

OKI Business Strategies

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Oki Electric Industry Co., Ltd.

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* The projections and plans on this material are subject to change depending upon the changes of business environments and other conditions.

Reviewing 2007 Mid-term Business Plan: Macro Economy Environment

■ World economy: Beginning with the subprime lending crisis in the U.S., world economy rapidly deteriorates

- U.S. and Europe: Credit crunch caused by financial crises → Low consumption and economic downturn → Vicious cycle of sliding stock price
- Emerging countries: Slow down in economic growth affected by U.S. and Europe

■ Japanese economy:

- Sharp appreciation of the yen due to lower impact of subprime lending crisis compared to U.S. and European countries
- Slowdown in economy impacted by U.S. and Europe economic slowdown and sliding stock price
 - Fear of impact on financial institutions/ Low consumption from sliding stock price
 - Fear of deteriorating performance of exporting companies impacted by appreciation of the yen

[Reference: Internal currency exchange rate]

* Impact of currency exchange on OKI:

- operating income increases for US dollar
- operating income decreases for Euro

	Revised today	Original 2007 Mid-term Plan
USD	100 yen	115 yen
Euro	130 yen	150 yen

Reviewing 2007 Mid-term Business Plan: OKI's Operating Environment

■ Semiconductor:

As part of selection and concentration measures, OKI spun-off the business and transferred 95% of shares to Rohm Co. Ltd.

■ Financial:

Restraint on IT investment from Japanese financial institutions due to the financial crisis. Though such impact on OKI is included in the reviewed Mid-term Plan, uncertainty remains. ATM business in China continues to grow.

■ Telecom carriers:

- Carriers' NGN commercial service started from March 2008. Legacy business such as existing phones tend to decline (NTT's sales ratio in 2010: 1/3)
- Priority investment in IP-based infrastructure, and new solutions and services (NTT's sales ratio in 2010: 2/3)

■ Information system:

- IT investment growth rate for government and enterprise is expected to be flat until 2010
- Competition is becoming fiercer as system and procurement becomes more open

■ Printer:

- While single function printers (SFP) such as mono NIP and SIDM tend to decline, OKI maintains large market size. Multi-functional printers (MFP), such as color and mono NIP is growing significantly. Export environment is unfavorable with sharp appreciation of the yen.

Reviewing 2007 Mid-term Business Plan: Business Status of FY end. 2009

Concentrate on businesses with strong profitability and track record to ensure profit with advanced products and strong customer-base

- Focus on info-telecom convergence and mechatronics (ATM, printers, etc.) as business pillars
- Promote alliances and develop new markets and customers with strong customer-base as a core
- Commit to “Monozukuri” (Japanese production) while manufacturing globally

Financial

- ◆ Net sales is progressing as expected/ Profit is exceeding plan

Information system

- ◆ Net sales and profit are proceeding as planned

Printer

- ◆ Though net sales decline slightly, profit is exceeding plan

Telecom

- ◆ Readjust net sales and profit due to change in operating environment. Made partial changes in strategy (details are described later)
- ◆ Spun-off telecom business (excluding legacy business) to OKI Networks to enhance business efficiency and profitability through business selection and concentration

Reviewing Mid-term Business Plan by Business: Financial

Enhance global deployment of mechatronics biz. and accelerate alliances

- Established company to expand ATM business in China (June 2008)
 - Forecast shipment for FY end. March 2009: 7,300 units (to increase by 40% from previous year)
 - Cumulated shipment share: 40%
- Continuing to develop new markets and products through alliance with Nautilus Hyosung
- To expand sales in the global ATM market
 - Developed next generation ATM, actively made invests to increase cost competitiveness
 - Considered alliance with global vendor for further growth

Strengthen financial online system business

- To increase market share in financial retail fieldt:
 - Delivered new bank branch system to a mega bank
 - Launched next generation branch office solution

Strengthen service business

- Achieved No.1 market share in ATM monitoring service: Received order from Japan Post Bank to support their ATM monitoring business
- Expanding LCM outsourcing business leveraging operation know-how
- Actively developed new business to respond to the growth in e-money and online payment: Payment First delivered “Edy charge service for mobile phones” to 21 financial institutions (95% market share)



