

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. By conducting objective audits with Audit & Supervisory Board members and the Audit & Supervisory Board, OKI is making efforts toward full compliance and the fortification of risk management.

Board of Directors

The Board of Directors 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. The Board of Directors is made up of nine directors, four of whom are outside directors with a high level of independence in order to enhance management fairness and transparency. Furthermore, there is a policy in which the non-executive chairman presides over Board of Directors meetings. To clarify management responsibility for each fiscal year, directors are appointed for single-year terms.

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. Moreover, Audit & Supervisory Board staff members who are not subject to instructions by the directors are assigned in order to assist the duties of Audit & Supervisory Board members.

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.

Utilization of Voluntary Committees

OKI has established the Personnel Affairs and Compensation Advisory Committee as a voluntary body to ensure transparency in the decision-making processes for appointments and dismissals of board members and executive officers, as well as their compensation. The committee includes outside directors as main members, and after deliberating from an objective perspective on appointments and dismissals of board members and executive officers, as well as the structure and level of their compensation etc., it reports its findings to the Board of Directors.

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:

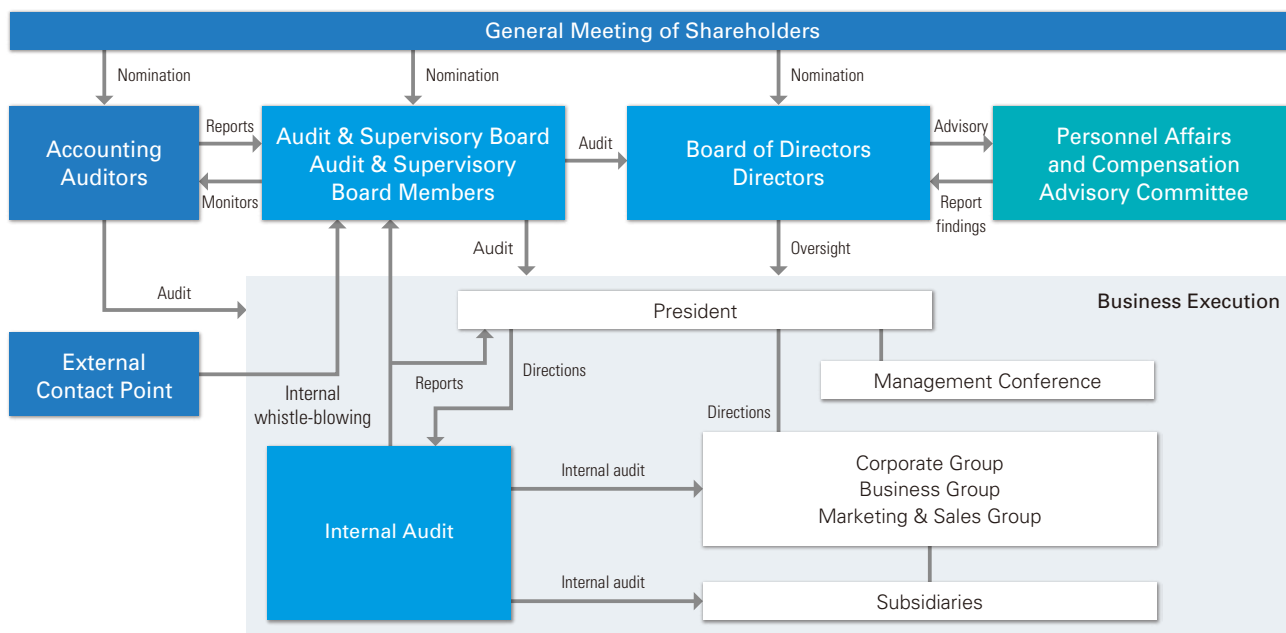
- A person who has a noble character with wisdom, high level of ethics, fairness, honesty, and a law-abiding spirit
- A person who realizes OKI Group’s corporate philosophy and conducts one’s duties to enhance corporate value continuously
- One’s length of tenure
- Audit & Supervisory Board members must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

Internal Auditing

OKI has established the Group Internal Auditing Division tasked with internal auditing. The division is comprised of 25 members, including one certified internal auditor and one certified fraud examiner, and, in accordance with internal audit regulations, conducts internal audits for the purpose of accurately perceiving the actual state of compliance risk management across businesses and functions in OKI’s various divisions and subsidiaries, along with identifying and preventing mistakes and errors as well as corruption in the operation of internal control systems, thereby supporting operational improvements.

Corporate Governance Structure



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

●:Chair △:Advisory role

Name	Responsible Duties	Number of Years in Office	Notes	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board
Hideichi Kawasaki	Chairman of the Board	15		●	○	
Shinya Kamagami	President, Representative Director	6		○		
Masayuki Hoshi	Senior Executive Vice President, Representative Director	4		○		
Masashi Tsuboi	Executive Vice President, Member of the Board	1		○		
Masashi Fuse	Senior Vice President, Member of the Board	1		○		
Shigeru Asaba	Outside Director	3	Independent	○	●	
Tamotsu Saito	Outside Director	2	Independent	○	○	
Izumi Kawashima	Outside Director	2	Independent and Female	○	○	
Makoto Kigawa	Outside Director	1	Independent	○	○	
Sei Yano	Standing Audit & Supervisory Board Member	3		△		●
Toshiya Hatakeyama	Standing Audit & Supervisory Board Member	1		△		○
Hideo Shiwa	Outside Audit & Supervisory Board Member	Newly-nominated	Independent	△		○
Ryuichi Makino	Outside Audit & Supervisory Board Member	Newly-nominated	Independent	△		○

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

Name		Corporate Management	Legal/Risk Management	HR 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	○		○			○		

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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 medium- to long-term incentive compensation in the form of stock-based compensation linked to medium- to long-term performance.

