

Corporate Governance

Oki Electric Industry Co., Ltd.

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Oki Electric Industry Co., Ltd.

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The corporate governance of Oki Electric Industry Co., Ltd. (the “Company” or “OKI”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information

1. Basic Views

To earn the trust of its various stakeholders, the OKI Group recognizes ensuring sustainable growth and increasing corporate value over the medium to long term as its most important management priorities. 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.”

Reasons for Non-Compliance with Principles of Japan’s Corporate Governance Code

[Principle 1-4: Cross-Shareholdings]

(1) Policy on cross-shareholdings

The Company is gradually reducing its cross-shareholdings, taking into overall consideration such factors as enhancing the medium- to long-term corporate value of the Company and the share-issuing companies.

(2) Details on verifying cross-shareholdings

The Board of Directors reviews cross-shareholdings each year. The Company considers quantitative and qualitative factors when determining the suitability of its holdings of each stock.

We will further consider whether the benefits and risks associated with cross-shareholdings are commensurate with the cost of capital.

(3) Standards for the exercise of voting rights on cross-shareholdings

In exercising its voting rights on cross-shareholdings, the Company categorizes agenda items as follows. We make decisions and exercise voting rights based on exercise criteria.

- When appointing executives, the Company considers such factors as the total number of executives and the ratio of Independent Directors.
- For executive compensation, the Company looks at such factors as business performance and the status of assets.
- For the appropriation of surpluses, the Company considers such factors as business performance and retained earnings.
- The Company gives special consideration to proposals related to anti-takeover measures, M&A, and third-party share allocations.

[Principle 5-2: Establishing and Disclosing Business Strategies and Business Plans]

The Company’s capital policy is to invest for sustainable growth, to maintain a sound financial structure that allows for such risks, and to provide stable and continuous returns to shareholders.

In the “Mid-term Business Plan 2019” up to FY2019, we have presented targets for profitability but not for such measures as capital efficiency. In formulating the next medium-term management plan, the Company will continue to consider appropriate indicators, including cost of capital, when reviewing the business portfolio and allocating management resources in individual segments.

[Disclosure Based on the Principles of Japan’s Corporate Governance Code]

UPDATED

Details of the items disclosed in accordance with the principles of Japan’s Corporate Governance Code are as follows.

[Principle 1-7: Related Party Transactions]

The Board of Directors supervises transactions involving conflicts of interests between the Company and Directors in accordance with the rules of the Board of Directors, and Audit & Supervisory Board members conduct audits in accordance with the auditing standards.

The Company does not have any major shareholder who owns 10% or more of its shares.

[Principle 2-6: Roles as Asset Owners of Corporate Pension Funds]

The OKI Corporate Pension Fund manages funds for corporate pensions of the Company and its domestic group companies.

Each year, the Investment Management Committee drafts investment targets, asset allocations, and investment consignees, which are decided by the Board of Trustees. Members of both the Investment Management Committee and the Board of Trustees include employee representatives as well as people with expertise in the finance and human resources departments, appointed by the Company. Committee members and clerical staff improve their expertise by receiving advice from pension management consultants.

The Company entrusts the specific selection of fund investments to multiple investment institutions, monitoring the status of investment at quarterly management reporting meetings.

[Principle 3-1: Full Disclosure]

(1) Company goals (vision, etc.), business strategies and business plans

The Company's philosophy is available on its website.

<https://www.oki.com/en/profile/spirit/>

The next medium-term management plan will be formulated after examining the impact of COVID-19. Review of "Medium-Term Management Plan 2019" up to FY 2019 and future business direction are available on its website.

https://www.oki.com/en/ir/accounts/2020/0513_2.pdf

(2) Basic views and guidelines on corporate governance based on each of the principles of the code

These are described in "I.1. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information" in this report.

(3) Board policies and procedures in determining the remuneration of senior management and Directors

These are described in "II.1. [Director Remuneration]" in this report.

(4) Board policies and procedures in the appointment/dismissal of senior management and the nomination of candidates for Directors and Audit & Supervisory Board Members

To ensure transparency in the process of nominating candidates for Directors, Audit & Supervisory Board members, and executive officers, the Company consults with the Personnel and Compensation Advisory Committee, a voluntary committee. After receiving the committee's response, the Board of Directors and the Audit & Supervisory Board decide on candidates. The committee is composed of five members, including four Outside Directors (of whom one is a woman), and the chairperson is appointed from among the Outside Directors.

In the nomination and appointment of candidates for Directors, Audit & Supervisory Board Members and executive officers, the Company considers the following matters in addition to meeting legal requirements.

- Nobility of character, wisdom, a high level of ethics, fairness, honesty, and a law-abiding spirit
- The ability to conduct duties in a manner that will help realize the OKI Group's corporate philosophy and enhance corporate value sustainably
- 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, an Audit & Supervisory Board Member, or an executive officer take into consideration the following: where the person's act violates or infringes on the law and the Articles of Incorporation; whether the person has become unable to properly perform his/her duties. Such proposals are immediately deliberated by the Personnel Affairs and Compensation Advisory Committee, which then submits its proposal to the Board of Directors.

(5) Explanations with respect to individual appointments/dismissals and nominations based on (4)

Reasons for appointment and dismissal as well as brief backgrounds and responsibilities are described in reference documents for the General Meeting of Shareholders, business reports, corporate governance reports, financial reports, and other documents.

[Principle 4-1: Roles and Responsibilities of the Board (1)]

(Supplementary Principle 4-1-1)

The Company has stipulated in the rules of the Board of Directors that important matters, such as laws and regulations, matters stipulated in the Articles of Incorporation, and basic management policies are to be discussed by the Board of Directors. Executive officers carry out their duties in accordance with basic management policies determined by the Board of Directors.

[Principle 4-9: Independence Standards and Qualifications for Independent Directors]

This information is described in "II.1. [Independent Officers]" in this report.

[Principle 4-11: Preconditions for Ensuring the Effectiveness of the Board of Directors and the Board of Audit & Supervisory Board Members]

(Supplementary Principle 4-11-1)

To deliberate on and decide important matters related to the execution of the Company's business and to fulfill its duties of supervising the execution of business, the Board of Directors has established a board that is within the 15-member range stipulated in the Articles of Incorporation and has multiple Independent Outside Directors. The Board of Directors also takes into account Directors' areas of specialization and experience.