New bank branch system
(GS21NAVI)

Reviewing Mid-term Business Plan by Business: Information System

Provide systems combining OKI's business know-how through trusted customers

- Provide value-added systems by converging open technologies based on customized hardware with business know-how in each market, mechatronics and individual systems

Enhance profit base through strong core technologies

- Mechatronics products:
 - Steady demand in ticket issuing terminals from travel market such as railroad companies, and cash management terminal for retail market
 - Developed and started delivering various KIOSK terminals to Japan and overseas markets
- Leveraging strength and strong track record in DSRC technology: Entered the new Free Flow ETC and Smart Inter-Change market and will expand to private sector ITS
 - Supported the launch to expand ASP service for Hanshin Express AV Co., Ltd.
 - Plan to deliver vehicle-to-vehicle communication system to automaker for large-scale field trial of safety drive support
- Delivered new model air traffic control system and hydroacoustic system

Create safe, reliable and environmentally-friendly solutions

- With advanced network technology as a core, created solutions for factories, airports, stations, public facilities with convenient, safe, reliable and environmentally-friendly solutions:
 - Firefighting navigation systems and disaster prevention systems/ VoIP announcement system
 - Developed power saving systems for retail stores (Received Green IT Award 2008)

Efficient business deployment

- Select orders from public sector focusing on profitability/ Enhance profitability by increasing systems sales for Government road projects
- Improving margin through revamping business structure such as reviewing fixed cost structure and reducing procurement costs

Reviewing Mid-term Business Plan by Business: Printer

Enhance suitable product for SMB market

- Enhance middle range products by standardizing LED engine platform
- Increase net sales by enhancing product lineup for SMB market and increased unit sales volume
 - Enhanced product lineup for the large mono NIP market and SIDM market
 - Succeeded in reducing cost and size for 1200dpi printers by using Epi Film Bonding technology
- Enhanced color and mono MFP products: Entered Japan's main A3 color MFP market
- Enhanced structure to increase product and development capacity
 - Transferred 70 people from telecom business, etc.
 - Established Product Engineering Center, Technology Development Center and Printer Project Office
- Enhance document solution development skills: Shifted resources, enhance alliances

Strengthen sales force

- Expand sales in Japan:
 - Introduced new brand for office market (COREFIDO: 5 year free of charge warranty) to increase sales
 - Expand office/vertical markets by developing alliance with major distributors
 - Enhanced OKI Group collaboration and expanded sales at major companies and public sectors
- Overseas market: In addition to SMB market, deploy to vertical and DTP, POP and GA markets

Revamp business structure for future growth

- Focusing investment on R&D to develop SMB products
- Reexamining logistic system/ Reducing inventories and reestablishing SCM
- Implement lean N. American business

Reviewing Mid-term Business Plan by Business: Telecom

Improve profitability through business selection and concentration

- Completed withdrawal from low-profit carrier equipment SI business
- Shifted home network products to develop value-added equipment (new strategy)
- Continue to reduce outsourcing costs by reallocating resources

Focus on growth-expecting areas with NGN

- Enterprise edge domain: Consolidated carrier and enterprise development teams (new strategy)
- Consumer edge domain:- Commercialized WiMAX-WiFi gateways with plans to provide to telecom carriers
 - Delivering GE-PON in volume to telecom carrier
- Carrier edge domain:
 - Expand existing network service platform technologies to carrier edge domain (IMS, SBC, etc.) (new strategy)
 - Telecom carrier selected OKI's CenterStage for IMS



WiMAX-WiFi
Gateway terminal



CenterStage®
NX3200 (SBC)

Increase profit in existing network biz. and ensure biz. opportunity for network migrations

- Proposing effective and efficient network migration method to a telecom carrier

Reviewing Mid-term Business Plan by Business: Telecom Business Strategy

[Market Environment]

- Though telecom carriers' investment will decline in the long run, investment is expected in edge domain in network service, such as access networks for the growth of NGN
- As IP-based network evolve, new services linking carrier and enterprise networks are expected to grow significantly. Connection among carriers are also expected to increase.

