

CORPORATE GOVERNANCE



Questions to Outside Directors

Outside Director  
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**Comprehensively building a foundation, and achieving growth as a company “Delivering OK! to your life.”**

OKI has started “Medium-Term Business Plan 2022,” which has its final fiscal year in 2022. At this juncture, we sought the opinions of Mr. Tamotsu Saito and Mr. Makoto Kigawa, both of whom have led rich careers as corporate leaders, with regard to such topics as the roles they have played as outside directors up until the drafting of the medium-term business plan, and the Company’s vision for the future.

**Please tell us your thoughts about your roles as outside directors.**

**Saito** It is often said that the role of an outside director is to monitor management from the viewpoint of a shareholder, and to increase the transparency of management through checks as an outside pair of eyes, to strengthen governance, and so forth. In the drafting of a medium-term business plan such as the one on this occasion, I believe that in terms of the role of an outside director who has the purpose of supporting the decisions of management, providing advice that can draw out company strengths that are difficult to see from the inside and assist with future strategies is also important.

**Kigawa** Speaking not as an outside director in general, but from the perspective of the roles I myself aim to achieve, I was originally a banker, moved into the transportation industry after that, then became a member of

upper management, and further have served as an outsider director for a number of manufacturers. Based on those experiences, I believe that essentially, I am able to provide advice from a viewpoint that the manufacturers themselves do not have—namely, the viewpoint of the end users or the customers.

In terms of internal analysis, OKI’s strengths seem to be organized into the synergy of its “customer base,” “installed base,” and “technological capabilities.” From the perspective of someone like me, looking at OKI from the outside, I have the impression that OKI performs well when working with customers who are strong in B2B, but I felt that it did not sufficiently conduct marketing with the end users beyond those customers in mind. I believe this is related in part to the fact that OKI has been blessed with wonderful customers, and has a history including an extended period in which it was sufficient to manufacture hardware just as those wonderful customers requested.

However, with the great social changes of the current time, it is no exaggeration to say that marketing is the most important aspect of all. Of the various types, marketing with an awareness of the C of B2B2C is particularly important, as there are many cases in which the business partners who are the direct customers of OKI have not grasped their true needs—that is to say, the needs of the customers of those business partners. In that sense, I am advising OKI to respond to risks and opportunities of which it has not been aware to this point.

**How were you involved in the process of formulating “Medium-Term Business Plan 2022,” which was announced in October 2020? Also, please tell us about your opinions regarding the contents.**

**Saito** Planning of the upcoming “Medium-Term Business Plan 2022” began in January 2019. In drafting this medium-term business plan, I advised OKI to reflect on the previous medium-term business plan, and to carefully conduct a 5C analysis, including its absolute and relative superiority with respect to benchmark companies. Further, I gave advice for OKI to envision its medium- to long-term social contributions, its growth as a company, and its vision for the future. In addition, I suggested appointing young members at the consideration stages in order to look at matters from a medium- to long-term perspective.

During the consideration process aimed at the formulation of the medium-term business plan, the current key message, “Delivering OK! to your life.,” was created due to the directors recognizing anew that while OKI is not visible to consumers, it is contributing to the social infrastructure as a stagehand behind the scenes. In addition to Mono-zukuri, which involves the creation of products, there is also Koto-zukuri, which includes providing solutions. With these two pillars, OKI aims to solve social issues.

**Kigawa** I was appointed as an outside director in June 2019, so my participation began when the planning was already underway. At the time of my appointment, the overview of the plan had already largely taken shape, and with regard to that, I candidly provided several of my opinions from an outside perspective.

For instance, I expressed that the wide-ranging social paradigm shifts currently taking place did not newly occur due to the COVID-19 situation, but were merely accelerated, and that in the future, companies would have to respond with a sense of speed that would allow them to catch up with social reforms, or they would not be positively evaluated by society. With such things in mind, as a result of analyzing the external environment, it was reaffirmed that the crucial keywords for the paradigm shifts are “unmanned operations,” “non-contact,” and “non-face-to-face,” and that OKI is already in possession of the technologies to handle such concepts. With regard to an approach to responding to the paradigm shifts currently underway, it seems there are many companies emphasizing the cloud, but I believe that actual sites are important

as well. On that point, I believe that OKI’s judgment to locate its area of competition in the intersection between the cloud and actual sites is a valid one.

