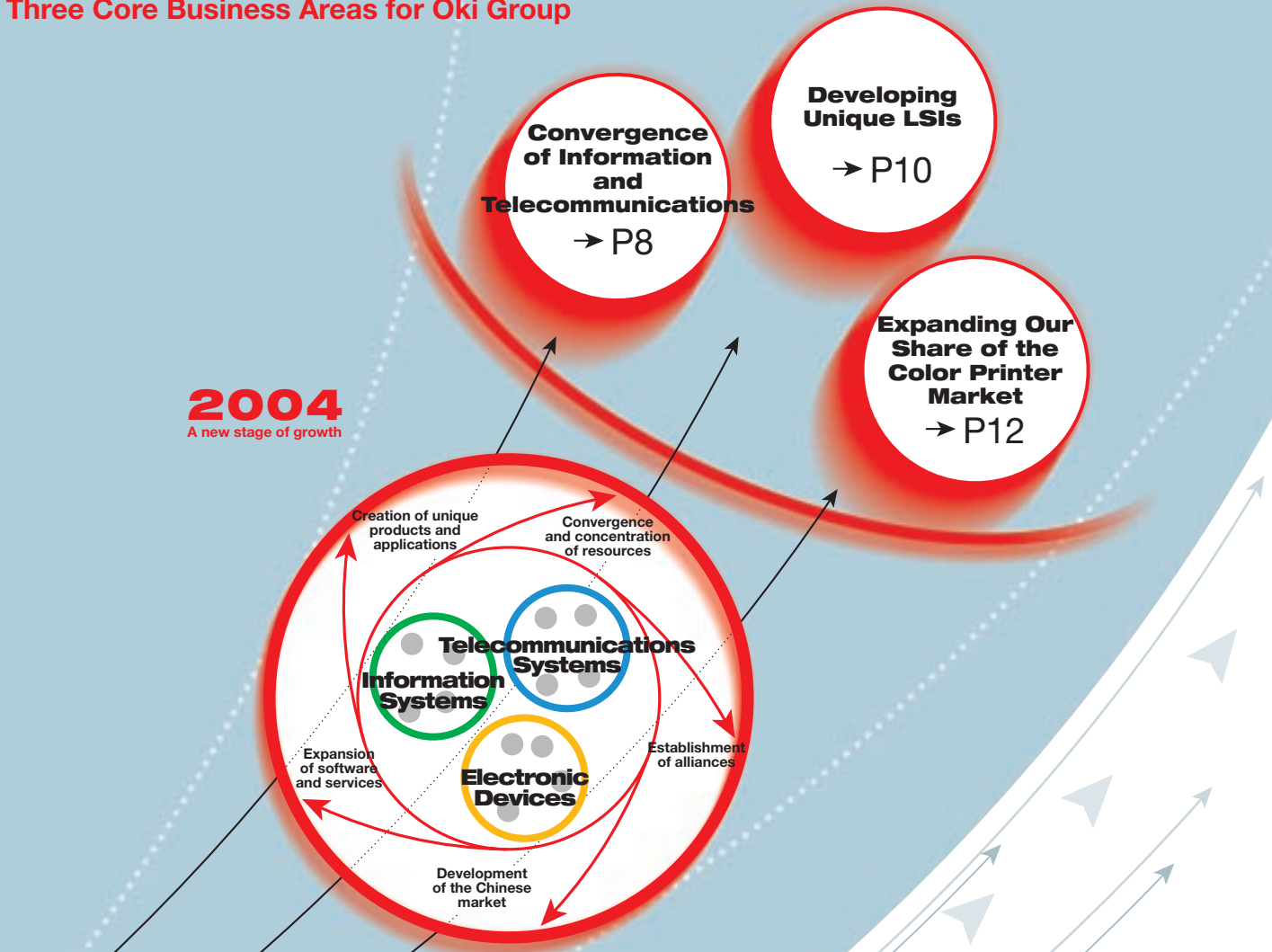


Features

Major Growth Opportunities in the Networked Society

Three Core Business Areas for Oki Group



2004
A new stage of growth

Convergence of Information and Telecommunications
→ P8

Developing Unique LSIs
→ P10

Expanding Our Share of the Color Printer Market
→ P12

Creation of unique products and applications

Convergence and concentration of resources

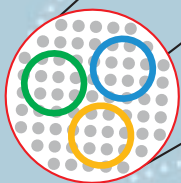
Information Systems
Telecommunications Systems