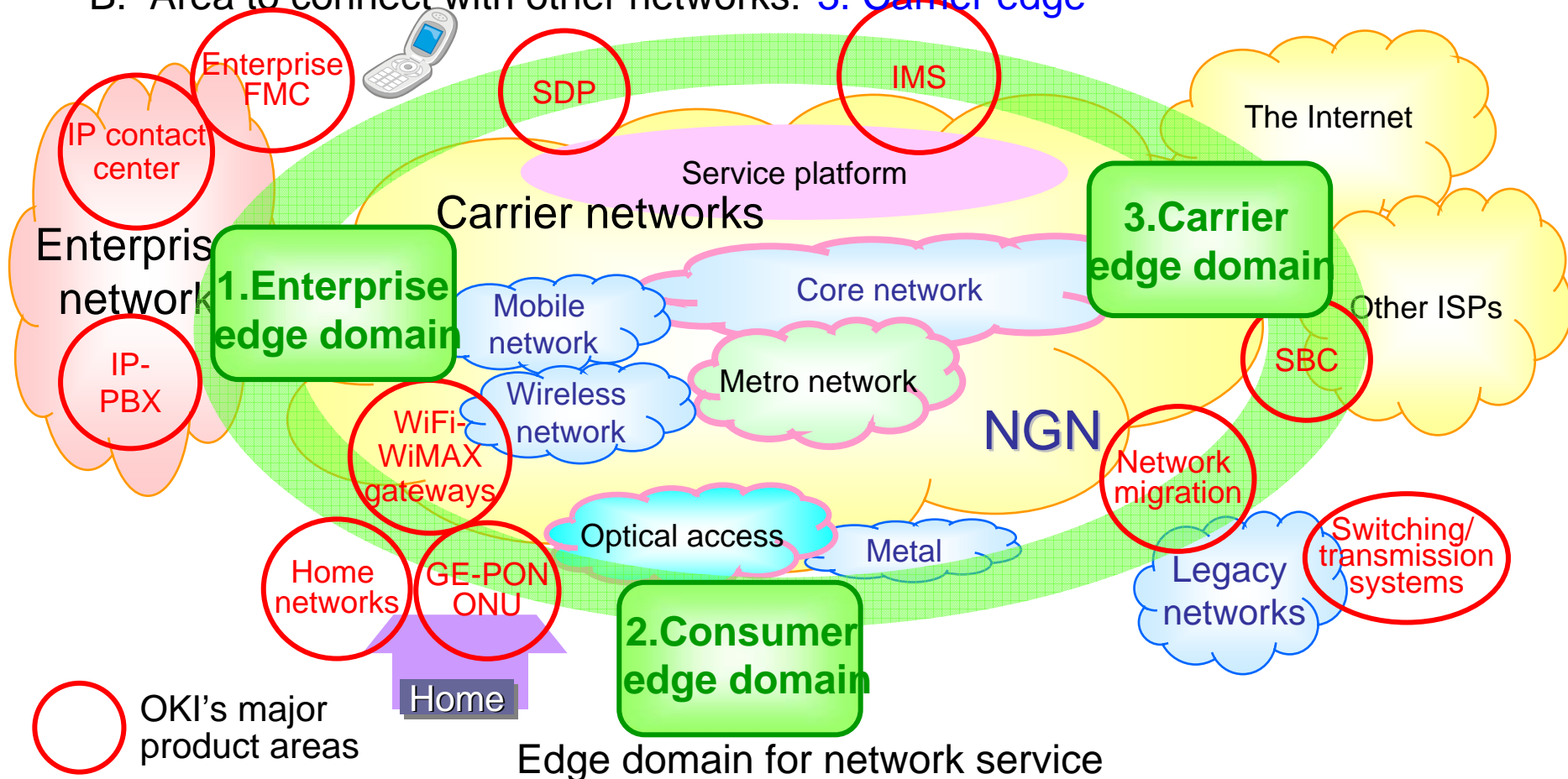
[Basic Strategy] Clarify focusing areas based on market environment

- OKI's profit base is legacy network, in which OKI holds abundant know-how
- Differentiate and actively deploy business leveraging OKI Group's collective strength to offer one-stop service from network design, maintenance through to management
- Focus on expanding the following three edge domains: (details on next page)
 1. Enterprise edge domain
 2. Consumer edge domain
 3. Carrier edge domain

