



Q. Please tell us about the Phoenix 21 plan.

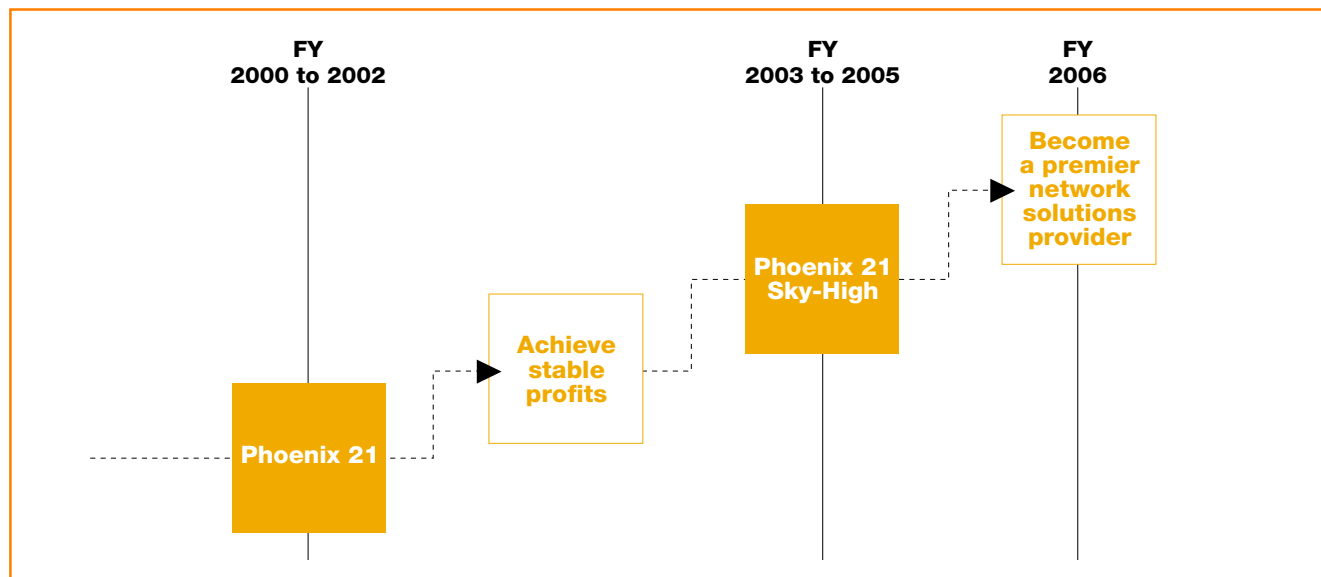
A. In fiscal 1999, the Oki Electric Group recorded losses totaling ¥47.4 billion. The primary goal of Phoenix 21 was to reorganize management after this crisis. The main cause of these losses was a slump in the semiconductor business, so structural reform of this business was the most important issue for us. We decided to concentrate resources on logic and system LSIs rather than DRAM used in PCs. We also launched projects to cut fixed costs throughout the Group and endeavored to raise efficiency of personnel and reduce amortization costs. Our goal was to achieve profitability by March 2000 and resume dividend payments for fiscal 2001. We achieved both of these goals in the two-year period.

Another goal of Phoenix 21 is to concentrate resources in priority business areas and merge unprofitable businesses. We attempted to strengthen these priority enterprises by purchasing Toshiba Corporation's ATM business and forming ties with Cisco Systems KK (Cisco Japan), IBM Japan Ltd. and Microsoft Japan Co., Ltd. Attempts to withdraw from unprofitable businesses led us to transfer our

broadcasting equipment business and sell subsidiaries. I believe the Phoenix 21 measures were smoothly implemented. Fiscal 2002 is the final year of the Phoenix 21 plan. We will proceed with preparations for the next management plan, Phoenix 21 Sky-High, as well as undertake to resolve remaining issues.

