

Corporate Governance

Basic Stance for Corporate Governance

At the OMRON Group, corporate governance is defined as the system of processes and practices based on the OMRON Principles and the OMRON Management Philosophy. The system is intended to ensure transparency and fairness in business and speed up management decisions and practices. This is done by connecting the entire process from oversight and supervision all the way to business

execution in order to boost the OMRON Group’s competitive edge. OMRON’s corporate governance also involves building such a system and maintaining its proper function. The ultimate objective is to achieve sustainable enhancement of corporate value by earning the support of all stakeholders.

1996, we have spent more than 25 years formalizing and strengthening our framework of corporate governance.

We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

OMRON Corporate Governance Policies

OMRON Corporation established the OMRON Corporate Governance Policies based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in

OMRON Corporate Governance Policies



<Corporate Governance Initiatives>

	1999	2003	2011	2023		
OMRON Principles	1959: Corporate Motto	1990: OMRON Principles	1998: Revised	2006: Revised	2015: Revised	2022: Stated in the Articles of Incorporation
OMRON Corporate Governance Policies				2015: Established		
Chairman of the Board	Representative Director and President		2003: Chairman serves as Chair of the Board of Directors and Chairman of the Board	2012: Chairman		
President	1987: Yoshio Tateishi		2003: Hisao Sakuta	2011: Yoshihito Yamada		2023: Junta Tsujinaga
Separation of management oversight and business execution	30 directors		1999: Revised the Articles of Incorporation, setting number of board members to 10 or fewer		2017: Abolished Directors with title (excluding Chairman of the Board)	
			1999: Adopted executive officer system		2017: Positioned president as an executive officer	
Advisory Board	1999: Advisory Board					
Outside Directors		2001: One outside director	2003: Two outside directors (seven directors)	2015: Three outside directors (eight directors)		
Audit & Supervisory Board Members (Independent)	1998: One member	1999: Two members	2003: Three members (four auditors)	2011: Two members (four auditors)		
Advisory and Other Committees	1996: Management Personnel Advisory Committee		2000: Personnel Advisory Committee			
			2003: Compensation Advisory Committee			
			2006: CEO Selection Advisory Committee			
			2008: Corporate Governance Committee			

Corporate Governance Framework

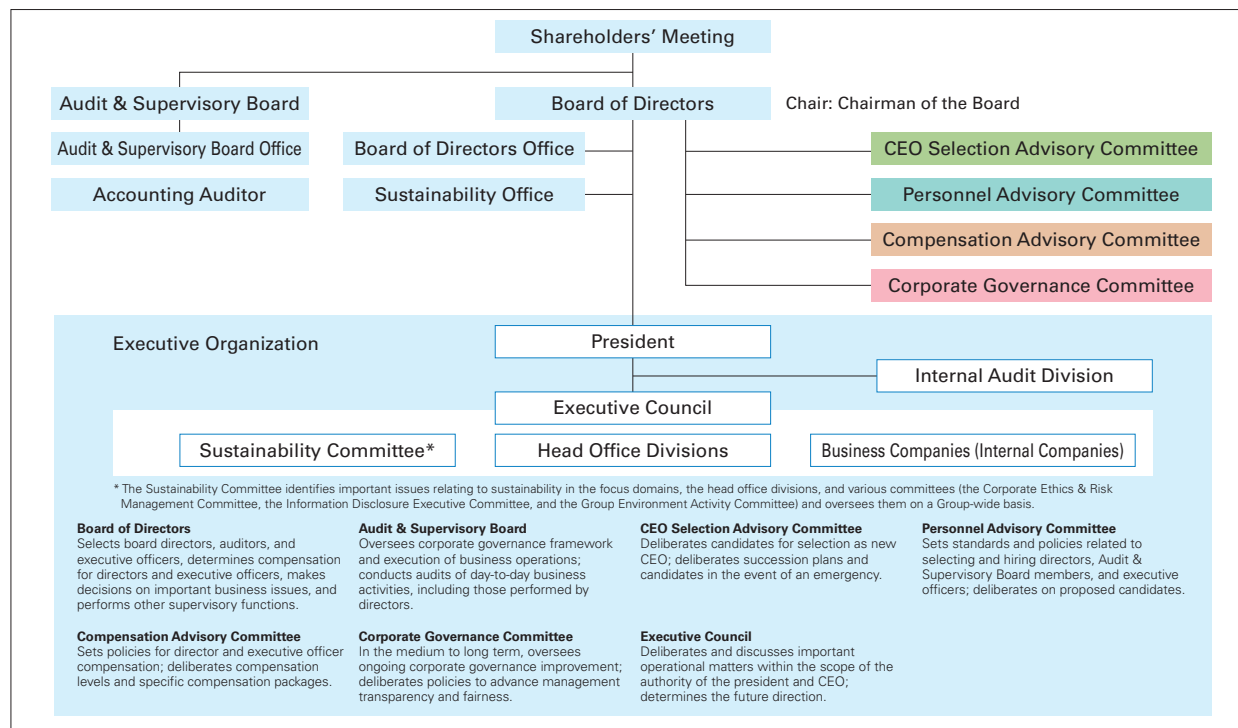
OMRON has elected to be a company with an Audit & Supervisory Board. The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberations. To increase objectivity on behalf of the Board of Directors, the titles and roles of the chair of the Board and President (CEO) have been separated. The Chairman serves as chair of the Board of Directors with no direct corporate representational authority. To enhance the oversight functions of the Board of Directors, OMRON has established the committees include the CEO Selection Advisory Committee, the Personnel Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The CEO Selection Advisory Committee, the Personnel Advisory Committee, and the