(Supplementary Principle: 4-11-2)

Significant concurrent positions of Directors and Audit & Supervisory Board Members (including candidates) are disclosed in the reference documents for the General Meeting of Shareholders and business reports in the “Notice of Convocation of the General Meeting of Shareholders,” as well as in security reports.

- Notice of Convocation of General Meeting of Shareholders: <https://www.oki.com/en/ir/stock/meeting.html>
- Security Report (Japanese only): <https://www.oki.com/jp/ir/data/report/>

The status of Outside Directors and Outside Audit & Supervisory Board Members is also described in “II.1. [Related to Directors]” and “[Related to Audit & Supervisory Board Members]” in this report.

(Supplementary Principle 4-11-3)

The Company conducts evaluations and analyses to improve the effectiveness of the Board of Directors by recognizing, sharing, and improving the directions that the Board of Directors should take and the issues related to that direction.

[Method for Evaluating the Effectiveness of the Board of Directors]

The Board of Directors discussed methods for evaluating the effectiveness of the plan in FY2019. (November 2019)

- (1) We considered the introduction of a third party evaluation system, but we concluded that self-evaluation is appropriate for conducting research and evaluation in line with our company's circumstances. However, we will continue to consider the introduction of the third party evaluation system once a few years in the following fiscal year and beyond, as the third party evaluation system is useful in that the evaluation process can be compared with other companies.
- (2) As in the previous year, the assessment was conducted in three stages: a questionnaire survey, individual hearings, and deliberations at the Board of Directors. This applied to all Directors and Audit & Supervisory Board members. The Secretariat of the Board of Directors served as the secretariat.
- (3) The questionnaire was based on the previous year's questionnaire prepared based on "Corporate Governance Code" and "Implementation Guidelines for Corporate Governance System" (Ministry of Economy, Trade and Industry, or “METI”), and included new items related to “Practical Guidelines for Corporate Governance Systems (CGS Guidelines)” (METI). As a result, we asked about “roles and functions of the Board of Directors,” “approaches to the utilization of Outside Directors,” “approaches to the nomination and compensation of management members,” and “ideal form of group governance.”

[Results of Evaluation of the Effectiveness of the Board of Directors]

As a result of the FY2019 evaluation, it was confirmed that, although the effectiveness of its Board of Directors has been improving overall, there are still matters that need to be improved.

The details are as follows:

(1) Improvements in FY 2019 in issues identified in the FY 2018 evaluation

The status of issues identified in FY2018 was summarized as follows.

- Issues implemented

"Review of internal and external ratio of board members" and "Improving the effectiveness of internal controls at subsidiaries" were implemented.

- Issues in progress

Progress is being made in the preparation of the next medium-term management plan for "Deepening discussions on management strategies" "Introduction of segment management indicators, including cost of capital" and "Quantitative assessment of business portfolio."

- Issues to be further promoted

It was recognized that "Dialogue that enables investors to understand our growth strategy" should be emphasized based on the next medium-term management plan, and that "Development of a medium-term training curriculum for the development of successors to the president and candidates for directors, and supervision of progress" should be further promoted.

(2) New issues identified in the FY2019 evaluation

The following new issues were identified:

- Verification of effectiveness of measures

Verification of whether internal control improvement measures are functioning properly should be promoted mainly at subsidiaries, especially overseas subsidiaries.

- Further improvement of the functions of the Board of Directors

To increase the time for discussion, the operation of the Board of Directors should be streamlined. The opportunities to provide field information to outside directors should be increased, such as by increasing opportunities for communication between outside directors and the middle level.

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

2. Capital Structure

Foreign Shareholding Ratio	20% to less than 30%
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[Major Shareholders]

Name or Company Name	Number of Shares Held	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,460,100	8.62
Japan Trustee Service Bank, Ltd. (trust account)	5,984,600	6.92
Japan Trustee Services Bank, Ltd. (trust account 9)	2,070,800	2.39
Oki Denki Group Employees' Shareholdings Committee	1,959,361	2.26
Japan Trustee Services Bank, Ltd. (trust account 5)	1,658,700	1.92
JP MORGAN CHASE BANK 385151	1,610,732	1.86
Mizuho Bank, Ltd.	1,419,648	1.64
Hulic Co., Ltd.	1,407,659	1.63
Meiji Yasuda Life Insurance Company	1,400,097	1.62
Trust & Custody Services Bank, Ltd. (securities investment trust account)	1,333,000	1.54

Controlling Shareholder (excluding Parent Company)	—
Existence of Parent Company	None

Supplementary Explanation	UPDATED
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Major shareholders are listed based on the shareholders' register as of March 31, 2020.

The Report of Possession of Large Volume (Change Report), which was opened for public inspection on January 22, 2020, stated that Mizuho Bank, Ltd. and its joint holders owned a total of 5,800,148 shares (holding ratio of 6.65%) as of January 15, 2020. However, as the Company unable to confirm the actual number of shares held as of September 30, 2019, OKI has not included them in the above status of major shareholders.

The Report of Possession of Large Volume (Change Report), which was opened for public inspection on December 20, 2018, stated that Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders owned a total of 4,791,100 shares (holding ratio of 5.49%) as of December 14, 2018. However, as the Company is unable to confirm the actual number of shares held as of March 31, 2020, OKI has not included them in the above status of major shareholders.

The Report of Possession of Large Volume, which was opened for public inspection on June 22, 2020, stated that Nomura Asset Management Co., Ltd. and its joint holders owned a total of 5,151,116 shares (holding ratio of 5.91%) as of June 15, 2020. However, as the Company is unable to confirm the actual number of shares held as of March 31, 2020, OKI has not included them in the above status of major shareholders.

3. Corporate Attributes

Listed Exchange and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Industry	Electrical equipment
Number of Employees (Consolidated) at End of Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) for the Previous Fiscal Year	¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries at the End of the Previous Fiscal Year	From 50 to less than 100

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances That May Have a Material Impact on Corporate Governance

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II. Business Management Organization and Other Corporate Governance Systems Related to Decision-Making, Execution of Business, and Management Supervision

1. Organizational Composition and Operation

Organizational Form	Company with an Audit & Supervisory Board
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (unless the post is filled by a person serving concurrently as President)
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors Designated from among Outside Directors	4

Outside Directors' Relationships with the Company (1)

Name	Attributes	Relationship with the Company (*)											
		a	b	c	d	e	f	g	h	i	j	k	
Shigeru Asaba	Academic												
Tamotsu Saito	From another company								○				
Izumi Kawashima	Academic												
Makoto Kigawa	From another company					△			△				

Categories of "Relationship with the Company"

“○” indicates a category into which the Director presently falls or has recently fallen. “△” indicates a category into which the Director has fallen in the past. “●” indicates a category into which a close relative of the Director presently falls or has recently fallen. “▲” indicates a category into which a close relative of the Director has fallen in the past.