Q. Oki Electric aims to achieve Phoenix 21 Sky-High goals by fiscal 2006. Why was this particular year chosen?

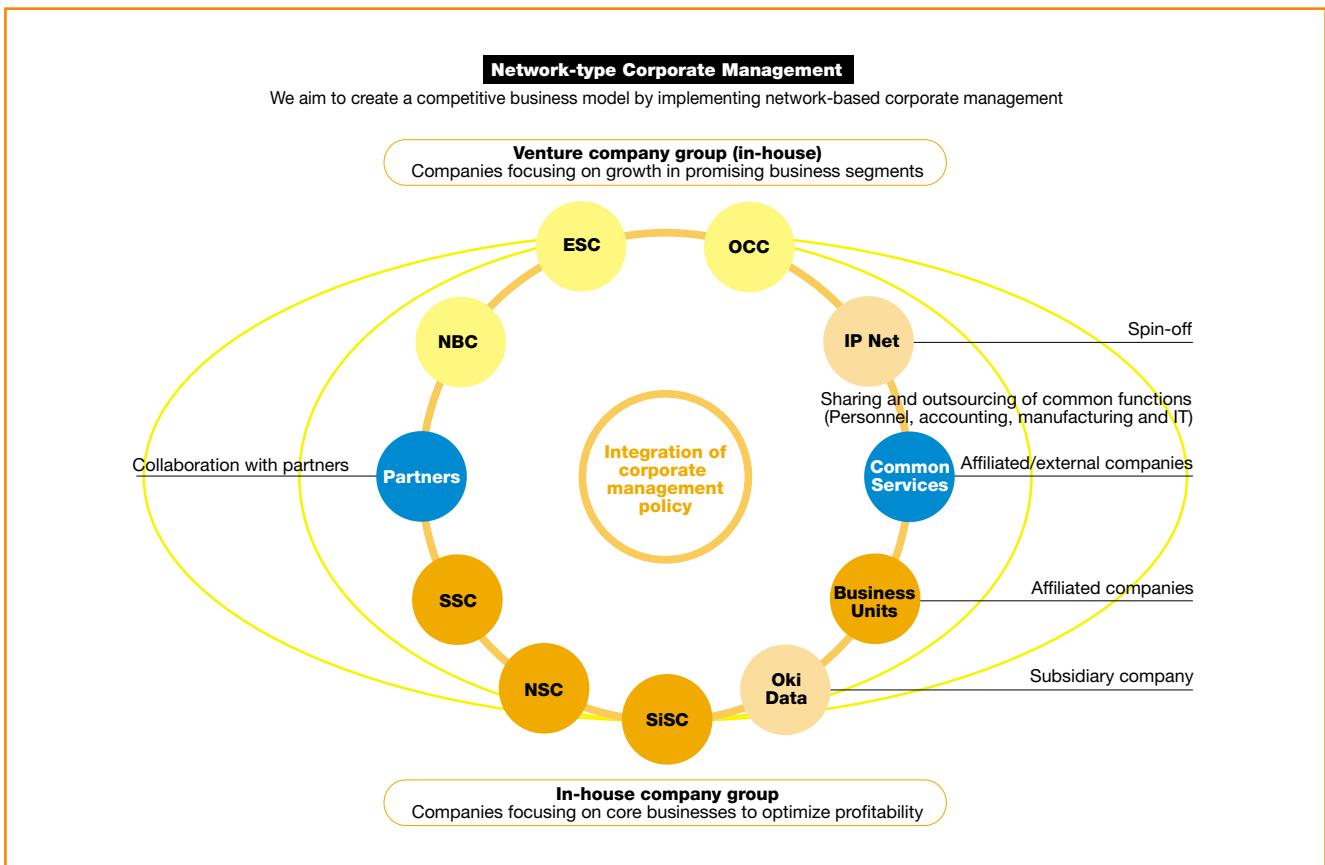
A. Fluctuations in the telecommunications market are particularly sharp, making predictions so difficult that plans tend to cover only three fiscal years. We feel, however, the extreme nature of the changes and difficulty of forecasting make long-term and broad goals even more essential. Fiscal 2006 was chosen because we felt specific measures could be formulated in each fiscal year's plans, and evaluations of the results used to adjust the following fiscal year's plan while progressing toward Phoenix 21 Sky-High goals.



Q. What are the differences between network-type management and conventional management policies?

A. In April 2000, we introduced our in-house company system. We started with three in-house companies—Network Systems Company (NSC), System Solutions Company (SSC) and Silicon Solutions Company (SiSC)—as well as a venture company in the component business, and a subsidiary, Oki Data Company. In January 2001, two businesses were spun off from SSC to form the venture companies Net Business Solutions Company (NBC) and Enterprise Solutions Company (ESC). The component business was renamed the Optical Components Company (OCC).

We have generally strived for an autonomous, independent management system in each company, but in the future we will implement network-type management throughout the Group to ensure speedy and efficient responses to market changes. As a result, we are outsourcing the Group's common administrative functions, such as personnel, accounting, financial and information systems, and creating shared service centers. We are also planning to reorganize companies, particularly SSC and NSC, and establish a manufacturing company. We are considering increasing the number of venture companies threefold from the current three and spinning off several others.

