

Roundtable Discussion among Outside Directors



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Allocation of Management Resources to Implement Growth Strategies

Since Medium-Term Business Plan 2025 was announced, the Board of Directors has been engaged in discussions on monitoring of the plan and allocation of management resources to implement future growth strategies. In this roundtable discussion, we invited four outside directors to share their perspectives on introducing ROIC for optimal management resource allocation, investing in human capital, and fostering innovation, including their assessments and the issues encountered.

ROIC as a Means of Implementing Growth Strategies

Asaba The steady implementation of the necessary investments to promote growth strategies is essential for the Company to achieve sustainable growth. At the Board of Directors, we are monitoring the status of implementation of those investments, focusing on R&D and human capital investments in particular.

Saito We have been paying attention to ROIC since fiscal year 2024, and I believe that a mindset of improving return on investment is gradually taking root.

On the other hand, one of the issues we are facing is the reorganization and consolidation of subsidiaries. Progress is being made, but there is still much left to do, so I feel we need to review the situation. Each subsidiary has its own administrative department, and we see this as inefficient. This is precisely why consolidation of these functions under the One Factory concept is needed. Up until now, each subsidiary has been using different systems, but we believe unifying them will help integrate the subsidiaries and significantly boost efficiency.

Kawashima From the standpoint of optimal resource allocation, the One Factory concept is extremely effective. Currently, there are many factories in Japan, but I also feel that reorganization is not progressing very smoothly. There is room for improvement, and functional reorganization and integration are necessary. In line with this, I also think that the Company needs to enhance the mobility of human resources.

Kigawa Using ROIC as a common metric, instead of evaluating by business, helps to clarify the positioning of each business. This approach represents a significant advance in streamlining and optimizing the business portfolio for the future. However, introducing the ROIC concept in businesses that are central to growth strategies can make securing investment more challenging. For that reason, it is essential to carefully assess financial tolerance and provide a clear roadmap detailing how and when returns will be generated.

Saito As Mr. Kigawa points out, ROIC may not be suitable for growth businesses that are targets of active investments. However, it is effective when considering downsizing or withdrawing from low-profitability businesses.

Asaba The ROIC perspective is crucial for all employees to fully be aware of investment efficiency. There will likely be times when the Company needs to consider withdrawing from existing mature businesses. However, we do not base downsizing or withdrawal decisions solely on ROIC. It is crucial to carefully reflect on the lessons learned from the businesses and the assets, such as technologies and customers, accumulated. It is also very important to discuss how the experience can be leveraged in growth businesses.

Kigawa We have now entered a phase where we are putting together specific growth strategies. At this stage, it is important to create a story that excites stakeholders. Things have been somewhat sluggish, but I am confident that they will improve moving forward.

Kawashima The Board of Directors is overseeing the Company through progress reports on the three-year business plan, and we are about to begin discussions on the next Medium-Term Business Plan. I hope to start early and further deepen the discussion on growth strategies, incorporating the perspectives everyone has shared.

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Human Capital Investment for Growth Strategies and New Business Creation

Saito The Personnel Affairs and Compensation Advisory Committee is discussing the overall development of human resources, including management personnel. We are also developing plans to concentrate human capital allocation in growth areas. The current challenge the Company faces is the lack of individuals with knowledge and experience across the areas of production, technology, and sales & promotion. However, by rotating personnel, I expect that it will gradually be able to develop human resources who are familiar with all aspects of the business.

Kigawa After clarifying the future strategy, it will be essential to develop a vision for human capital management that is unique to OKI and take the necessary steps to bring it to life. First, we ensure a clear understanding of the overall human resources portfolio and, with a sense of urgency, discuss whether it aligns with the strategy and how to address any gaps if there is a shortage of human resources needing development.

Human capital management can vary significantly depending on whether the primary focus is on the company or the employees. When employees have a strong desire to do or achieve something, they will naturally grow. To create this momentum, it is essential to reform the personnel system, boost employee motivation, and invest in human capital. I will be keeping a close eye on the progress in this regard.

Asaba Investing in human capital is very important. For specialist positions such as systems engineers, it would be ideal for the business divisions to proactively communicate their personnel needs for realizing growth strategies to management. However, such feedback is currently infrequent.

We have been discussing the types and number of personnel needed, focusing on whether investments and allocations for development personnel are appropriate and if there are enough engineers to support new projects as they arise. I believe that when introducing talent management in the future, it will be essential to foster healthy top-down and bottom-up discussions.

Kawashima Having only recently begun efforts to visualize human capital, a system was introduced in fiscal year 2023 to comprehensively manage personnel-related information, along with technical and other skill data that had previously been handled by individual business divisions. Once the database is fully up and running, I expect the Company to be

able to identify the location and skills of its human resources and allocate them effectively, all while keeping a broad view of the organization.

Asaba To advance overseas strategies, it is essential to establish a global database and leverage it effectively. The Company has human resources in international roles based in Japan, as well as those working in local subsidiaries overseas. I hope the Company will integrate these efforts to build a strong global human resources portfolio.

