Dialogue: The Importance of having a Corporate Philosophy

Earning Stakeholder Trust by Exercising the Omron Principles

Hisao Sakuta

Chairman of the Board of Directors
Omron Corporation

One Akiyama

President
IntegreX Inc.

Corporate value comprises both economic and social factors.

Sakuta: Why did you decide to establish IntegreX Inc.?

Akiyama: I had previously worked at a securities company. It was then that I first encountered the concept of socially responsible investment (SRI), which entails investing in companies that practice socially responsible management. I was deeply inspired by this concept, even to the point of holding in-house workshops. However, I realized that developing SRI fund products would require a more unbiased standpoint from which to evaluate companies. Therefore, I decided to establish a company that investigates and evaluates companies based on corporate social responsibility (CSR). This was the birth of IntegreX.

Conducting SRI means investing in companies from a long-term perspective. Economic factors are naturally of importance, but SRI requires more emphasis on social factors, such as whether or not the company displays integrity to its stakeholders and fulfills its responsibilities to society. SRI is centered on the belief that if companies do not properly address such social concerns, they will

not be able to grow and develop in a sustainable manner.

Sakuta: I believe corporate value comprises two elements: economic factors, such as sales and income, and social factors, including ethics, morals, and just actions. It is easy to become overly focused on the economic factors, which can be dangerous. No matter how high the economic value of a company may be, if it takes actions that damage its social value, the overall corporate value of that company will deteriorate, and it will eventually go out of business.

Akiyama: Earning the trust of stakeholders is vitally important for companies. When I first started this business, I pondered considerably on the subject of a company's responsibility to society. Through this process, I came to realize the importance of having a corporate philosophy. Omron has defined its corporate philosophy as "Working for the benefit of society." I understand that you, Chairman Sakuta, have traveled to Omron Group sites around the world to spread awareness regarding this philosophy. These efforts were highly evaluated and Omron was awarded the 2012 Integrity Award Grand Prize from Japan's Integrity Award Council.

2012 Integrity Award

A balance between binding and propelling forces is critical to global expansion.

Sakuta: We were honored to receive this award. At Omron, we view making the corporate philosophy known throughout the organization as one of the most important duties of management. Our corporate philosophy is based on the Omron Principles, which were revised in 2006. At the time, the task of communicating these new principles was delegated among the Company's executives, and we held meetings at sites both inside and outside of Japan. These efforts have been ongoing, and since 2011, Vice Chairman Tateishi and I have held nearly 40 discussions to facilitate the understanding and implementation of the principles in Greater China, Southeast Asia, North America, Europe, and Japan. We talk face to face with site managers for more than three hours. The Omron Principles represent our shared values and constitute the binding force of the Company. As we continue to grow on a global scale, balancing this binding force with a propelling force will become increasingly important.

Currently, one-half of the Omron Group's total net sales derive from overseas, and two-thirds of its employees are at overseas sites. Looking ahead, our new long-term vision, Value Generation 2020 (VG2020), calls on us to pursue growth through further globalization. In this pursuit, we have to promote diversity across country and regional borders as well as across religious and ethnic boundaries. However, if we are not careful in developing this diversity, we run the risk of losing the sense of unity within the Company. That's what the Omron principles are for: serving as a minimal but strong force that keeps us together.

I keep reminding managers of the importance of bringing out their subordinates' creativity in making sure that Omron can continue to be a collection of freethinking and free-acting individuals that exercise creativity by sharing a set of values.

A corporate philosophy should be a platform rather than a set of rules.

Akiyama: It is of the utmost importance for a company to practice its corporate philosophy through its business activities and reaffirm the value of its existence. For this reason, the corporate philosophy must be understood by and shared among employees, and the philosophy must resonate with employees. When employees feel the corporate philosophy resonates with them, they are able to understand the meaning of their work and take pride in it.

Sakuta: In discussions with managers, we start with how they see Omron's corporate core value of "Working for the benefit of society" and how they are exercising this philosophy in their daily work. Using our strengths in sensing and control technology, we aim to provide solutions to social issues relating to safety and security, the environment, and health by realizing "the best matching of machines to people." We see this as Omron's responsibility to society and our way of "Working for the benefit of society."

Of course, there are differences between how such concepts are viewed by each individual employee and how they are viewed by the Company. Therefore, it is best if we perceive the values promoted by Omron as a broad platform rather than as specific rules. If we are able to make our own values resonate with the platform created through the philosophy of "Working for the benefit of society," then we can become happy. There may be some people who do not entirely agree with Omron's values. It is important to try to understand what other people are thinking.

Akiyama: Employees feel great joy in their work when the Company shares the same goals as them. Also, a corporate philosophy cannot serve its true purpose if it is

not put into practice. Rather, the true value of a corporate philosophy comes into effect when employees begin considering how the philosophy relates to their own work. I am very impressed with the fact that Omron actively practices its corporate philosophy.

Borrowings should be returned with interest.

Sakuta: Once or twice a month, I visit overseas sites to talk with site managers. I truly enjoy these face-to-face interactions with employees and find them to be very informative.

It could be said that all the resources needed to operate a business are borrowed from society. For this reason, at Omron, our basic belief is that the Company belongs to society. The employees, capital, and social infrastructure used in our business are all borrowed from society, thus our responsibility is to return these borrowings with interest.

For example, our semiconductor plant in Yasu City, Shiga Prefecture, uses a substantial amount of ground-water. We employ refined water processing techniques to return this water cleaner than what we borrowed.

