

Interview with the Outside Directors

Appointing the Leader for the Next Generation Effectiveness of the CEO Selection Advisory Committee

(Interviewer: Tsutomu Igaki, Managing Executive Officer)



Role of the CEO Selection Advisory Committee, a Cornerstone of Corporate Governance

— For the first time in 12 years, a new President and CEO was appointed. How does the CEO Selection Advisory Committee set about selecting a new CEO?

Kamigama: Selection of a new CEO had been a topic of discussion for several years. The process included several opportunities for us committee members to meet the candidates nominated by Mr. Yamada, the former CEO, in order to familiarize ourselves with their experience, personalities, and perspectives. Having gotten to know the candidates, we drew up a shortlist. There was also a third-party assessment for us to refer to.

— OMRON positions CEO selection as the foremost task for the oversight function. What are characteristics of the CEO Selection Advisory Committee?

Kamigama: The first thing to note about OMRON's CEO Selection Advisory Committee is its composition. The committee consists of five members, three of whom, the majority, are Outside Directors. One of them chairs the committee. The other two members are internal Directors, both of whom are non-executive Directors. To avoid undue influence by the CEO, Directors responsible for business execution who report to the CEO are not members of the CEO Selection Advisory Committee. Naturally, the CEO is not a member of the CEO Selection Advisory Committee.

As you mentioned, OMRON positions the selection of the CEO as the foremost task of the oversight function, and to ensure OMRON has the best possible management team, the Outside Directors who are members of the CEO Selection Advisory Committee

are individuals with abundant global management experience. Another characteristic of the CEO Selection Advisory Committee is that the committee meets not only when selecting the next CEO, but also every year. At OMRON the term of office of the President and CEO is one year. Each year, after evaluating the current CEO, the committee deliberates on three themes: whether the current CEO should be reappointed, the selection of a successor in the event of an emergency, and a list of future CEO candidates.

“Accelerate Growth by Youthful Power” The Former CEO’s Firm Intention Led to the CEO Change.

— The new CEO took office in 2023. What accounted for the timing?

Kamigama: Mr. Yamada, who took office as President and CEO in 2011, considered that after 10 years in office it was time for a change. In 2020, just as the CEO Selection Advisory Committee was in the process of selecting the next CEO in light of his intention, the COVID-19 pandemic struck. Given the difficulties involved in steering the company through the turmoil of the pandemic, we decided to have Mr. Yamada remain in charge while OMRON strove to overcome the extraordinary situation, capitalizing on his managerial skills based on his many years of experience. Mr. Yamada remained in post as President and CEO for two more years than he originally intended because it took time for the COVID-19 pandemic to abate, and I think it turned out to be the right decision.

In the first year of the new long-term vision “Shaping the Future 2030” (SF2030) and the medium-term management plan “SF 1st Stage” announced in 2022, OMRON got off to a flying start. Mr. Yamada’s firm intention to “accelerate this momentum through generational change and achieve further growth of

OMRON by the power of younger people” was supported by all of us on the CEO Selection Advisory Committee. This accounts for the timing of the appointment of the new President and CEO.

Kobayashi: Certainly, we had some discussion about how the change of CEO would shape OMRON’s future. This happened when OMRON was adopting a new perspective and had begun promoting SF 1st Stage. However, considering that our goal is realization of the vision outlined in SF2030, so far as the CEO change was concerned, it was a case of the sooner, the better. We agreed that one year after the start of SF 1st Stage would be a suitable time for the CEO change.

Suzuki: Having assumed office as Outside Director in 2022, I joined the CEO selection process at the final stage of candidate selection. I had no objections about the timing of the CEO change. Passing the CEO baton to a successor one year after the launch of SF2030 was such a natural progression that the question as to whether it was appropriate or not simply didn’t arise.

Next-generation Leader Selected to Drive Further Growth

— Why was Mr. Tsujinaga selected as the new CEO?

Kamigama: The CEO Selection Advisory Committee shortlisted CEO candidates over the course of several years and observed them from various perspectives. In the course of this process, Mr. Tsujinaga demonstrated his capabilities and leadership as the head of the Industrial Automation Business (IAB), increasing IAB’s performance by 1.5 times in two years. This achievement was impressive.