Further, I believe this medium-term business plan’s approach of not competing for areas where the burden of investment is large and competition is fierce, such as the backbone networks of telecom carriers, but doing business in areas where the faces of customers can be seen, such as local 5G and edge computing, is excellent.

**Saito** With regard to Mono-zukuri and Koto-zukuri, in making plans concrete, I provided advice with regard to what should be done in order to improve the sites of Mono-zukuri and what should be done to advance Koto-zukuri a bit more based on my experience to this point of advancing plans at IHI.

For instance, concerning Mono-zukuri, when planning new products in OKI’s areas of strength, I suggested conducting analysis by breaking the products down into their core elements, such as their functions, materials, technologies, and so forth. Speaking with regard to manufacturing, the manufacturing functions of OKI Data and the Mechatronics Systems business were recently integrated, so I think we could anticipate the development of a new product that leverages the development capabilities of OKI Data or a new product that exceeds the conventional concept of printers “printing ink onto a paper medium.” In this sense, I am hoping for a result in which, both inside and outside of the company, specific accomplishments can be demonstrated, even if they are only small victories. By doing so, I think Mono-zukuri will gain traction in the future.

Furthermore, I feel that in Mono-zukuri, the accumulation of daily improvement activities is important. When I observed sites such as plants, I found several instances in which the equipment at sites had deteriorated, daily improvement activities were not sufficiently functioning, and the like. According to President Kamagami, this is an area in which OKI has not been attentive enough in recent years, and OKI is reflecting on this issue.

As daily improvements do not only improve quality, but also lead to reductions in costs, it is necessary to make steady advancements one step at a time, and with regard to cost reduction activities, I believe OKI should take cost analyses one stage further. Moreover, as I witnessed many pieces of equipment that were deteriorating, I felt the situation was not at the level of conducting repairs, but of necessitating drastic investment. As such, I suggested making efforts toward investments related to this in the medium-term business plan.

**Kigawa** Factories that are built with new investments will become smart factories, so it is my hope that OKI will invest with the aim of building model factories and demo factories which they can have customers view on tours.

**Saito** Concerning R&D expenses as well, it seems that in the past, some business divisions were sometimes doing such things as creating profits by limiting their development expenses. Sacrificing future profits to generate

## CORPORATE GOVERNANCE

profits does not lead to sustainable growth. I offered the advice to do away with such trends, and further, that as preparation for the future, it would be necessary to do what needed to be done, even in difficult environments. In the upcoming plan, investments such as R&D expenses and the like have increased, and I believe in that respect, we can expect great things.

**Kigawa** While Director Saito offered advice regarding development and manufacturing, I have provided advice concerning human resources. I feel that OKI is at an extremely high level when it comes to technical areas and engineers, but I get the impression that as a whole, the members have rather tame attitudes. In order to advance new initiatives, it is necessary to shift OKI's human resources into members who take on challenges, so I made the suggestion that it would be necessary to strengthen the human resource development programs, to increase the opportunities for members to gain experience competing with other approaches, and to further utilize human resources from external sources. The human resource management in the plan has actually incorporated this kind of content.

**Saito** Strengthening the sites of Mono-zukuri is another important theme, but in the process of achieving the vision of "Delivering OK! to your life." in the future, there will be times in which resources the company does not possess come into play. Since the principle of self-sufficiency is no

longer followed these days, I feel that when it comes to resources the company needs more of in order to achieve targets, it is necessary to actively conduct such activities as M&A and compensatory actions through partnerships with other companies. With regard to the future, this will take the form of not being particular about the sales of company-brand products, even in overseas businesses, but instead adopting a strategy of cooperating with partners and providing components.

I hope that in the future, OKI finds good partners, and I am able to provide advice on how to advance partnership strategies, too.

**In "Medium-Term Business Plan 2022," specific mention is made of ESG initiatives as well. How do you feel about initiatives aimed at a variety of social issues?**

**Kigawa** Out of all of the ESG initiatives, initiatives aimed at the environment are a major challenge for manufacturers, and while doing what must be done is a given, I additionally expect OKI to demonstrate its stance concerning how society will improve through the company's products, services, and solutions.

I believe that OKI has the mobility to optimally set the current social changes in a positive direction by means of its edge computing and the like, which utilize, for instance, the technologies it has cultivated to this point. I would like OKI to leverage such things in advancing the solution of social issues through its businesses. From my perspective as someone who has long seen OKI from the outside, including during my time as a banker, I believe this is a company that can achieve such things.