Network Service Edge Domain and OKI's Product Offerings

As NGN expand, the following three domains become important in carriers' network service:

- A. Area to connect with users: 1. Enterprise edge 2. Consumer edge
- B. Area to connect with other networks: 3. Carrier edge



Business Direction for the Three Edge Domains

Focus and expand business in the three edge domains in network service :
 An area where investment is expected for NGN growth and where OKI can leverage its strengths

Domain	OKI's major products	OKI's advantages
Enterprise edge	CTstage, IPstage, SS9100, VisualNexus, ARUBA products, Com@WILL, eVideo and eSound codecs	<ul style="list-style-type: none"> - Highly evaluated VoIP technology (Japan's first) - No.1 share in Japan's IP contact center market - IP-compliant voice and video codec technology - Product lineup of unified communication components - Convergence of carrier and enterprise systems
Consumer edge	GE-PON, ONU WiMAX-WiFi gateway, home network	<ul style="list-style-type: none"> - Track record of GE-PON to NTT market - Cumulated wireless component and SI skills - Technology to develop home gateway for SOHO
Carrier edge	CenterStage Session Border Controller Service Delivery Platform	<ul style="list-style-type: none"> - OKI's carrier-grade middleware with high reliability and performance exceeding other companies - Track record of conducting interoperability trial ahead of other companies

Measures to Ensure Stable Profit in FY end. March 2010

Establish strong business structure to create stable profit in the rapidly changing business environment

- Overhaul shared functions appropriate to new business structure after transferring shares of semiconductor business

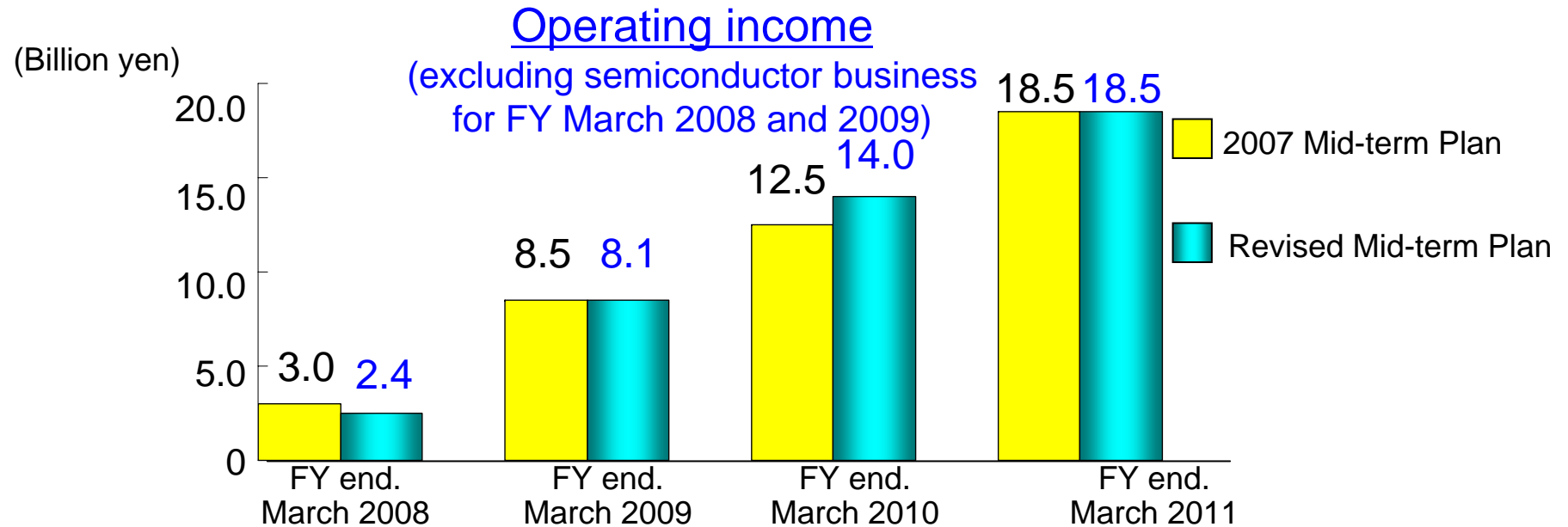
- Reexamine Group management to establish business structure to generate profit