- a Executive of the Company or its subsidiary
- b Non-executive Director or executive of a parent company of the Company
- c Executive of a fellow subsidiary company of the Company
- d A party whose major client or supplier is the Company or an executive thereof
- e Major client or supplier of the Company or an executive thereof
- f Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director
- g Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h Executive of a client or supplier company of the Company (which does not correspond to d, e, or f) (the Director himself/herself only)
- i Executive of a company to which Outside Directors are mutually appointed (the Director himself/herself only)
- j Executive of a company or organization that receives a donation from the Company (the Director himself/herself)
- k Other

Name	Designated as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Shigeru Asaba	Yes	<p>Mr. Shigeru Asaba is the dean of the Graduate School of Business and Finance of Waseda University, and an Outside Director of Nippon Beet Sugar Manufacturing Co., Ltd.</p> <p>Transaction amounts between OKI and the above-mentioned business partners are less than 1% of each party's sales.</p>	<p>As a holder of a Ph.D. in economics, he specializes in industrial organization, corporate strategy, competitive strategy, ownership structure and strategy, and family business, and possesses academic expertise and high ethical standards in general business. In addition, through his experience as an Outside Director at Nippon Beet Sugar Manufacturing Co., Ltd., the Company has determined that he is able to appropriately supervise management and strengthen decision-making functions.</p> <p>In addition to the fact that their experience and knowledge in each area of expertise are useful to the Company today, the Company appoints Outside Directors and Outside Audit & Supervisory Board Members based on its Policy for Appointment of Outside Directors/Outside Audit & Supervisory Board Members. Accordingly, the Company has determined that there is no risk of conflict of interest with general shareholders, and therefore has appointed him as an Independent Director.</p>
Tamotsu Saito	Yes	<p>Mr. Tamotsu Saito is currently a member of the Board of IHI Corporation and an Outside Director of JAPAN POST INSURANCE Co., Ltd.</p> <p>Transaction amounts between OKI and the above-mentioned business partners are less than 1% of each party's sales.</p>	<p>He has served as a chairman of the Board of IHI Corporation for many years and has a wealth of experience as a business leader not only in the industry but also in Japan. OKI has determined that he is able to provide appropriate oversight of management. The Company determined him suitable as an Outside Director, as it can rely on his accurate opinions and advice, from both the business management and compliance perspectives.</p> <p>In addition to the fact that their experience and knowledge in each area of expertise are useful to the Company today, the Company appoints Outside Directors and Outside Audit & Supervisory Board Members based on its Policy for Appointment of Outside Directors/Outside Audit & Supervisory Board Members. Accordingly, the Company has determined that there is no risk of conflict of interest with general shareholders, and therefore has appointed him as an Independent Director.</p>

Izumi Kawashima	Yes	<p>Ms. Izumi Kawashima is a professor on the Faculty of Social Sciences at Waseda University.</p>	<p>She is currently a professor on the Faculty of Social Sciences at Waseda University and specializes in commercial law (particularly the Companies Act) and the Financial Instruments and Exchange Act. She is one of Japan's leading experts in this field. The Company has determined that she is suitable as an Outside Director as it can rely on her accurate opinions and advice based on her academic expertise related to the Companies Act and corporate governance, in particular. Although she has never been involved in corporate management other than as an outside officer, the Company has determined that she is able to carry out the duties of Outside Director appropriately for the aforementioned reason.</p> <p>In addition to the fact that their experience and knowledge in each area of expertise are useful to the Company today, the Company appoints Outside Directors and Outside Audit & Supervisory Board members based on its Policy for Appointment of Outside Directors/Outside Audit & Supervisory Board Members. Accordingly, the Company has determined that there is no risk of conflict of interest with general shareholders, and therefore has appointed her as an Independent Director.</p>
Makoto Kigawa	Yes	<p>Mr. Makoto Kigawa is an Outside Director of Komatsu Ltd. and an Outside Director of Seven Bank, Ltd.</p> <p>Transaction amounts between OKI and the above-mentioned business partners are less than 1% of each party's sales.</p>	<p>Based on his extensive experience as Representative Director of Yamato Holdings Co., Ltd. after serving as an executive at a financial institution, the Company has judged that he is able to provide appropriate supervision over business management. The Company has determined him suitable as an Outside Director as it is able to rely on his appropriate opinions and advice from both a business management perspective and a compliance perspective.</p> <p>In addition to the fact that their experience and knowledge in each area of expertise are useful to the Company today, the Company appoints Outside Directors and Outside Audit & Supervisory Board Members based on its Policy for Appointment of Outside Directors/Outside Audit & Supervisory Board Members. Accordingly, the Company has determined that there is no risk of conflict of interest with general shareholders, and therefore has appointed him as an Independent Director.</p>

Voluntary Establishment of Committee(s) Corresponding to the Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee's Name	Total Committee Members	Full-time Members	Internal Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Personnel Affairs and Compensation Advisory Committee	5	0	1	4	0	0	Outside Directors
Committee Corresponding to Remuneration Committee	Personnel Affairs and Compensation Advisory Committee	5	0	1	4	0	0	Outside Directors

Supplementary Explanation

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 appointing board members and executive officers and determining their remuneration.

[Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

Cooperation among Audit & Supervisory Board Members, Accounting Auditors, and the Internal Audit Department

Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings based on auditing policies and methods determined by the Audit & Supervisory Board, verify the content of reports received from Directors and others, and investigate the status of the Company's operations and assets. Audit & Supervisory Board members audit the execution of duties by Directors in close cooperation with Outside Directors, the Internal Auditing Division, and accounting auditors.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members	2

Relationship with the Company (1)

UPDATED

Name	Attributes	Relationship with the Company (*)													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Hideo Shiwa	From another company													△	
Ryuichi Makino	Certified Public Accountant								△						

Categories of “Relationship with the Company”

“○” indicates a category into which the member presently falls or has recently fallen. “△” indicates a category into which the member has fallen in the past. “●” indicates a category into which a close relative of the member presently falls or has recently fallen. “▲” indicates a category into which a close relative of the member has fallen in the past.