Kigawa Reforming the personnel system will require the introduction of a hybrid approach that weaves together the entire organization, rather than relying solely on the two extremes of job-based and membership-based systems. The first step toward achieving OKI's unique approach to human capital management is to integrate a horizontal framework across the vertical evaluations of each business, promoting greater mobility of human resources. I believe that by establishing a system to genuinely understand each employee's aspirations and encouraging them to take on new challenges without fear of failure, the Company can boost motivation and raise the level of human resources within the organization.

Each employee approaches their work with a positive mindset and is able to share their personal dreams. In particular, young employees are increasingly finding opportunities to express their curiosity and interest in various situations, and I hope they continue to approach their work with the same enthusiasm.



Evaluation and Expectations for Innovation Initiatives

Saito I agree with a hybrid approach. From the perspective of what makes OKI unique, I believe that to realize the key message of the corporate philosophy—Delivering OKI to your life.—it would be beneficial to promote Group-based innovation that fosters the generation of new ideas. At first, I questioned whether all-hands innovation was feasible, but employee awareness has grown, and a culture of innovation has firmly taken root. The steady year-over-year increase in proposals in the annual business idea contest gives me confidence that this approach is proving effective.

Asaba The number of proposals is increasing, but we are still far from monetizing them or turning them into new business opportunities. Therefore, it is crucial to develop human resources who can properly evaluate these proposals. For example, at a certain global food manufacturer, although there were many proposals,

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there were not enough training opportunities for employees to become evaluators, so initially the president was the only one conducting the evaluations. It took about five years to develop the evaluators, after which the process began to run more smoothly. Examples like this will be a good reference for the Company.

When it comes to specific projects, crystal film bonding (CFB) looks particularly promising to me in terms of the hopes and dreams it could bring about. To create new businesses, it is also essential to utilize and analyze the IP landscape* based on technological trends.

Saito I agree. The Company should put a little more emphasis on the IP landscape. Manufacturing know-how is also a part of intellectual property, so it is a proprietary strength that should not be disclosed. I believe applying this not only to a single finished good but also using it in other areas and developing strategies by mapping out a landscape would lead to interesting developments.

Kigawa CFB has a broad range of applications and holds significant potential to become a core business. The Company needs to map out an IP landscape, consider how to integrate it into a larger growth strategy, identify the areas to protect, and then decide when to accelerate and when to expand.

Kawashima When I attend the exhibitions the Company hosts, the employees provide me with detailed explanations, and there are many interesting products and services on display. However, when it comes to actual commercialization, I feel that a level of planning is required that includes determining whether there is a competitive edge over other companies.

Kigawa Up until now, the company has been fortunate to have good customers and has grown by meeting their needs. However, it is crucial that it takes this a step further and develops a true growth strategy. Marketing is key in that regard. I believe it will be difficult for the Company to move forward unless it analyzes its competitors, identifies new monetizable areas that align with its customers' true needs, and concentrates its management resources, including human capital, in those areas.

Saito The fact that the planning does not go as far as monetization is definitely an issue. I believe the Sales & Promotion Department should be more deeply involved and carry out comprehensive competitive and market analyses.

Kigawa I believe the era of drawing up growth strategies exclusively within one's own company is over. When monetizing new technologies, we are in an era where it's essential to consider the right business partners to collaborate with and develop a partnership strategy from a global perspective. I hope the Company will take a dynamic approach to mapping this out.

Saito By extending the existing business and taking the initiative to perform on-site work at customer sites and fully understand their needs, the Company can offer solutions that address their challenges. This, in turn, can spark innovation.

Kawashima The Company's employees are reliable and diligent, with a strong sense of responsibility for getting their work done. Until now, the Company has focused on responding to customer requests, but now it needs to shift its mindset.

Saito When looking at various companies, some are better suited for a seeds-based approach. OKI's strength lies in taking on and completing tasks in response to customer requests, but it's also important to take the initiative in coming up with proposals. I look forward to further exploring which approach is better for the Company.

Kigawa It's a great step for top management to strengthen communication with the front lines and truly listen to their feedback. Additionally, by communicating the president's ideas through face-to-face meetings and the intranet, and then letting the employees see him back those ideas with actions, his attitude will become clear to employees, which I believe will give them a sense of reassurance. The president's commitment to leading change sends a clear message to employees about the importance of making significant changes.

Message to Stakeholders

Asaba The Company's key message is "Delivering OK! to your life." It has declared its commitment to balancing economic value and social value. The Board of Directors is also committed to fulfilling this declaration.

Saito Although the implementation of human capital management and the ROIC perspective is still in its early stages, the Company's performance is recovering. I want to assure the Company's stakeholders that there's much to look forward to in the future.

Kawashima With business performance recovering, the Company is now able to invest more in the future. We will also enhance our information sharing to help stakeholders better understand the Company's approach.

Kigawa I've been serving as an outside director of the Company since 2019, and under President Mori's leadership, the direction has clearly shifted, and we're starting to gain real momentum. We will continue to accelerate the pace of change, so I look forward to sharing an exciting future for OKI with you.

* Intellectual Property (IP) landscape: Developing an IP strategy by utilizing IP information analysis.