Accordingly aim to underpin profit by adjusting fixed costs and simplifying and reorganizing business structure

- Adjust fixed costs: Implement measures aiming to reduce 6.0 billion yen for the year
 - Improve business operation efficiency and streamline corporate functions
 - ✓ Share services: Share group companies' indirect functions for business efficiency
 - ✓ Streamline organization: Reduce organization layers and bundle organization
 - Reduce outsourcing costs
 - Consolidate and reorganize group companies
 - Reduce personnel costs
 - ✓ Apply voluntary early retirement to OKI and its Group companies in Japan
(Qualifications: Those who are in managerial-level positions and over 50 years of age or have over 25 years of continued service)
 - ✓ Accelerate outplacement, etc.
- Effective utilization of personnel: Effective posting, people-to-people exchange between business and universities

Reviewing Mid-term Business Targets

Aim to achieve 2007 Mid-term Business Target
with new structure after semiconductor business transfer



	FY end. March 2008 (Actual)	FY end. March 2009 (Plan)	Business targets	
			FY end. March 2010	FY end. March 2011
Net sales	581.5	530.9	538.0	565.0
Operating income	2.4	8.1	14.0	18.5
Recurring income			7.5	12.0
Net income			1.0	5.5

Reviewing Mid-term Business Targets by Segment

(billion yen)

Net Sales		FY end. March 2008 (Actual)	FY end. March 2009 (Projections)	FY end. March 2010 (Target)	FY end. March 2011 (Target)
Info-telecom		359.0	323.0	328.0	345.0
	Financial	139.4	122.0	125.0	135.0
	Telecom	73.3	67.0	68.0	72.0
	Info-system	121.2	111.0	112.0	115.0
	Others	25.1	23.0	23.0	23.0
Printers		185.8	173.0	175.0	185.0
Others		36.7	34.9	35.0	35.0
Total		581.5	530.9	538.0	565.0
Operating Income					
Info-telecom		(1.7)	6.5	11.0	14.5
Printers		8.6	9.5	9.5	10.5
Others		4.1	0.6	1.0	1.0
Corporate & eliminations		(8.6)	(8.5)	(7.5)	(7.5)
Total		2.4	8.1	14.0	18.5
Reference: 2007 Mid-term Business Plan (Excluding semiconductor business)		3.0	8.5	12.5	18.5

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Revision of 1H Projections for the Fiscal Year end. March 2009

- Downward revision of 1H projections: Net sales will decline by 13.1B yen and operating loss will increase by 1.6B yen due mainly to downturn in semiconductor business
- Major factors of the downturn in semiconductor business:
 - Net sales: Impact of LCD panel manufactures shifting to driver LSIs to self-manufacturing/ delay in developing new P2ROM products/ Impact of fall in market to other products
 - Operating loss: Deteriorated largely due to decrease in net sales
- For other businesses excluding semiconductor business, operating income will improve by 2.5B

