



ROUNDTABLE  
DISCUSSION  
AMONG OUTSIDE  
DIRECTORS

## Making the Medium-Term Business Plan 2025 a turning point for growth

OKI has launched its Medium-Term Business Plan 2025 with the basic policy of “steer toward growth and break free from the downward trend.” In this roundtable discussion, OKI’s four outside directors summarize the issues from the previous Medium-Term Business Plan that were recognized in the formulation of this plan, discuss the circumstances around the discussions in the process of formulating the new plan, and identify the key points they will be paying attention to going forward as well as their expectations for future progress.

### Review of Medium-Term Business Plan 2022

**Kawashima** To build the foundations for growth, the Medium-Term Business Plan 2022 set out to restructure OKI’s business portfolio and build a stable management foundation with the goal of exceeding the operating income from fiscal year 2019. However, OKI’s business performance fell significantly short of the plan’s numerical targets, and the single-year plan targets for fiscal year 2022 were also unmet. While this was partly unavoidable due to changes in the external environment, including the COVID-19 pandemic and

difficulties in procuring parts, we need to reflect on not only these factors, but also OKI’s own contributing factors as well as its non-numerical achievements. For example, during this period, discussions were held regarding OKI’s organizational structure, including the need to break out of our vertically segmented silos.

As the Chair of the Board of Directors, my impression is that reports were not always received at the right time to take the necessary steps in the midst of the ever-changing external environment, and this was a problem.

**Kigawa** We need to take seriously the fact that we failed to achieve our numerical targets under the Medium-Term Business Plan 2022 and that we were unable to achieve what we initially aimed for, such as our growth strategy. While it is true that the supply chain problems and other aspects of the recent crisis extended throughout the industry, it is undeniable that OKI was ill-prepared for such a crisis and was late in taking action. We need to learn from this experience and establish ways to deal with crises.

On the other hand, with regard to organizational structure, which Ms. Kawashima mentioned, I am pleased that during this period, we were able to set a clear direction for decisive action on restructuring our business portfolio for growth. This has also led to the new business structure in the Medium-Term Business Plan 2025, which I believe can be regarded as a major turning point for future growth.

**Saito** I agree that the failure to achieve the plan was in some respects beyond our control. However, it is also true that we lacked a sense of urgency in responding to changes in the external environment. In terms of strengthening mono-zukuri infrastructure, which is a theme in the Medium-Term Business Plan 2022, I can’t shake the impression that we’re not there quite yet. On the other hand, in the period of the previous Medium-Term Business Plan certain results were achieved, including construction of an environmentally friendly plant in the Honjo district designed as an ideal production base, progress on full participation innovation, and new entry into the aviation field.

**Asaba** The Medium-Term Business Plan 2022 was a challenging attempt to simultaneously earn profits and sow the seeds of growth in a difficult environment. Because I was trying to make sure that we were at least making a profit, I’m disappointed we didn’t achieve that goal. I have pointed out OKI’s weakness in terms of resilience on several occasions, but I was also pleased that we were able to catch a glimpse of OKI’s underlying strength in how the Company came up with various ideas to deal with the semiconductor shortage, such as alternative designs and price optimization, and then worked on them tenaciously.

### Discussions on Formulation of Medium-Term Business Plan 2025

**Kawashima** Regarding the newly launched Medium-Term Business Plan 2025, all four of us here, as outside directors, reviewed the process in parallel with the formulation of the plan. It took a long time for the draft plan to emerge in a coherent form, and in some cases discussions at the Board of Directors meetings did not go smoothly. What was your impression of this process?

**Kigawa** I agree that it took a long time to formulate the

Medium-Term Business Plan. I think one of the main reasons for this is that Mr. Mori was newly appointed President of the Company then, had been transferred from the position of president of a Group company, and was not even a director of OKI itself. Given that Mr. Mori was ultimately responsible for leading the process, it is understandable that it took time to incorporate what he wanted to do.

