

Corporate Governance

Basic Approach

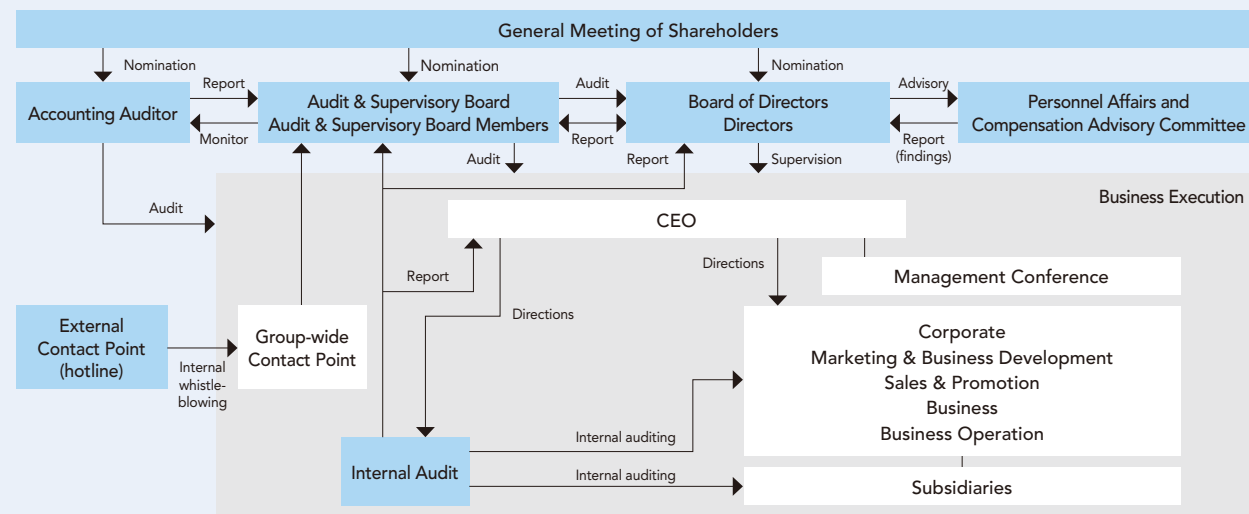
True to the Company's "enterprising spirit," and based on the corporate philosophy of providing excellent information and communications services globally to meet the diversified needs of communities worldwide in the information age, the OKI Group recognizes sustainable growth and increasing corporate value over the medium to long term as its most important management priorities in earning the trust of its various stakeholders. To this end, we are working to enhance corporate governance based on our fundamental policies, including "enhancement of management fairness and transparency," "timely decision-making processes," and "full compliance and fortification of risk management."

Corporate Governance: <https://www.oki.com/global/ir/corporate/governance/index.html>

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. OKI also 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 audits by Audit & Supervisory Board members and the Audit & Supervisory Board, OKI is making efforts toward full compliance and the fortification of risk management, such as by establishing the Risk Management Committee.

Governance Structure



Board of Directors

Number of meetings in FY2023: 13

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 in accordance with laws and regulations and the Articles of Incorporation. To secure the functions of the Board of Directors, OKI selects candidates for directors by considering their diversity, such as expertise, work experience, and gender, based on a skills matrix, and—because OKI believes that it is appropriate to achieve a balance of approximately 50% internal executive directors and 50% outside directors with a high level of independence—four independent outside directors (including one female director) are appointed in order to enhance management fairness and transparency; furthermore, one of the independent outside directors is Chair of the Board of Directors. To clarify management responsibility for each fiscal year, the Articles of Incorporation stipulates that directors are appointed for single-year terms.

