

INTERVIEW WITH PRESIDENT OKUBO,  
OLYMPUS IMAGING CORP.

A photograph of President Okubo, a middle-aged man with grey hair, wearing a dark suit, white shirt, and light green tie. He is sitting on a white rectangular block in a bright, modern office setting. He is smiling and holding a camera in his hands. To his left, another camera is placed on the block. The background is a clean, white office space with recessed ceiling lights.

think  
what's  
next

# 1.

## What is your impression of the rapidly changing digital camera industry after your first year as president?

> The change I was most impressed by was the traditional camera industry's push into the consumer-electronics industry. I realized that we were going to confront ever-intensifying competition in technology development and marketing, as well as product development. Amid the severe competition brought about by growing digital demands of the consumer, we have endeavored to reestablish a business foundation for the creation of sustainable revenues, and I believe this to be the groundwork for further progress.

# 2.

## Where did you start this effort?

> In light of profitability improvements, we reviewed our business fields that had expanded during the rapid growth era, and we commenced a policy for the "selection and concentration" of business operations. This decision was undertaken in an effort to concentrate resources on our core competence, which is "Opto-Digital Technology." We announced our new business strategies in November 2005 for the establishment of sustainable profitability, and with that in mind, we strove to guide our human resources to meet the sole objective of business recovery.

# 3.

## How far has reform proceeded?

> Given the implementation term of only one year, the achievement ratio is quite high. This is attributed to our endeavor in the digital camera business to build a firm relationship with tangible and intangible assets, namely, our clients and our own human resources, as we have done over the last 10 years since we commenced operations in the industry. In this first year, we placed the highest priority on establishing a solid groundwork, but when looking at the medium term, three years for instance, I know that there are more issues to address.

# 4.

## Specifically, what steps have you taken to implement reform over the past year?

> Our first approach was the "selection and concentration" of business. Returning to our core business, we took measures to rebuild our foundations as a compact digital camera maker in the global market. Furthermore, we made every effort to expand the digital SLR camera business, which will be our core business in the future. Boasting leading-edge capabilities in optical lens engineering, we aimed to increase corporate earnings by making sales of lens barrels a key business.

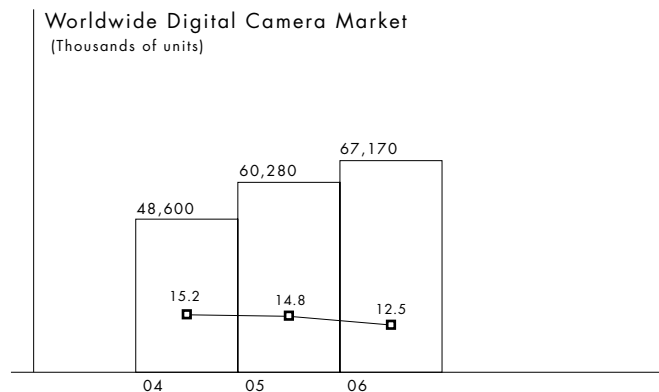
We also vigorously engaged in the reduction of costs and expenditures in every sector and slashed inventories, while improving operational efficiency. Inventory control is one of the key factors in corporate management, because once inventories start piling up, they impose numerous financial burdens. Eventually high inventory levels exert a bad influence on the overall business operations, forming a negative cycle, even as we try to clear them up.

We continue to optimize companywide functions in marketing, product development, service, and manufacturing from the perspective of Platform Reform.