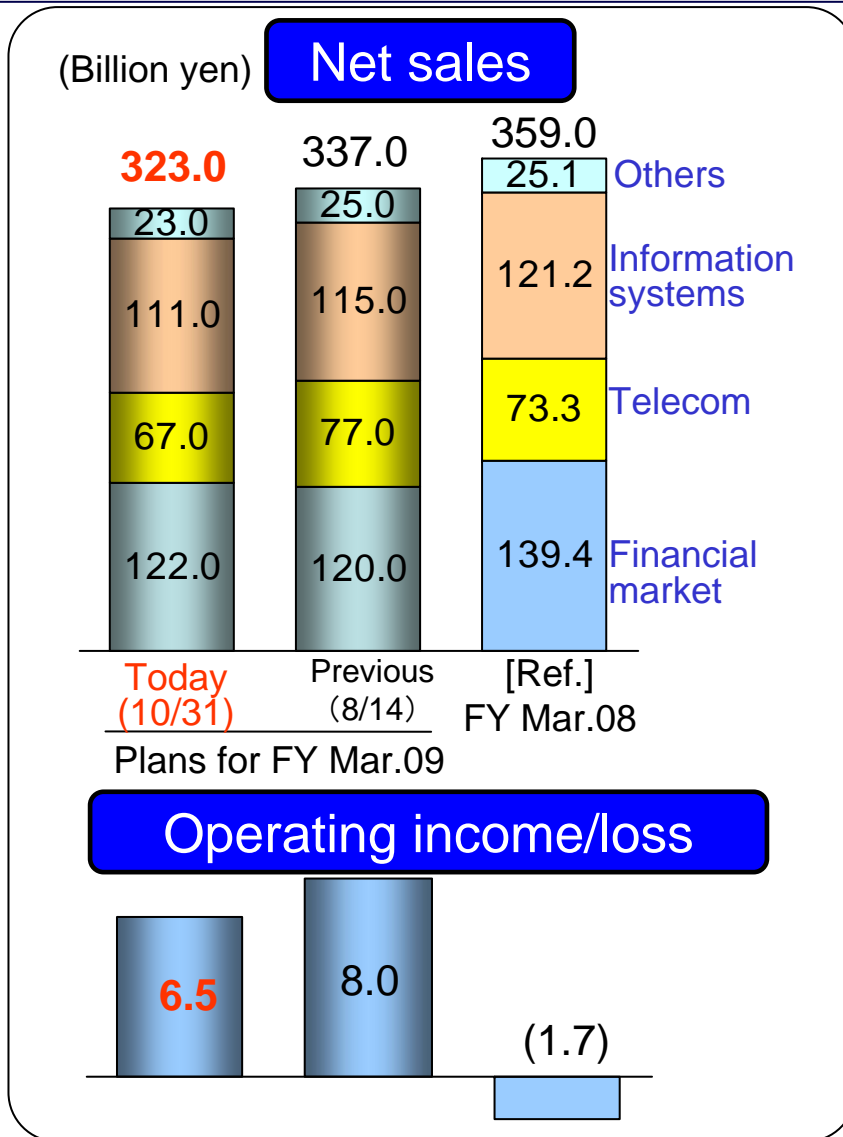
(Billion yen)	Net sales			Operating income (loss)		
	Announced today Oct.31 2008	Previous Projection	Variance	Announced today Oct.31 2008	Previous Projection	Variance
Info-Telecom	135.1	136.0	(0.9)	(4.8)	(6.0)	1.2
Printers	82.9	83.0	(0.1)	3.8	2.0	1.8
Others	14.8	17.0	(2.2)	(0.4)	0	(0.4)
Corporate& eliminations				(4.1)	(4.0)	(0.1)
Subtotal	232.8	236.0	(3.2)	(5.5)	(8.0)	2.5
Semiconductor	54.1	64.0	(9.9)	(5.1)	(1.0)	(4.1)
Total	286.9	300.0	(13.1)	(10.6)	(9.0)	(1.6)

Revision of Full Year Projections for the Fiscal Year end. March 2009

- Downward revision of full year projections: Net sales and operating income expected to decrease by 44.0B yen and 4.0B yen respectively, due to deteriorated semiconductor business in 1H
- Though sales decline for overall businesses excluding semiconductors, profit will achieve plan
 - Telecom business: Sales and profit will decrease mainly from reducing single-functional home network equipment
 - Printer business: Net sales will decline as color NIP shipment will not reach target and impact of currency exchange. Operating income will increase as efforts in reducing costs will balance out the decline in marginal profit from volume decline

(Billion yen)	Net sales			Operating income (loss)		
	Announced today Oct.31, 2008	Previous Projection	Variance	Announced today Oct.31, 2008	Previous Projection	Variance
Info-Telecom	323.0	337.0	(14.0)	6.5	8.0	(1.5)
Printers	173.0	190.0	(17.0)	9.5	7.0	2.5
Others	34.9	38.0	(3.1)	0.6	1.0	(0.4)
Corporate & Eliminations				(8.5)	(8.0)	(0.5)
Subtotal	530.9	565.0	(34.1)	8.1	8.0	0.1
Semiconductor	54.1	64.0	(9.9)	(5.1)	(1.0)	(4.1)
Total	585.0	629.0	(44.0)	3.0	7.0	(4.0)

Projections for FY end. March 2009: Info-Telecom Systems



[Variance to previous projections]

■ **Net sales: Decrease by 14.0B yen**

Financial business:

Sales of bank branch terminals and ATMs in domestic and international market will exceed plan

Telecom business:

Sales will decline mainly from reducing single-functional home network equipment

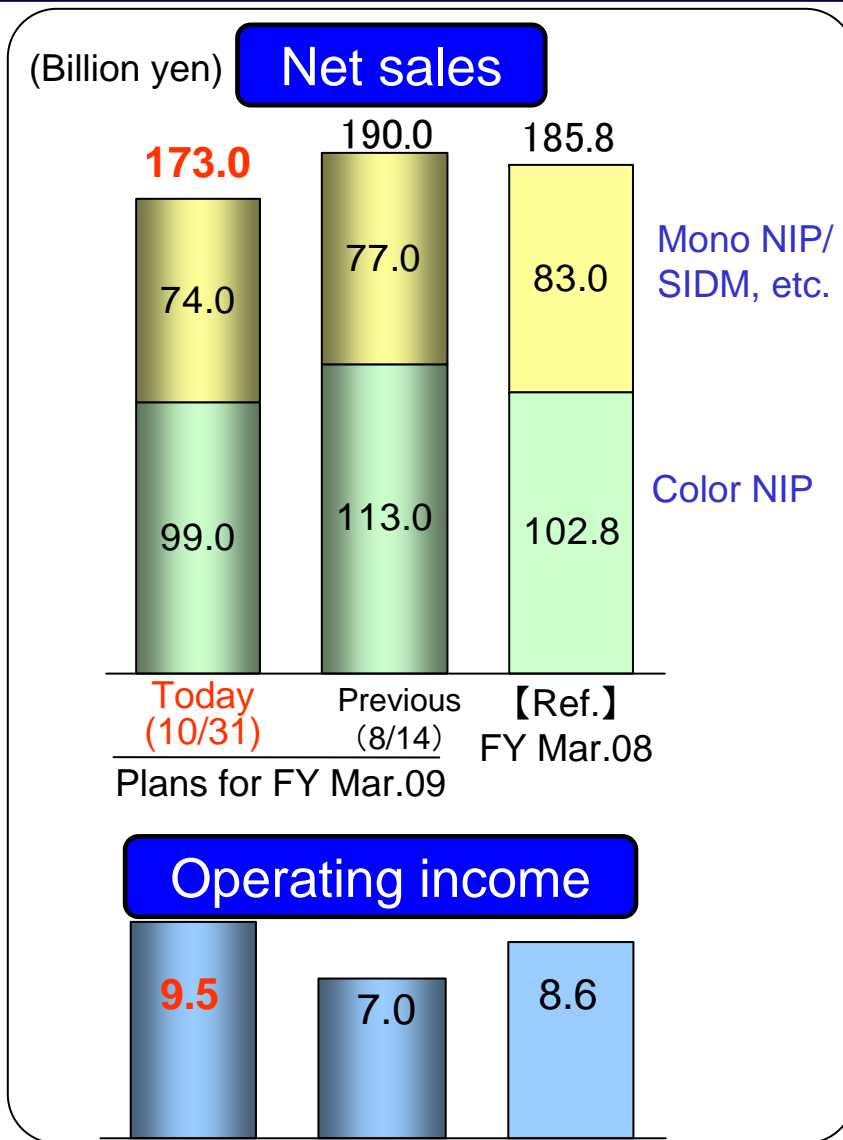
Info-system:

Sales will decline in affiliate companies

■ **Operating Income: Decrease by 1.5B yen**

Despite reduction of costs, total operating income will decrease due to impact of sales decline in Telecom business and currency exchange

Projections for FY end. March 2009: Printers



[Variance to previous projections]

■ Net Sales: Decrease by 17.0B yen

Color NIP:

Number of shipment will remain the same level as previous year, though under original plan. Sales will decrease largely due to the impact of currency exchange.

