

YAMADA Yoshihito

Independent Outside Director

Member of Nomination Committee
Member of Remuneration Committee



SAITO Kazuhiro

Independent Outside Director

Member of Audit Committee



I joined Omron in 1984 and dedicated my career solely to the healthcare business. After becoming President of Omron Healthcare in 2008, I assumed the position of President & CEO of Omron Group in 2011, serving as the group's top executive for twelve years. Since 2023, I have served as Chairman of the Board of Omron Group, a position I hold to this day.

Role of Directors

As a Company with Three Committees (Nomination, Audit, and Remuneration Committees), the Company grants significant authority to executives. This allows our executive team to move forward with business initiatives at a fast pace within their defined responsibilities and authority. To expand and grow a business, we need to take appropriate risks. I believe that the biggest responsibility of supervisors is to create a system that allows executives to take appropriate risks. It is important for the Board of Directors to take a bird's-eye view and see whether the executives are taking the right risks in their management, or whether there are any risks that they have been overlooked. In other words, execution and supervision are not like the accelerator and brakes. The Board's main role is to create a system that allows executives to run at full speed and to be prepared for that.

In our current Medium-term Business Plan, we have set aside a growth investment budget of 65.0 billion yen, separate from business investments, and it is important that our executive team thoroughly discuss how to use this money.

For instance, at Omron where I serve as Chairman, we not only monitor overall market share but also track customer-specific capture rates and in-store market share. This is to understand our growth potential and expansion opportunities. I believe the same applies to the share of affluent customers in the retail industry. How well are we capturing our target customers? How can we increase our capture rate? Are the customers we have captured actually purchasing at the stores of J. Front Retailing Group? When viewed in this light, we may discover new investment needs.

This is a growth investment budget to achieve ambitious goals, so depending on how it is done, it could be used not only for investment in new businesses, but also for investment in further expanding our core business.

In times of rapid change like today, continuing to do things the same way is the biggest risk. This is because inflation will

inevitably cause costs to rise, so it is obvious that profits will decline if we continue to do the same things. Therefore, executives must seriously consider "what needs to be done now." I would like to take a bird's-eye view of whether such discussions are being held in a healthy manner within the executive team.

In addition, J. Front Retailing Group has several different businesses, and it has adopted ROIC management. The essence of ROIC is to "break down ROIC into on-site level indicators and set improvement drivers that are easy for on-site staff to implement" and to "execute portfolio management of businesses."

Coming from a manufacturing background with extensive experience in ROIC management practice, I may be able to provide some insightful case examples. I am excited to work with President Ono and the executive team led by him to take on the challenge of "implementing ROIC management in the retail business."

What is needed in chaotic times

We live in an era of rapid change. That is precisely why creating a long-term vision is meaningful. Even if we cannot predict how times will change, our strengths, roots, and DNA will remain unchanged. It is important to formulate business plans based on these factors. In addition, in order to build on our strengths and continue to grow, we need to attract talented people. A vision of "what we want to do" and "what kind of society we want to create" for the future is a major driving force that brings together talented people and wisdom. I believe it is extremely important to clearly communicate our aspirations to society and connect them to value co-creation.

Conclusion

Having worked globally for a manufacturer, I asked myself many times whether I could contribute to J. Front Retailing Group, which focuses on the domestic market, and how I should contribute. I came to the conclusion that it is precisely because the business model and structure are completely different that it is interesting, and that it is precisely because they are completely different that I can make suggestions. This process will also be a great learning experience for me. I look forward to contributing to the enhancement of corporate value through in-depth discussions with young and open-minded executives including President Ono as a leader, as well as with Directors.

In my previous job, I started by turning around a small loss-making business, and then experienced its growth and internationalization. What I learned from that experience was that the most important thing is how to learn from failure and make use of it. I believe that humans learn overwhelmingly more from failure, and that only those who have experienced hardship can achieve success. In other words, companies that are harsh on people who have failed cannot succeed.

Expectations for the challenges of executives

In Silicon Valley, where innovative companies emerge constantly, people often say, "Fail fast and often." While marketing used to focus primarily on concepts like positioning and capabilities, I now feel trial-and-error has become the dominant approach. You simply can't know until you try. Recently, demand forecasting has become significantly more difficult, and psychological behavior forecasting is even more challenging. Therefore, we must endure a series of trial and error. In order to endure, it is necessary to build a value chain that can withstand failure, that is, a reform that allows us to stop immediately when we hit the brakes to minimize losses, and then quickly and accurately reinvest. The Company may also find opportunities to apply these ideas, and more importantly, creating a culture that encourages challenge will be crucial.

I basically view management as an inverted triangle model. In other words, CEO is at the bottom, and frontline people are at the top. The idea is to send as many people and resources as possible to the top, delegate authority, and create a system where frontline people can make decisions and quickly anticipate market changes. However, this management style is not possible if the decision-making process is lengthy and lacks transparency. To increase transparency, it is necessary to keep the layers thin. Perhaps an inverted triangle, with a long top side, or market interface, and shallow depth, would be appropriate. In order to make it a reality, I worked hard to connect the disparate organizations of the acquired companies horizontally until smooth interpersonal exchanges became possible, while preserving the original cultures. The co-existence of diverse ways of thinking and perspectives can become an overwhelming strength in this era. However, when two sayings emerge, organizational management requires particular caution. The first is: "I am doing my job properly" or "My department is doing its job properly." The second

is: "What is the upper management saying?" When these sayings appear, the organization is typically in dangerous territory. As someone in a supervisory role, I want to pay special attention to these situations.

The Company has great potential

I believe that the Company is currently in an extremely attractive position. The composition of the Company has become complex due to the gathering of companies from various backgrounds. This complexity and diversity greatly increase our chances of survival and growth in the future. Darwin's famous saying, "Only those who can change will survive," rings true based on my own experience. Integration and diversity can co-exist harmoniously.

I also want the Company to be a customer-oriented company that provides a lot of information and offers a lot of proposals. Providing a lot of information means, for example, that the accumulated memories of brands such as Daimaru, Matsuzakaya, and Parco are constantly being updated. Brands do not actually exist on the sender's side, but rather exist as a collection of positive memories in the minds of customers. Brands do not become outdated. If they do, it is because we, the people behind them, have become outdated. Long-established companies have survived for so long only because they continue to innovate relentlessly. I believe that the Company's history is a testament to this.

To innovate repeatedly, internal discussions must be significantly stimulated. To achieve this, and I have said this before, we need to create an organizational culture where ideas are not easily rejected, and people are encouraged to just give them a try. I hope that this culture will spread widely through further horizontal interaction among the Group companies.

Conclusion

I want the board meetings to be vibrant. It is dangerous when they become monocultural, with no dissenting opinions. In my previous job, I made thorough preparations to ensure outside directors would ask many fresh questions. The executive side wants outside opinions. I think it is the fate of organizations to become entrenched in their own ways. I want the board meetings to be a place where we can discuss and consult freely, rather than a place where we interrogate frontline people. I would also like to play a role in supporting the growth of the Company from the bottom up.