

## CORPORATE GOVERNANCE

The OKI Group recognizes sustainable growth and increasing corporate value over mid- and long-term as its most important management priorities in earning the trust of its various stakeholders. To this end, we are working to enhance corporate governance based on our fundamental policies, including “enhancement of management fairness and transparency,” “timely decision-making processes,” and “full compliance and fortification of risk management.”

### Corporate Governance Structure

OKI maintains a corporate auditor system, with the Board of Directors and the Audit & Supervisory Board. With an executive officer system in place, it strives to promote timely decision making processes by separating business execution and oversight. It endeavors to improve the fairness and transparency of management by nominating outside directors to the Board as well as setting up a voluntary committee on nomination, remuneration, etc. so as to ensure effective supervision from an independent and objective standpoint.

#### Board of Directors

The Board of Directors is made up of nine directors and in principle meets once a month but can call extraordinary meetings when necessary, and is responsible for deciding fundamental management policies and other important matters and overseeing business execution.

To ensure the function of the Board of Directors, director candidates are chosen taking into consideration of their diversity including specialization, work experience and gender. To enhance management fairness and transparency, four of the Board’s members are outside directors with a high level of independence and the non-executive chairman presides over the meetings.

To clarify management responsibility for each fiscal year, directors are appointed for single-year term.

#### Audit & Supervisory Board

The Audit & Supervisory Board comprises four Audit & Supervisory Board members, two of which are outside Audit & Supervisory Board members with a high level of independence. Based on audit policies, methods, etc. decided at Audit & Supervisory Board meetings, Audit & Supervisory Board members attend Board of Directors’ meetings and other important meetings, verify the content of reports received from directors, etc., and conduct investigations into matters concerning the Company’s operations, financial status, etc. Collaborating closely with outside directors, the Internal Auditing Division, and the accounting auditors, Audit & Supervisory Board members audit the performance of duties by directors.

#### Executive Officer System

OKI appoints executive officers to implement operations in accordance with management policies determined by the Board of Directors so as to separate the functions of business execution and oversight of management and promote timely decision-making processes. Moreover, to assist the President in making decisions, the Company has established the Management Conference.

#### Internal Auditing

Group Internal Auditing Division is tasked with internal auditing and its staff comprises 19 personnel including seven internal auditors. The division conducts internal audits for the purpose of accurately perceiving the actual state of compliance risk management across businesses and functions in the OKI Group and identifying and preventing mistakes and errors as well as corruption in the operation of internal control systems, thereby supporting operational improvements. The results of audits are reported directly to both the President and the Audit & Supervisory Board.

#### Utilization of Voluntary Committees

OKI has established the Personnel Affairs and Compensation Advisory Committee as a voluntary body to ensure transparency and objective judgment in the decision-making processes for appointments of board members and executive officers and remuneration for them. After deliberating from an objective perspective on the appointments and dismissals of board members and executive officers, as well as the structure and level of their compensation, etc., the committee reports its findings to the Board of Directors. This committee consists of five members, four outside directors and a non-executive chairman. Chairman of the committee is elected mutually by its members. Presently, that person is an outside director.

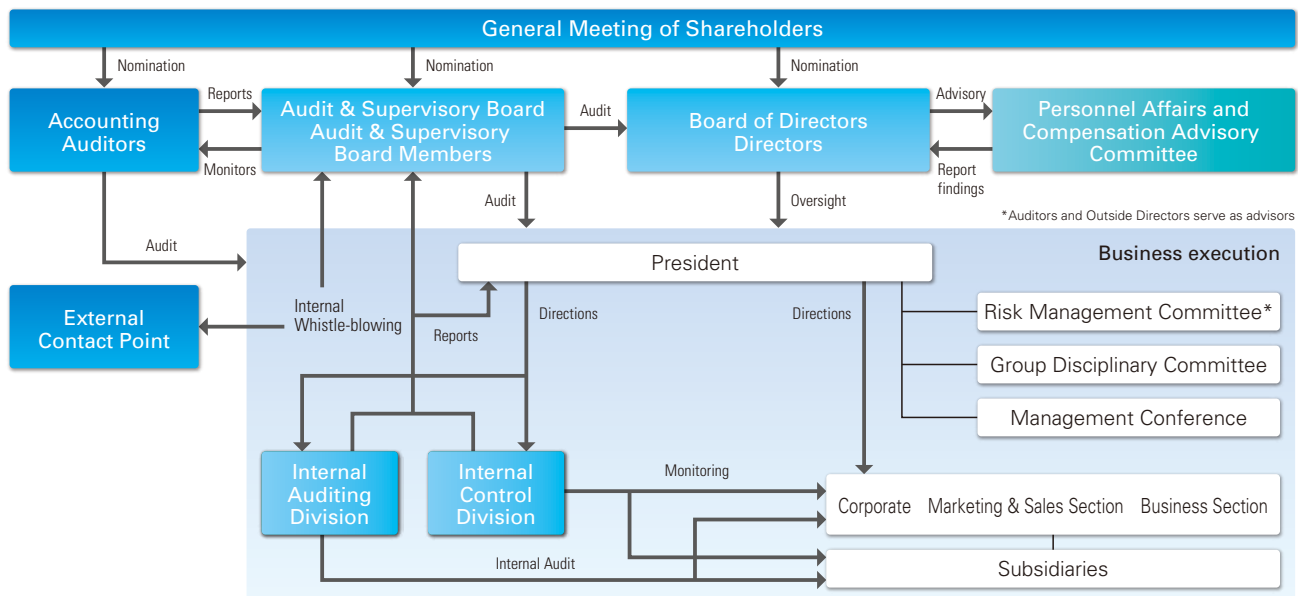
#### Appointments and Dismissals of Directors and Executive Officers