Compensation Advisory Committee are all chaired by outside directors with at least half of the committee members being outside directors. The President and CEO is not a member of any of these committees. The Corporate Governance Committee is chaired by an independent outside director and its members are independent outside directors and independent outside Audit & Supervisory Board Members as well as non-executive inside directors. This structure offers another layer of transparency and objectivity to the decision-making process. In these policies, OMRON has created a hybrid governance framework combining the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee.

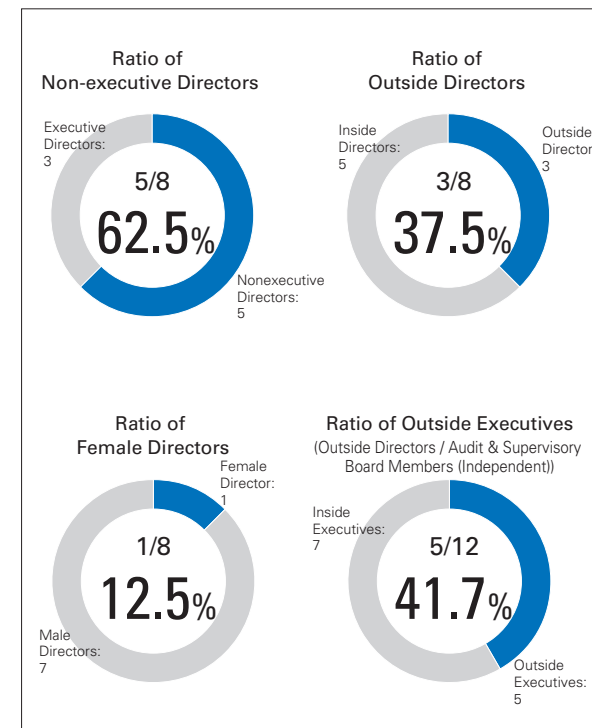
Approach to Composition of the Board of Directors

In order to strengthen the supervisory function of the Board of Directors, supervision is separated from execution, and the majority of the Board consists of Directors who are not involved with business execution. In addition, at least one-third of the Board of Directors consists of Outside Directors. To ensure independence, Outside Directors and Outside Audit & Supervisory Board Members (Independent) are appointed based on OMRON's Independence Requirements for Outside Executives. The diversity of the Board of Directors will also be ensured by providing a well-balanced mix of human resources with experience, expertise, and knowledge required for realizing our management vision among the Directors and Audit & Supervisory Board Members who are the members of the Board of Directors.

