

OKI's Efforts Toward a V-Shaped Recovery

Beginning in the Fiscal Year Ended March 31, 2008, OKI Has Been Working Hard to Revamp Its Business Structure with the Goal of Further Enhancing Its Earnings Potential.

■ Implementation of (Short-Term) Emergency Measures in the Fiscal Year Ended March 31, 2008

In March 2007, OKI instituted emergency measures until the effects of implementing medium- to long-term changes in the business structure become sufficiently apparent. The measures and target values are shown in the chart below. With respect to performance, OKI achieved its projected targets in nearly every category.

Short-Term Measures in the Fiscal Year Ended March 31, 2008				
Description		Target		Results
[Strategy 1] Accelerate selection and concentration	Reduce/Consolidate number of business units (BUs)	10%		Consolidate or partially consolidate 12% of BUs
	Resource shift	Shift to focus businesses	700 workers	Completed shift of 1,100 workers
		Shift to affiliated companies	500 workers	Shift 285 workers (incomplete)
	Safety placement	500 workers		Implemented on 606 workers
[Strategy 2] Shift to a more efficient management style (Full reexamination of fixed-cost structure)	Personnel costs	Reduce by ¥3.5 billion		Cut ¥3.5 billion as planned
	Curb investments	Hold down to ¥10.0 billion		Cut ¥19.5 billion as planned
	Reduce expense outflow	Reduce by ¥3.0 billion		Cut ¥3.0 billion as planned
	Reduce inventories	Reduce 15% year on year End of year inventory target	¥145.0 billion	Reduce 17% year on year End of year performance ¥138.9 billion (¥6.1 billion below target)
[Strategy 3] Develop strong businesses based on strong products	Reduce mainstay product costs	Info-Telecom	¥4.0 billion	Each business group achieved annual target
		Semiconductors	¥2.0 billion	
		Printers	¥1.0 billion	

■ Medium-Term Business Plan (Medium- to long-term measures)

Based on the three basic policies for reorganizing the business structure instituted in March 2007, these key strategies were summarized in the medium-term business plan in October 2007 and are outlined below.

In light of an agreement, OKI concluded in July 2008 to transfer 95% of the shares of its semiconductor company to Rohm Co., Ltd., the Company is currently reexamining its medium-term business plan.

Basic Strategy 1 :

Accelerate Business Selection and Concentration

In the past, business units with operating income ratios of 3% or lower were considered for consolidation. From this point forward, OKI will not only take operating income ratio into consideration, it will redefine its business performance indicators including net sales, market share, market potential and differentiation factors (technology, products and know-how) in addition to reviewing business selection and concentration on a quarterly basis.

In addition, businesses will be divided into the following four categories, and business operations will be managed based on the respective policies.

Four Business Categories and Business Policies		
Business Category		Business Policy
Focus businesses	Existing	Sales expansion based on existing "strong products"
	New	New business creation and expansion based on synthesizing and integrating advanced technologies
Stable earnings businesses		Maintain and expand stable earnings through greater efficiency
Businesses becoming profitable		Make every effort to become profitable Businesses lacking profit potential will be consolidated

Concentrate the investment of resources (people, R&D, capital expenditure, etc.) in both new and existing focus businesses and substantially improve profitability. Stable earnings businesses are businesses that are now creating stable profits and seeking to maintain and expand profits through greater operational efficiency in order to generate funds to invest in focus businesses. Businesses becoming profitable are businesses that unfortunately are not yet sufficiently profitable or that are unprofitable and for which every effort is being made to make them profitable. Businesses deemed to be lacking profit potential are being managed with a view toward business consolidation.

Basic Strategy 2 :

Shift to a More Efficient Management Style

The management system of the entire OKI Group will be reviewed and a more powerful business system put in place. We will review the business processes of each business unit and affiliate and restructure the business system through integration, the division of roles and the elimination of redundancies. Moreover, in the area of fixed costs, we will review the software production system and, in Japan and abroad, the hardware production system, as well as create an efficient management style. Because the semiconductor segment was outside the scope of consolidation from the second half of fiscal 2008, we are reviewing corporate functions, streamlining operations and taking other steps. In addition, we are creating greater organizational and operational efficiency by separating traditional businesses from new businesses, which differ in terms of speed of business operation.

Basic Strategy 3 :

Develop Strong Businesses Based on Strong Products

In each business we are maintaining and increasing the earnings potential of existing strong businesses (stable earnings and existing focus businesses). At the same time, we are managing these businesses with an eye toward increasing the sales and earnings of new focus businesses. To that end, we are aiming to raise the net sales ratio to R&D expenses to 3.5% in 2010, concentrating our investments in such focus businesses as Info-Telecom and Mechatronics (ATMs, printers, etc.), and accelerating the creation and development of strong products based on superior technologies.