Electronic Devices

Expansion of software and services

Establishment of alliances

Development of the Chinese market



1998
Establishment of the Phoenix 21 plan

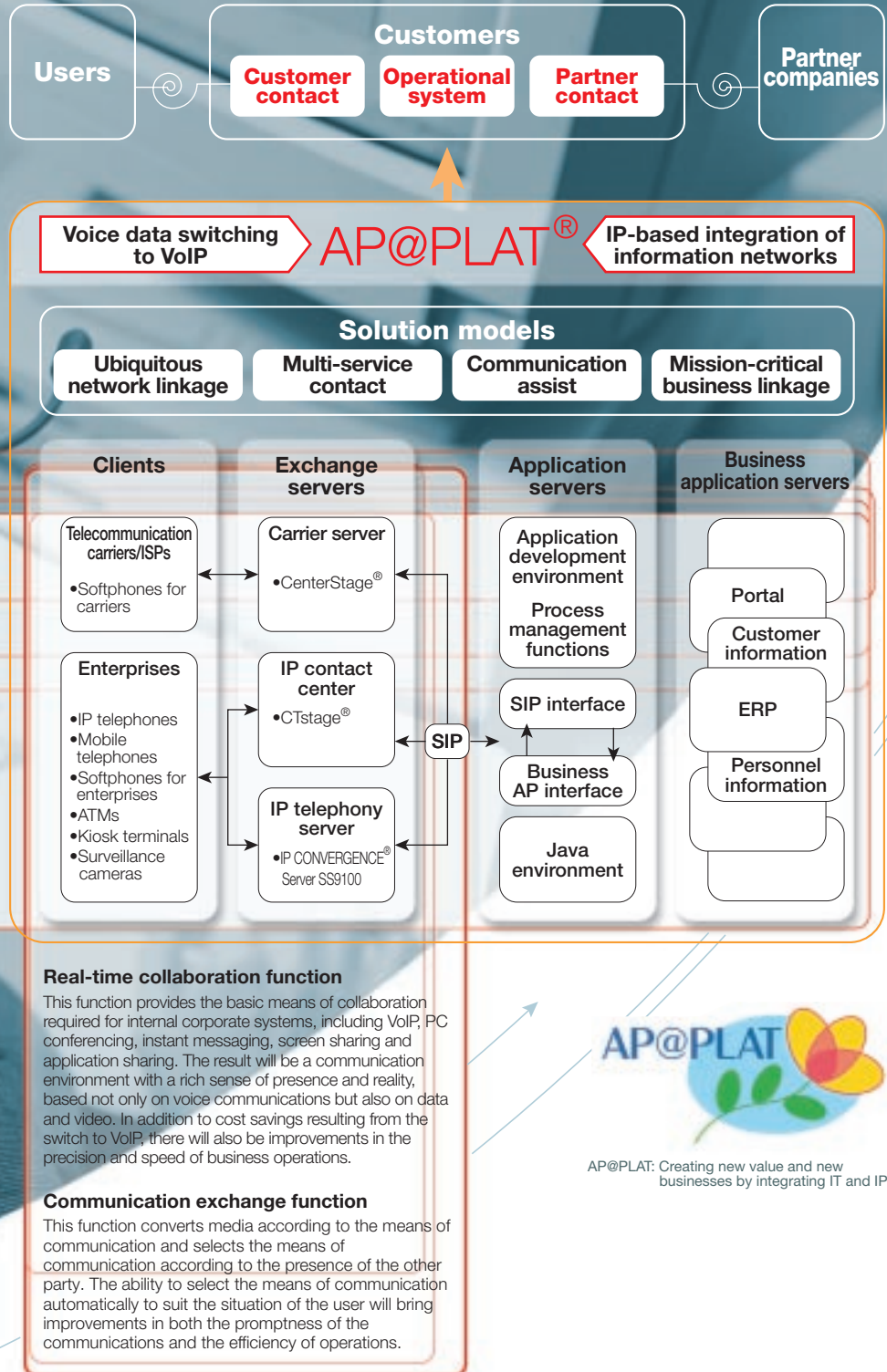
Under its corporate vision "Oki, Network Solutions for a Global Society," Oki has implemented a program of structural reforms designed to concentrate resources in core areas in which it has strengths in terms of market potential, technology, product values and market share. At the same time, it has withdrawn from and sold business operations that offer limited income potential.

