

# Generating diverse talent taking on the challenge of value creation

Employees are the driving force of OMRON's creation of social value through business under SF2030. We will implement human resources strategy so that the company and the employees choose each other based on a natural affinity premised on a new "company-employee relationship," in order to achieve sustainable growth together.

## SF2030 Human Resources Strategic Vision

**Inspired by the corporate philosophy of "contributing to a better society," the company and its employees will always choose each other and continue growing together.**

### Human Resources Strategy with a View to Building a New Relationship between the Company and its Employees

In the context of changing social and economic conditions, human resources are destined to become increasingly mobile over the next decade and the relationship between companies and their employees will shift to one of greater equality. Amid this shift, companies will be required to clearly set out the opportunities for growth and empowerment and the results they expect, since it is necessary to enhance the market value of each employee. On the other hand, employees are expected to be motivated to enhance their expertise, demonstrate their capabilities, and create value. At OMRON, we will build a new relationship between the company and its employees in which they chose each other and grow together. Based on this premise, we aim to ensure that both OMRON and its employees are highly regarded in society.

OMRON's purpose is to "create social value through business and continue to contribute to the development of society," which is nothing less than the OMRON Principles in action. We will globally implement human resources strategy to ensure the OMRON Group continues to attract diverse talented people who aspire to resolve social issues through the practice of our corporate philosophy and encourage each individual to seize the initiative and demonstrate their abilities.



Managing Executive Officer  
Senior General Manager of Global  
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Administration HQ

**Masahiko Tomita**

### Diversity & Inclusion Accelerate Business Transformation

Under SF 1st Stage, OMRON is tackling transformation of business through evolution in three key respects: "the perspective on value," "the business model," and "automation." The key to achieving business transformation is Diversity and Inclusion (D&I).

We thoroughly discussed what D&I means for OMRON. As a result, our definition of diversity at OMRON is to "attract diverse people who will take on the challenge of the creation of a better society." Our definition of inclusion is to "unleash the passion and ability of each individual, create innovation by bringing our diverse personalities together and share the fruits of our labor." The prerequisite for achieving D&I is to ensure our people are "professionals."

OMRON wants people who are passionate about resolving social issues and have expertise and strengths to contribute to the team. OMRON will leverage the personal qualities and knowledge of individual employees and their diverse ideas and opinions based on their experience to contribute to a better society. To this end, we will accord the highest priority to human resources development measures that will accelerate D&I under SF 1st Stage and vigorously invest in creation of a system that will enable all employees to realize their aspirations and fulfill active roles.



### Image of Required Human Resources

- Individuals passionate about solving social issues
- Individuals who continue to hone their specialties to realize their ambitions
- Individuals who care about the team as a whole and who are self-starters that demonstrate leadership

### OMRON's Concept of Diversity & Inclusion

	Evolution of Human Resource Policies	Performance Indicators	FY2024 Target
Attract diverse human resources	Global hiring of specialist human resources to lead value creation	HR portfolio sufficiency rate	<b>Human Creativity*</b> (vs. FY2021)  <b>+7%</b>  <small>*Added value per unit cost of employee</small>
	Promote localization of globally important positions	>80%	
	Promote career advancement for women by developing next-generation leaders	Ratio of women in managerial roles (OMRON Group worldwide) >18%	
	Implement and expand diverse career, employment status and work style options	VOICE SEI 70 points or higher	
	Invest in individuals keen to grow	HR development investments ¥6 billion (3-year total)	
Create innovation by unleashing passion and ability	Establish job-based HR system with defined roles, responsibilities, and specialties	Complete introduction of job-based HR system	
	Cultivate a workplace environment that supports personal growth and motivated individuals	Scores of VOICE & 360°FB	
Framework for sharing co-creation and achievements	Initiatives and programs to share achievements of resolution of social issues	· Evolution of TOGA · Introduction of stock-based performance-linked compensation for employees in managerial positions (OMRON Group worldwide)	

### Initiatives to Accelerate Diversity & Inclusion

#### Investment in Individuals Keen to Grow

The OMRON Group will proactively invest in human resources in order to help those who are motivated to enhance their abilities and to help those who have been promoted acquire the abilities needed to achieve higher performance.

