

Interview with the Chairman of the Board

Our directors and executive team will work together to complete structural reforms to ensure OMRON's sustainable growth, determined to get OMRON back on a growth trajectory and further enhance corporate value.



Chairman of the Board
Chair of the Board of Directors
Member of the CEO Selection Advisory Committee
Vice Chairman of the Corporate Governance Committee
Yoshihito Yamada

— One year has passed since you assumed office as Chairman of OMRON and Chair of the Board of Directors. How would you summarize the past 12 months?

OMRON started fiscal 2023 with a fresh executive structure and a new CEO, as well as a new CFO and newly appointed heads of all Business Companies (BC heads). The new executive team has been resolutely advancing toward realization of the SF2030 vision, including making JMDC Inc. a Group company and achieving steady progress in establishing the Data Solution Business. On the other hand, OMRON has been underperforming financially. The Board of Directors considers this to be a matter of the utmost gravity.

When I was CEO, I worked to enhance OMRON's ability to effectively respond to change. However, OMRON was not yet fully equipped with the ability to deal effectively with drastic change in the business environment. The Board of Directors also recognizes that the framework and approach were insufficient to accurately detect changes in the business environment, centering on the emergence of China risk, at an early stage enabling timely action. It is particularly regrettable that we were unable to avoid the second downward revision of the performance forecast. The Board of Directors has been working since fiscal 2023 to improve the situation to prevent recurrence.

— What improvements have been made based on the review?

Specifically, we have established a new meeting body called the "off-site meeting" as a forum for Outside Directors to have frank discussions with Business Company Presidents and Heads of Head Office Divisions at normal times, not only when the Board of Directors senses changes in the

performance trend or business environment forecasts. At off-site meetings, issues at the draft stage are discussed, prior to submission to the Board of Directors, and Executive members receive advice from Outside Directors on operational issues. The frequency and density of communication and information distribution within the management team have been increased by creating opportunities outside Board of Directors meetings to deepen cooperation between Outside Directors and Executives. Now, Business Company Presidents and Heads of Head Office Divisions actively seek advice from Outside Directors on the changes and challenges they face. My impression is that communication among the management team has been further enhanced.

In my first year as Chair of the Board of Directors, I learned that enhancement of the effectiveness of the Board of Directors is in large measure dependent on factors besides the actual discussion at Board of Directors meetings. I have seen a definite improvement in the effectiveness of the Board of Directors meetings as a result of more opportunities for the members of the Board of Directors and executives to engage in open and substantive discussions, such as freewheeling discussions at off-site meetings.

— In last year's integrated report, you highlighted your commitment to continuing to evolve governance from diverse perspectives.

What has that evolution entailed so far?

The Corporate Governance Committee has evolved. The composition of the Committee was reviewed in order to strengthen its function as an advisory body that discusses and deliberates for the "purpose of enhancing corporate

governance over the medium to long term.” Previously, the Committee was composed solely of Outside Directors and Outside Audit & Supervisory Board Members, but from fiscal 2023, the Committee also includes two non-executive inside Directors, including myself.

The aim of this change is to continuously evolve corporate governance, a key responsibility of the Board of Directors. This is because discussion based on experience and information of inside Directors, who are familiar with the business environment and what is happening inside OMRON, crossed with the external perspectives of Outside Directors, is beneficial from the viewpoint of effectiveness. However, it is important that the participating inside Directors are in a non-executive capacity, because the purpose is to strengthen the governance function. The participation of non-executive inside Directors enables in-depth discussion in line with the actual circumstances in the field and the reality of the business.

— **OMRON has embarked on drastic structural reform. What was discussed at Board of Directors meetings?**

It is important that the executive team viewed the issues highlighted as medium- to long-term issues, not from a short-term perspective, and took action. Therefore, in response to the executive team’s decision, the Board of Directors carefully deliberated on this initiative from a medium- to long-term perspective, representing shareholders and all other stakeholders. Under Structural Reform Program NEXT 2025, our focus is on rebuilding the Industrial Automation Business (IAB) as quickly as possible and restructuring the foundation for earnings and growth. Specifically, having earmarked April 2024 through September 2025 as a period for concentrating on structural reform companywide, we are implementing five management measures. In particular, for IAB, the Head Office and the business division are jointly running 10 task

forces, and the Board of Directors is monitoring their progress.

The Board of Directors has also begun discussing medium- to long-term growth strategies to follow structural reform. Although we set aside the medium-term management plan in order to focus on the completion of NEXT 2025, we have not lowered the flag that we raised under the long-term vision SF2030. There are two things we need to work on to realize this vision. One is to reinforce existing businesses, and the other is to establish a new business model. Reinforcing existing businesses means rebuilding IAB. We are currently working to improve IAB’s competitiveness by strengthening product appeal and proposal capabilities. Regarding the area portfolio, our aim is to expand the customer base in Europe, the Americas, Asia, and Japan in order to achieve balanced overall global growth, shifting from the overdependence on China. As for the Healthcare Business, we seek growth globally centering on channel expansion in Asia and India.

Regarding establishment of a new business model, we are also working to shift our business model to one based on the “combination of products and services” utilizing data in order to realize SF2030. One of the results of this initiative was that OMRON made JMDC Inc. a Group company. OMRON’s strength lies in products (devices) incorporating OMRON’s core technologies, “Sensing & Control + Think.” Pursuing a customer-driven approach, each business is further strengthening the products it has been offering in its respective domains. By adding JMDC Inc.’s technology and solution development expertise to data obtained from products used in these various domains, it will be possible to create a new data solution business that is not limited to the healthcare field. For example, in the Social Systems, Solutions and Service Business, in collaboration with JMDC Inc., OMRON has already launched a solutions business in the current fiscal year that utilizes electricity usage data and

data on customers’ purchases obtained from convenience stores, retail stores, and restaurants to support their energy saving.

The Board of Directors will support the executive team not only in promoting NEXT 2025 but also in reinforcement of existing businesses and establishing a new business model for future growth.

— **Finally, please send a message to your stakeholders.**

I am confident that the new executive team led by CEO Tsujinaga will complete structural reform and lead OMRON to a V-shaped recovery. We, the Board of Directors, as representatives of shareholders and all other stakeholders, will closely monitor and supervise progress, while at the same time taking calculated risks and supporting the challenges of the executive team. And as Chair of the Board of Directors, I will continue to do my utmost to enhance the effectiveness of the Board of Directors and OMRON’s corporate value over the medium to long term. I greatly appreciate our stakeholders’ continued understanding and support.