Mono NIP/SIDM etc.:

Sales decline from impact of currency exchange

■ Operating Income: Increase by 2.5B yen

Though negative factors in operating income exist, such as decline in marginal profit caused by decrease in quantity and price declines, total operating income increases as negative factors are offset by reducing production, procurement, etc., costs

Changing Factors of Operating Income

- 1H: Expect increase in profit, mainly from reducing fixed-costs
- Full Year: Expect to achieve plan from reducing fixed-costs, which will balance out the decline in volume

		(Billion yen)	1H	Full Year
	Previous projections		(9.0)	7.0
	Today's projections		(10.6)	3.0
	Variance of operating income		(1.6)	(4.0)
Changes in operating income for semiconductor business			(4.1)	(4.1)
Changes in operating income excluding semiconductor business			2.5	0.1
Changing factors	Change in volume and product mix		(1.0)	(5.0)
	Price decline		(0.5)	(1.0)
	Impact of currency exchange		1.0	0.5
	Reduction of production and procurement costs		(0.5)	1.5
	Reduction of fixed-costs		2.0	4.0

Revision of Projections for the FY end. March 2009: Profit and Loss

[Summary of revision from previous projections (on Aug 14, 2008)]

- Net loss is expected to increase due to the following reasons:
 - Decrease in operating income mainly due to deteriorating semiconductor business
 - Extraordinary loss from transferring shares of the semiconductor business and from special retirement payments

(Billion yen)	Plan for FY end. Mar. 09						[Reference] FY end. Mar. 08	
	1H			Full Year			1H	Full Year
	Today's projections	Previous projections	Variance	Today's projections	Previous projections	Variance		
Net sales	286.9	300.0	(13.1)	585.0	629.0	(44.0)	327.6	719.7
Operating income (loss)	(10.6)	(9.0)	(1.6)	3.0	7.0	(4.0)	(7.1)	6.2
Recurring income (loss)	(13.3)	(12.5)	(0.8)	(3.0)	0.5	(3.5)	(11.0)	(3.9)
Extraordinary loss	(18.4)	(12.0)	(6.4)	(25.0)	(13.5)	(11.5)	(0.5)	8.9
Income before income taxes	(31.7)	(24.5)	(7.2)	(28.0)	(13.0)	(15.0)	(11.5)	5.0
Net income (loss)	(35.3)	(24.5)	(10.8)	(33.0)	(17.5)	(15.5)	(12.5)	0.6

Changing Factors of Extraordinary Profit and Loss

(Billion yen)

	Projections		Ref.
	1H FY end. Mar. 09	Full year FY end. Mar. 09	Q1 FY end. Mar. 09
Write-down of inventories	(10.6)	(10.6)	(10.6)
Loss on business transfer (*1)	(5.2)	(5.2)	-
Special retirement payments (*2)	(0.4)	(4.4)	(0.2)
Disaster loss	(1.6)	(1.6)	(0.9)
Others (Profit and Loss)	(0.6)	(3.2)	(0.3)
Total Extraordinary Profit and Loss	(18.4)	(25.0)	(12.0)

(*1) Completed transferring 95% of semiconductor company shares to ROHM

(*2) Includes voluntary early retirement program for managerial-level positions at OKI and its Group companies in Japan

Glossary

P2	FY	Fiscal Year	P9	SI	System Integration
P4	NGN	Next Generation Network		WiMAX	Worldwide Interoperability for Microwave Access
	NIP	Non-Impact Printer		WiFi	Wireless Fidelity
	SIDM	Serial Impact Dot Matrix		GE-PON	Gigabit Ethernet Passive Optical Network
P5	ATM	Automated Teller Machine		IMS	IP Multimedia Subsystem
P6	LCM	Life Cycle Management		SBC	Session Border Controller
P7	DSRC	Dedicated Short Range Communication	P11	SDP	Service Delivery Platform
	ETC	Electronic Toll Collection		FMC	Fixed Mobile Convergence
	ITS	Intelligent Transport System		IP	Internet Protocol
	VoIP	Voice Over Internet Protocol		IP-PBX	IP-Private Branch Exchange
P8	LED	Light-emitting Diode		ONU	Optical Network Unit
	SMB	Small and Medium Business	P12	SOHO	Small Office Home Office
	MFP	Multifunctional Printers	P17	1H	1 st Half
	DTP	Desktop Publishing		LCD	Liquid Crystal Display
	POP	Point of Purchase		LSI	Large Scale Integration
	GA	Graphic Art		P2ROM	Production Programmable Read-Only Memory
	R&D	Research & Development			
	SCM	Supply Chain Management			

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