During the VG2.0 period, we implemented the Global Core Position and Core Human Resource Strategy to develop strong leaders who embody the OMRON Principles and lead the organization. As a result, 80% of core positions overseas are now filled by non-Japanese nationals. We also expanded training programs for selected trainees throughout the OMRON Group worldwide. In fiscal 2021, we conducted globally common training programs for executive officer candidates, core position successors, and next-generation leaders to keep talent flowing through the human resources pipeline. Moreover, we invested ¥650 million in fiscal 2021 in human resources development to enhance the abilities of all employees.

Furthermore, in fiscal 2021, we began recruitment for secondary or side positions, with the aim of creating new businesses and building a foundation to support new business creation through active participation of human resources with diverse skills and experience from both inside and outside the OMRON Group. We hired a total of 27 professionals from 1,900 applicants over the past three recruitment rounds. Interaction with professionals recruited from outside the OMRON Group who share our corporate philosophy is also an opportunity for our employees to achieve growth.

In fiscal 2021, we launched Feedback Ability Enhancement Training, firstly in Japan, to create “learning workplaces” where organizations and individuals can challenge themselves to achieve higher goals and continue to grow based on a sense of psychological safety. Of the approximately 1,500 employees in managerial positions in Japan, including executive officers, 80% are scheduled to complete the training by the end of fiscal 2022. Going forward, we will conduct training globally to address workplace issues specific to each area. Plans call for all 3,000 employees in managerial positions overseas to receive the training during the period covered by SF 1st Stage. Through these initiatives, OMRON aims to create a corporate culture in which employees, regardless of their position, can freely and frankly discuss their opinions and ideas with the aim of achieving results and creating value.

Under SF 1st Stage, we will invest ¥6 billion (cumulative total for three years), three times the amount invested in the VG2.0 period, in human resources development. In addition to human resources development centering on training for acquiring knowledge, we will provide growth opportunities for individuals to acquire specialties and develop them through practical experience. Specifically, we will expand the following programs: “acquisition and strengthening of new skills, such as DX,” necessary for business transformation, “development of leaders through study abroad and dispatch to external institutions,” and “feedback and interactive initiatives, such as coaching and mentoring.” In addition, in order to enable diverse career and work style options, we will expand the job posting system and accelerate project-based team building on a global basis across countries and regions. At the same time, we will also emphasize active promotion and hiring of female employees who aspire to leadership positions and designing of measures to retain female managers. Through these initiatives, we will transform OMRON into an organization in which all employees can fully demonstrate their capabilities and fulfill active roles.

### **Job-based Human Resources System with Defined Roles, Responsibilities, and Specialties**

In Japan, the job-based human resources system applied to key managerial positions (managers, experts, and specialists) has been extended to non-managerial positions since fiscal 2022. In order to assign the right people to the right positions based on the ability, expertise, and motivation of each individual, we have clarified the criteria for roles and duties. Through appropriate goal setting, evaluation, and treatment, we intend to heighten employees’ sense of satisfaction while maximizing their motivation.

Among employees in non-managerial positions, the approximately 5,500 senior specialists or section chiefs, who account for half our workforce in Japan, are expected to exercise the highest level of responsibilities as their work is becoming more challenging owing to changes in the business environment. Therefore, in addition to introducing the job-based human resources system, we will ensure “evaluation and treatment based on roles, responsibilities and performance” that reflects the abilities required for the job, the degree of difficulty of the tasks, and the responsibility for achievement. We will also consider treatment that is not based on age, years of service, or personal attributes, and expedite promotion of younger employees.