Main Deliberations in Fiscal Year 2023

- Progress of Medium-Term Business Plan 2025
- Revision of Environmental Vision
- Board effectiveness evaluation
- SR plan and results
- Profit management, including ROIC

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

	Name	Position	Board of Directors	Personnel Affairs and Compensation Advisory Committee	Audit & Supervisory Board
Directors	Shinya Kamagami	Senior Director	○	○	
	Takahiro Mori	Representative Director and CEO	○		
	Teiji Teramoto	Representative Director and Senior Executive Vice President	○		
	Yuichiro Katagiri	Executive Vice President, Member of the Board	○		
	Shigeru Asaba	Independent Outside Director	○	◎ Chair	
	Tamotsu Saito	Independent Outside Director	○	○	
	Izumi Kawashima	Independent Outside Director	◎ Chair	○	
	Makoto Kigawa	Independent Outside Director	○	○	
Audit & Supervisory Board Members	Masashi Fuse	Standing Audit & Supervisory Board Member	△		◎ Chair
	Toshiyuki Yokota	Standing Audit & Supervisory Board Member	△		○
	Yoshihiro Tsuda	Independent Outside Audit & Supervisory Board Member	△		○
	Yasuyuki Oda	Independent Outside Audit & Supervisory Board Member	△		○
	Hiroshi Niinomi	Outside Audit & Supervisory Board Member	△		○

○ Member ◎ Board Chair and Committee Chair △ Non-member who holds right and obligation to attend

Corporate Governance

Board Effectiveness Evaluation

Each year, OKI evaluates and analyzes the Board of Directors by recognizing, sharing, and improving the direction that the Board of Directors must aim for and issues related to that undertaking for the purpose of enhancing the Board's effectiveness.

The Board of Directors discussed methods for evaluating effectiveness for fiscal year 2023 and decided that a self-evaluation would be the most suitable approach to ensure the survey and evaluation align with the Company's circumstances. On the other hand, in order to verify the objectivity and validity of the evaluation process, we have determined that it is appropriate to conduct a third-party evaluation once every few years. The next one is scheduled for fiscal year 2024.



Results of Effectiveness Evaluation of the Board of Directors

<p>FY2022 Issues</p> <ul style="list-style-type: none"> • Enhancement of monitoring of Medium-Term Business Plan • Enhancement of discussions on successor development plans • Strengthening of communication with Board of Directors and business divisions 	<p>FY2023 Initiatives</p> <ul style="list-style-type: none"> • Progress report on the Medium-Term Business Plan by officers in charge of each business • Ongoing discussions at Advisory Committee on development of human resources • Discussion of profit management for appropriate allocation of management resources 	<p>FY2023 Issues</p> <ul style="list-style-type: none"> • Ongoing and effective monitoring of current Medium-Term Business Plan • Further discussions on human resource development plan • Introduction and evaluation of profit management indicators 	<p>Policy for FY2024 Initiatives</p> <ul style="list-style-type: none"> • Consideration of revisions in response to environmental changes through continuous monitoring of Medium-Term Business Plan 2025 • Flexible review of allocation of human and financial management resources, including key personnel, in line with the above • Quick identification of risks that could hinder growth strategies and implementation of appropriate decisions to eliminate or avoid them
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Appointment, Dismissal, and Compensation of Directors and Executive Officers

■ Personnel Affairs and Compensation Advisory Committee

Number of meetings in FY2023: 12

OKI has established the Personnel Affairs and Compensation Advisory Committee as a voluntary body to ensure transparency in the decision-making processes and objectivity in judgment regarding appointments and dismissals of directors, as well as the compensation of Board members and executive officers. Meetings are held as appropriate, and before resolutions are passed by the Board of Directors but after the committee receives advice and deliberates from an objective perspective on appointments and dismissals of Board members and executive officers, as well as the structure and level of their compensation, etc., it reports its findings to the Board of Directors. The committee is made up of four outside directors and one non-executive internal director and is currently chaired by an independent outside director.

In fiscal year 2023, the Board of Directors mainly discussed the executive structure for achieving Medium-Term Business Plan 2025, revisions to the executive compensation system to ensure that it functions sufficiently as an incentive to improve business performance and thereby continuously improve corporate value, and the development of a long-term plan for training successors (management personnel).

