

CORPORATE GOVERNANCE

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

Corporate Governance Structure

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

Board of Directors

The Board of Directors in principle meets once a month but can call extraordinary meetings when necessary, and is responsible for deciding fundamental management policies and other important matters and overseeing business execution. To enhance management fairness and transparency, three of the Board’s seven members are outside directors with a high level of independence. The chairman presides over meetings of the Board of Directors. To clarify management responsibility for each fiscal year, directors are appointed for single-year terms.

Audit & Supervisory Board

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

Executive Officer System

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

Utilization of Voluntary Committees

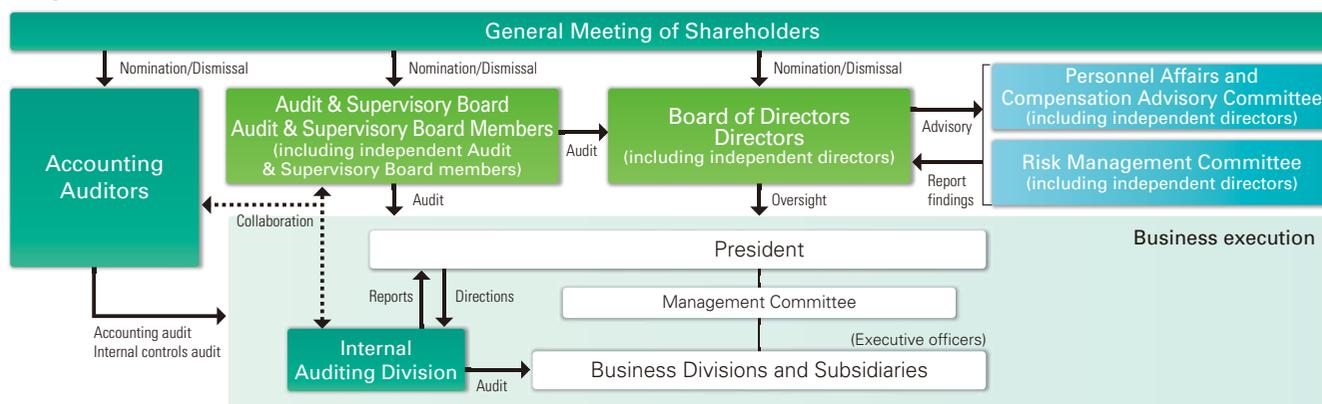
OKI has established the Personnel Affairs and Compensation Advisory Committee as a voluntary committee to secure transparency in the decision-making processes for appointments of board members and executive officers and remuneration for them. Outside directors play leading roles on the committee. After deliberating from an objective perspective on appointments or dismissals of board members and executive officers as well as the structure and level of their compensation etc., the committee reports its findings to the Board of Directors.

Moreover, with the establishment of the Risk Management Committee, where outside directors and Audit & Supervisory Board members attend as advisors, to grasp the risks attendant with business execution and respond to them unerringly, OKI strives to promote rigorous compliance and reinforce risk management.

Internal Auditing

The Internal Auditing Division is tasked with internal audit and its staff comprises eight people dedicated exclusively to this function, seven of which are internal auditors. The division must accurately perceive the actual state of compliance risk management across businesses and functions in the OKI Group, and on that basis conduct internal audits for the purpose of identifying and preventing mistakes and errors as well as corruption in the operation of internal control systems with the goal of supporting operational improvements.

Corporate Governance Structure



Response to Corporate Governance Code

OKI filed a “Corporate Governance Report” presenting its response to the Corporate Governance Code to the Tokyo Stock Exchange in December 2015 and has since filed updates as appropriate. As of June 2017, we have implemented all the principles in the Code apart from supplementary principle 4-11-3 on effectiveness evaluations of the Board of Directors and disclosure of results overviews.

Regarding the effectiveness of Board of Directors based on the results of a survey of directors and Audit & Supervisory Board members, the Board discussed and confirmed a structure for fostering lively debate has been

established. The survey found multiple outside directors and Audit & Supervisory Board members offer suggestions that draw on their expertise as one source of more active debate. It also found an increase in fiscal year 2016 versus the previous fiscal year in the number of important reports on businesses from executive officers stimulated debate on medium-term management strategy. As part of an ongoing effort to analyze and evaluate the overall effectiveness of the Board of Directors, we will work to improve and increase evaluation viewpoints and processes and disclose summaries of evaluation findings.

Main Disclosure Items Based on Principles in the Corporate Governance Code

<p>Cross shareholdings</p>	<p>Apart from stocks held for pure investment purposes, OKI works to strengthen, maintain, and build relationships with business partners and alliance partners and, on this basis, OKI holds shares in those parties where it recognizes it is conducive to increasing corporate value over mid- and long-term. As for voting rights as to its cross shareholdings, OKI exercises them on the basis of whether actions are suitable for the investee company as well as whether doing so increases OKI's corporate value over mid- and long-term.</p>
<p>Policies and procedures for determining compensation for management and directors</p>	<p>Aiming to promote transparent processes and ensure objective judgments concerning decisions on the selection of directors and executive officers and their compensation, OKI established the “Personnel Affairs and Compensation Advisory Committee” comprising five members, including three outside directors. The committee deliberates on the structure and level of compensation for directors and executive officers and reports its findings to the Board of Directors.</p> <p>In fiscal year 2016, the compensation system for directors and executive officers was refurbished to shift management toward setting stretch goals and focusing on the medium and long terms so the OKI Group can achieve sustainable growth. The new compensation system comprises basic compensation, annual incentives linked to earnings in a single fiscal year, and medium-and-long-term incentives.</p>
<p>Policies and procedures for electing management and nominating candidates for directors and Audit & Supervisory Board members</p>	<p>The aforementioned “Personnel Affairs and Compensation Advisory Committee” deliberates on personnel decisions involving directors and executive officers and report its findings to the Board of Directors. Regarding personnel decisions involving candidates for the Audit & Supervisory Board, the committee offers its view to Audit & Supervisory Board members.</p> <p>In nominations and elections, OKI takes into consideration whether candidates satisfy the following requirements as well as legal eligibility: “good character, capacity for insight, high ethical standards, fairness, and integrity as well as a strong law-abiding spirit.” OKI seeks those who can “execute their duties toward the realization of the OKI Group's corporate philosophy and continuous improvement of corporate value.”</p>
<p>Policies concerning constructive dialogue with shareholders</p>	<p>Recognizing that proper use of input from investors on management and business activities can translate into greater management efficiency and increase corporate value, the president and the chief financial officer key roles in engaging in dialogue with shareholders, and the dedicated Investor Relations unit performs a supporting role. Directors, including outside directors, actively participate in such discussions with shareholders. Information disclosure forms the basis for dialogue, and OKI discloses information in a fair, timely, and appropriate manner while rigorously disseminating information on strict management of inside information in accordance with rules and regulations.</p>

In recognition of ongoing responsibilities to all of its stakeholders and in keeping with the spirit of the Corporate Governance Code, OKI is working to achieve sustainable growth and increase corporate value over mid- and long-term.