- a Executive of the Company or its subsidiary
- b Non-executive Director or accounting advisor of the Company or its subsidiary
- c Non-executive Director or executive of a parent company of the Company
- d Audit & Supervisory Board member of a parent company of the Company
- e Executive of a fellow subsidiary company of the Company
- f A party whose major client or supplier is the Company or an executive thereof
- g Major client or supplier of the Company or an executive thereof
- h Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board member
- i Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j Executive of a client or supplier company of the Company (which does not correspond to f, g, or h) (the Audit & Supervisory Board member himself/herself only)
- k Executive of a company to which Outside Directors are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board member himself/herself)
- m Other

Relationship with the Company (2)

UPDATED

Name	Designated as Independent Officer	Supplementary Explanation of Relationship	Reasons for appointment
Hideo Shiwa	Yes	<p>Mr. Hideo Shiwa is from Fujikura Ltd.</p> <p>Transaction amounts between OKI and the above-mentioned business partners are less than 1% of each party's sales.</p>	<p>He has headed the finance & accounting and planning divisions and presided over a business company and unit of the head office of a manufacturing company before serving as Director and Senior Managing Executive Officer and completing overseas assignments.</p> <p>The Company has determined that he can conduct appropriate audits of its management by making use of his extensive experience, global insight, and high ethical standards.</p> <p>Based on his background described above, he has considerable financial, accounting and legal knowledge required for the Company's audits.</p> <p>In addition to the fact that their experience and knowledge in each area of expertise are valid to the Company today, the Company appoints Outside Directors and Outside Audit & Supervisory Board Members based on its Policy for Appointment of Outside Directors/Outside Audit &</p>

			Supervisory Board Members. Accordingly, the Company has determined that there is no risk of conflict of interest with general shareholders, and therefore has appointed him as an Independent Officer.
Ryuichi Makino	Yes	<p>Mr. Ryuichi Makino is from KPMG AZSA LLC.</p> <p>Transaction amounts between OKI and the above-mentioned business partners are less than 1% of each party's sales. In addition, there is no any transaction between OKI and Ryuichi Makino CPA Office, which he has established.</p>	<p>As a certified public accountant, he has been engaged in accounting audit of manufactures and other businesses in a wide range of industries for many years. He also has extensive knowledge in internal control. The Company has determined that he can conduct audits of its management in an objective, neutral manner by making use of his extensive experience, insight, and high ethical standards.</p> <p>Based on his background described above, he has considerable financial, accounting and legal knowledge required for the Company's audits. Although he has never been involved in corporate management, the Company has determined that he is able to carry out the duties of Outside Audit & Supervisory Board Member appropriately for the aforementioned reason.</p> <p>In addition to the fact that their experience and knowledge in each area of expertise are valid to the Company today, the Company appoints Outside Directors and outside Audit & Supervisory Board members based on its Policy for Appointment of Outside Directors/Outside Audit & Supervisory Board Members. Accordingly, the Company has determined that there is no risk of conflict of interest with general shareholders, and therefore has appointed him as an Independent Officer.</p>

[Independent Officers]

Number of Independent Officers	6
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Matters relating to Independent Officers

Independence Standards for Appointment of Outside Directors

The Company appoints Outside Directors and Outside Audit & Supervisory Board Members based on the following criteria.

- (1) Not an executive^{*1} of the OKI Group
- (2) Not a party whose major client (sales to the OKI Group exceed 2% of total sales of the relevant party's group) is the OKI Group, or an executive thereof
- (3) Not a party whose major client (sales to the relevant party's group exceed 2% of total sales of the OKI Group) is the OKI Group, or an executive thereof
- (4) Not a major shareholder of the Company (those who directly or indirectly hold 10% or more of total voting rights) or an executive thereof
- (5) Not a party whose major shareholder is the OKI Group or an executive thereof
- (6) Not a consultant, accounting professional such as certified public accountant, or legal professional such as lawyers who

receives a large amount of money (over ¥10 million per year) or other assets (over ¥10 million per year) from the OKI Group besides officer compensation. (In the event that the accounting professional or legal professional is an organization such as a corporation or association, people who belong to such organizations are included.)

(7) Does not belong to an auditing firm that conducts the Company's statutory audit

(8) A person who has not fallen under (1) to (7) above in the past 10 years.

(9) A person is not a relative within the second degree of kinship to any the following people.

a. People listed in (2) to (7) above (limited to important executives*² for "executives" in (2) to (5), (2) for "people belonging to associations" in (6), important executives and people whose associations have professional qualifications such as certified public accountants or lawyers in the case of accounting or legal expert associations such as audit firms or legal firms, and people who have professional qualifications such as certified public accountants and certified public accountants for "people belonging to audit firms" in (7).

b. An important executive of the OKI Group

c. A person falling under category b above in the past 10 years

*1 "Executive" refers to a person who performs the business such as a Director (excluding Outside Directors), executive officer, employee, etc.

*2 "Important executive" refers to a person who performs important business such as a Director (excluding Outside Directors), an executive officer, or a department head. We have provided notice that outside officers who qualify as independent officers are Independent Officers.

[Incentives]

Implementation of Measures to Provide Incentives to Directors

Performance-based pay, stock options

Supplementary Explanation

Please refer to "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in "Director Remuneration" below.

Recipients of Stock Options

Internal Directors and others

Supplementary Explanation

Since FY2016, the Company has introduced stock-based compensation-type stock options as medium-to long-term incentive compensation.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration

No individual disclosure

Supplementary Explanation

UPDATED

In FY2019 (the fiscal year ended March 2020), the total amount of compensation paid to Directors was ¥302 million, and the total amount of compensation paid to Audit & Supervisory Board Members was ¥60 million. The aforementioned compensation paid to Directors includes ¥18 million in stock option compensation.

Policy on Determining Remuneration Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company has established the Personnel Affairs and Compensation Advisory Committee as a voluntary body to ensure transparency and objective judgment in the process of deciding remuneration for officers. The committee is composed of five members, four of whom are Outside Directors. The chairman of the committee is appointed from among the Outside Directors. The Personnel Affairs and Compensation Advisory Committee deliberates on matters such as the remuneration system and standards for Directors and executive officers from an objective perspective, and reports its results to the Board of Directors. Remuneration for Audit & Supervisory Board members is determined by consultation among Audit & Supervisory Board members.