As a result, Oki has enhanced its competitive position in the world markets in a number of areas, including financial system solutions and printers in the information systems segment, VoIP products in the telecommunications systems segment, and system LSIs, logic LSIs and system memories in the electronic device segment. These segments have now grown into core business areas capable of driving business performance. Focusing on these areas in particular, Oki is also actively building a presence in the Chinese market, which is starting to expand rapidly. Oki has taken up the new challenge of market development in China to supplement its production activities.

The structural reform process has allowed the Oki Group to identify its strengths and position them as a unifying force while actively building alliances with companies in various countries, all of which have unique technologies. Oki will leverage those strengths to help maximize its value to customers by providing total solutions encompassing not only hardware, but also software and services.

Oki has reached an important turning point in its structural reform process. Its goal now is to accelerate the growth of these three core business segments in the new networked environment, which promises to give individuals desired information in the right format, wherever, whenever, and with whomever safely, reliably and at an appropriate price.

Convergence of Information and Telecommunications



Information and telecommunication converged solutions are crucial to advancement of the networked society

In line with its corporate vision "Oki, Network Solutions for a Global Society," Oki has focused on the creation of unique information systems, network equipment and services. Particularly in the area of the integration of voice and data networks using VoIP technology, Oki offers various one-stop solutions with an extensive and varied product range. For example, in 1999 Oki became the first Japanese manufacturer to announce an IP-PBX. Oki has established a position for itself as the leading supplier of broadband IP products for businesses.

Oki is using this success as a stepping-stone to an expanded role encompassing not only the convergence of voice and data through IP networks, but also the convergence of information technologies (IT) and telecommunications (IP) to provide customers with ways to enhance their productivity and operating efficiency.

Many internal systems in enterprises are currently divided into customer contacts, which act as contact points with their customers, operational systems, including personnel, accounting and order processing, and partner contacts, which include information sharing with partner companies. There are problems with this structure. For example, while the use of CTI may improve the efficiency of a call center, there are many cases in which it is necessary to obtain and input data again because there is no linkage between the call center and operational systems. Moreover, when business applications are used on day-to-day basis, efficiency has been limited by the need for face-to-face or telephone contacts between human beings for various purposes, such as detailed confirmation or coordination.

This situation led Oki to establish AP@PLAT[®], a concept that not only systemizes various types of hardware, software, and services, but also integrates and links information system applications. Under AP@PLAT, Oki will generate new customer value that goes beyond cost reductions and productivity improvements by supplying one-stop content and service solutions that integrate voice, data and video.

AP@PLAT[®] — A solution concept made possible by Oki expertise from hardware to software

AP@PLAT is the concept that made information and telecommunication converged solutions possible. These solutions are based on Oki's wide-range of powerful technologies in areas such as security, sound, wireless, mechatronics and large-scale networking. Under AP@PLAT, these solutions integrate a variety of hardware and software on an IP network, including terminal equipment, such as IP telephones, softphones, ATMs and ticketing machines, as well as servers for video distribution, VoIP, CTI, web services and other uses, and settlement services, and then links them with various business applications.