<Corporate Governance Framework>



<Composition of Board of Directors>



<Fiscal 2023 Advisory Committee>

Title/Name	CEO Selection Advisory Committee	Personnel Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board Yoshihito Yamada	□			□
Representative Director Junta Tsujinaga				
Representative Director Kiichiro Miyata			□	
Director Masahiko Tomita		□		
Director Shizuto Yukumoto	○	○	○	□
Outside Director Takehiro Kamigama ◆	◎	□	□	◎
Outside Director Izumi Kobayashi ◆	□	◎	□	○
Outside Director Yoshihisa Suzuki ◆	□	□	◎	□
Audit & Supervisory Board Member Shuji Tamaki				
Audit & Supervisory Board Member Toshio Hosoi				
Audit & Supervisory Board Member (Independent) Hideyo Uchiyama ◆				□
Audit & Supervisory Board Member (Independent) Tadashi Kunihiro ◆				□

◎ Chairperson ○ Vice-Chairperson □ Committee Member
◆ Independent under Tokyo Stock Exchange rules

* In September 2023, the Corporate Governance Committee membership was revised to consist of outside directors, outside Audit & Supervisory Board Members, and non-executive inside directors.

<Activities of Advisory Committees in Fiscal 2022>

CEO Selection Advisory Committee	
Members	Five members (three Outside Directors and two internal Directors)
Chairman	Outside Director
Committee composition	<ul style="list-style-type: none"> The majority shall be Outside Directors The two internal Directors shall be non-executive Directors (the President and CEO is not a member of the committee)
Number of meetings held	3
Attendance rate	100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> Narrowing down of candidates based on engagement surveys, 360-degree evaluations, and third-party evaluation results Identification of candidates through contact opportunities such as interviews (conducted on a separate occasion from the committee meetings) Determination of candidates for President Determination of a successor in the event of a crisis in fiscal 2023
Personnel Advisory Committee	
Members	Five members (three Outside Directors and two internal Directors)
Chairman	Outside Director
Committee composition	<ul style="list-style-type: none"> The majority shall be Outside Directors The Chairman of the Board of Directors and the President and CEO are not members of the committee
Number of meetings held	7
Attendance rate	100%
Matters deliberated and matters reported	<ul style="list-style-type: none"> Determination of criteria for appointing Directors, Audit & Supervisory Board Members, and Executive Officers Determination of Director candidates, Audit & Supervisory Board Member candidates, and Executive Officer personnel Reporting on succession planning for management executives Reporting on the list of candidates for Outside Director and Outside Audit & Supervisory Board Member Determination of the members of each Advisory Committee
Compensation Advisory Committee	
Members	Five members (three Outside Directors and two internal Directors)
Chairman	Outside Director
Committee composition	<ul style="list-style-type: none"> The majority shall be Outside Directors The Chairman of the Board of Directors and the President and CEO are not members of the committee
Number of meetings held	5
Attendance rate	96%
Matters deliberated and matters reported	<ul style="list-style-type: none"> Determination of compensation policy and compensation structure for Directors Reporting on the compensation policy and compensation structure for Executive Officers Determination of compensation levels and tables for Directors and Executive Officers Determination of compensation for foreign Executive Officers Determination of evaluation criteria and payment amounts for Director bonuses and stock compensation Determination of evaluation criteria and payment amounts for Executive Officer bonuses and stock compensation
Corporate Governance Committee	
Members	Five members (three Outside Directors and two Outside Audit & Supervisory Board Members)
Chairman	Outside Director
Committee composition	Composed of Outside Directors and Outside Audit & Supervisory Board Members
Number of meetings held	2
Attendance rate	100%
Matters deliberated	<ul style="list-style-type: none"> Evaluation of effectiveness of the Board of Directors in fiscal 2022

Director Compensation

Compensation Policy for Directors

① Basic Policy

- The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
- The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
- The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.

② Structure of Compensation

- Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
- The compensation composition ratio of performance-linked compensation to base salary shall be determined according to each Director's role and responsibility.
- Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.

③ Base Salary

- The amount of a base salary, paid monthly, shall be determined for each role by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.