The Company's basic policy on remuneration for Directors and executive officers is to provide incentives to improve performance in the aim of continuously enhancing corporate value and corporate competitiveness and offering a compensation structure that attracts excellent human resources. In FY2016, the Company revised its remuneration system for officers to target the sustainable growth of the OKI Group and shift its management focus

toward more aggressive targets and medium- to long-term growth. The remuneration structure comprises basic compensation, annual incentive compensation linked to business performance for a single fiscal year, and medium- to long-term incentive compensation. Stock options, which are stock-based compensation, shall be granted as medium- to long-term incentive compensation. The remuneration of Outside Directors and Audit & Supervisory Board Members consists of only basic compensation.

The appropriateness of remuneration systems and levels is verified using objective evaluation data from external organizations.

[Support System for Outside Directors / Outside Audit & Supervisory Board Members]

Support System for Outside Directors

Departments in charge: Secretariat of the Board of Directors, Secretarial Division

Information communication system: The Company has established a system in which the information required for the execution of duties by Outside Directors is communicated through the staff member in charge. The Company provides materials and explanations prior to Board of Directors' meetings.

Support System for Outside Audit & Supervisory Board Members

Departments in charge: Dedicated staff to support Audit & Supervisory Board Members

Staff: Yes

Information communication system: Members of staff who are not subject to the instructions or orders of Directors are appointed to assist Outside Audit & Supervisory Board Members in their duties.

[Status of People Retired from Such Positions as Representative Director and President]

Advisors Who Previously Served in Such Positions as Representative Director and President

Name	Title / Position	Role/ Activity	Working Conditions (Full-Time/Part-Time, Paid/Unpaid, etc.)	Date of Retirement from President, etc.	Term of Office
—	—	—	—	—	—

Total number of advisors who Previously Served in Such Positions as Representative Director and President

—

Others

The Company has abolished the system whereby people who previously served in such positions as Representative Director and President were appointed as advisors.

2. Matters Related to the Functions of Business Execution, Auditing and Supervision, Nomination, and Determination of Remuneration (Overview of the Current Corporate Governance System)

UPDATED

The Company maintains a corporate auditor system with a Board of Directors and an Audit & Supervisory Board. Having an executive officer system in place, the Company strives to promote timely decision-making by separating business execution and oversight. It endeavors to improve the fairness and transparency of management by nominating Outside Directors to the Board and by setting up voluntary committees for such aspects as nomination and remuneration, in the aim of ensuring effective supervision from an independent and objective standpoint. The Company works to ensure thorough compliance and strengthen risk management through objective audits by Audit & Supervisory Board members and the Audit & Supervisory Board.

(1) Board of Directors

In principle, the Board of Directors meets once a month, with extraordinary meetings also held if necessary, to make decisions on basic management policies and other important matters and to supervise the execution of business. The Board of Directors is composed of nine members, four of whom are highly independent Outside Directors, in order to improve the fairness and transparency of management. The chairman of the Board of Directors chairs meetings of the Board. To further clarify management responsibilities for each fiscal year, Directors are appointed for single-year terms.

(2) Audit & Supervisory Board

Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings based on audit policies and methods determined by the Audit & Supervisory Board, verify the content of reports received from Directors and others, and investigate the status of the Company's operations and assets, etc. Collaborating closely with Outside Directors, the Internal Auditing Division, accounting auditors, and Audit & Supervisory Board members audit the performance of duties by Directors. Members of staff who are not subject to the instructions and orders of Directors are appointed to assist Outside Audit & Supervisory Board Members in their duties.

(3) Executive Officer System

The Company appoints executive officers to implement operations in accordance with management policies determined by the Board of Directors to separate the functions of business execution and oversight of management and promote

timely decision-making. The Company has also established the Management Conference to help the president make decisions.

(4) Utilization of Voluntary Committees

The Company has established the Personnel Affairs and Compensation Advisory Committee as a voluntary body to ensure transparency and objective judgment in deciding on the appointment and remuneration of Board members and executive officers. The committee is composed primarily of Outside Directors. The committee deliberates on the appointment and dismissal of Directors and executive officers, as well as on the remuneration system and remuneration levels from an objective perspective. The committee reports its findings to the Board of Directors.

(5) Accounting Audit

The Company has selected PricewaterhouseCoopers Aarata LLC as its accounting auditor. To improve the transparency and correctness of the accounting process, the Company undergoes regular audits and seeks advice as needed. Three certified public accountants, all of whom belong to PricewaterhouseCoopers Aarata LLC, currently audit the Company: Kensuke Yoshida, Hiroyuki Sawayama, and Yoshihiro Shiribiki. In addition, audits are assisted by 9 certified public accountants and 37 others who belong to PricewaterhouseCoopers Aarata LLC (FY2019). Years of consecutive audits have been omitted, as all members have been involved in auditing the Company for less than seven years. PricewaterhouseCoopers Aarata LLC has voluntarily taken measures to prevent its executive staff from being involved in its accounting audits for a period exceeding a certain period.

(6) Internal Auditing

The Company has established the Global Internal Auditing Division as an internal auditing division that reports directly to the president. The Global Internal Auditing Division consists of 25 members, including one certified internal auditor and one certified fraud examiner. In accordance with the internal audit rules, the Global Internal Auditing Division conducts internal audits to properly understand the actual status of compliance risk management and overall operations at the Company's business units and subsidiaries, detect and prevent compliance improprieties in the execution of internal controls, and support improvement of operations.

(7) Summary of Limited Liability Contracts

In accordance with Article 427, Paragraph 1, of the Companies Act and the Articles of Incorporation, the Company has contracts in place with each Outside Director and each Audit & Supervisory Board Member that limits their liability. This amount is the minimum liability amount stipulated in Article 423, Paragraph 1, of the Companies Act.

3. Reasons for Adopting the Current Corporate Governance System

The Company has adopted the current system based on its judgment that the system facilitates the “improvement of fairness and transparency in management,” “acceleration of decision-making processes,” and “thorough compliance and strengthening of risk management” by separating business execution and supervision, strengthening supervisory functions through the active involvement of multiple Outside Directors, and conducting objective audits by Audit & Supervisory Board members who are independent from management, as well as by establishing voluntary committees. In keeping with the purposes of the Corporate Governance Code and the Company’s responsibilities to stakeholders, the Company continuously strives to achieve sustainable growth and increase corporate value over the medium to long term.

III Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Invigorate General Shareholder Meetings and Smooth the Exercise of Voting Rights

	Supplementary Explanation
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company has implemented this system since June 2002. From June 2019, it became possible to exercise voting rights through smartphones.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	The Company participates in the voting platform for institutional investors operated by Investor Communications Japan Inc. (ICJ, Inc.).
Providing Convocation Notices (Summaries) in English	The Company prepares English versions of its convocation notices, which are disclosed on its website.
Others	Convocation notices are disclosed on its website.