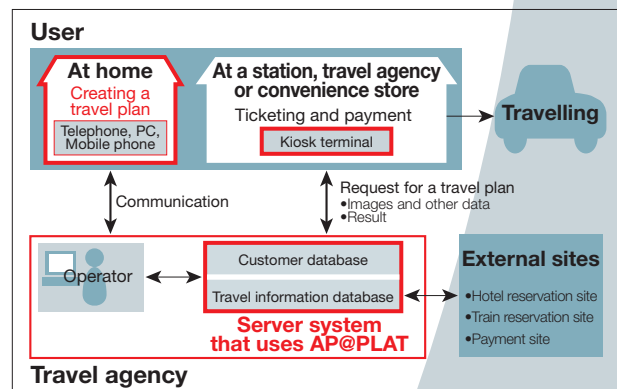
Multiple users are able to share a variety of information and services in whichever forms they require while carrying out business operations in real time. This is possible thanks to three functions. The real-time collaboration function combines voice, data and video information to allow communications with a rich sense of presence and reality. The communication exchange function automatically selects the means of communication according to whether the user is present at or absent from his or her desk, in a conference or talking on the telephone. The application and communication convergence function integrates workflows in business applications with real-time communications using voice, video and other information.

To facilitate the deployment of AP@PLAT-based solutions according to characteristics of each customer's industry and operations, Oki has developed a range of business solution models. This enables Oki to quickly supply applications optimized to each client's business model with minimal customization, after undergoing detailed consultations with each client.

Examples of AP@PLAT-based applications

■ Creating an optimized travel plan

The user inputs a destination and budget via a home or public information terminal. The system then produces an optimized travel plan based on preference and family information previously registered. Other information taken into account includes past travel data and inquiry information. At the user's request, the system allows the user to view images of travel destinations or to seek advice from a contact center operator via PCs, mobile telephones and kiosk terminals. There is also seamless automation of all processes, including reservations and ticketing for air and rail travel and other means of transport, accommodation reservations, and settlements. The result is a one-stop system through which users can prepare travel plans that precisely match their preferences.