Kobayashi: Yes, that’s right. When considering candidates for the next CEO, we focused on the ability to lead the organization in a rapidly changing



environment, the ability to resolve management issues, and above all, having one’s finger on the pulse of the business. In our view, these were the essential requirements. From this perspective, we, the members of the CEO Selection Advisory Committee, were unanimous in concluding that Mr. Tsujinaga, the head of IAB, which is the driving force of OMRON’s growth, was the right person to take the helm at OMRON.

Suzuki: Of the three social issues to be addressed by OMRON in SF2030, we think “achievement of carbon neutrality” and “realization of a digital society” can be promoted speedily through the active involvement of IAB. Given this background, when considering candidates for the next CEO, everyone on the committee felt that Mr. Tsujinaga, the head of IAB, was best suited to become the leader of OMRON.

— What information was referred to in the selection process?

Kamigama: In addition to the performance evaluation of the business that each candidate was in charge of, the selection process was based on various facts and information, including presentations at board

meetings, dialogue between Outside Directors and candidates, assessment results by a third-party expert organization, 360-degree appraisal, and an internal engagement survey. Through these steps, we were able to understand the strengths and weaknesses of each candidate. Mr. Tsujinaga struck the right balance throughout.

Kobayashi: Based on these objective evaluations and the information, our task was not to judge the superiority or inferiority of individuals, but rather to select the right person to be the next leader, in light of what is important for OMRON, going forward. In our judgment, Mr. Tsujinaga was the best fit.

Suzuki: The CEO Selection Advisory Committee, consisting mainly of Outside Directors, never wavered in their determination to select a person who had what it takes to be a highly effective CEO capable of building the next-generation OMRON. Having referred to various information and observations, including assessments, from multiple perspectives, we selected Mr. Tsujinaga.



A Person with Communication Skills to Connect with Diverse People

— How would you describe the personality of Mr. Tsujinaga, the new CEO.

Kamigama: My impression of Mr. Tsujinaga is that he is a cheerful person who readily establishes amicable, constructive relations with all sorts of people in a spirit of equity and respect. In his business reports to the board of directors during his time as head of IAB, he spoke calmly yet powerfully. I also liked the way he took care of his subordinates in the field. As a leader, he is held in high regard and earns the trust of everyone.

Kobayashi: In terms of the personal attributes required of leaders, excellent communication skills are essential nowadays. This is because, in order to promote business in an increasingly complex and diverse society, one must connect with people who may differ greatly from one another in terms of their values, both inside and outside the company, using various communication styles. When considering what kind of company OMRON should be in the future, positive factors include Mr. Tsujinaga's open and friendly attitude, not least his willingness to talk with others while empathizing with their perspectives. I believe he will breathe new life into OMRON, including its organizational culture and corporate image, which bodes well for the future.

Suzuki: Last year, as a newly appointed Outside Director, I received presentations on each of OMRON's businesses. I had a one-on-one meeting with Mr. Tsujinaga to receive his briefing on IAB. While the shortlist of CEO candidates became even shorter in the final phase of the CEO selection process, this was a valuable opportunity for me to get to know Mr. Tsujinaga. His passion was evident in the way he spoke. Above all, I was impressed by the consideration and courtesy he showed by confirming

that I had understood his explanation.

In fact, after that one-on-one, Mr. Tsujinaga contacted me to arrange another session with me, as he thought that I was not fully persuaded by his explanation. His attitude indicated his sense of responsibility and good communication skills.

IAB to be the Source of the Next Growth Business

— How do you think the appointment of a new CEO from IAB will affect OMRON's future trajectory?

Kobayashi: The fact that the new CEO is from IAB will have an impact on OMRON's trajectory as it promotes SF2030. In addition, I think it is important how Mr. Tsujinaga strikes a balance between IAB and other current businesses and also with new businesses, and how he steers OMRON as a whole.

