal year, such as the reduction of fixed costs and curbing capital investment and R&D expenses, may lead to a decline in competitive strength. How do you plan to balance measures to bolster competitiveness over the medium to long term?

Shinozuka: We don't intend to reduce fixed costs and curb investment haphazardly. Within our accelerated selection and concentration scheme, we will make a clear distinction between strong and weak business investments. Furthermore, our approach to cutting costs includes limiting inefficient and needless investments. Instead we're taking proactive measures to focus management resources on strong products and businesses as well as businesses in which we anticipate growth. If we narrow down our targets further, we'll then be able to realize a stronger OKI over the medium to long term.

Q4.

In reference to OKI's efforts toward "promoting strong business development based on strong products," how do you think OKI compares to other companies?

Shinozuka: I am particularly proud of our Info-Telecom Systems segment, which was among the first in the industry to converge information and telecommunications technologies. It is also where we have long cultivated the mechatronics technology we use in our ATM systems. Our info-telecom converged technologies are embedded within industry-leading VoIP* and IP telephony systems as well as in our CTstage® CTI* system, which boasts the leading market share in the contact center market in Japan. These technologies prove that we already possess significant strengths in the technological

By revamping business structures to build stronger businesses, we are aiming for a V-shape recovery.



fields essential for expanding NGNs and Ubiquitous Services. As regards mechatronics, with about 40% of all operating ATMs in Japan being supplied by OKI, our share of the market is second to none. Mechatronic devices are essential in utilizing Ubiquitous Services.

In the Semiconductor segment, we have been focusing on the development of a uniquely OKI semiconductor business, targeting personal and mobile fields. For example, we are focusing on technologies such as the Silicon-on-Sapphire manufacturing process, the most attractive feature of which is its ultra low-power consumption, as well as power-saving, high-voltage process and high-density packaging technologies that are essential to personal and mobile device structures. OKI will innovatively combine its semiconductor technologies with other technologies within the Group, for instance by synthesizing wireless communications and printed circuit board technologies. To this end, we have built a policy around efforts to create and expand a new e-functional module business. Our ability to bring such a variety of technologies together is one of OKI's unique strengths.

In the Printer segment, our LED print-head and mechatronics technologies, which contribute to superior compactness, high-speed and high-resolution, are among the greatest of OKI's strengths. OKI is ranked among the top companies in the world in terms of color printer sales. At the same time, we are one of the two major dot printer companies and boast a large share of the market.

Not only does OKI boast a host of unique world-class technologies, it also maintains a high level of competitiveness in terms of both product and business capabilities.

* VoIP: Voice over Internet Protocol
* CTI: Computer Telephony Integration

Q5.

You have defined one of OKI's targets for 2010 as an overseas sales ratio of 50%. Please explain what this means and what kinds of specific developments this entails.

Shinozuka: Amid accelerating globalization, OKI must increase its successes in the global market, which is why we are targeting an increase in our overseas sales ratio, from 36% to 50%. Expanding sales and strengthening profitability will allow us to gain worldwide recognition as a global corporation. On a business segment basis, approximately half of total semiconductor sales are generated overseas; over 80% of total printer sales are from overseas; while info-telecom systems overseas sales still only account for just a few percent.



OKI's road to recovery and the next leap forward depends on the global ground it gains in info-telecom systems.

I consider there to be two key aspects in advancing toward global development. The first is to localize and customize strong products with global growth potential to meet the needs of particular regions. For example, full-scale expansion of our ATM business in China has continued apace thanks to our collaborative efforts with partners in the region and the creation of customized models to meet regional needs. We are now working to expand our leading IP-based key telephone systems for SMB offices throughout China, Europe and the Pacific region.

The second is to forge and maintain partnerships. Undertaking business expansion in isolation has its limitations. Local companies have the best understanding of a region's particular characteristics and establishing partnerships with prominent corporations in each of our target regions will allow us to tailor our business activities—from marketing, technology and product development to sales and maintenance—in each of these regions. As we work to fully incorporate regional characteristics into our products and operations, we will be doing our utmost to maintain the partnerships we have established and moving inexorably closer to becoming a truly global enterprise.

Q6.

In conclusion, please tell us what efforts OKI is making to maximize shareholder value.

Shinozuka: Dividend payments to shareholders are of paramount importance. Regrettably, we suspended dividend payments for the fiscal year ended March 2007 due to waning performance. Resuming payments are a management priority and we continue to exert every effort to raise OKI's corporate value.

What's important for OKI is to aggressively expand its businesses globally and produce results. In order to anticipate changes in the business environment, which will be accelerating in their frequency, OKI is implementing measures to bring about results in a new era.

These measures will be driven by OKI's technological development. OKI aims to realize a new age in Ubiquitous Services, readily providing them in the styles people most desire—either as information, products, or services—whenever, wherever, with whatever they want. Leveraging OKI's DNA as a manufacturer, we will develop products and technologies far in advance of other companies on a worldwide scale to bring about a recovery in performance results.