



The revisions to Phoenix 21 Sky-High place a new emphasis on a qualitative business structure. Can you provide more details about this change?



We used to emphasize sales growth, assuming that profits will grow if sales grow. We realized, though, that growth might slow and business become unprofitable if we can't compete with other companies. So our revised plan stresses qualitative improvements, such as concentration of resources in businesses in which we have a competitive advantage and withdrawal from those that are not yielding a profit. With these measures, I think it's realistic to expect ¥800,000 million in sales and ¥48,000 million in operating income by fiscal 2006.



Revised Goals for the Phoenix 21 Sky-High Plan		
	Fiscal 2003 Plan	Fiscal 2006 Goal
Net Sales	¥640 billion	Over ¥800 billion
Operating Income	¥8 billion	Over ¥48 billion
Return on Equity (ROE)	—	Over 12%



It looks as if the information systems segment has very low revenue relative to the level of sales. What will the Phoenix 21 Sky-High plan do to improve revenue measures?



Our information systems segment focuses its resources on business areas that stand out for their high potential. One of these is banking branch systems and ATMs for financial institutions. We gave this business area new independence by setting it off as a separate in-house company, the Financial Solutions Company.

Also, Japan's financial institutions are gradually reorganizing. This will probably spur domestic investment in IT systems in Japan, which has been slow to date. We should be ready to offer network solutions such as VoIP and CTI, in addition to existing financial systems, by the time this reorganization is complete.

We can also improve revenue by shifting from the saturated domestic market for ATMs to the People's Republic of China (PRC), taking advantage of the lower production costs. This is also an opportunity to gain a foothold in the Chinese market.

The IT market for government and public offices has high potential. So many companies have entered this market, however, that price competition has become quite severe. Despite this fierce competition, e-government and ITS sectors have great potential to grow, and since more revenue can therefore be expected in these areas, we will focus on them.

On the other hand, we expect to see strong growth in color printers for corporations and the small office-home office (SOHO) market. I think our LED engines will improve sales of high-speed and small-scale color printers. That's a prime example of the way we can use our competitive advantages to raise revenue.



Broadband based on Internet protocol (IP) technology is becoming more popular in the telecommunications industry. What are Oki's strengths in this area and what are its future strategies?



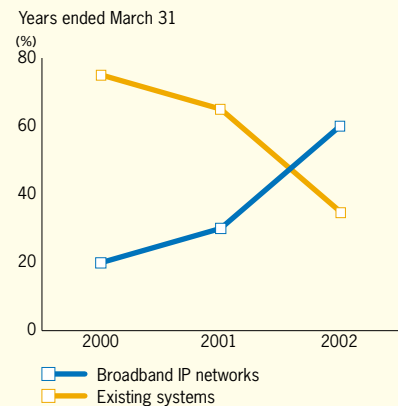
The changes in the industry provide a great opportunity for Oki. Japan's telecommunications market is currently making the dramatic transition from voice networks to broadband IP networks. Although ADSL services were not launched until late 2001, 10 million users are expected by the end of 2002. There are also plans for full-scale introduction of fiber-to-the-home (FTTH) and IP telephony services.

Oki entered this market fairly early. In fiscal 1998, we used our VoIP and CTI technology and our alliance with Cisco Systems, Inc., to enter the market for VoIP systems. We were able to do this before other domestic manufacturers of telecommunications devices and are currently the top domestic vendor in the VoIP and CTI market.

Despite these advantages, though, profitability in this segment has been hurt by up-front investments in IP networks and lower revenues for existing systems. To combat these problems, we decided to shift network engineers from existing systems to broadband IP networks. If we increase our focus here, we should be able to gain a greater share of the market and achieve high growth, although competition will also be harsh. The only way we can keep our leading position is by using our know-how effectively. Cutting costs by manufacturing hardware and software overseas will also help.



Breakdown of Sales in the Telecommunications Systems Segment



Alliances are increasingly being formed among companies in the global semiconductor market. Most semiconductor manufacturers in Japan are switching from DRAM and focusing their resources on system LSI. What are Oki's plans?

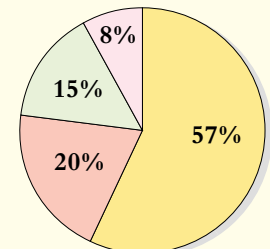


When I became president of Oki in fiscal 1999, the semiconductor business was recording significant losses. To turn this situation around, our Phoenix 21 plan called for withdrawal from advanced DRAM and concentration of resources in logic and system LSI. DRAM comprises less than 20% of our semiconductor business now, compared with 50% in fiscal 1999, and logic and system LSI accounts for 60%, up from 30%.

The best strategy is to continue focusing on business areas that capitalize on our expertise. For Oki, that means specializing in system LSI utilizing

Breakdown of Sales in the Electronic Devices Segment

Year ended March 31, 2002



- Logic and system LSI
- System memory
- DRAM
- Optical components

Why is Oki cutting back on R&D investment?



**A** As I mentioned earlier, Oki is moving from quantitative to qualitative expansion, and this is true for R&D as well. These cuts in R&D expenses are not arbitrary. Instead of pursuing a broad range of R&D areas, we will focus on business areas that represent our strengths.

I think it's important to develop products through alliances and utilizing our partners' technology, rather than doing all the development ourselves. This saves on R&D expenses and creates new businesses. You could call this our alliance and development (A&D) concept. Rather than just focusing on in-house technology, we're trying to develop more competitive products by introducing technology gained through alliances or acquired from other companies. For example, just as VoIP was developed by merging telecommunications and information technologies, we will also create future products in various technology convergences.



In what ways does Oki's management prioritize shareholders?



**A** Oki's goal is to offer "network solutions for a global society." As I mentioned before, to do this we focus resources on business areas that make the most of the Group's strengths and contribute to the development of a global network society, or "e-society."

Our management emphasizes revenues, growth and speed to accomplish this vision. This plan would not be complete without better corporate governance to ensure management effectiveness and transparency. In April 2001 we established a management advisory committee and a compensation committee, and in July 2001 an outside director was appointed to the Board of Directors. All of these moves will raise corporate value and benefit Oki's shareholders.