Kamigama: Mr. Yamada, the former President and CEO, was from OMRON HEALTHCARE (HCB), but he also emphasized IAB and other businesses. A notable example is the capital and business alliance with JMDC, a medical statistical data service company. This is one of the actions to shift OMRON's business model from the product value perspective to the essential value perspective. I believe that JMDC's capabilities can be leveraged not only in healthcare solutions but also in the wide-ranging fields in which OMRON is engaged. I think Mr. Tsujinaga has this in mind. I hope he will fully apply his expertise long cultivated at IAB in leveraging the technologies and capabilities to create new businesses.

Suzuki: SF2030 Vision Statement reads: "We Will Continue to Create 'Innovation Driven by Social Needs' through Automation to Empower People." To achieve this, OMRON needs to dramatically advance its automation technology. IAB has a critical role to play in ensuring stable operations of OMRON in the

current environment, where geopolitical risks are running high. In this respect, I think it is highly advantageous that Mr. Tsujinaga, who knows IAB inside out, is serving as President and CEO. Furthermore, I assume Mr. Tsujinaga will also emphasize HCB and other businesses. He has the capacity and will to create further growth, and we, who have selected him, have higher expectations of him than anyone else does.

Change of Business Company Presidents to Create the Strongest Team to Support the New President and CEO

— Not only the OMRON President and CEO, but also the heads of the four business companies (BC heads) changed. What is the background to this.

Kamigama: It was time for generational change not only of the President and CEO, but of the BC heads, too. The rejuvenation of the executive team, comprising the BC heads and the President and CEO, will vitalize horizontal communication that is characteristic of the younger generation, while maintaining the advantages of the vertical organization of the business company system that has supported OMRON's growth to date. I expect that this will facilitate the evolution of OMRON's unique "horizontal-vertical matrix management."

Kobayashi: I couldn't agree more. From now on, if a company's business units attempt to go it alone, shunning collaboration, the growth rate of the company as a whole will be impeded. It is important to create synergy through horizontal collaboration among organizations and to channel this synergy into the creation of new businesses. Moreover, the heads of the head office divisions are all highly experienced executives who have worked with Mr. Yamada and the former BC heads to promote the business. I am confident that now the new Team OMRON is

advancing, the new BC heads and the heads of the head office divisions will transform the organizational culture under Mr. Tsujinaga's leadership.

Suzuki: Responding to Mr. Yamada's stated conviction regarding the importance of the new President and CEO forming a new management team, Mr. Tsujinaga proposed a new management team, and after consulting Mr. Yamada, he proposed it to the Personnel Advisory Committee. The result is a very balanced management team. This new team has a freshness that does not prompt misgivings but rather conveys a sense of dynamism, indeed of a company advancing with vigor and vitality.

I also saw CTO Miyata and others who occupy custodian-like positions expressing their insightful opinions to the new team at meetings of the Executive Council. In a way, the executive team and oversight function formed a scrum, so to speak, from which a strong Team OMRON has emerged.

— Were there any concerns about all four BC heads changing at the same time as a new President and CEO took office?

Kamigama: Of course, we were not without concerns. However, I believe that experience isn't everything and that having an executive team drawn from the same demographic is conducive to more vigorous discussion at Executive Council meetings. Sharing questions and issues among BC heads at Executive Council meetings speeds up the resolution of issues. The strength of this team lies in these horizontal connections. The team leverages this synergy to find solutions to issues.

Kobayashi: Yes indeed. If you examine the issues of the respective BCs, you will find that there is fundamentally much in common between the issues of different BCs. We expect the members of the executive team to openly consult one another, discuss these matters, and mobilize OMRON in its entirety.



Today's youthful leaders respect one another and value collaborative endeavors pursued as a team rather than competing with one another to win. I feel that Mr. Tsujinaga is the ideal person to head such a youthful team.

Suzuki: Speaking of that, when I saw the former and new Directors and Audit & Supervisory Board Members behind the scenes after the General Meeting of Shareholders this June, I had the impression that the new executive team has a stronger sense of unity, and there is a refreshing lack of ceremony, because they are younger. A new youthful team may at first be somewhat rattled when beset by challenges, but I think that can ultimately have a rather a salutary effect. If you shake up the old stuff that has accumulated in a company, including values, things may be broken but they will eventually cohere and something new will emerge. I think that kind of change is healthy.