When nominating and appointing candidates for directors, Audit & Supervisory Board members, and executive officers, OKI will take the followings into consideration as well as legal eligibility:

- A person who has a noble character with wisdom, high level of ethics, fairness, honesty, and a law-abiding spirit
- A person who realizes OKI Group’s corporate philosophy and conducts one’s duties to enhance corporate value continuously.
- One’s length of tenure
- Audit & Supervisory Board members must have the necessary financial, accounting, and legal knowledge

The criteria for submitting a proposal to dismiss a director, Audit & Supervisory Board member, or executive officer takes into consideration the followings: the person’s act violates or infringes on the Law and the Article of association; reason arises that the person is unable to properly perform one’s duties. Should such an incidence occur it is immediately deliberated by Personnel Affairs and Compensation Advisory Committee, who then submit their proposal to the Board of Directors.

## Corporate Governance Structure



## Structure of Board of Directors, Personnel Affairs and Compensation Advisory Committee, and Audit & Supervisory Board

●:Chair △:Advisory role

	Name	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board	
Director	Hideichi Kawasaki	●	○		Chairman of the Board
	Shinya Kamagami	○			President, Representative Director
	Masayuki Hoshi	○			Senior Executive Vice President, Representative Director
	Masashi Tsuboi	○			Senior Vice President, Member of the Board
	Masashi Fuse	○			Senior Executive Officer, Member of the Board
	Shigeru Asaba	○	●		Independent Outside Director
	Tamotsu Saito	○	○		
	Izumi Kawashima	○	○		
	Makoto Kigawa	○	○		
Audit & Supervisory Board Member	Sei Yano	△		●	Standing Audit & Supervisory Board Member
	Toshiya Hatakeyama	△		○	
	Kuninori Hamaguchi	△		○	Independent Outside Audit & Supervisory Board Member
	Yoichi Nitta	△		○	

## Areas in Which Directors (Non-Executive Directors) Are Expected to Contribute in Particular

Name		Corporate Management	Legal/ Risk Management	Human Resources Development	Finance/ M&A	International Experience	Logistics Management	Technology/ Research	Sales
Hideichi Kawasaki	Non-executive	○		○					○
Shigeru Asaba	Outside			○	○	○			
Tamotsu Saito	Outside	○	○			○		○	
Izumi Kawashima	Outside		○		○				
Makoto Kigawa	Outside	○		○			○		

CORPORATE GOVERNANCE

Compensation for the Board Members and Executive Directors

OKI's basic policy on compensation for directors and executive officers is to serve as incentives for the performance improvement with the aim of the continuous enhancement of the corporate value and the corporate competitiveness while being the compensation structure that can attract excellent human resources.

The compensation system consists of basic compensation, annual incentive compensation linked to the performance of each fiscal year, and stock options as stock-based compensation as medium- to long-term incentive compensation. This has been implemented as part of efforts to develop an environment for a shift to the management focused on "more aggressive goal setting" and "growth over medium- to long-term" in order to

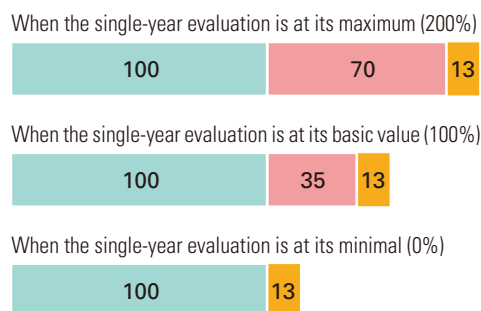
achieve "continuous growth" of the OKI Group. Compensation for outside directors consists only of basic compensation. In addition, the appropriateness of the structure and level of compensation is validated utilizing objective evaluation data from external organizations and others.

At the 82nd Ordinary General Meeting of Shareholders held on June 29, 2006, a resolution was passed on the remuneration for directors not to exceed ¥600 million a year (which does not include salary for employee post.) Separately, stock options as stock-based compensation for directors (excluding outside directors) was passed at the 92nd Ordinary General Meeting of Shareholders held on June 24, 2016, limiting the amount to within ¥100 million a year.