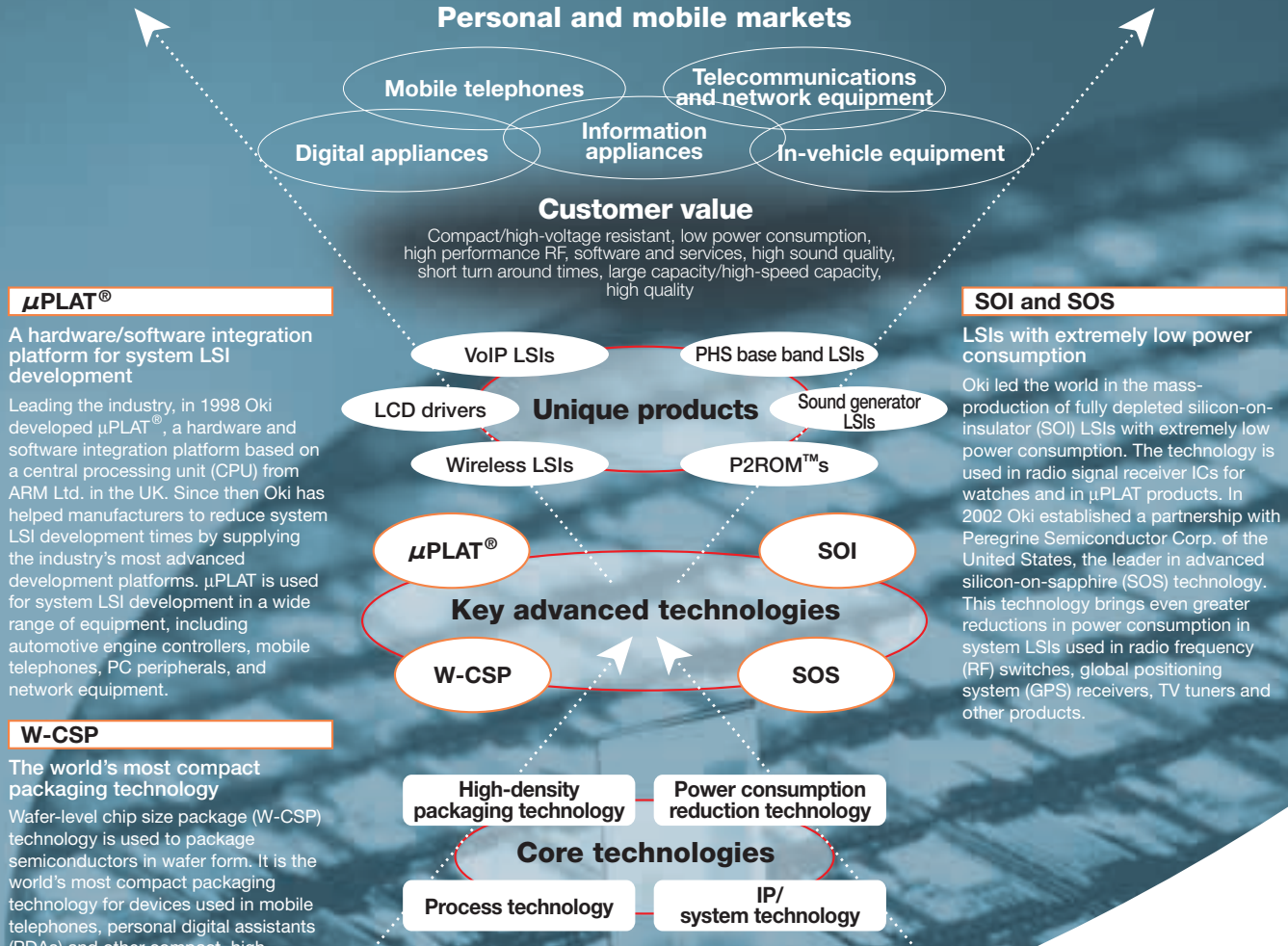
■ Improving network security

This AP@PLAT-based system monitors network attacks by viruses and hackers and prevents network failures. It is also possible to specify persons to be contacted automatically in user departments and network administration departments in the unlikely event of a failure in an internal corporate network. Information about failures and background information can be provided using the optimal means of communications, such as telephone, videophone, instant messaging or Web text, according to whether the recipient is in the office, in transit, or working out of the office. This solution supports efforts to restore network security by allowing optimal real-time communications among network administrators, managers in user departments, and maintenance personnel.

■ Coordination with business applications

In corporate production management, there are many operations which involve coordination among multiple departments, such as quantity changes and inventory allocations. In such situations, it becomes necessary to move away from production management applications and rely on negotiations among human beings. By incorporating AP@PLAT's real-time collaboration function into business application processes, it becomes possible to link product information and order information with internal key-person information along with their presence information, and to support real-time communications with IP telephony, video conferencing or screen sharing via individual PCs. The ability to collaborate using voice and video systems allows significant improvements in efficiency that would not be possible simply through the integration of business applications.

Developing Unique LSIs



μPLAT®

A hardware/software integration platform for system LSI development

Leading the industry, in 1998 Oki developed μPLAT®, a hardware and software integration platform based on a central processing unit (CPU) from ARM Ltd. in the UK. Since then Oki has helped manufacturers to reduce system LSI development times by supplying the industry's most advanced development platforms. μPLAT is used for system LSI development in a wide range of equipment, including automotive engine controllers, mobile telephones, PC peripherals, and network equipment.

W-CSP

The world's most compact packaging technology

Wafer-level chip size package (W-CSP) technology is used to package semiconductors in wafer form. It is the world's most compact packaging technology for devices used in mobile telephones, personal digital assistants (PDAs) and other compact, high-performance mobile products. Oki is also developing a packaging foundry service.