### **Initiatives and Programs to Share Achievements of Resolution of Social Issues**

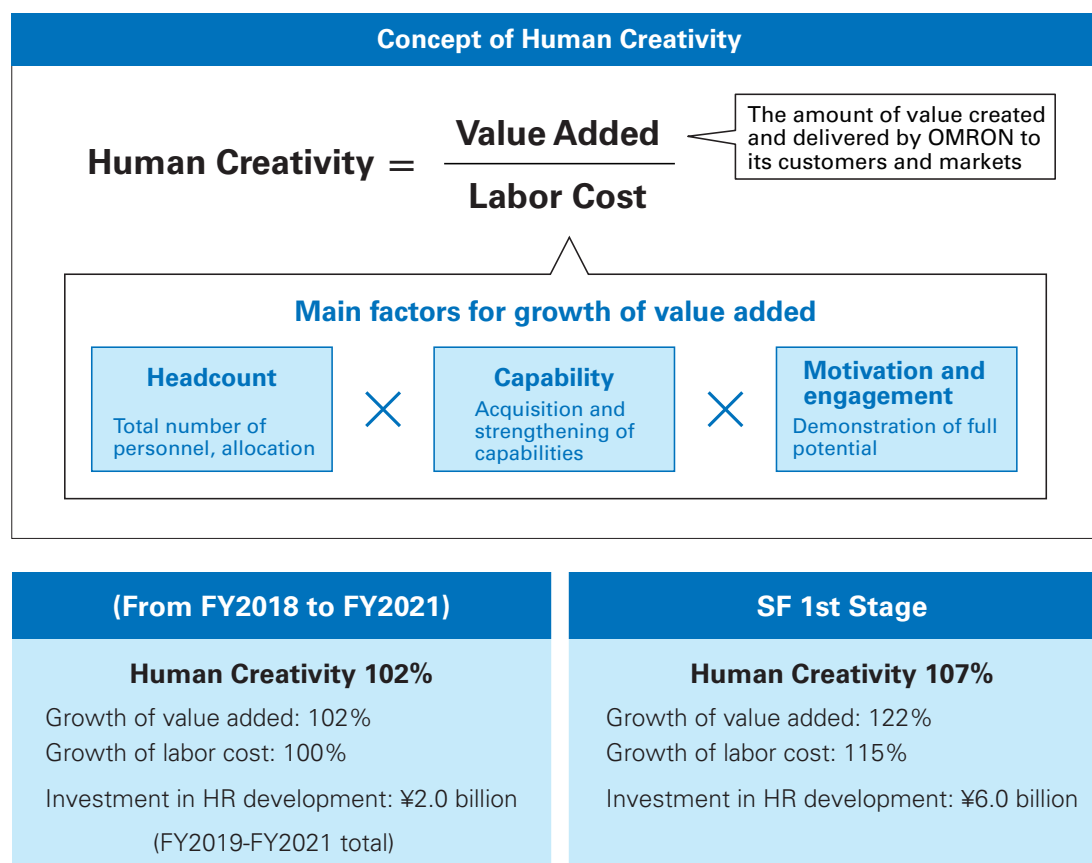
As part of initiatives to share achievements of resolution of social issues, we introduced stock-based compensation as a Medium-term Incentive Plan for employees in managerial positions at the OMRON Group worldwide in fiscal 2022. In Japan, we also introduced the Employee Stockholding Association Revitalization Plan, under which OMRON grants restricted shares to non-managerial employees through the Employee Stockholding Association with the aim of raising their awareness about corporate value. These plans are designed “to heighten employee awareness of the link between their work and corporate value” and “to help employees build assets by sharing the benefits of enhancement of corporate value.”

### **Investment in Human Capital to Support Realization of Vision and Ambitions**

Under SF2030, “human creativity” is set as a quantitative indicator to measure how effectively OMRON utilizes its human capital to enhance corporate value by accelerating D&I through the evolution of human resources policies. The target is a 7% improvement in human creativity in fiscal 2024 compared with fiscal 2021.

Human creativity is the amount of value added, which is sales minus variable costs, divided by labor cost. Value added is the amount of value created and delivered by OMRON to its customers and markets, and labor cost is the amount of investment in human resources who create that value. Companies should obtain appropriate value added and use it to expand and reproduce new value. This is indispensable for achieving sustainable growth for a company and its employees. For investment in human capital to achieve growth of value added, three factors aligned with the OMRON Group’s management goals and business strategies are important.

The first factor is headcount (optimum allocation of human resources). We will secure sufficient human resources to execute business strategies and allocate them according to the priorities of the business strategies. The second factor is capability (acquisition and strengthening of capabilities). We will prepare human resources development programs to help our employees acquire and strengthen capabilities necessary for executing business strategies and provide them with various opportunities to gain experience both internally and externally, in Japan and overseas. The third factor is motivation and engagement (demonstration of full potential). OMRON will create an environment where all employees can fully leverage their diverse personal qualities and abilities.