■ Appointment and Dismissal of Directors and Executive Officers

When nominating and appointing candidates for directors, Audit & Supervisory Board members, and executive officers, OKI will comprehensively consider the following as well as legal eligibility:

- A person who has a noble character with wisdom, a high level of ethics, fairness, honesty, and a law-abiding spirit
- A person who realizes the OKI Group's corporate philosophy and conducts one's duties to enhance corporate value continuously
- One's length of tenure
- Audit & Supervisory Board members must have the necessary financial, accounting, and legal knowledge
- Outside directors must fulfill the OKI Group's criteria for independence

The criteria for submitting a proposal to dismiss a director, Audit & Supervisory Board member, or executive officer takes into consideration the following: the person's act violates or infringes on the law and the Articles of Incorporation; or reason arises that the person is unable to properly perform their duties. Should such an incidence occur it is immediately deliberated on.

■ Approach to Skills Matrix

OKI believes that for the Board of Directors to fulfill its roles and responsibilities effectively, each director must apply their knowledge and experience in line with the Company's philosophy, vision, and management plans. This ensures the Board collectively has the necessary skills. The areas in which we are particularly looking for the directors to demonstrate their skills are provided below. Please refer to "Executive Officers" on page 41 for the skills matrices of each director.

Item	Description
Corporate management	Management strategies, business management, business strategies, etc., to improve the profitability of the business and strengthen the governance structure
Marketing	Promoting the creation of an ecosystem through co-creation with customers
Technology & innovation	Creating new businesses for further development and growth of the business
Human resource management	Helping employees feel motivated and empowered to perform at their best by securing and developing the human resources needed for sustainable growth
Global	Global expansion essential for securing growth opportunities
Finance & accounting / Legal affairs & risk management	Basis for decision-making related to management and business activities
Manufacture & SCM	Vital management foundation for enhancing our core strengths of Mono-zukuri and competitiveness

■ Successor Selection and Development

The selection and training plans for successor candidates for the position of president are prepared in collaboration with the incumbent president and the Personnel Affairs and Compensation Advisory Committee, taking into account our corporate philosophy and business environment and based on thorough discussions of the selection criteria and the job requirements. Specific candidates are selected objectively through a multifaceted evaluation according to a selection criteria and selection process. The Board of Directors consults the Personnel Affairs and Compensation Advisory Committee, which then deliberates and reports to the Board of Directors for a resolution before making a decision.

In terms of training, we select potential management candidates from within the Company. After management has gauged the talent pool, we provide training for management personnel and evaluate them by assigning and appointing them to key positions, such as a head of a division or as president of a subsidiary, to gain experience. In addition, we actively utilize occasions of reporting on Medium-Term Business Plan strategies and progress as opportunities for outside directors to evaluate management candidates' credentials and abilities.

Corporate Governance

Compensation for Board Members and Executive Officers

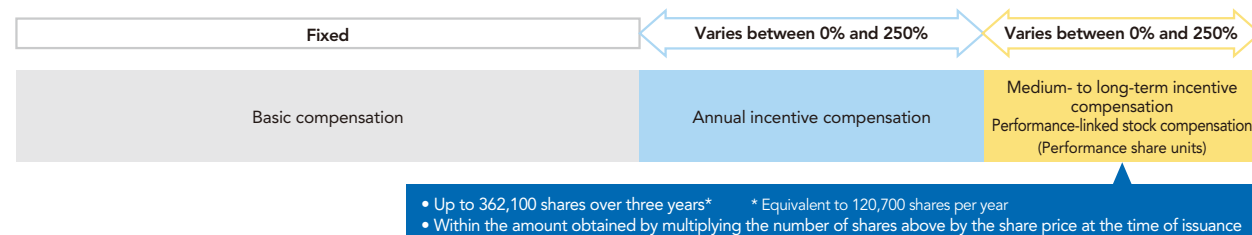
Basic Approach to Compensation for Board Members and Executive Officers

OKI's basic policy on compensation for directors and executive officers is to serve as incentives for performance improvement with the aim of continuous enhancement of corporate value and enforcement of corporate competitiveness while being compensation structure that can attract excellent human resources.