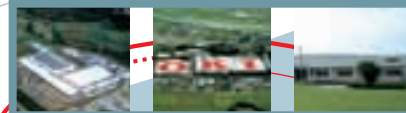
SOI and SOS

LSIs with extremely low power consumption

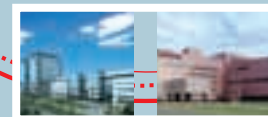
Oki led the world in the mass-production of fully depleted silicon-on-insulator (SOI) LSIs with extremely low power consumption. The technology is used in radio signal receiver ICs for watches and in μPLAT products. In 2002 Oki established a partnership with Peregrine Semiconductor Corp. of the United States, the leader in advanced silicon-on-sapphire (SOS) technology. This technology brings even greater reductions in power consumption in system LSIs used in radio frequency (RF) switches, global positioning system (GPS) receivers, TV tuners and other products.

Partner fabricators

Oki has adopted a "fab-free" approach to its LSI business. In line with this concept, it signed comprehensive partnership agreement with United Microelectronics Corporation (UMC) of Taiwan in 2002. The relationship includes the contracting of advanced fabrication processes at the 0.15μm level and below. In China, Oki supplies technology to Shanghai's Grace Semiconductor Manufacturing Corporation Ltd. (GSMC) and is actively building a partnership to meet demand in the expanding Chinese market.



Miyagi Oki Miyazaki Oki Thailand
In house fabrication



UMC GSMC
Partners' facilities

Aiming to be a niche leader in the personal and mobile markets

Oki's strategy for its LSI business is to become a niche leader in the personal and mobile markets by focusing on the development of unique products such as system LSIs, logic LSIs and system memories.

LSIs used in personal mobile equipment ranging from mobile telephones to information appliances and automobiles require specific characteristics, including ultra-small packaging, low power consumption, high speeds, and high voltage processes. It is also necessary to maintain short lead times for the design, development and supply of original LSIs that match customers' product development strategies.

Oki has core expertise in areas that include process technology, high-density packaging technology, the reduction of power consumption, intellectual property (IP), and system technology. It has used that expertise to develop many unique products that other manufacturers cannot match. The company has also strengthened its customer support by increasing the number of field application engineers throughout the world, and by opening new custom design centers. Oki is enhancing its value to customers by providing total development and design solutions encompassing both software and hardware.

"Fab-free" structure allows rapid and flexible adaptation to market changes

Oki is focusing on the development of unique LSIs, the improvement of production efficiency and the overall earning power of its semiconductor business. For this purpose, design and development functions and production functions have been split between two in-house companies, and a "fab-free" structure has been established by partnering with the world's leading fabricators. Under this structure, Oki is able to choose between in-house fabrications and the use of partner fabricators, according to specific requirements.

The Silicon Solutions Company (SiSC), which specializes in the design and development of LSIs, is able to draw upon and yet is not limited to all of the Group's production facilities and process technology to develop highly original LSIs. SiSC chooses the most suitable fabrications, depending on the delivery time, volume, process technologies and expertise required. This approach is the key to SiSC's ability to combine high product quality with short delivery lead times.

The Silicon Manufacturing Company (SiMC) maximizes its production efficiency by specializing in the fabrication of products that match its expertise, which includes technology for ultra-small packaged, power-efficient LSIs with high voltage processes. In addition to providing production technology to customers outside the Oki Group, SiMC is developing a foundry based business.

Unique products

System LSIs

Wireless LSIs

Targeting demand growth in the personal area network market

The growing importance of wireless communications is symbolized in the spread of IC tags and wireless local area networks (LANs), and in the emergence of new wireless standards, such as Bluetooth™ and ZigBee™. Oki is using the characteristics of its SOS and SOI devices to develop compact, high-speed, high-frequency wireless LSIs with minimal power consumption, focusing in particular on the personal area network (PAN) market.

VoIP LSIs

Combining the experience of a pioneer and true expertise

As a leading manufacturer of VoIP gateway equipment, Oki is also applying its expertise to the development of VoIP LSIs. Evidence of its leadership in this field includes an almost 30% share of the domestic market for VoIP LSIs used in asymmetric digital subscriber line (ADSL) modems.