## The OMRON Global Awards(TOGA)

The OMRON Global Awards (TOGA) is a system for self-driven practice of the OMRON Principles. TOGA initiatives are intended to share the stories of how the OMRON Principles are practiced throughout the OMRON Group across the world to ensure that all employees understand the OMRON Principles, which are the source of OMRON's strength, and to expand the circle of empathy and resonance. Under SF2030, we will continue to evolve TOGA and share collaborative creation and achievements globally to resolve social issues through business. TOGA is a cycle\* of setting inspirational goals, taking action, and reviewing progress to share information and encourage buy-in throughout the entire year. OMRON Group employees engage in TOGA in teams. Themes selected from individual organizations and regional qualifying rounds are presented at the annual Global Meet held in Kyoto and shared with all OMRON Group employees worldwide. The initiatives of other teams and their evaluation by judges become topics of conversation at workplaces. Sharing TOGA experiences with co-workers is leading to expansion of the circle of empathy and resonance throughout the OMRON Group worldwide.



\*Designed based on the SECI Model, a knowledge management mechanism produced by Hitotsubashi University professor Ikujiro Nonaka that focuses on knowledge creation activities. Through a conversion process of socialization, externalization, combination, and internalization, organizations can take the tacit knowledge of an individual and create shared knowledge throughout a group or organization. (Source: Globis University, Graduate School of Management MBA Glossary)

## The 9th TOGA Global Meet

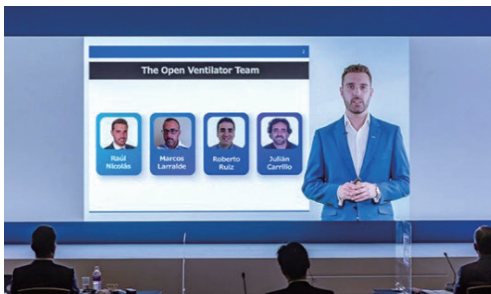
At the 9th TOGA Global Meet held on September 15, 2021, a total of 16 themes (13 Gold Awards and 3 Special Awards) selected from 6,461 entries involving 51,033 participants in fiscal 2020 were shared with audiences both within and beyond OMRON in a hybrid format combining on-site and online platforms. From outside the OMRON Group, the 9th TOGA Global Meet had 455 participants, including partners, investors, media representatives, and students.

Last year, amid the disruption of the COVID-19 pandemic, OMRON Group employees took on many challenges around the world, in many cases overcoming adversity to put the OMRON Principles into practice. Employees identified social issues on their own initiatives and worked with internal and external partners to create new social value.

## Examples of Initiatives to Practice the OMRON Principles in the 9th TOGA Global Meet

Introduced below are award-winning themes from Spain and Japan that boldly took on the challenge of resolving issues by overcoming various obstacles to put the OMRON Principles into practice.

### Development of a Ventilator using Factory Automation Technology (The Open Ventilator) (FY2020 Special Award, Representative of Europe Area)



In Spain, a growing number of patients were passing away unable to obtain sufficient medical treatment, owing to a shortage of ventilators. It was at this time that Raúl Nicolás, a control equipment engineer for OMRON Spain, took the initiative to get involved in a ventilator development project in the hope of saving as many lives as possible. When he saw the first prototype developed for the project, Raúl hit upon the idea of applying OMRON's factory automation (FA) technology to create a more sophisticated ventilator that could measure patients' respiration volume and pressure in real time, learn from these measurements, and supply the optimal volume of oxygen. Encouraged by support from his colleagues who told him,

"we will by all means give it a try if our technology can save people's lives," Raúl launched a ventilator development project with them and sought to leverage their expertise to save people's lives. The project gained momentum as internal and external partners, including members of OMRON Europe, other companies, and universities, joined them in this collaborative endeavor. The new open ventilator for emergency use was ready in just two weeks from the launch of the project. The open ventilator developed by Raúl's team was adopted not only in Spain but also in South American countries, and today is helping to save people's lives across the world.