**Saito** I believe that, when a company makes efforts toward social issues such as those the SDGs seek to address, if that company seeks to make exceptional efforts toward special issues and everyday corporate activities do not lead to the resolution of social issues in some way, efforts toward social issues cannot be sustainably carried out and it will not be possible to realize growth, either.

In other words, I believe that even if extraordinary preparations are not made, if solutions are steadily provided in response to the problems the businesses are currently facing, this will naturally lead to solving social issues such as the those set forth in the SDGs.

In terms of the general way things go in society, every company states that solutions are crucial, but it is difficult to actualize businesses, and these become issues that are never solved. OKI's strength is that in addition to providing intangible solutions such as consulting and software development, it is also able to manufacture hardware and to carry out high-quality manufacturing. Thus, I think by incorporating development into EMS and evolving it into DMS, substantial solutions will take shape.





**One of the duties of the Board of Directors, as set forth in the Corporate Governance Code, is preparing an environment that supports appropriate risk taking. Please share with us your opinions about risk management.**

**Kigawa** Risk is something that inevitably comes with business. I believe that business is a matter of “planning timidly and acting boldly.” In other words, it is my stance that when planning, companies should conservatively consider risks based on the size and likelihood of those risks, and that in the execution stages, companies should pursue activities with resolution and courage. In this context, I believe it is our role as outside directors to create and support the premises under which the company president and the other directors can take risks.

**Saito** On the subject of risk management, at the time of revising the Financial Report, I had OKI review its business risks not from the general perspective it had taken to that point, but from a perspective unique to OKI. As a result, I think the materiality of the risks was largely able to be organized, but since such things must always be carried out in response to changes in the times, constant reviews are necessary.

As an example of how to think about risk using a previous case, upon conducting the transfer of the Brazilian ATM business, the directors of OKI are summarizing the proceedings of the event. Overseas businesses often fail, so it is crucial to learn from such failures and carry those lessons into the future. I was able to give advice for OKI to use this summary as an opportunity to organize investment procedures.

With regard to all investments, not limited to this project, it is vital to have a line to cut losses when risks have emerged. If such an amount is not made clear when planning an investment and a milestone for assessment is not established, the investment will continue on and on, leading into a quagmire. Unanticipated circumstances occur as well, so it is also essential to be equipped with flexibility for such times. I feel these things should be kept in mind when considering future investments.

**Kigawa** Concerning investments that are currently proceeding as well, I believe it is important to clarify, in the future, when directors will conduct assessments and when assessments will be conducted at meetings of the Board of Directors, and to clarify how risks will be confronted.

**To conclude, please tell us about your expectations for the future of OKI.**

**Kigawa** The current medium-term business plan has a target of fiscal year 2022, and the final fiscal year of that plan will be upon us before we know it. Considering the current situation, I believe that fiscal year 2022 is just a prelude with the purpose of providing a boost for future growth. On the basis of this positioning, I feel that the medium-term business plan, as a phase for building the foundation for future growth, has been able to firmly provide



directionality and create a structure. The target values are a bit conservative, but if OKI does what must be done during this period and properly carries out the necessary preparations, I anticipate that we will be able to expect significant growth in the future.

While I believe that things will be fine as long as the plans themselves are steadily advanced, I also feel that there are too few explanations regarding specific products and technologies. It seems that compelling businesses are appearing through co-creation activities with partners, PoC (Proof of Concept), and the like, so without delay, I would like OKI to indicate specific products and technologies, and to present its expectations for the future to various stakeholders, including investors.

**Saito** I agree with this. From an outside perspective, the settings for the targets of this medium-term business plan appear to be in a stage of development, but they are simply a foundation for great strides to follow. If OKI is able to thoroughly do what must be done, I believe after that, it will be able to achieve great growth. For such purposes, it is my intent to monitor and provide advice for the execution of this medium-term business plan. I think it will be necessary to clarify KPIs and manage progress for such things as how to achieve a synergistic effect between business portfolio management and business reorganizations.

OKI has its own strengths, and has the technologies, products, and resources to maintain the social infrastructure and contribute to solving social issues. By deftly utilizing these assets, I expect that it will become a company “Delivering OK! to your life.”