



Outside Officers Round Table Discussion

Especially in uncertain times, it is important to optimize the balance between corporate governance and dynamic execution. This is where the effectiveness of the Board of Directors comes into question. We started evaluating the effectiveness of our Board of Directors in fiscal 2015, in addition to the work we had been doing to strengthen our board's oversight function to improve board effectiveness. We have taken this as an opportunity to change operations of the Board of Directors into something similar to a monitoring board* which focuses on discussions of medium- and long-term issues. In this feature, we invited OMRON's outside directors and outside Audit & Supervisory Board members to participate in a round-table discussion to speak frankly about the characteristics of OMRON's governance and future issues.

† Fumio Tateishi, Chairman of the Board of Directors served as facilitator for this round-table discussion.

* Monitoring board: A board of directors that oversees business operations, focusing on the election and dismissal of officers. This typically corresponds to a board of directors for a company that has a Nominating Committee or the like.

Tateishi: I'd like to ask you for your frank impressions of the OMRON Board of Directors.

Kobayashi: The most important characteristic is that the Board of Directors encourages a free and open discussion, no matter whether the person speaking is an inside or outside director or member of the Audit & Supervisory Board. The knowledge and expertise of our outside directors should reaffirm OMRON's policies and philosophy. We hold more meaningful discussions, even if opinions conflict at times. OMRON executives consider the requests and proposals of outside directors. These executives use the PDCA cycle to take on the many challenges they face, and it is my impression that the quality of governance is high. I feel we have even more to learn to contribute to the evolutionary process.

Nishikawa: Does this mean the members of Board of Directors discussing matters from various points of view? Working with the directors who also serve in an executive capacity, I feel that governance has evolved steadily each year by taking a diversity of opinions seriously and making improvements



Eizo Kobayashi

Outside Director
Chairman of the Personnel Advisory Committee
Chairman of the CEO Selection Advisory Committee
Chairman of the Corporate Governance Committee
Compensation Advisory Committee Member

accordingly. We outside directors are not simply looking at organization from the top down. We are also drawing on knowledge and experience from our respective fields to enhance corporate value. I believe that all members of the board share this objective.

Kamigama: The great thing about OMRON Board of Directors is that it is instilling the OMRON Principles among the people at the working level of the company. The other day, I attended The OMRON Global Awards (TOGA) conference. I was impressed by the presentations that showed OMRON Principles are being put into practice by OMRON employees around the world. Underlying a shared basic belief that a business should create value for society through its key practices, OMRON's mission under the OMRON Principles is "To improve lives and contribute to a better society." This fundamental approach informs the work of all OMRON employees, making OMRON fundamentally different from companies that think solely of their own profit. Although there is a clear distinction between the management oversight and executive functions of the OMRON Board of



Kuniko Nishikawa

Outside Director
Chairman of the Compensation Advisory Committee
Vice-Chairman of the Corporate Governance Committee
Personnel Advisory Committee Member
CEO Selection Advisory Committee Member

Directors, the objective is identical: to put the OMRON Principles into practice. I am honored and pleased to participate in this vision as an outside director. [P63 Human Resources Management \(TOGA\) →](#)

Uchiyama: Since you're talking about the characteristics of the OMRON Board of Directors, I'd like to talk about the mechanisms that ensure the correct functioning of the board. The person chairing the Board of Directors is important in ensuring board governance. When an executive chairs a board, there is a tendency for them to steer the board toward a conclusion. As a non-executive chair, Mr. Tateishi acts as a facilitator to draw out the experience and knowledge of outside directors, rather than head directly toward a predetermined conclusion. Directors and members of the Audit & Supervisory Board corporate auditors have different positions under the Companies Act. However, board meetings are managed without dwelling on those differences. Even as members of the Audit & Supervisory Board, we are allowed to participate actively in discussions. I think that's quite important.

Kunihiro: I really like OMRON. What I like is that



Takehiro Kamigama

Outside Director
Personnel Advisory Committee Member
CEO Selection Advisory Committee Member
Compensation Advisory Committee Member
Corporate Governance Committee Member

both the Board of Directors and the people on the front lines are serious about OMRON Principles-based management and social responsibility. Solving social issues was a priority at OMRON long before people talked about ESG and SDGs. The company has many years to enhance corporate value under a long-term vision, rather than focusing on the short term. OMRON has been unwavering in this commitment. This is OMRON's greatest strength. [P19 VG2.0 Medium-Term Management Plan →](#)

Tateishi: In fiscal I2015, we introduced a board of directors evaluation system as a measure to improve the Board of Directors. The results of the evaluations are analyzed and reflected in the policies of the Board of Directors in the following year. Could you please share your impressions of this system?

Kobayashi: Since beginning board of directors evaluations in fiscal 2015, we have persistently used the PDCA cycle to define policies for the board of directors. For example, the board of directors and executives are conscientious in following up and making improvements to areas that have been given low marks in evaluations. As a result, evaluation results have been steadily improving. We also clarify medium- and long-term issues, using a straight-forward PDCA cycle to achieve goals. I think we are moving in a good direction.