For further details regarding the type and content of compensation for Board members and executive officers, as well as the total value of compensation paid, please refer to our website.
<https://www.oki.com/global/ir/corporate/governance/officers.html>

Composition of Director Compensation

The compensation system is a part of efforts to develop an environment for a shift to management which focuses on more aggressive target setting and medium- to long-term growth for achieving sustainable growth. As for medium- to long-term incentive compensation, at the 99th Ordinary General Meeting of Shareholders on June 27, 2023, a resolution was passed to introduce a performance-linked stock compensation plan for directors. Starting from fiscal year 2023, the Company adopted a performance-linked stock compensation plan (performance share units), where shares are awarded based on the achievement level of the targets set in the three-year Medium-Term Business Plan. Compensation for outside directors consists only of basic compensation.



Types of Compensation		Description
Basic compensation	Fixed compensation	<ul style="list-style-type: none"> For those serving concurrently as executive officers, compensation is determined primarily based on their executive rank and position, with payments allocated individually and distributed in monthly installments.
Annual incentive compensation		<ul style="list-style-type: none"> Annual payment amounts are determined individually, linked to the OKI Group's consolidated performance and the performance of the respective department, and paid once per year. Payout rate is determined within a range of 0% to 250% based on quantitative performance evaluation and qualitative evaluation by the president or members of the Personnel Affairs and Compensation Advisory Committee. Set to increase performance linkage for higher executive ranks, with the amount at a 100% payout rate set between 35% and 45% of basic compensation.
Medium- to long-term incentive compensation	Performance-linked compensation	<ul style="list-style-type: none"> Adopted performance-linked stock compensation (performance share units). Performance evaluation period is set to the three-year duration of the Medium-Term Business Plan, with shares awarded after the period ends based on performance achievements (with a portion of the awarded shares paid in cash). Payout rate is determined within a range of 0% to 250% based on the level of target achievement. Set to increase performance linkage for higher executive ranks, with the amount at a 100% payout rate set between 15% and 20% of basic compensation. If the Board of Directors determines that a director or other officer has committed a serious legal or regulatory violation, the right to receive shares will be forfeited (clawback clause).

Method for Calculating Performance-Linked Compensation

Annual incentive compensation is calculated with 80% based on a quantitative evaluation, multiplying the standard compensation amount, which is predetermined according to rank, by a performance-based coefficient, and 20% based on a qualitative evaluation. The performance evaluation indicators for the quantitative evaluation are net sales, operating income, and working capital, which have been deemed appropriate for assessing progress toward sustainable growth for the OKI Group. The quantitative evaluation consists of two components: one tied to the OKI Group's consolidated performance and the other to the performance of the relevant department.

We have adopted ROE as a performance evaluation indicator for medium- to long-term incentive compensation, recognizing it as a key measure for enhancing corporate and shareholder value while aligning interests with shareholders. We also adopted net sales and ESG indicators, including the reduction rate of CO₂ emissions at our facilities and the ratio of female executives, determining that they are appropriate for strengthening the link to the Medium-Term Business Plan to further emphasize medium- to long-term growth. The calculation method involves determining the number of shares to be granted by dividing the predetermined standard compensation amount for each rank by the share price at the start of the performance evaluation period, then multiplying the result by a performance evaluation-based coefficient. However, a portion of the granted shares will be converted into cash, based on the share price at the time of grant, and paid out accordingly.

Process for Determining Compensation

As for the method of determining the policy related to individual compensation for directors and executive officers, we have established the Personnel Affairs and Compensation Advisory Committee to ensure transparency and objectivity in the process of determining compensation for directors and executive officers. The committee is composed of four outside directors and one non-executive internal director, with an outside director serving as the chair. It reviews the system, levels, and other such details of compensation for directors and executive officers and submits its recommendations to the Board of Directors before the Board makes its final decision. As part of this process, we verify the appropriateness by utilizing objective evaluation data from external organizations.