In this sense, the lack of progress was not necessarily negative, but rather positive in the sense that we took our time and succeeded in incorporating President Mori’s ideas and thoughts. Another thing I thought was good about this review process was that it conveyed the feeling that the plan was formulated by all employees, rather than just the management team.

**Kawashima** Indeed, even in the explanation of individual items in the draft plan, the key persons actually participating in these discussions, who were younger than those who typically reported to the Board, told us in their own words the kinds of things they wanted to do. This kind of review process had never been part of the Medium-Term Business Plan until now.

**Saito** Frankly, I feel that the resulting Medium-Term Business Plan is somewhat unpolished, and I wish we had started discussing it a little earlier. Still, the plan actively incorporates the opinions of young people, mainly mid-level employees, which is highly commendable.

**Kigawa** Another thing I felt was good was that President Mori put forward his own ideas without being bound by the constraints of his predecessor, and I think this had a big impact. When someone who had not previously been a board member is suddenly elected president, it is natural that he or she would have difficulty speaking up at first, especially if the company has a long history and well-established vertical silos like OKI. Despite this, Mr. Mori spoke his mind freely, oblivious to the mood in the room, which in this case was a good thing. In doing so, he was breaking with the past culture, and this new thinking is being reflected in the plan, which I think is also commendable.

**Asaba** I am sure that the previous management team had been aware of the need to change things, but now I have the impression that President Mori is making use of his unique character and cheerful disposition to dismantle the conventional wisdom. For example, “Delivering OK! to your life” is a key message that is very good and OKI-like, but I have pointed out that the way we have traditionally thought about which fields we should contribute to has been too overarching and has not led to concrete growth strategies. Mr. Mori gathered young people together to narrow down where and how we should compete, our fields of contribution, and areas of growth. I think this is also commendable in terms of culture reform.

**Saito** Changing the subject slightly, in formulating the current Medium-Term Business Plan, we have advanced discussions regarding the introduction of ROIC. There has been some resistance to the introduction of a uniform yardstick for a company like OKI that has multiple businesses with varying degrees of profitability and growth potential, and up to now it has been considered difficult to introduce it. Now that discussions have progressed towards the introduction of a yardstick such as ROIC, I believe this will help us visualize the state of the Company, which was heretofore invisible, and will be useful for portfolio management in the future.

**Kigawa** When discussing future business directions and what to do with the business portfolio, in addition to ROIC, which is an objective numerical value, it is necessary to make a comprehensive judgment based on the company's history, customers, and the size of its business. That said, it would be good to introduce ROIC first, to give managers more data for evaluating businesses.

**Achieving the Medium-Term Business Plan**

**Kawashima** Now that the Medium-Term Business Plan 2025 has started, as outside directors, it is important for us to regularly follow up and monitor progress to ensure that the original goals of the plan are achieved.

As the Chair of the Board, I hope that the executive side, when reporting on the progress of the plan, will not simply report the facts, but will provide information in a manner that allows for specific advice and exchange of opinions from outside directors, such as what went wrong in the plan and how they are thinking about changing it.

**Kigawa** That's exactly right. As an outside director with management experience, I believe that my role is to constantly keep an eye on whether this is the right direction for the Company over the medium to long term, given that the pace of change is so rapid. While it is important to report on the status of progress towards the final outcome, it is more



important to have a perspective on how changes that are occurring now will impact the plan, and I hope to be able to speak up about issues and the need for investment from that perspective, even if it may sometimes seem overly harsh.

**Saito** In terms of numeric targets, this Medium-Term Business Plan aims to steadily improve both the top line and profits, which is why it also includes a review of our business portfolio. Since the plan period is three years, which is very short, we must work with a sense of urgency to ensure our portfolio management works effectively. That is one of my major concerns, and I believe my role as a director is to oversee that.

Also, in terms of sustainability, I would like to carefully review OKI's efforts, as a company engaged in manufacturing, to reduce its environmental impact, such as decarbonization. In addition, with regard to corporate culture, we are making progress towards institutional changes to enable diverse human resources to play an active role, and I look forward to seeing the results.