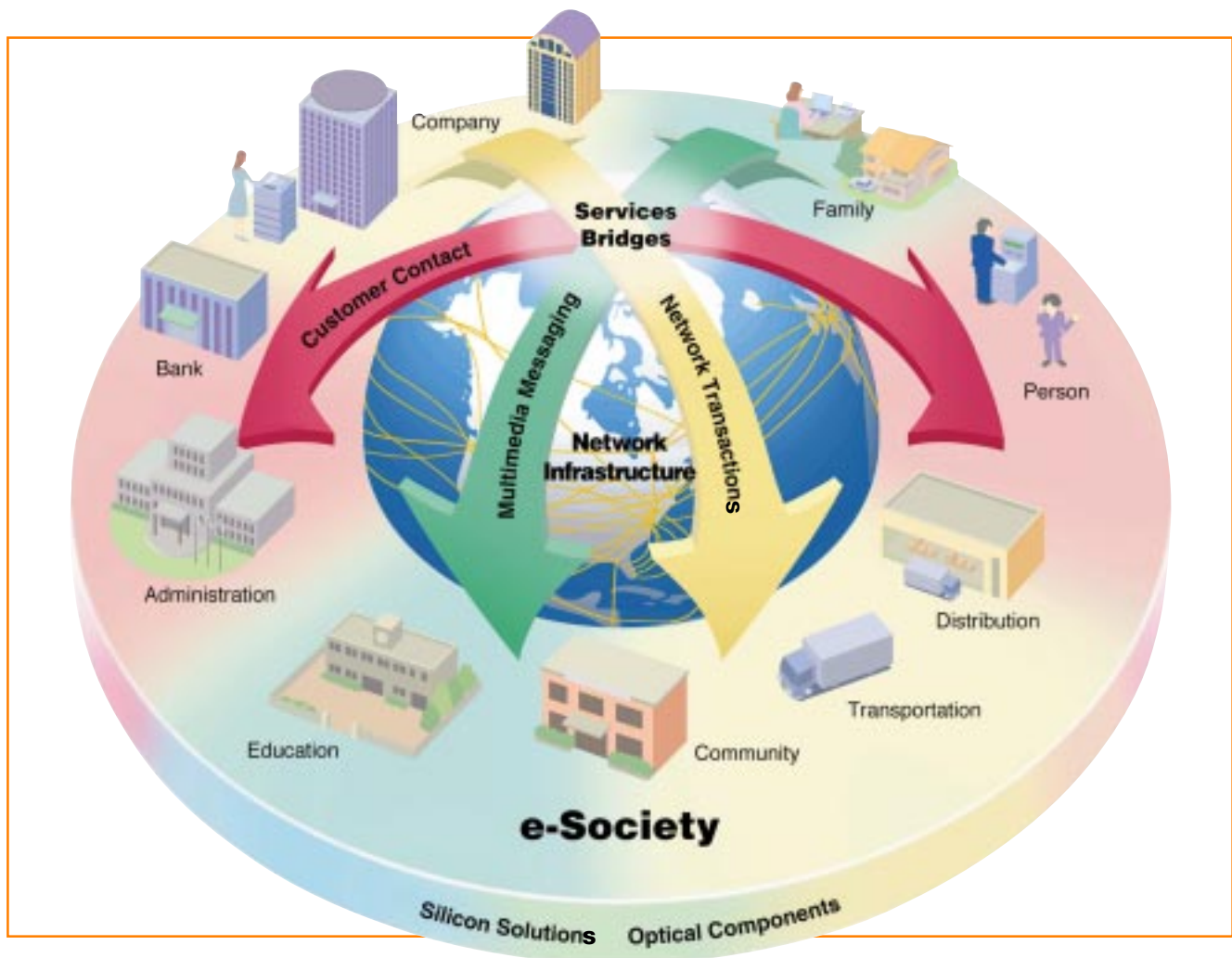


Q. Please tell us what specific business areas Phoenix 21 Sky-High will focus on.

A. As the Internet brings the world closer, new business models making use of this network are being developed to create an e-society. Phoenix 21 Sky-High aims to accomplish Oki Electric Group’s vision of an e-society by offering network solutions. This priority business area consists of network infrastructure services and three “service bridges,” as well as the three companies that support the bridges.

Service Bridges

- “Customer contact” is the first of our three service bridges.
- This involves providing systems and solutions for customer service in travel agencies, financial institutions, and government and public agencies.
- The second bridge, “multimedia messaging,” offers corporate telecommunications systems with integrated voice, data and video using IPs such as VoIP, and CTI, to companies, carriers, and government and public agencies.
- Our third service bridge, “network transactions,” provides platforms and applications for such transactions as





business-to-business (B2B) and business-to-consumer (B2C), and information exchange using IP networks.

Our network infrastructure services offer optical technology to carriers to construct broadband IP networks and systems using IP network technology.

Companies Supporting Network Solutions

Oki Data is planning global business development focused on color page printers with the world's fastest printing speed.

SiSC focuses on system LSIs for mobile information devices in the digital communication age, and DRAM for uses other than system memory or PC memory.

OCC is responding to the expanding market for optical access networks in the North American wavelength division

• multiplexing (WDM) market by offering optical devices and modules such as GaAs semiconductors.

• **Q. The Phoenix 21 Sky-High plan aims for a 6% increase in net sales. Isn't this lower than the expected growth in the information and telecommunications industry?**

• **A.** We expect to exceed market growth in our priority business areas, but we are withdrawing from businesses for which we do not predict profitability. As a result, overall growth will be 6%. Economic value added (Oki EVA) and free cash flows (FCF) will be used as the indicators for Phoenix 21 Sky-High's goals.

	Preconditions	Hurdles
Existing businesses	Maintain/enforce profitability Generate positive FCF	Oki EVA: positive FCF: positive
New businesses	Deliver growth potential Target date for achieving profitability	Annual sales growth rate: 20% Oki EVA: Surplus over three years