Total Compensation, etc., of Directors and Audit & Supervisory Board Members

Officer classification	Total amount of compensation (Millions of yen)	Total amount of compensation by type (Millions of yen)			Number of eligible directors (Persons)
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Annual incentive compensation	Medium- to long-term incentive compensation	
Directors (excluding outside directors)	254	179	47	28	5
Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members)	46	46	—	—	3
Outside officers					
Outside directors	55	55	—	—	4
Outside Audit & Supervisory Board members	27	27	—	—	3

Notes: 1. The amount of medium- to long-term incentive compensation is the amount recognized as an expense in fiscal year 2023.
 2. The reason for the difference in the number of directors (excluding outside directors) and Audit & Supervisory Board members (excluding outside Audit & Supervisory Board members) at the end of fiscal year 2023 is that it includes officers who ended their term at the conclusion of the 99th Ordinary General Meeting of Shareholders on June 27, 2023.

Corporate Governance

Audit & Supervisory Board

Number of meetings in FY2023: 18

The Audit & Supervisory Board comprises five Audit & Supervisory Board members, three 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 auditor, Audit & Supervisory Board members audit the performance of duties by directors. In addition, the Company has assigned staff to support the auditors in their duties, operating independently and not subject to the directors' instructions.

For further details, please refer to Governance Structure on our website.
<https://www.oki.com/global/ir/corporate/governance/structure.html>

Executive Officer System

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

Internal Auditing

OKI has established the Corporate Administration Division, which is tasked with internal auditing and is directly connected to the president. The division's internal auditing personnel are comprised of 23 members, including two certified internal auditors and one certified fraud examiner, and, in accordance with internal audit regulations, conducts internal audits for the purpose of accurately perceiving the actual state of compliance risk management across businesses and functions in the Company's various divisions and subsidiaries, along with identifying and preventing mistakes and errors as well as corruption in the operation of internal control systems, thereby supporting operational improvements.

Internal Control

In compliance with Japan's Companies Act, OKI has adopted the Basic Policy on the Establishment of an Internal Control System at a Board of Directors' meeting, with the details of the resolution and its implementation status disclosed to the public. This basic policy aims to enhance corporate value and establish an effective internal control system that ensures legal compliance and the appropriateness and efficiency of business operations. In addition, to ensure the reliability of financial reporting and comply with the internal reporting system under the Financial Instruments and Exchange Act, we conducted internal control evaluations at OKI and major Group subsidiaries both in Japan and overseas. The evaluation results are compiled into an internal control report, submitted to the Prime Minister in June 2024 and disclosed publicly.

To strengthen the governance system of our subsidiaries, we provide guidance and support to each subsidiary in accordance with the Management Regulations for Associated Companies.

Cross Shareholdings

OKI will reduce the number of cross shareholdings in stages, verifying medium- to long-term corporate value enhancement of the Company and share-issuing company and other circumstances comprehensively. Note that by fiscal year 2025, which is the final year covered by Medium-Term Business Plan 2025, we are aiming to achieve a net asset ratio of approximately 20%. The Board of Directors reviews the Company's cross shareholdings annually. We make a decision on whether to keep each stock based on a comprehensive consideration of both quantitative and qualitative factors.

In exercising our voting rights for our cross shareholdings, we categorize bills as follows, make judgments and exercise our voting rights based on exercising criteria.

- In the case of appointing executives, we consider total number, ratio of independent directors, etc.
- In the case of executive compensation, we look at business performance, status of assets, etc.
- In the case of the appropriation of surplus, we consider business performance, retained earnings, etc.
- Special consideration will be given to anti-takeover measures, M&A, and third-party share allocation.

Cross Shareholdings