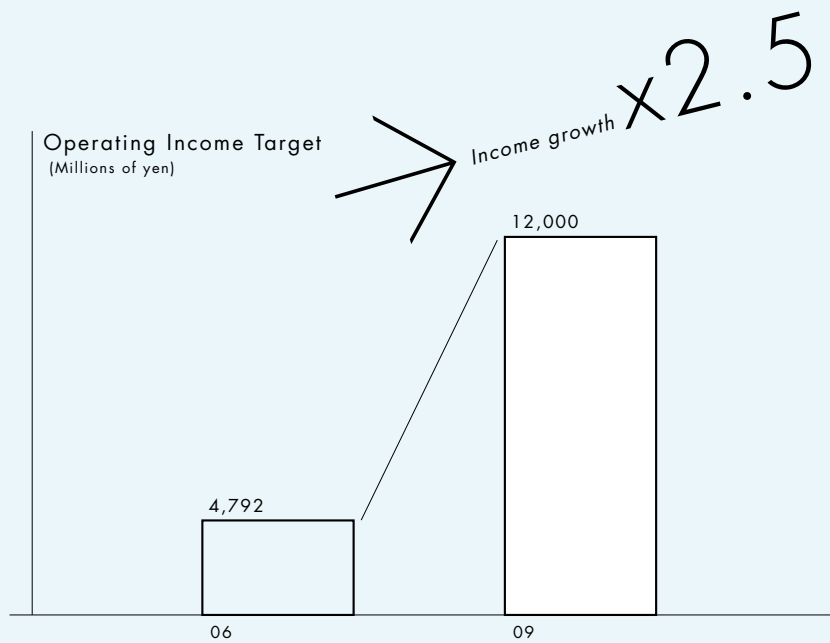
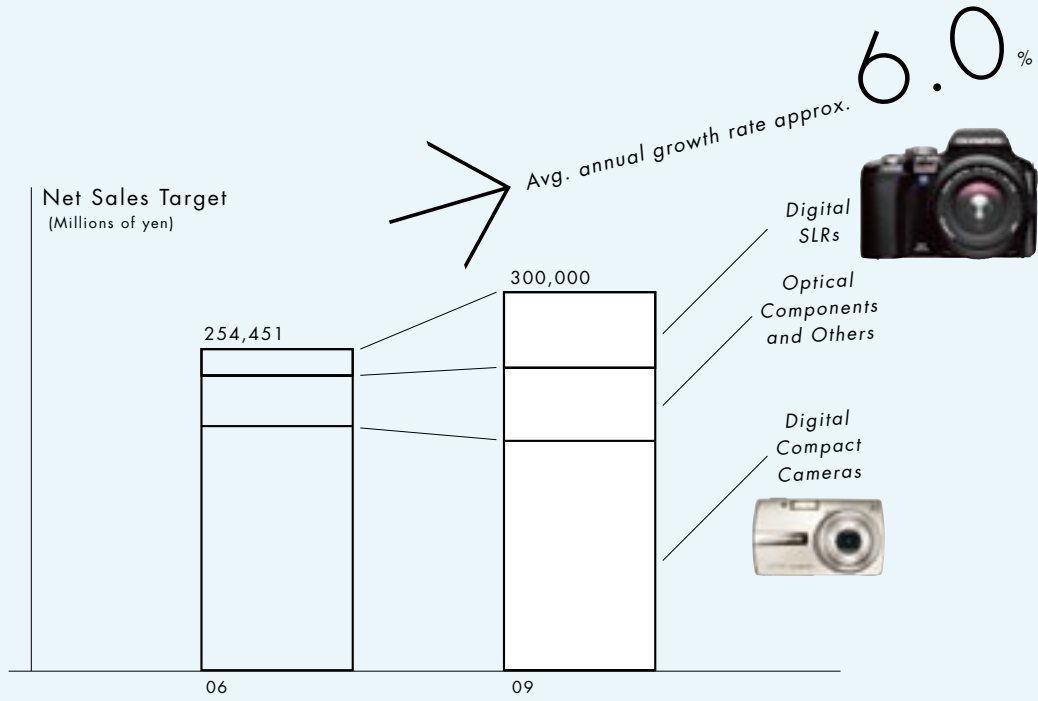
# 5.