Kamigama: An Outside Audit & Supervisory Board Member commented that OMRON's management is "like straight-A student." I believe that organizations with atypical resources tend to be more robust than those without them. If I think of OMRON as an orchestra, I am looking forward to seeing how the

conductor, Mr. Tsujinaga, will achieve a stellar performance.

Kobayashi: So am I. In team building, is it really a good thing for the top management to be full of confidence? The answer is “No.” If top management has weaknesses, subordinates naturally try to offer their support. So, as Mr. Suzuki said, shaking things up to create a stronger team is a necessary step in the transformation of OMRON.

Kamigama: Very true. Following this generational change, it is easier to bring weaknesses and problems into the sunlight and to help one another deal with them. That is teamwork.

Kobayashi: The business environment is changing dramatically, and OMRON needs to change rapidly based on new ideas. For this purpose, OMRON needs to be reborn as an agile organization.

Structure in which the Chairman Has No Right to Represent the Company, and the President and CEO Proactively Executes Operations

— What are your thoughts on the appointment of former President Yamada as non-executive Chairman (Chairman of the Board) with no representation rights?

Kamigama: The right of representation is synonymous with executive power. If a chairman has the right of representation, he or she will be inclined to voice their opinions about management. Ideally, the chairman should only give advice when the president seeks consultation. So, having a structure in which the chairman does not have the right of representation is a positive factor in terms of governance.

Kobayashi: Besides, if the chairman has the right of representation, subordinates tend to be swayed by the chairman’s intention. The chairman should assist the president, supporting and overseeing overall management from an objective vantage point.

Suzuki: OMRON Corporate Governance Policies states: “To clarify the oversight function of directors, the chairperson without authority to represent the company will take on the position of chair of the Board.” Mr. Tateishi, the former Chairman, also served as Chairman of the Board of Directors, and I felt that the division of roles between the Chairman and the President and CEO was clear, which must have made it easier for Mr. Yamada to manage the company. Now, Mr. Yamada, as Chairman, is striving to create a good atmosphere for the Board of Directors conducive to vigorous discussion.

From Changing Organizations to Readyng OMRON for the Next Round of Development

— Finally, what are your expectations of Mr. Tsujinaga, the new President and CEO?

Kamigama: Mr. Tsujinaga possesses a wealth of knowledge and experience in manufacturing. On the other hand, with a view to expanding OMRON’s creation of social value, SF2030 calls for a shift in the value proposition from the product value perspective to the essential value perspective. My expectation is that Mr. Tsujinaga will leverage his experience at IAB and use JMDC, etc. to illuminate a path toward new “essential-value-based” businesses.

From another perspective, I would like Mr. Tsujinaga to declare that OMRON intends to become the world leader in a particular field and proceed with management with that goal in mind. There is a limit to the growth OMRON can achieve through manufacturing alone. While manufacturers worldwide pay close attention to OMRON, I have high expectations of the new President and CEO’s management acumen and am eager to see how far he will be able to progress in his mission to dynamically transform OMRON.

Kobayashi: I have many expectations, but if I had to narrow them down to just one, I would like to see Mr. Tsujinaga manage OMRON in a way that encourages all employees to speak up, and moreover, I would like to see their views reflected in the management of the company. By virtue of his character and communication skills, Mr. Tsujinaga is well equipped to make this happen, and I fully expect it to happen.

Suzuki: I would like Mr. Tsujinaga to aim for an “OMRON different from that in the past” or “a next-generation OMRON.” To achieve this, OMRON must break out of its own shell. I would like Mr. Tsujinaga to engineer a breakthrough by pursuing an approach that is different from conventional approaches. Although it may sound vague, I would like OMRON to create a product or service that makes the industry exclaim “Wow! Did OMRON come up with this?” It could be something seemingly modest but ingenious. I am looking forward to the flexible and expansive ideas of the young management team, led by Mr. Tsujinaga, and the technological innovations stemming from those ideas.