

## INTERVIEWS WITH OUTSIDE DIRECTORS

Three outside directors with a high level of independence on OKI's Board of Directors use their expertise to support strong and effective governance.

### 1 Takuma Ishiyama

*Outside Directors Interview*

**Q. From the perspective of a legal expert, what are your thoughts on OKI's governance?**

**A.** OKI has had an outside director on its Board since 2001, and I have also sought to contribute to building stronger, more effective governance since I joined the Board in 2010. I think steps taken in the past few years are bolstering the oversight functions of the Board, such as adding more outside directors and establishing the Personnel Affairs and Compensation Advisory Committee.

As an expert in the Companies Act, where internal controls for business groups have been increasingly important in the past several years, I have gained a strong sense for how difficult it is to ensure governance is working in every corner of a corporate group. The Risk Management Committee, whose meetings I attend as



an advisor, seeks to improve and strengthen compliance and risk management in response to reports it receives from executive officers. Unfortunately, however, we received a cease and desist order from the Japan Fair Trade Commission in the past fiscal year for violations of the Anti-Monopoly Act.

What is important in these kinds of situations is to face them head on and identify the problems so "defensive governance" can be further reinforced over time. This form of governance is meant neither to reinforce restraints, nor to pointlessly dampen the morale of employees on the front lines. I think it is also important to achieve a positive, forward-looking form of Group governance by creating systems that enable an open communication where information is swiftly shared, including with subsidiaries in Japan and overseas, based on thorough education for each rank and position classification, from entry-level programs for new hires on up.

**Q. Can you share with us your opinion about the effectiveness of OKI's Board of Directors?**

**A.** I feel the outside directors help energize Board discussions. We each draw on a different knowledge base to offer objective opinions from the perspectives we each bring to the table. The explanatory materials outside directors receive on agenda items before Board meetings have been improved and deepened, so we can now prepare for Board discussions after carefully thinking through what we receive beforehand. Some of these topics are no longer fresh for directors in charge of business execution because they have debated them many times in the past but such topics seem fresh and novel to outside directors who I feel want to spend a little more time on them. I want to continue to carefully check from an objective standpoint whether management decision-making is carried out in appropriate ways that complies with relevant laws, including the steps in the process of determining whether to elevate agenda items to the Board for discussion.

### 2 Minoru Morio

*Outside Directors Interview*

**Q. In last year's interview for this feature you said the awareness of change at OKI made a strong impression on you. How do you feel about this now after a year has passed?**

**A.** I attend meetings of the Board of Directors, the Personnel Affairs and Compensation Advisory Committee, the Risk

Management Committee and other committees. Based on my experience interacting with many employees through the Board and various committees, I sense change is clearly taking place.

OKI maintains a corporate auditor system (Audit & Supervisory Board), so it is important for the Board of Directors to properly combine both its monitoring and supervisory functions with its management functions. As an outside director, I naturally need to reliably perform a monitoring role but I also want to offer effective advice to management, drawing on my experience in management at other companies. In that sense, I think it was important that we had a spirited debate at Board meetings as we

went through the process of drafting Mid-term Business Plan 2019. I think a culture where issues can be debated openly is taking root at OKI but it will be important to strive always to retain a sense of emotional boldness that seeks innovation so change is not stymied.

**Q. From a governance perspective, can you share with us what further initiatives you feel are necessary?**

**A.** It is important to further improve and strengthen our Group governance, especially in our overseas subsidiaries, as highlighted in Mid-term Business Plan 2019. To “reinforce our earning capacity,” we must squarely face past mistakes such as the improper accounting practices at an overseas subsidiary that came to light in 2012 and bolster our systems as an organization so such incidents do not happen again. In terms of compliance, we need to find ways to enable people in the field to speak up when they face difficulties by making greater use of our internal reporting system and other measures, in addition to fostering an ethical perspective in each of our employees.

To achieve stable, sustainable growth, it will be important to develop the next-generation of management leaders. At the Personnel Affairs and Compensation Advisory Committee, along with looking at candidates for promotion to director and executive officer posts, we also

discuss what character attributes we want our future directors and executive officers to have and what career paths should be based on such an approach. To lay the foundation for this approach, we will further clarify the roles of senior ranks and positions such as general managers and executive managers and bolster and improve their education and training to ensure they are sufficiently informed and capable of fulfilling their roles. I think these are important measures for a system of educating and training human resources.



### 3 Shigeru Asaba

#### *Outside Directors Interview*

**Q. You accepted a seat on OKI's Board of Directors as an outside director in June 2017. What role do you see for yourself as an outside director with expertise in economics and management strategy?**

**A.** Many Japanese companies, including OKI, draft and execute strategies based on strengths built up over many years of work by their employees. In that sense, I feel it is hard for me as an outside director with the perspective of an academic to provide concrete advice on specific strategies for individual businesses.



That said, I pride myself on having gleaned insights through many years of research into general principles of corporate strategy that are independent of the unique circumstances of industries and individual companies. I think by applying those insights, I can recognize cases where it seems decision-making may well veer outside the standard playbook for strategy, for example. In such cases, I feel I can contribute by offering suggestions. Moreover, daring to ask amateurish questions when people inside the company discuss what is regarded as conventional wisdom inside the company or industry may lead to new realizations.

**Q. From the standpoint of “proactive and defensive forms of governance,” what role can you play?**

**A.** I have highlighted some of the corporate scandals over the past few years in my university classes, so I sense how difficult “defensive governance” is. Mr. Ishiyama, a legal expert, focusing on the Companies Act, is another academic serving as an outside director, like me, so I would like to work together with him to find ways we can both make the most of our respective expertise.

Where I think I can contribute more is on “proactive governance,” especially in offering advice on decision-making processes to realize Mid-term Business Plan 2019. When I accepted this post, I looked closely at the makeup of OKI's current businesses and was impressed with how much effort it puts into manufacturing such as the EMS business, which is based on its strong technological capabilities. To “reinforce its earning capacity” in future, however, I think I can offer advice in light of the strategies of other companies I have researched over the years that can identify where added value is created in promoting IoT technologies, for example.