Remuneration Type and Ratio Image

Remuneration Type	Content
Basic compensation	When serving as executive officer concurrently, monetary compensation shall be paid, determined individually tailored to position, followed by duties.
Annual incentive compensation	Monetary compensation shall be paid, determined individually with a linkage with the past fiscal year's consolidated business performance of the OKI Group and that of the division each director/executive officer is responsible for. The amount of payments is 35% of the basic compensation in case that the rate of payments is 100%. The rate of payments is determined within the scope of 0% to 200%, according to a linkage with business performance and the President's qualitative assessment.
Medium- to long-term incentive compensation (Stock option)	Stock option as stock-based compensation shall be granted, around 13% of basic compensation amount, in the view of value sharing with shareholders and the enhancement of corporate value as well as shareholders' value over the medium- to long-term.

Ratio of Each Reward When the Basic Reward is 100



Board Effectiveness Evaluation

OKI evaluates and analyzes the effectiveness of the Board of Directors by recognizing, sharing and improving the direction that the Board of Directors must aim for and issues related to that undertaking for the purpose of enhancing the Board's effectiveness.

In fiscal year 2018, with the Secretariat of the Board of Directors served as the secretariat evaluating the Board's effectiveness, the Board members deliberated and confirmed evaluation methodology/items. A questionnaire survey was conducted among all directors and Audit & Supervisory Board members, as well as individual interviews by Secretariat. The results were analyzed and evaluated at the Board of Directors.

The evaluation questionnaire looked at the Board's responsibilities, composition and management concerning the followings: "How the Board of Directors should function," "How outside directors should be utilized," "How the management teams should be selected and remunerated."

Results of Effectiveness Evaluation of the Board of Directors

At the Board of Directors meeting held in April 2019, we confirmed that there were no problems with the current system of governance and that it was operating and functioning properly.

In addition, based on the results of the evaluation questionnaire and individual interviews, future issues and management policies were also identified as follows.

Future Issues and Management Policy

- For the next mid-term plan, management strategy will be the most important topic requiring sufficient time for discussion.
- Strengthen dialogue to help investors understand OKI's growth policy
- Work on qualitative assessment of segment-specific management indicators and business portfolio including cost of capital
- Strive for a 50:50 ratio of internal to external directors for the duty of oversight and enforcement
- Formulate and oversee the development of a medium-term training curriculum for the successor of president and candidates for directors
- Unify the duties of dispatched directors among subsidiaries in order to increase the effectiveness of internal controls at the subsidiaries

OKI will strive to improve the effectiveness of the Board of Directors continuously with the goal to increase corporate value.

## Training Successors

In order to groom future successors for the position of president and other executive posts, the President is preparing a training program from the viewpoint of planning, executing and accomplishing OKI's business strategies and business plans to realize our corporate philosophy and vision for its sustainable growth and enhancing its medium- to long-term corporate value. The proposed plan is being deliberated by Personnel Affairs and Compensation Advisory Committee, with the necessary advice and recommendations being made to the President, as well as the progress being overseen.

In terms of training, we conduct a curriculum amongst some young management candidates, who are able to gain valuable experience by systematically being assigned and appointed to important positions such as a head of a division or as president of a subsidiary. In addition, we actively utilize occasions of business report, review report of business strategy at Board of Directors meetings as opportunities for outside directors to evaluate successor candidates' personality, insight and abilities.

## Cross Shareholdings

OKI's policy is to reduce the number of cross shareholdings in stages, verifying medium- to long-term corporate value enhancement of the Company and share-issuing company and other circumstances comprehensively.

The number of cross shareholdings is verified annually by the Board of Directors, who determines whether or not it is appropriate to hold for each individual issue, by taking into account quantitative and qualitative factors comprehensively. Further verification will be made in the future regarding the benefits and risks associated with its cross shareholdings if they are commensurate with the cost of capital.

In exercising our voting rights for our cross shareholdings, we categorize bills as follows, make judgements and exercise our voting rights based on exercising criteria.

- In the case of appointing executives, we consider total number, ratio of independent directors, etc.
- In the case of executive compensation, we look at business performance, status of assets, etc.
- In the case of the disposal of surplus, we consider business performance, retained earnings, etc.
- Others. Special consideration will be given to anti-takeover measures, M&A and third-party share allocation.

## Message from the New Outside Director

I was a bank employee at The Fuji Bank, Ltd. and Mizuho Corporate Bank, Ltd., where I spent a long period of time in the central part of Control Management Department dealing with HR/Strategic Management Planning, Financial Risk Management, and for the last 10 years I was in management working in the midst and dealing with the aftermath of the global financial crisis. What I learned from this difficult and painful period was the qualities required by top managers during times of change. Basically, there are three things: the courage to decide and execute bold strategies; the need to keep a "cool head" to comprehend the risks included in making such decisions, and not to run away when a crisis occurs. Since joining Yamato Transport Co., Ltd. 14 years ago, and taking into account my experience as a bank employee, I have worked on bold business structural reforms, as the environment for logistics has changed drastically.

By a strange coincidence, I have joined OKI's board as a director. OKI has a long history of overcoming many challenges and possesses advanced technologies that have supported Japan's social infrastructure, including ICT and Mechatronics Systems. However, the speed of change in the business environment is accelerating, and I believe it is the crucial moment whether or not we can respond swiftly will determine OKI's future. I will do my utmost to make use of my accumulated experience and contribute to overall management so that we can move towards this next growth phase.



Director

**Makoto Kigawa**