PHS base band LSIs

Leveraging the best record in Japan to build a presence in China

Oki's involvement in the development of base band LSIs dates from the introduction of PHS services in Japan. Its leadership in the voice/data markets is apparent from achievements that include the development of the world's first LSI capable of data transmission at 128k bits per second (bps).

Oki has used its advanced telecommunication technology to gain the largest share of the Japanese market for data cards. Since 2003 it has also been building a total support network, covering software as well as hardware, in the rapidly expanding Chinese market.

Logic LSIs

Sound generator LSIs

Securing the largest share of the market for LSIs used in GSM mobile phones through superior sound quality

The use of sound generator LSIs in GSM mobile phones is increasing in many regions, including Europe, North America, China and South Korea. Oki's leadership in the market for sound generator LSIs reflects its development of devices with superior sound quality and other advantages. Innovations include the use of digital pulse code modulation (PCM) technology to create chips capable of producing 64 polyphonies and 175 tones, the use of W-CSP technology, and support for the standard MIDI files, which are the industry standard for electronic musical instruments.

LCD driver LSIs

As a leading vendor to the world's top panel manufacturer

The market for large thin-film transistor (TFT) panels used in LCDs has grown rapidly. Oki is the top vendor to the panel manufacturer with the largest share of the world market. Oki also aims to target the market for driver LSIs for use in large LCD televisions.

System memories

P2ROM™s

Creating customer value through extremely short turn around times

Oki's production programmed ROMs (P2ROM™s) can be produced with turn around times as short as one day from the receipt of data. These devices are used extensively in products for which

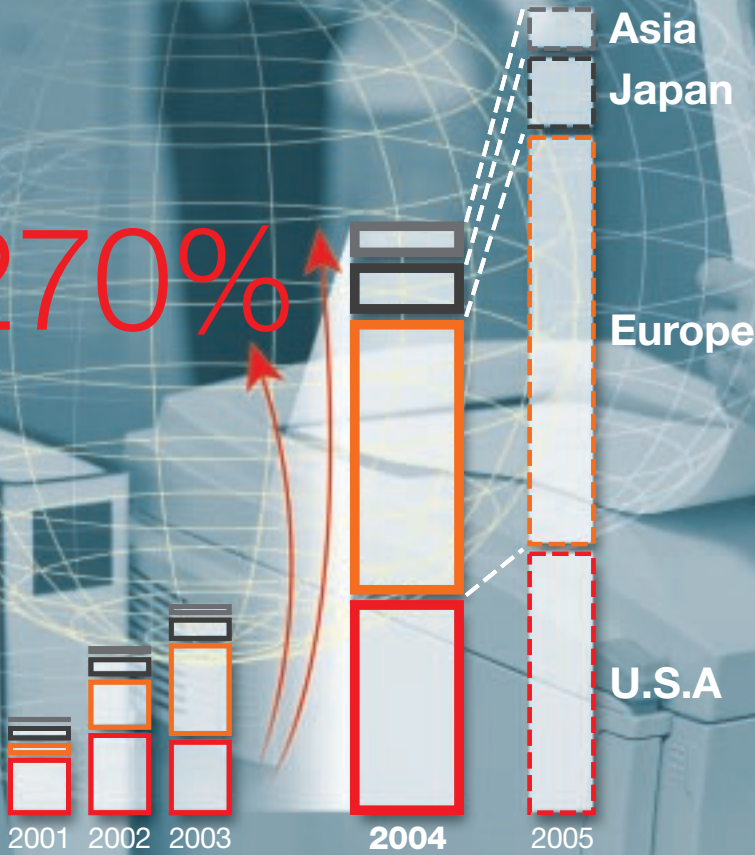
development speed is critical to market competitiveness, including games, electronic dictionaries, PDAs and other personal mobile equipment. Oki is already developing a new generation of P2ROMs with increased data capacity.