2. IR Activities

	Supplementary Explanation	Presentation by Representative
Regular Briefings for Analysts and Institutional Investors	Briefings on quarterly financial results and medium-term business plans are held as necessary and explained by the representative or the executive in charge of accounting.	Provided
Posting of IR Materials on Website	IR-related materials are posted on the Company's website in the "Investor Relations" section so that they can be viewed by all investors.	
Establishment of Department / Manager in Charge of IR	The Investor Relations Department is under the Corporate Planning Division.	

3. Measures to Ensure Due Respect for Stakeholders

UPDATED

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The OKI Group Charter of Corporate Conduct (established in October 2005) clearly states the basic stance that "for the betterment of corporate value, the OKI Group seeks to become a trusted partner for its stakeholders." In October 2012, the Company formulated the Compliance Commitment, which clearly states that top management will take the initiative in ensuring thorough compliance in order to earn the trust of stakeholders.
Implementation of Environmental Activities, CSR Activities, etc.	<p>In April 2019, OKI announced its OKI Group Medium- to Long-Term Environmental Vision, "OKI Environmental Challenge 2030/2050," and is promoting internal and external activities to mitigate and adapt to climate change. Examples of "mitigation" initiatives include reducing lifecycle CO₂ emissions, primarily by reducing the power products consume, as well as contributing to a reduction in CO₂ emissions through ITS systems that reduce traffic congestion. As for an example of "adaptation" initiatives, the Company provides disaster prevention systems.</p> <p>As for the risks and opportunities associated with climate change, as well as responses to them, the Company is strengthening information disclosure in accordance with the TCFD framework, for which it expressed its support in May 2019.</p> <p>With regard to CSR, each division works on activities aimed at gaining the trust of its stakeholders, based on thorough compliance with the OKI Group's Charter of Business Conduct and the OKI Group's Code of Conduct.</p> <p>The status of these activities is reported annually and disclosed on the Company's website.</p>

Development of Policies on the Provision of Information to Stakeholders

The OKI Group's Charter of Corporate Conduct emphasizes "good communication" and sets forth a basic policy: "The OKI Group engages with society through a variety of interactions, and discloses Company information in an appropriate and fair manner." In addition, the OKI Group Code of Conduct, established in August 2007, stipulates the basic policy as a code of conduct for each executive and employee to follow.

Others

<Promoting women's participation and advancement in the workplace>
In response to changes in the social environment and to develop in a sustainable manner, the OKI Group promotes diversity, recognizing that diversity is essential for its employees to perform to their full potential. In particular, the promotion of women's empowerment is an important part of our management strategy.

With regard to the Law Concerning the Promotion of Employment of Women (Law for Promotion of Employment of Women), which came into force in April 2016, the Company has reported the following goals and is implementing training and other measures to foster female leaders.

Goal 1: Increase the percentage of women among new graduate recruits from 9% today to 20% or more by 2020.

Goal 2: Double the percentage of female senior managers from 2% today to 4% by 2020.

The status as of April 1, 2020 is as follows:

Female executives:

OKI: 2

OKI Group in Japan: 4

Ratio of female senior managers:

OKI: 3.49%

OKI Group in Japan: 2.66%

Female employee ratio:

OKI: 13.00%

OKI Group in Japan: 13.76%

IV Matters Related to the Internal Control System

1. Basic Views on the Internal Control System and Progress in the System's Development

The Company has established the following Basic Policy for Establishing an Internal Control System in accordance with the Companies Act and the Enforcement Regulations of the Companies Act, and has put in place a system to ensure the appropriateness of its business operations.

In response to the Internal Control Reporting System based on the Financial Instruments and Exchange Act, we submit an internal control report to the Kanto Finance Bureau and disclose the results of evaluations of the effectiveness of internal control over financial reporting.

1. Structure to ensure that the execution of duties by Directors and hired experts is in keeping with corporate law and the Articles of Incorporation

- 1) The "OKI Group Corporation Action Charter" and the "OKI Group Code of Conduct" are in place as the basis for ensuring compliance. Directors and executive officers shall take the initiative in demonstrating compliance activities in accordance with the Compliance Commitment.
- 2) A Compliance Committee chaired by the chief compliance officer shall be established to deliberate and examine basic policies concerning compliance programs.
- 3) Based on the basic policies determined by the Compliance Committee, the departments in charge of compliance shall plan and promote specific measures, such as the education and training of Directors and employees. The Company uses e-learning and other methods to raise awareness of compliance among all employees.
- 4) The Company has established internal reporting rules that also provide for reporting to Outside Directors and corporate auditors, and has established a whistleblowing and consultation service to detect and correct improprieties at an early stage.
- 5) The Company takes a firm stance against anti-social forces that threaten the order and safety of civil society, cooperating with police and related organizations to proscribe any such relationships throughout the organization.

2. System relating to storage and management of information in regard to the execution of duties of Directors

Information pertaining to the execution of duties by Directors shall be stored appropriately and in accordance with laws and internal regulations.

3. Regulations and other systems related to managing the risk of losses

- 1) The Risk Management Committee shall be established to accurately identify risks associated with the business activities of the Company and Group companies and to promote measures for preventing such risks from materializing.
- 2) In accordance with the Risk Management Rules, each division shall manage risks that may arise in relation to its operations. The Company has in place a division to supervise risks that require company-wide management. The supervising division shall assess risks, determine response policies, and build an appropriate system on this basis.
- 3) If a risk materializes, a company-wide Emergency Response Headquarters shall be established to respond.

4. System for ensuring the efficiency of execution of duties by Directors

- 1) The Board of Directors meets regularly, once a month in principle, to make decisions on important matters such as basic management policies and to supervise the execution of business by Directors.
- 2) By appointing executive officers to execute business in accordance with the basic management policies determined by the Board of Directors, the Company aims to separate business execution from supervision and accelerate the decision-making process. In addition, the Management Committee, which is composed of executive officers and others, holds meetings to assist decision-making by the president and chief executive officer.
- 3) Responsibility and authority shall be defined in the Regulations on the Division of Operations and the Regulations on Authority in the Execution of Business.