Kamigama: As Mr. Kobayashi says, the issues identified by the Board of Directors are immediately addressed, the issues get clarified and are taken up in discussions of the Board of Directors. We don't see that kind of engagement at other companies, but I think it's really important.

Nishikawa: I very much appreciate this Board of Directors evaluation system. I personally believe that this Board of Directors evaluation system is a very effective "tool for dialogue" between company executives and outside directors. The system makes it possible for honest opinions to be expressed directly and for one to expect a sincere response in return. What I am most concerned

about in making evaluations is the need to make honest, unbiased assessments about what exactly is necessary to improve the value of OMRON.

Uchiyama: OMRON Board of Directors evaluation system works very well. An area for future improvement is perform evaluations after every meeting. Even now, management themes are assessed after each meeting of the Board of Directors. Other than that, these themes are evaluated only once a year in March. We tend to forget matters addressed in annual evaluations over time. Everything becomes more homogenized. I think it's best to do evaluations immediately after each meeting of the Board of Directors and use the PDCA cycle without delay to improve effectiveness.

Kunihiro: My personal theory is that we must wring everything we can from our outside directors. Rather than passively listening to the ideas of outside directors, it may be necessary to take a more aggressive approach in squeezing out every



Hideyo Uchiyama

Audit & Supervisory Board Member (Independent)
Corporate Governance Committee Member





Tadashi Kunihiro

Audit & Supervisory Board Member (Independent)
Corporate Governance Committee Member

last bit of the expertise and experience of outside directors. The criteria for evaluating the Board of Directors should not be a general yardstick. It should incorporate the OMRON uniqueness and detailed focus that we consider so important. I think in this upcoming era, it will be important to engage in and disclose our own unique measures.

[P85 Evaluating the Effectiveness of the Board of Directors →](#)

Tateishi: The active involvement of outside directors is the driving force behind the evolution of OMRON's corporate governance. Last, I'd like to hear your thoughts about your own roles as outside directors and how you are engaging in those roles.

Nishikawa: The most important thing in corporate governance is to answer the question of whether decisions are being made logically. Management is a continuous decision-making process, and the road to decisions has many twists and turns. Our role is to watch and carefully determine whether the process is logical and whether the information collected is appropriate. It is also important for us to provide new data and perspectives. As an outside director, my job is not

to interfere with day-to-day execution, but to be proactive in providing information and knowledge that I believe to be useful.

Kamigama: As an outside director, I focus on and oversee my area of expertise. There is no question that decision-making logic is vitally important. I ask lots of questions based on my own expertise. Once I'm satisfied with the answers, I push from behind for progress. I think that's our role. It is important to optimize the balance between corporate governance and the dynamic execution.

Kunihiro: I am always conscious of the need to point out that there are two sides to everything. OMRON has many strengths, but sometimes these can be weaknesses. My task as an Audit & Supervisory Board member is to provide viewpoints that may differ from the typical way of thinking at OMRON. I search for viewpoints that are lacking at OMRON and attempt to shake things up. I encourage debate, pushing like Mr. Kamigama when I am convinced of the result. I go out of my way to be skeptical for the sake of the company. In addition to serving as a check, outside directors also ensure that OMRON has a firm foundation from which to take aggressive leaps into the future.

Uchiyama: I know this may sound obvious, but I am always conscious of the fact that I was appointed by the general meeting of shareholders. In other words, I must never neglect to see things from the stakeholders' point of view. Further, audits must always be based on facts. Even as outside members of the Audit & Supervisory Board act as a check on the company, I am aware that observing Board of Director meeting deliberations to the greatest extent possible allows us to see what is being discussed in person. In this way, we have a better understanding of the underlying background and facts. In addition, our audit report relies heavily on accounting auditors. That's why I believe we must help create an environment where the accounting firm can do its job more easily.

Kobayashi: OMRON works hard to practice OMRON Principles-based management. For OMRON to make even more aggressive leaps forward, perhaps being less afraid of failure, being



more brash, and demonstrating a bit more edginess could be beneficial. This is why I like to throw rocks into the pond and stir up the waters. By asking the tough questions about OMRON's everyday business, I provide back-up for the management team and employees, so they can leap ahead with more boldness. In this respect sense, I ask questions from the view of a general bystander about the status quo at OMRON. I hope this proves useful to OMRON executives.

Tateishi: Having outside directors and members of the Audit & Supervisory Board who are skeptical in this way and yet so strongly committed to the company is a tremendous confidence-booster for OMRON. OMRON must never stop the process of evolution, so we can meet the high expectations of our stakeholders. I have a strong and renewed sense of the truth of this concept. Thank you all for your time today.



Fumio Tateishi

Chairman of the Board
CEO Selection Advisory Committee Member