④ Performance-Linked Compensation

- As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets. Bonuses shall be paid as a lump sum after the conclusion of the fiscal year.
- As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock).
- The performance-linked component of stock compensation shall be paid after the medium-term

management plan concludes, while the non-performance-linked component shall be paid after the Director retires.

- The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's role and responsibility.

⑤ Compensation Governance

- The compensation composition, compensation composition ratio, level of the base salary, as well as performance indicators and evaluation methods of performance-linked compensation shall be determined based on the deliberations and recommendations of the Compensation Advisory Committee.
- The amount of compensation for each Director shall be determined by a resolution of the Board of Directors reflecting the deliberations and recommendations of the Compensation Advisory Committee.

Overview of Compensation Structure for Directors

(1) Compensation Composition Ratio

Compensation for Directors and Executive Officers consists of a base salary (fixed compensation) and compensation according to Company performance, namely short-term performance-linked compensation (bonuses) and medium-to-long-term, performance-linked compensation (stock compensation). The ratio of compensation consisting of performance-linked compensation compared to base salary has been determined for each role: (See [Figure 1](#))

Figure 1

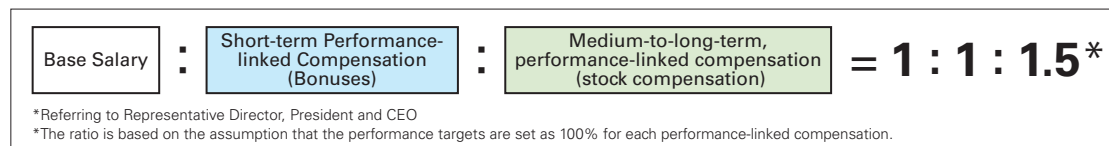


Figure 2



(2) Base Salary

A base salary is paid monthly to Directors and Executive Officers as fixed compensation. Base salaries are determined for each role by taking into account the salary levels of officers at other companies (benchmarked companies of the same industry and scope selected by the Compensation Advisory Committee), as surveyed by a specialized outside organization.

(3) Short-term Performance-linked Compensation (Bonuses)

Bonuses are paid as a lump sum after the fiscal year concludes to Executive Officers and Directors excluding Outside Directors as short-term performance-linked compensation, which is linked to yearly performance indicators and the degree of achievement of performance targets. Director bonuses vary between 0% and 200% according to the achievement of operating income, net income, and ROIC targets defined in the annual operating plan. (See [Figure 2](#))

(4) Medium-to-long-term, performance-linked compensation (stock compensation)

Stock compensation is paid as medium-to-long-term, performance-linked compensation to Executive Officers and Directors excluding Outside Directors. Stock compensation comprises the performance-linked component (60%), which is linked to the degree of achievement of the medium-term management plan, and the nonperformance-linked component (40%), which aims for retention and motivation to improve share prices over the medium- to long-term, and is paid under the condition

of a certain term of service. The performance-linked component of stock compensation is paid after the medium-term management plan concludes, while the non-performance-linked component is paid after the Director retires. The performance-linked component will fluctuate in the range of 0% to 200% depending on the degree of achievement of performance targets in the medium-term management plan. In the event of serious misconduct during their term of office, and such misconduct harms the Company, the Compensation Advisory Committee will deliberate and make a recommendation. Based on this discussion and recommendation, the Board of Directors and President shall resolve to limit the payment of stock-based compensation for Directors and Executive Officers, respectively. (See [Figure 1](#))

(5) Performance indicators of performance-linked compensation

· The performance indicators for short-term performance-linked compensation (bonuses) were set from the short-

term management plan's indicators for financial targets towards the realization of the short-term management plan based on "SF 1st Stage" (fiscal 2022 to fiscal 2024).
 · The performance indicators for medium- to long-term performance-linked compensation (stock compensation) were set from the indicators in SF 1st Stage for financial targets, non-financial targets and strategic targets towards the realization of "SF 1st Stage" (fiscal 2022 to fiscal 2024). In addition, the long-term vision for 2030 "SF2030" aims to maximize corporate value, and indicators for directly evaluating corporate value have been set.