**Kawashima** Regarding sustainability, we have made progress in establishing rules for disclosure, especially in Europe, but we need to think about it in relation to what is necessary in terms of business activities, as we did recently when we updated our materiality. For example, with regard to diversity, as OKI seeks to strengthen its global expansion for future growth, it will be necessary to discuss the hiring and evaluation of foreign talent necessary for this purpose. I feel that the targets for women's participation are a bit low, but the direction of improvement has been set, and I would like to see us make steady progress on the initiatives.

**Asaba** I think an important aspect of sustainability initiatives is that they should not be "disclosure for disclosure's sake." OKI's business theme is solving social issues, and if we look at the three fields of contribution outlined in the current Medium-Term Business Plan, we could say that sustainability is the business itself.



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**Towards "Steering to Growth"**

**Saito** The Medium-Term Business Plan 2025 calls for the creation of future businesses as a measure to "steer toward growth." I have participated in several in-house exhibitions and presentations at our research divisions and production plants, and many of them are quite interesting. These are still seeds of technology in the research and development stage, but if they can be linked to customer needs, for example through collaboration with the marketing & sales section, some of them may turn out to be satisfactory sources of growth. "Full participation innovation" is a mechanism for linking these seeds of technology and employee ideas to businesses, and I expect that this will lead to interesting developments if used well.

**Kigawa** I have high hopes for the "Virtual One Factory" initiative, which is another mechanism for creating value. This is an effort to manage all of the OKI Group's production plants in a horizontal manner and optimize total production efficiency, QCD, and supply chain. The new Medium-Term Business Plan also incorporates a strategy to apply our technology and know-how developed through on-site practice to business models and solutions for customers. OKI's strength lies in technology that solves problems close to the operational frontlines. If OKI can create services and platforms that solve customers' manufacturing issues by strengthening its own mono-zukuri infrastructure, this would be a very OKI-like example of "Delivering OK! to your life."

**Asaba** In the section of "Conversation between COO and an Outside Director" in last year's OKI Report, I am quoted telling President Mori, "There is a lack of excitement about the strategy." However, in the new Medium-Term Business Plan, there are clearly more exciting themes emerging than before, such as the maritime business, to cite one example. To develop this as a business and make it a truly exciting strategy, we need to stay alert at all times like a hunter, and if we find the seed of a business, we must have the passion to



grow it into a business. It would be great if we could become a company where everyone works with a mindset of "I create my own business," and I have high hopes for President Mori's ability to communicate and spread enthusiasm in fostering such a corporate culture.

**Kigawa** Similarly, from a corporate culture perspective, if I may borrow your word "excitement," I hope this momentum will continue so that every employee feels the excitement of taking on new challenges and feels glad to be at this Company. As a result, from a customer perspective, I want OKI to be a company which is thoroughly friendly to customers who have problems on the operational frontlines and creates products one after another that make them say, "OKI is so thorough and attentive to every detail!"

**Saito** Another very important point for us to "steer toward growth" is the restarting of our overseas business. We will assign multiple roles to our existing overseas sites, including sales companies, and use them as a starting point for innovation and to provide products and solutions for a wide range of businesses. As a result, I hope OKI will become a truly global company in 2031, when we celebrate its 150th anniversary. Furthermore, at the product level, I hope that by that time OKI will have a number of products with top market share. I believe OKI has plenty of potential to make that happen.

**Kawashima** As Mr. Saito said, the call to "steer toward growth" set forth in the Medium-Term Business Plan 2025 does not end in fiscal year 2025; the plan is to further expand future businesses from fiscal year 2026 onwards, aiming towards 2031. Of course, it is a given fact that we will carry out the measures in the Medium-Term Business Plan 2025 to meet its targets and achieve growth, but after that, I hope that when we reach the 150th anniversary of our founding, we will look back on these three years as a turning point and say, "I am so glad that the plan we implemented back then turned the Company around." We, as outside directors, must also fulfill our roles in achieving this goal.