5. System for ensuring the appropriateness of operations of the corporate group consisting of the Company and its subsidiaries

- 1) To ensure the appropriateness of operations at the Company and each subsidiary, we have established the OKI Group Charter of Corporate Conduct, which outlines values to be applied throughout the Group. In addition, the OKI Group Code of Conduct has been established and is to be followed by all officers and employees. The Company endeavors to ensure that all officers and employees are thoroughly familiar with the code.
- 2) OKI's departments in charge of compliance shall develop measures for promoting compliance that are enforced consistently throughout the Group by people in charge of promoting compliance at each subsidiary. In addition, each company's status of implementing measures is monitored regularly and reported to the Compliance Committee.
- 3) Each subsidiary shall establish whistle-blowing rules that include a system for reporting to its Outside Directors and Audit & Supervising Board Members, provide a whistleblowing and consultation desk, report to the Company if any fraudulent acts are detected, and correct such acts as soon as possible.

- 4) With regard to business management, the Company shall receive reports regularly and as necessary in a timely manner from each subsidiary in accordance with the Management Regulations for Affiliated Companies. In this manner, the Company shall ascertain the state of management and provide necessary advice and guidance, including on such areas as establishing organizations for each subsidiary, as well as systems of rules and regulations and business plans.
- 5) To ensure the reliability of financial reporting, the Company and its subsidiaries shall develop, maintain, and improve an internal control system for financial reporting in accordance with relevant laws and regulations.
6. Matters relating to employees who support the duties of Audit & Supervisory Board members
 - 1) Staff shall be appointed to assist Audit & Supervisory Board members in their duties.
 - 2) In order to ensure the independence and the effectiveness of instructions, staff assigned to Audit & Supervisory Board members shall be employees who are not subject to instructions and orders of Directors, and the prior consent of the Audit & Supervisory Board shall be obtained for personnel transfers and personnel evaluations.
7. System for reporting by Directors and employees to Audit & Supervisory Board Members, and other systems for reporting to Audit & Supervisory Board Members
 - 1) If a Director discovers a fact that may cause significant damage to the Company, he/she shall immediately report this fact to the Audit & Supervisory Board members in accordance with laws and regulations.
 - 2) In addition to the Board of Directors, full-time Audit & Supervisory Board members shall attend management meetings and inspect major approval documents in order to ascertain important decision-making processes and the status of business execution.
 - 3) Audit & Supervisory Board members attend Risk Management Committee meetings as advisors and receive necessary reports.
 - 4) Audit & Supervisory Board members receive internal reports based on the Internal Reporting Regulations and receive reports on the status of operations semiannually from the divisions in charge of internal reports.
 - 5) Audit & Supervisory Board members may regularly receive reports from Directors and employees on the status of the establishment and operation of the internal control system, and may request reports from Directors and employees on matters deemed necessary.
 - 6) A person who has reported to Audit & Supervisory Board members shall not be treated disadvantageously because he/she has made such a report.
8. Other systems to ensure effective audits by Audit & Supervisory Board members
 - 1) Audit & Supervisory Board members shall conduct efficient and effective audits in close cooperation with the Internal Audit Division in the execution of auditing duties, such as investigating the status of the Company's operations and assets.
 - 2) In addition to meeting regularly with the accounting auditor and attending on-site audits by the accounting auditor, Audit & Supervisory Board members shall cooperate closely with the accounting auditor and conduct efficient audits by, for example, asking the accounting auditor to report on the progress of the audits as needed.
 - 3) Expenses required for the execution of the duties of the Audit & Supervisory Board members shall be paid by the Company.

2. **Basic Views on Eliminating Anti-Social Forces and Status of Related Measures**

UPDATED

The Company opposes anti-social forces that threaten the order and safety of civil society and cooperates with relevant organizations such as the police and taking a resolute organization-wide stance to proscribe any relations with anti-social forces.

(Status of Measures to Eliminate Anti-Social Forces)

1. "The Basic Policy for Establishing an Internal Control System under the Companies Act," the "OKI Group Code of Conduct," and the "Regulations Concerning Response to Antisocial Forces" clearly state that the Company will take a firm stance against antisocial forces and eliminate any and all relationships with such forces.
2. Human Resources & General Affairs Division of Corporate Group is designated as the Response Control Department, and a person responsible for preventing unauthorized requests is set up at each office and business site.
3. The Company also works closely with the National Police Agency, the Metropolitan Police Department, and organizations related to the elimination of anti-social forces (such as the Federation of Metropolitan Police Department Special Violence Prevention Countermeasures, the Prefectural Center for the Promotion of Violence Campaign, etc.)

4. The Company strives to accumulate internal and industry experience, collects information from police and other related organizations, and maintains a database of information on anti-social forces to help prevent damage.
5. Training and education are provided by people in charge of preventing inappropriate requests in each region and workplace.

V Others

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted
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Supplementary Explanation