Initiatives Towards Improving the Board of Directors' Effectiveness

1. Overview of initiatives towards improving the Board of Directors' effectiveness

The Company ensures transparency and fairness in business management, speeds up management decisions

and practices, and strives to boost the OMRON Group's competitive edge. The ultimate objective is to achieve sustained enhancement of corporate value. To this end, the Company reinforces the supervisory functions of the Board of Directors through initiatives for improving its effectiveness.

Such initiatives are undertaken in a cycle of (1) evaluation of the Board of Directors' effectiveness and (2) determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans.

(1) Evaluation of the Board of Directors' effectiveness

The Company's evaluation of the Board of Directors' effectiveness is conducted by the Corporate Governance Committee chaired by an Outside Director and comprising only Outside Directors and Audit & Supervisory Board Members (Independent) (hereinafter "Outside Executives"). Outside Executives act as members of the Board of Directors while having the perspectives of all stakeholders including the shareholders. The Corporate Governance Committee, which is composed only of Outside Executives, performs evaluations in order to ensure that evaluations are both objective and effective.

(2) Determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans Based on the evaluation results by the Corporate

Based on the evaluation results by the Corporate Governance Committee in (1) and the business environment, etc., the Board of Directors determines the policy for the operation and focus themes of the Board of Directors for the next fiscal year. The Board of Directors formulates and implements annual plans based on this operation policy. The Company continues to improve the Board of Directors' effectiveness by implementing (1) and (2) above on a yearly basis. The Corporate Governance Committee has evaluated these initiatives to be the Company's unique, optimal activities that are both objective and effective. The Board of Directors recognizes the Company's initiatives as being more effective than evaluations by third parties.

*FY2022 Results

Figure 3

$$\text{Base amount for each position} \times \left(\text{Financial targets evaluation 60\%} + \text{Corporate value evaluation 20\%} + \text{Sustainability evaluation 20\%} \right) = \text{Performance-linked portion}$$

	Evaluation weight	Evaluation indicators	Targets
Financial targets evaluation	60%	• EPS	¥400
		• ROE	10%
Corporate value evaluation	20%	• Relative TSR*1	100%
Sustainability evaluation	20%	• Reduction of greenhouse gas emissions (internal target)	-53% from FY2016
		• Score of Sustainable Engagement Index (SEI)*3 in engagement survey*2 (internal target)	70 points
		• Dow Jones Sustainability Indices (third-party evaluation)	DJSI World

*1 Indicator that compares total shareholder return (TSR) of OMRON in the covered period to the percentage change of TOPIX, dividends included (Relative TSR = TSR ÷ Percentage change of TOPIX, dividends included)

*2 Survey measuring employees' voluntary motivation to contribute to targets of the organization

*3 Indicator that measures the presence of a high level of motivation to contribute to the achievement of targets, maintained through good mental and physical health, or a strong sense of belonging to the organization, or a productive work environment

2. Methods of Evaluation of the Board of Directors' effectiveness for fiscal 2022

The methods of the evaluation of the Board of Directors' effectiveness and the evaluation items in the self-evaluation for fiscal 2022 are as described below.

2-1. Evaluation methods

1) Self-evaluations by Directors and Audit & Supervisory Board Members

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the contents of discussions at the meetings of the Board of Directors and the extent of oversight functions exercised, immediately following each meeting of the Board of Directors. Immediately after each meeting of the Board of Directors, Outside Executives evaluated the Board of Directors and held a review meeting to review the Board of Directors.
- Each Director and Audit & Supervisory Board Member performed self-evaluations of the operation, etc. of the Board of Directors over the course of the year following the meetings of the Board of Directors held on February 28 and March 28, 2023.

2) Interviews by the Chairman of the Board of Directors

- The Chairman of the Board of Directors conducted individual interviews to Directors and Audit & Supervisory Board Members between December 2022 and March 2023.

3) Evaluation by the Corporate Governance Committee

- The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness on March 28 and April 26, 2023.

2-2. Self-evaluation items

Self-evaluation items are as follows. Evaluations were performed from the perspectives of whether or not the Board of Directors sufficiently exercised its oversight functions, and whether it contributed to the exercise of its oversight functions. Evaluations are performed by completing anonymous questionnaires. For each evaluation item, answers are provided using five-point scales and free comment fields.