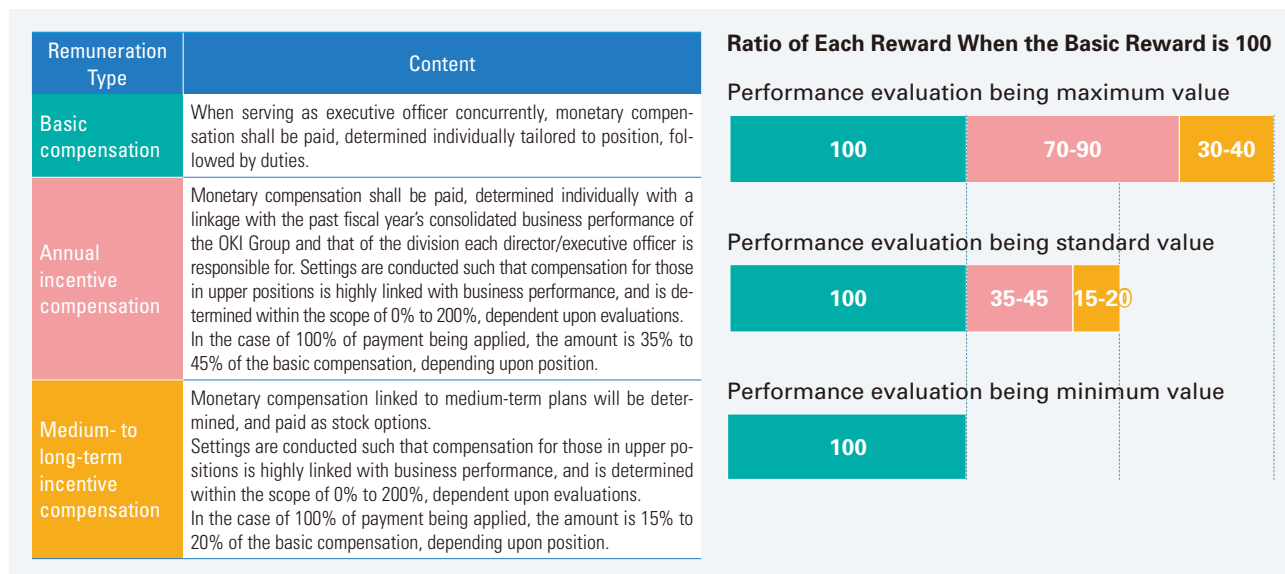
This has been implemented as a part of efforts to develop an environment for a shift to management which supports aggressive management of the OKI Group and

achieves our medium-term business plans.

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



Board Effectiveness Evaluation

Each year, 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.

Board Effectiveness Evaluation Method

At the Board of Directors meeting in November 2019, a discussion was held regarding the effectiveness evaluation for fiscal year 2019, and it was decided that, similar to the preceding fiscal year, the Secretariat of the Board of Directors would serve as the secretariat, carrying out the three stages of evaluation: questionnaires conducted among all directors and Audit & Supervisory Board members, individual interviews, and deliberations by the Board

of Directors. The introduction of third-party evaluations was considered in the discussions, but it was concluded that in order to conduct investigations and evaluations suited to the circumstances of the Company, self-evaluation was appropriate. However, as third-party evaluations as well have useful points such as enabling comparisons of evaluation processes etc. with other companies, it was decided that the introduction of third-party evaluations once every few years would also be considered the following fiscal year and thereafter.

For the questionnaires, the material used in the previous fiscal year, which was created based upon "Corporate Governance Code" and "Practical Guidelines for Corporate Governance Systems" (Ministry of Economy, Trade and Industry), was used as a base, with

the addition of items relating to “Practical Guidelines for Group Governance Systems” (Ministry of Economy, Trade and Industry). As a result, questions regarding “the approach to the Board of Directors,” “the approach to utilizing outside directors,” “the approach to nominating and compensating management,” and “the approach to Group governance” were posed.

Results of Effectiveness Evaluation of the Board of Directors

With regard to the results of the evaluations for fiscal year 2019, the effectiveness of OKI’s Board of Directors improved on the whole, but it was confirmed that there were points that should be further improved. The details are as described below.

(1) Improvement Situation in FY2019 Regarding FY2018 Issues

The situation regarding the issues recognized in fiscal year 2018 was organized as described below.

● Implemented Items

“Reviewing the structure of internal and external directors” and “increasing the effectiveness of internal controls at the subsidiaries” have been implemented.

● Items Currently Being Implemented

“Deepening discussions regarding management strategy,” “introducing segment-specific management indicators including cost of capital,” and “quantitatively assessing the business portfolio” are being advanced in the creation of the next medium-term business plan.

● Items that Should be Further Promoted

Based on the next medium-term business plan, more focus should be placed on “strengthening dialogue to help investors understand OKI’s growth policy.” Furthermore, “formulating and overseeing the development of a medium-term training curriculum for the successor of the President and candidates for directors” should be further promoted.

(2) Newly Recognized Issues for FY2019

As new issues, the below items have been recognized.

● Verification of Effectiveness of Measures

Advancing, at subsidiaries and particularly overseas subsidiaries, verifications of whether improvement measures for internal controls are sufficiently functioning.

● Further Functional Improvements of Board of Directors

Streamlining the operations of the Board of Directors and increasing the time for discussions. Increasing the opportunities to provide site information to outside directors, such as increasing the opportunities for outside directors to come in contact with mid-level employees.

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 appropriation of surplus, we consider business performance, retained earnings, etc.
- Special consideration will be given to anti-takeover measures, M&A and third-party share allocation.