### Development of Communication Assistive Technology for the Visually Impaired (FY2020 SpecialGold Award, Representative of Japan Area)

With the aim of realizing a society where the inconvenience experienced by the visually impaired is reduced to an absolute minimum by harnessing the power of technology, OMRON's team led by Kazuo Yamamoto, an engineer of the Technology & Intellectual Property HQ, established a consortium with four other like-minded companies. Led by Dr. Chieko Asakawa, now Chief Executive Director of the National Museum of Emerging Science and Innovation (Mirai) who is herself visually impaired, the consortium tackled development of an "AI suitcase" combining the latest AI and robotic

technologies of member companies to support mobility and communication of the visually impaired. OMRON's team was responsible for developing a function that serves as the eyes of the visually impaired to support smooth communication with people. The face-sensing technology recognizes the people around the user and judges whether they are people whom the user knows or whether the person the user would like to speak to is available. In the course of development, facial recognition by the conventional technology became difficult because of the wearing of facial masks during the COVID-19 pandemic. Despite adversity, the team members progressed through trial and error and realized the world's first AI that can identify individuals and recognize their status even if they are wearing a mask. In a demonstration test of mobility and communication support at a commercial facility, the AI suitcase succeeded in helping the visually impaired find acquaintances and call out to them. The ongoing AI suitcase project is advancing toward practical application.





## ROI Analysis of TOGA

Purpose management and philosophy-based management, which have been attracting attention in recent years, are major themes in my research. Hence, I developed a keen interest in OMRON, which has long been committed to corporate philosophy management. How does corporate philosophy management contribute to enhancement of corporate value? I wanted to analyze TOGA, which is a characteristic activity to promote the practice of corporate philosophy, from the perspective of return on investment (ROI), and took up this topic as a research theme for a seminar. The analysis process included more than 40 interviews and hearings with former OMRON directors, TOGA participants, and secretariat members, as well as external experts. We also analyzed a lot of quantitative data, such as labor costs for preparation and the cost of organizing the event. As a result, we concluded that the average results for the most recent two years showed that the cost of TOGA was ¥1.08 billion, whereas the business impact of TOGA on OMRON's subsequent performance was estimated to be worth at least ¥1.75 billion, indicating that TOGA was sufficiently cost-effective. In the TOGA entry process, entrants consider how their work is connected to "the better society" envisaged by the OMRON Principles. We found that this has a significant benefit on human resources development. Furthermore, in order to facilitate sharing of individuals' tacit knowledge as organizational knowledge, TOGA requires entry as a team and it is recommended to work with members across divisions, nationalities, and even company boundaries. In the most recent 9th TOGA, 94% of the Gold Award winning themes were tackled through collaboration with other organizations or customers. Initiatives to resolve social issues with members who have diverse knowledge and experience have contributed to an increase in the number of OMRON innovations. The themes of TOGA entries must involve putting the corporate philosophy of "contributing to a better society" into practice. Therefore, themes of many entries were those leading to resolution of social issues related to "health," "the environment," and "safety." The increase in such themes is contributing to inclusion of OMRON in the Sustainability Index. Inclusion in the Sustainability Index leads to lower beta and lower weighted average cost of capital (WACC), which in turn leads to higher corporate value. Thus, TOGA has proven effective in enhancing OMRON's corporate value in many ways. At the same time, however, issues became apparent. For example, we found that while presenters' presentation quality has improved over the years, the time and workload required for preparation have also increased proportionally. Appropriate advice from supervisors and others that would help minimize rework will be important for improving the quality of the presentations, while reducing the burden on presenters, and also promoting TOGA. It also became clear that information on subsequent development of TOGA themes was not sufficiently shared and not utilized as knowledge. This is a major lost opportunity for OMRON to translate TOGA initiatives into business growth. Furthermore, consideration should be given to creating an environment in which more employees can view TOGA live. Sharing TOGA, an example of the corporate philosophy in practice, with as many employees as possible is essential in order to expand the circle of empathy and resonance for corporate philosophy management. How will OMRON evolve TOGA, leading to further enhancement of its corporate value, going forward? I look forward to OMRON's initiatives.

Professor, Waseda Business School (Graduate School of Business and Finance)

Hiroshi Kanno



## Examples of Initiatives to Practice the OMRON Principles

At the 9th TOGA (FY2020), 16 entries that put the OMRON Principles into practice were selected from around the world and presented online to all employees worldwide.



Watch videos of the stories shared at the Global Meet showing the OMRON Principles in practice.