Another example of these efforts can be found at a site in China located in an area with a relatively high rate of employee turnover. The manager of this site told me that even if they knew an employee was going to quit the following day, they would still give the employee the
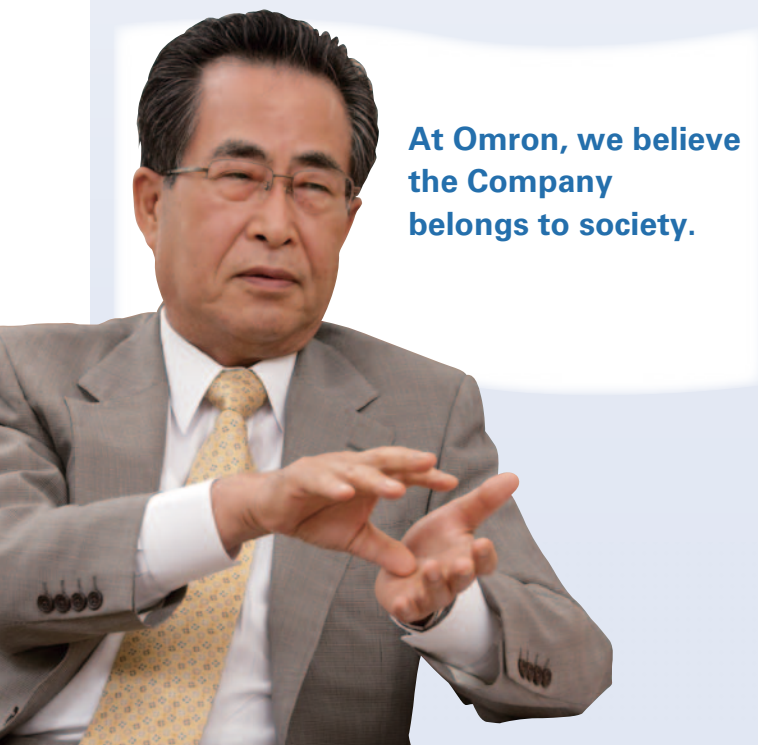
At Omron, we believe the Company belongs to society.

Discussion in Chicago, the United States

training he or she needed for that day. This manager believed that as a manager of a local subsidiary of Omron, which places an emphasis on "Working for the benefit of society," it was their responsibility to make sure that everyone who entered the Group left it as a stronger individual. I was very proud to hear this.

Akiyama: It is imperative for companies to fulfill their responsibility to today's society, but they must also work for the society of the future. The future health of a society requires the contributions of the companies that help make up that society. Therefore, the sustainability of society is a key issue. In a similar manner, when cultivating human resources, companies need to take a long-term perspective and work to nurture these individuals in a way that will enable them to benefit the society of the future. Therefore, the sustainability of society is a key issue. In a similar manner, when cultivating human resources, com-panies need to take a long-term perspective and work to nurture these individuals in a way that will enable them to benefit the society of the future.

For a company to be respected by society, a company must respect society.

Akiyama: As you know, the "R" in "CSR" stands for "responsibility." However, "responsibility" can sound like something that is forced upon a company or that it is made to do. I feel it would be better to look at "R" as standing for "respect." A company must pay attention to the various needs and trends in society, respect them, and act accordingly. Respecting society in this manner will ultimately lead to society respecting the company. I believe building this type of relationship is the true goal of CSR.

Sakuta: At a European subsidiary, I had a discussion with managers about the type of company they envisioned for Omron. After extensive discussion, they concluded that they wanted Omron to be a trustworthy company. How-ever, there are cases in which we are unable to come through on our promises to customers due to quality

Discussion in Amsterdam, the Netherlands

defects or other issues. In these cases, it is important we do not simply let the agreements end in broken promises but rather work diligently as a team to make things right. Even in our daily interactions, our response in such situations can have a significant impact on how we are thought of thereafter, which may be the line between being judged as unreliable or proving our reliability. I feel the discussion of such issues by Company representatives at the general manager level in this manner will facilitate Omron's growth into an even more sound company.

Akiyama: Whether in Japan or overseas, there must be consistency between what a company says and what it does. Based on what I have heard so far, it is clear that managers are constantly pondering the proper course for the Company to take and that this process is forming the core of Omron's strength.

Company employees need "excitement and anticipation."

Sakuta: People have a tendency to turn their attention to things that can be seen. However, there are some, people such as musicians and poets, who try to convey messages to the world by expressing their thoughts through intangible mediums. In a company, how we work can greatly influence output. In other words, output is determined by whether or not a company's employees enjoy their working environment.

Akiyama: I call such types of enjoyment "excitement and anticipation." I also feel it is crucial for companies to exercise the three "I's": Integrity, Innovation, and *Ichien-yugo* (or, "circle of interdependence"). *Ichien-yugo* is a term coined by Japanese philosopher Sontoku Ninomiya and refers to the belief that everything in the world is interdependent, as if contained within a circle. In this way, two things that appear to be in opposition may actually be supporting each other. There are some problems that can only be resolved by combining the unique strengths of employees and companies or of companies and society. While Sontoku is often thought to be a

person that spent his life toiling down a scholarly path, it seems that he actually placed great importance on "enjoyment." Likewise, if one's work lacks "excitement and anticipation," innovation will not arise and the individual will not grow.

Sakuta: I agree. In fact, Omron used "excitement and anticipation" for its long-term visions in the 1990s. We are therefore well aware of the importance of excitement and anticipation. You also mentioned "innovation," which has a special meaning for us as well. Omron founder Kazuma Tateishi's favorite words were "innovation" and "creativity." We at Omron will strive to continue being a company at which all employees can fully exercise their creativity and feel excitement and anticipation.

It is crucial for companies to exercise the three "I's": Integrity, Innovation, and *Ichien-yugo*.