## Please tell us more about Platform Reform.

> We promote all-function reform, based on the establishment of a product platform. We have two visions in this reform: one from the "product" standpoint and the other from the "business operation" standpoint. They are based on the same concept in terms of incorporating our own value creation methods into the system foundation. On the product front, we are pursuing innovation by differentiating our technologies, while making full use of common modules that enhance development and production efficiency. Meanwhile, on the operations front, we are eliminating complexity in the flow of goods and information, thereby improving our business operations and IT infrastructure.



□ Worldwide ■ Olympus unit share  
Source: Camera & Imaging Products Association



#### ESTABLISHING A STABLE FOUNDATION FOR PROFIT

Imaging Systems Business is transforming its earnings structure so that it will be profit-focused, while promoting selection and concentration. Boosting the ratio of digital SLR cameras and optical components to the overall product lineup, Imaging Systems Business will establish a stable profit foundation.

# 6.

## How has the market reacted to new products released in fiscal 2006?

> Compact digital cameras gained popularity due to the new  $\mu$ 700,  $\mu$ 710 and  $\mu$ 720SW (Stylus 700, Stylus 710 and Stylus 720SW in the U.S.) released in the second half of fiscal 2006, ended March 31, 2006. This  $\mu$ /Stylus series has been in great demand in the market because of its distinctive design and advanced functions. We also saw a steady sales increase in the digital SLR lineup, as the new E-500 (EVOLT E-500 in the U.S.) digital SLR camera received high valuation for its light weight, while the E-330 (EVOLT E-330 in the U.S.) garnered praise for brand-new features such as the Live View function. We plan to further accelerate the digital SLR camera business, aiming to release several new products annually.

# 7.

## Please tell us about your strategies regarding the future enhancement of digital SLR cameras.

> Our basic philosophy towards digital SLR cameras is to respond to market needs with our ingenious technology and to satisfy people's aspirations for "keeping precious memories beautiful." Our desire is to give more people satisfaction in taking pictures exactly as they want, since there are still few people who can experience such pleasure. This has been the constant longing of picture takers ever since the era of the film SLR camera. Today, this is possible due to the superiority of the Four Thirds System, the new standard purely designed for the next generation digital SLR camera system. The Four Thirds System has the ability to realize optimum balance among all key elements, including image quality, product cost, and overall size. Considering the future progress of digital technology, we will take maximum advantage of the capabilities of the Four Thirds System standard, while striving to achieve unique miniaturization of digital camera technology in order to cultivate new markets.

# 8.

## Please tell us about mid- and long-term objectives for this business.

> Despite the improvement of revenues in fiscal 2006, we have to maintain a belt-tightening management posture and a focus on efficiencies and meeting our sales and inventory targets. The first step is to comprehend current business conditions and develop strategies to achieve our goals. I will make every effort to carry out the three-year reform plan in a steady and effective manner.

Currently, compact digital cameras account for approximately 70% of the business portfolio, and I think this is somewhat unbalanced, given the market conditions. Three years from now, in fiscal 2009, ending March 2009, we will cut this percentage to about 60% and boost the digital SLR camera share to 20%.

On another front, we expect that there is a high growth potential for the sales of optical devices to enterprises. On the back of our strong reputation for the superior performance of our digital camera lens barrels, we made a full-scale entry into the external sales business of these barrels and saw a steady increase in sales during fiscal 2006. Having established a solid foundation and position in the external sales of compact digital camera lens barrels, we will proceed to the next phase to fortify external sales of optical devices in new fields.

> With the implementation of such business structural reform, we are striving for net sales of ¥300 billion and operating profit of ¥12 billion and also an operating profit ratio of 4% in the fiscal year ending March 31, 2009.

We aim to become a business enterprise that can create sustainable revenues and win the solid, ongoing confidence of all stakeholders. In order to do so, we will undertake strong companywide endeavors. Please keep an eye on our business operations for this fiscal year.

We appreciate your continued support and understanding.



Masaharu Okubo  
President, Olympus Imaging Corp.

