You have assumed office as Chairman of OMRON (Chairman of the Board). OMRON’s governance is highly regarded by external parties. What are the background and characteristics of OMRON’s governance? As Chairman, how will your leadership affect OMRON’s governance, going forward?

As the head of the executives during my presidency, I felt that there was no preestablished harmony at meetings of OMRON’s Board of Directors. Agenda items were discussed and deliberated on not only by internal and Outside Directors but also by Audit & Supervisory Board Members. For example, if the executives’ response to a question asked by a Director was unsatisfactory to the Board of Directors, or if the content of a proposal was deemed insufficient for the Board of Directors to pass a resolution, the executives would withdraw the proposal and submit it again at a later date. Therefore, I and the other executives were vigilant and focused at every board meeting. The executive side has taken the Board of Directors’ suggestions and requests for improvement seriously and has made efforts to achieve improvements. In this way, OMRON’s Board of Directors is endeavoring to ensure that both the executives and the Board fulfill their mutual responsibilities, so as to continuously enhance corporate value.

OMRON’s governance is characterized by the separation of executive functions and oversight functions to maintain objectivity. The President and CEO has full responsibility for execution, while the Board of Directors concentrates on its oversight functions. The Chairman of the Board does not have the right to represent the company, as OMRON believes that the executive team, which is responsible for the company’s operations, should have the right to represent the company.

OMRON’s governance is also shaped by its history. Beginning with the establishment of the Management Personnel Advisory Committee in 1996, the company established the Personnel Advisory Committee in 2000, the Compensation Advisory Committee in 2003, the CEO Selection Advisory Committee in 2006, and the Corporate Governance Committee in 2008. In this way, OMRON has evolved its governance to fit its needs in accordance with the changing times, understanding and digesting its meaning and significance, rather than simply establishing the organizational framework. As a result of the efforts to enhance corporate value by the executive team responsible for execution and the Board of Directors responsible for oversight, OMRON’s net sales increased 1.8 times, operating income 3.0 times, market capitalization 3.7 times, and dividend amount 7.5 times compared to 1995*. Recent initiatives to enhance the effectiveness of the Board of Directors include the Chairman of the Board’s interviews with individual Outside Directors and a monthly review of the Board of Directors by Outside Executives at each board meeting. Thus, everyone attending the board meetings exchanges opinions, transcending their own roles and areas of expertise, and they all know that their mission is to reach the best possible conclusion through discussions. This is a characteristic of OMRON’s Board of Directors and the reason why we believe the Board of Directors is functioning well.

Society is changing rapidly nowadays, and people’s values are becoming more diverse. OMRON has adopted a hybrid governance system based on a company with an Audit & Supervisory Board and with various committees. In these changing times, how can OMRON respond to the demands of society and create value that contributes to the development of society while continuing to enhance its corporate value? We will continue the never-ending task of evolving OMRON’s governance in response to the changing times.

* As of March 31, 2023

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You passed the CEO baton to Mr. Tsujinaga and assumed the position of Chairman. What was the process by which Mr. Tsujinaga was selected? In many companies that have adopted the company with a nomination committee system, the nomination committee is responsible for nominating the president. OMRON, however, has an advisory committee dedicated to the nomination of the CEO. The reason for this is that we have positioned the selection of the CEO as the highest priority in governance. The CEO Selection Advisory Committee consists of five members—three Outside Directors and two non-executive internal Directors—and is chaired by an Outside Director. The CEO is not a member of this committee. The chair of the CEO Selection Advisory Committee asks the CEO three questions each year at its meeting. First, whether the CEO is willing to continue in office in the coming year. Second, who should be the successor in the event of an emergency. And third, what is the CEO doing to foster his/her successors? The CEO leaves the meeting after answering these three questions. Then, only the members of the CEO Selection Advisory Committee will discuss the selection of the next CEO. The CEO does not have the right to select his/her successor. However, it is the CEO’s responsibility to implement succession planning. There is always a list of several successors who are candidates for the next CEO. The CEO is engaged in the fostering of successors and shares with the committee the information on his/her approach to coaching people on the successor list and the tough tasks he/she assigns them. One of the successors, Mr. Tsujinaga, the current CEO, was given the tough assignment of figuring out how to grow the Industrial Automation Business and he rose to the challenge with flying colors. OMRON’s CEO Selection Advisory Committee is also unique in that it nominates the CEO each year, rather than functioning only at the time of a change of CEO. If the committee decides that the CEO should be replaced, regardless of the timing of the medium-term management plan or other factors, the CEO can be replaced at that time. Every year at the time of nomination, I wondered whether I should continue to serve as CEO next year and whether it would be the best option for OMRON if I continued to serve as CEO? I asked myself these questions and reviewed my performance. I think this annual nomination of the CEO by the CEO Selection Advisory Committee is an excellent mechanism because it gives the CEO an opportunity to reflect on his/her performance.

What do you consider to be the strengths of OMRON’s governance? Which matters require particular attention?

The strength of governance at OMRON is the separation of execution and oversight that ensures maintenance of the effectiveness of each function. The committees, which have oversight functions, are all chaired by Outside Directors with at least half of the committee members being Outside Directors, thus maintaining independence and transparency. The Directors who are members of committees, regardless of whether they are internal Directors or Outside Directors, visit OMRON factories, laboratories, and overseas sites, interact with local employees, and obtain feedback from the frontlines. I myself visited a production site of OMRON in Dalian, China, in August 2023. As well as visiting the plant, I also met the mayor of Dalian and other local government officials and exchanged views. OMRON’s governance is unique and strong in that decisions are made based on such hands-on experience and through discussions from an objective perspective, thereby enhancing corporate value.

On the other hand, in the selection of Outside Executives the challenge is to make this mechanism function effectively. This is because OMRON’s Outside Directors assume this important governance responsibility. From this perspective, OMRON takes great care to find excellent candidates for Outside Executives. Experience in corporate management is a prerequisite and we emphasize diversity. Through ongoing discussion, including Outside Directors and Outside Audit & Supervisory Board Members, OMRON develops a list of candidates and approaches them to see if they would be willing to assume the position. As interest in governance grows in Japanese companies, companies compete to secure these excellent candidates for Outside Director. We have been approaching individuals whom we want to be OMRON’s Outside Directors or Outside Audit & Supervisory Board Members, even though it may be several years before we can secure their services. Fortunately, OMRON has had diverse, talented and experienced individuals serving as Outside Directors or Outside Audit & Supervisory Board Members and they have greatly contributed to the enhancement of OMRON’s corporate value. We will continue our efforts to make OMRON an attractive company so that people will be willing to serve as Outside Directors or Outside Audit & Supervisory Board Members of OMRON.

Finally, please reiterate your commitment as Chairman of the Board.

As Chairman of the Board, I will continue to evolve governance from diverse perspectives, working with internal and external Directors who have a wealth of experience. And by further evolving the oversight functions, we will accelerate the transfer of authority to the executive side and encourage high cycle business operations. In management, I have positioned the OMRON Principles as the origin of both the unifying force and the driving force of OMRON’s development. As Chairman, I will continue this approach while monitoring and supporting the executive team. I will ensure that the Board of Directors meetings are opportunities for sound and constructive discussion. Working together with the executive team, the Board of Directors will strive for sustainable enhancement of corporate value.