1) Self-evaluations performed immediately following meetings of the Board of Directors

- Contents of discussions at the meeting of the Board of Directors
- Extent of oversight functions exercised by the Board of Directors

2) Self-evaluations for the entire year, performed at the end of the fiscal year

1. Operation of the Board of Directors
 - 1) Policy for the operation of the Board of Directors for fiscal 2022
 - 2) Fiscal 2022 focus themes
 - 3) Deliberations and reports regarding issues other than fiscal 2022 focus themes
 - 4) Policy for the operation and focus themes of the Board of Directors for fiscal 2023 (requests)
2. Increasing information sharing opportunities
 - 1) Individual meetings
 - 2) Sharing information through visits, etc.
 - 3) Board reviews immediately after Board of Directors meetings
 - 4) Initiatives for fiscal 2023 (requests)
3. Advisory Committees
 - 1) CEO Selection Advisory Committee

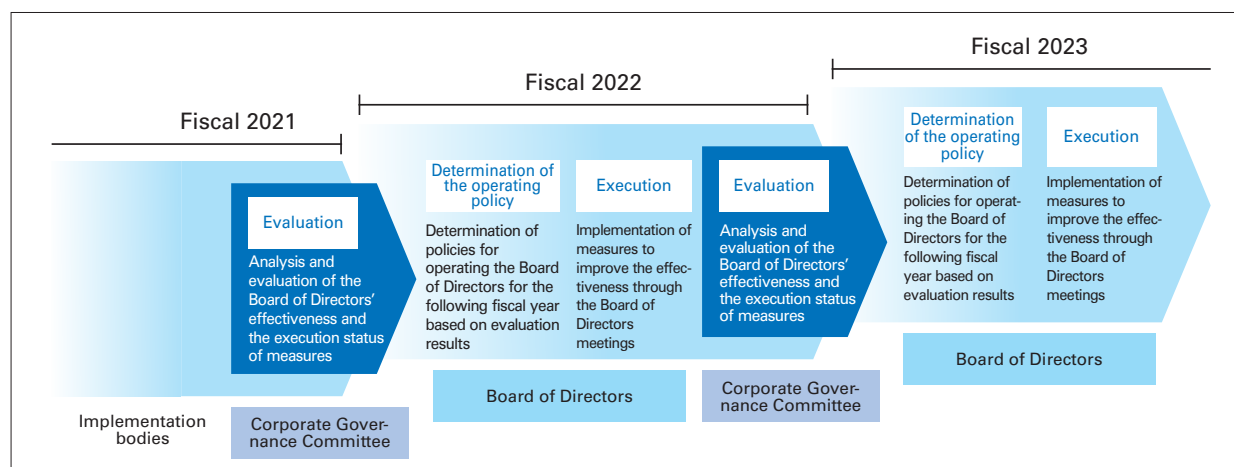
- 2) Personnel Advisory Committee
 - 3) Compensation Advisory Committee
 - 4) Corporate Governance Committee
4. Other overall issues regarding the Board of Directors

3. Change of President

3-1. Discussions by the CEO Selection Advisory Committee and the Board of Directors

- The Company resolved to change the President on April 1, 2023 at an extraordinary meeting of the Board of Directors held on January 12, 2023. As the selection of the President is the top-priority matter in management oversight, the matter was deliberated by the CEO Selection Advisory Committee, which specializes in the selection of the President, and the Board of Directors made a resolution based on their report.
- The CEO Selection Advisory Committee deliberates on the succession plan every year and, based on the candidate list, checks the development plan and development status, including the assignment of difficult tasks. In addition, candidates are observed during opportunities such as presentations at the Board of Directors. In fiscal 2022, the candidate selection process included a survey of several candidates with the

Initiatives Towards Improving the Board of Directors' Effectiveness



engagement survey VOICE, a 360-degree evaluation, an analysis of third-party evaluation results by a human resources consulting company targeting managers, and candidates were screened and determined through interviews and other contact opportunities.