An electronic dictionary that uses P2ROM™ MultiMediaCard™

Expanding Our Share of the Color Printer Market

270%



Number of color LED printers sold
Years ended March 31

Oki's original technology has received acclaim all over the world



Color LED printers — Compact, high-speed, high-resolution printers

The need to improve office efficiency and reduce sales promotion costs in distribution outlets has led to growth in the demand for color printers and is energizing the market. In 1998 Oki developed the world's fastest A4-size color LED printer. Since then it has continued to create unique color printers characterized by compact designs, high printing speeds and superb resolution. These products are sold in over 100 countries.

Color printers developed by Oki use the LED Single Pass Color[®] system. At the heart of the system are four compact printing units with printer heads containing light-emitting diodes. This technology provides higher speeds and resolutions than is possible with inkjet or laser technology. Additional advantages include compact designs and reduced resource consumption thanks to the simplicity of the mechanism.

Ever since it developed the first-generation LED head in 1983, Oki has maintained an unrivalled position of leadership in the development of innovative LED heads. Today Oki supplies a range of products designed to take full advantage of LED technology. In particular products based on Oki's exclusive digital LED technology make it possible to combine low power consumption with high printing speed and high resolution.

Promoting global development, production and sales strategies through aggressive investment

Oki is moving ahead with development, production and sales strategies rooted in global perspectives with the aim of making its color LED printers a core source of income in the future. Oki's color LED printers embody its unique expertise in fields that include semiconductor technology, mechatronics, miniaturization and power efficiency.

Oki already has a major share of the world market for SIDM printers. Income from these products will be invested in the development of color LED printers to create an even more powerful product lineup. Further cost reductions will be achieved through efficiency improvements at production plants in Shenzhen, China and Ayutthaya, Thailand. Oki has rapidly increased its markets share to third place in Europe and fourth in North America* through a sales strategy based on transactions with mass-sales retailers and agencies. It is also working to promote sales in Japan and China and aims to build its world market share to 20% by 2006.

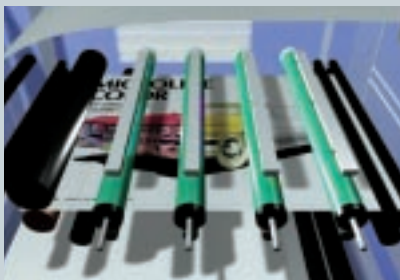
*Based on IDC statistics for 2003

Serial impact dot matrix (SIDM) printer

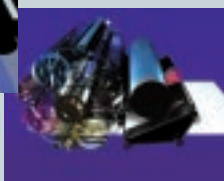
SIDM printers use arrays of dots to transfer images to paper. Because they can produce carbon copies, they are widely used by government agencies, local governments, medical institutions, transport operators and other organizations in many countries to print accounting documents and receipts. Though the market as a whole is shrinking, there are few competitors in the niche market for printers capable of handling tasks that are not possible with non-impact printers. Oki controls around 50% of the North American market and about 30% of the world market, thanks to a strategy based on the development of products that precisely match customer needs.

LED Single Pass Color[®] (tandem) system

This color printing technology employs compact printing units containing vertical arrays of LEDs representing the four basic printing colors. It is difficult to achieve high-speed printing with four-cycle color printing systems, which are often used in laser systems, as they require a separate rotation for each of the four basic color units. The Single Pass Color system, however, prints all four colors simultaneously in straight lines, resulting in rapid, high-resolution printing. Moreover, because there is no limit on the length of paper, it is possible to produce extra-long materials for a variety of purposes, such as in-store point-of-purchase (POP) advertising.



LED Single Pass Color[®] system



Four cycle color printing system

Oki's color LED printer series

■ C5000 series

The smallest and lightest high-speed A4 color page printer in its class at an affordable price (color printing speed: 16 pages per minute (ppm))



■ C7000 series

A high-speed A4 color page printer for use in various environments (color printing speed: 20 ppm)



■ C9000 series

A color page printer for high-speed, high-resolution printing (color printing speed: 30 ppm)