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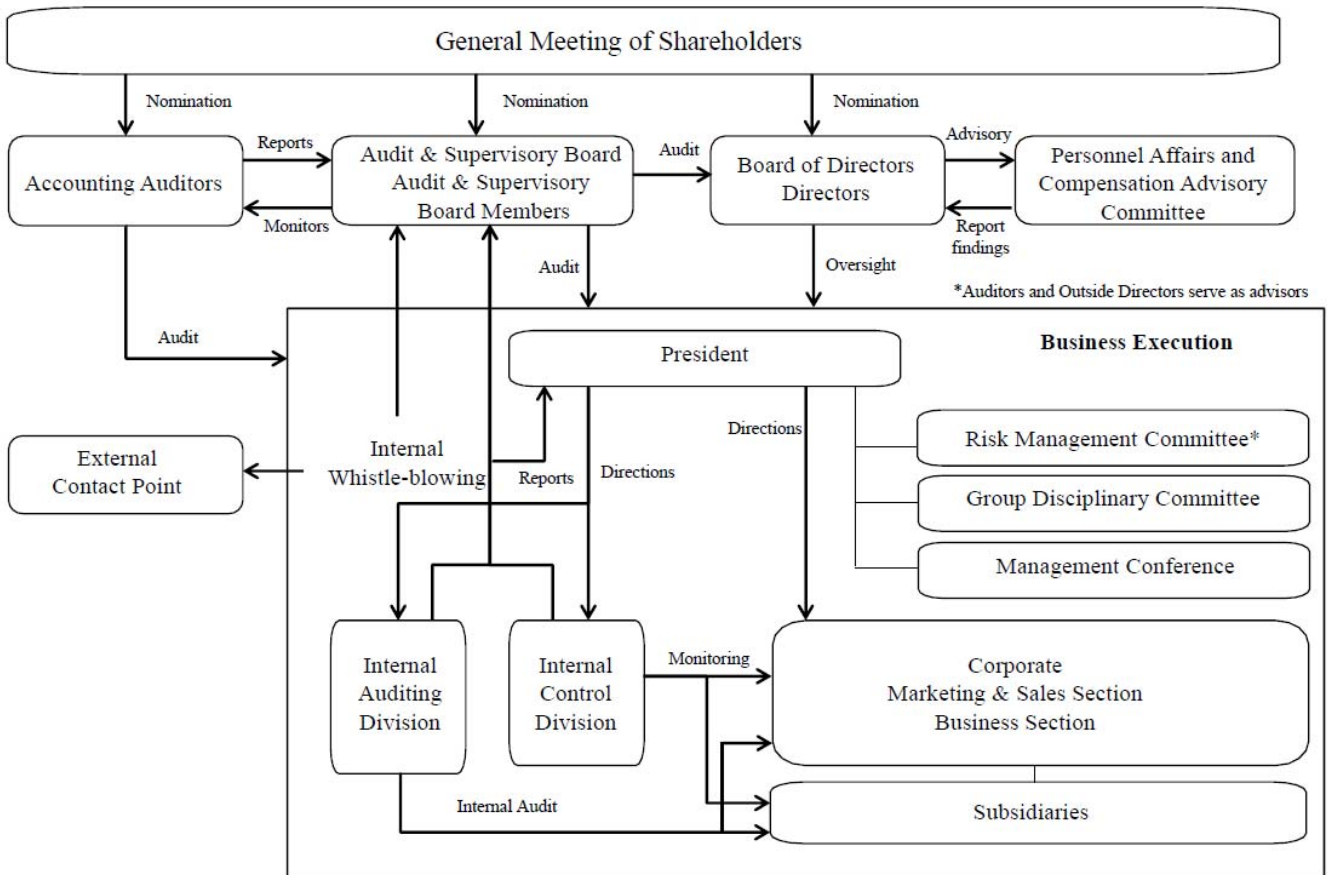
2. Other Matters Concerning the Corporate Governance System

(Outline of the Timely Disclosure System)

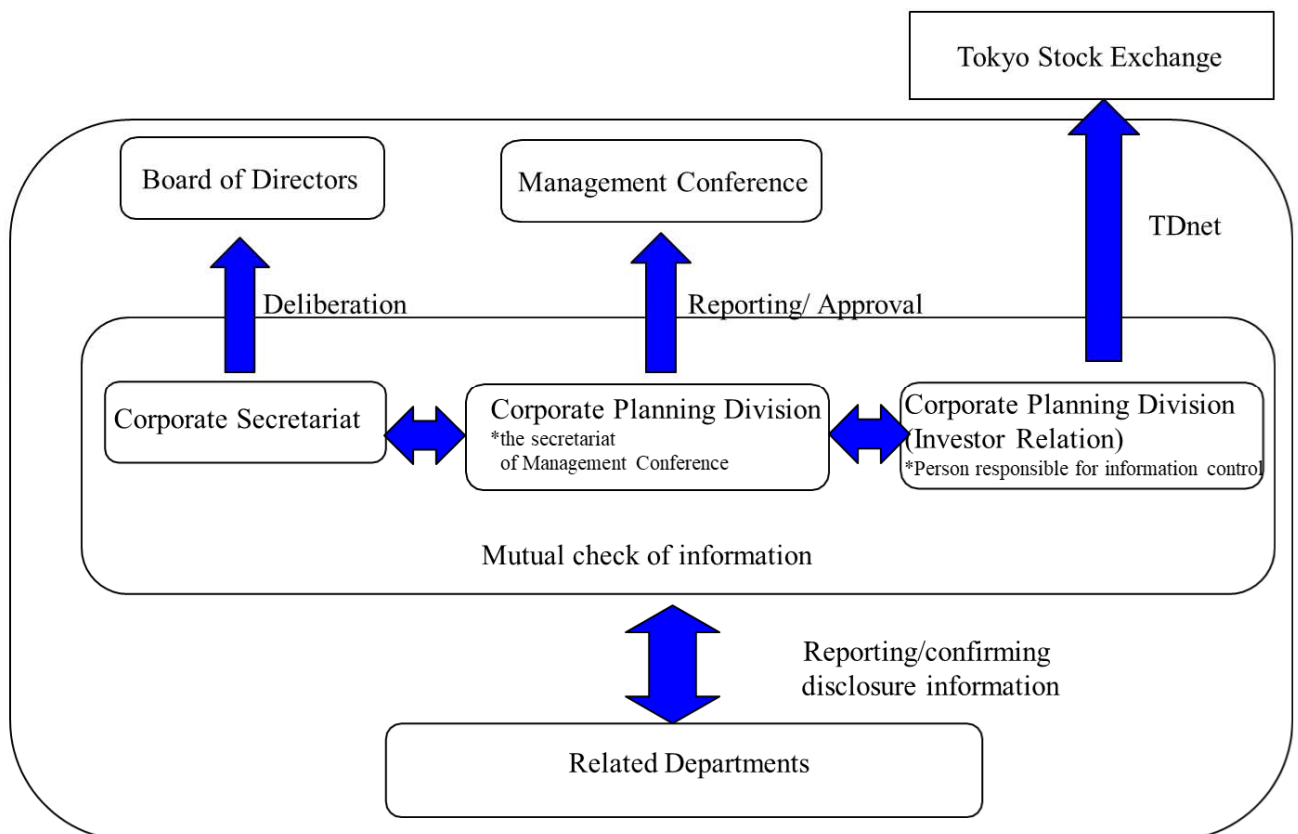
The facts decided by the Board of Directors or the Management Conference are communicated to the person responsible for handling information through meeting minutes. In addition, each division reports important incidents to the person in charge of handling information. This information is reviewed and disclosed by the Information Management Division.

In other words, the Company decides whether such information is covered by the Timely Disclosure Rules and, if applicable, decides on methods of disclosure and prepares materials. When disclosing information, the person in charge of handling information promptly ensures timely disclosure by registering with the stock exchange, releasing information to the media, and publishing information on the Company's website. Even information deemed not necessary for disclosure under the timely disclosure rules is disclosed in the same manner if it is deemed material to investors' investment decisions.

Corporate Governance Structure



Timely Disclosure System (Decided Material Facts, Unintended Material Facts)



Timely Disclosure System (Account Settlement)