3-2. Evaluation by the Corporate Governance Committee

Points commended

- The Corporate Governance Committee commended the President selection process used by the CEO Selection Advisory Committee. The process was deemed appropriate as transparency and objectivity were ensured due to Outside Directors who are members of the CEO Selection Advisory Committee being provided with objective data on candidates as well as opportunities to contact candidates multiple times.

Points requested

- The further development of the President selection process is requested through the continued formulation of succession plans after the new system, strengthening of the system for developing candidates, and early establishment of contact opportunities between committee members and candidates, etc.

4. Policy for the operation and focus themes of the Board of Directors for fiscal 2022

Board of Directors Operation Policy for Fiscal 2022

"Fiscal 2022 saw the launch of the OMRON Group's long-term vision "SF2030" and the medium-term management plan "SF 1st Stage." Toward achieving them, the Board of Directors will exercise its oversight functions together with the ability to respond to change from near-term as well as medium- to long-term perspectives. This will be done recognizing the link between the following three focus themes and issues subject to oversight."

Focus Themes

1) Monitoring progress of the long-term vision and medium-term management plan

< Point of oversight >

- Transformation of business models (promotion of businesses reflecting an essential value perspective, including alliance with JMDC)

- Acceleration of diversity and inclusion
- Improvement of supply chain resilience
- Promotion of initiatives aimed at addressing important sustainability issues

2) Response to risks in the era of uncertainty

< Point of oversight >

- Improvement of ability to detect changes in the global geopolitical environment
- Transformation of global business operations
- Enhancement of cybersecurity

3) Checking the progress of establishing a companywide IT system

< Point of oversight >

- Monitoring companywide IT system construction with third-party evaluation in mind

Background of the establishment of the policy for the operation and focus themes of the Board of Directors for fiscal 2022 (discussed and decided at the Board of Directors meeting held in May 2022)

Focus theme 1: Monitoring progress of the long-term vision and medium-term management plan

Toward the realization of the long-term vision "SF2030" (hereinafter, the "Long-Term Vision") and the medium-term management plan "SF 1st Stage" (hereinafter, the "Medium-Term Management Plan"), the Board of Directors confirmed that monitoring progress was an important part of oversight functions. Specifically, the Board of Directors decided to promote oversight that focuses on the transformation of business models, acceleration of diversity and inclusion, improvement of supply chain resilience, and promotion of initiatives aimed at addressing important sustainability issues.

Focus theme 2: Response to risks in the era of uncertainty

Global geopolitical risks, such as Russia's invasion of Ukraine, have a material impact on business and performance, and the Board of Directors continued to discuss this as a focus theme in fiscal 2022 from the perspective of improving the ability to perceive changes.

Focus theme 3: Checking the progress of establishing a companywide IT system

As establishing a companywide IT system is a large-scale decade-long project, it has been a focus theme since fiscal 2019. At a Board of Directors meeting held during the last fiscal year, a proposal was made to introduce a third-party evaluation of the status of development of the companywide IT system, and the Board of Directors supervised the progress in fiscal 2022 while taking external evaluations by third-party organizations into account.

5. Results of evaluation of the Board of Directors' effectiveness for fiscal 2022

5-1. Performance of operation of the Board of Directors

5-1-1. Focus themes

Focus theme 1: Monitoring progress of the long-term vision and medium-term management plan

<Transformation of business models (promotion of businesses reflecting an essential value perspective, including alliance with JMDC)>

- Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- As a transformation of business models from the essential value perspective advocated for in the Long-Term Vision, they reported on the development of businesses reflecting an essential value perspective in the five Industrial Automation Business areas of "on-site data utilization service," "application engineering service," "product recurring model," "education service," and "maintenance and preservation service." They also reported on the Healthcare Business's telemedicine service initiatives in the United States.
- Regarding the collaboration with JMDC, they reported on the progress of seven collaboration themes that are currently being planned and implemented, as well as JMDC's strengths and issues that were reaffirmed through collaboration. In addition, regarding parallel third-party allotment of JMDC, they reported an additional

investment for the purpose of accelerating collaboration and strengthening relationships, and the Board of Directors resolved on this.

- Main contents of discussions at the meeting of the Board of Directors
- The Board of Directors recognized that energy reduction through i-BELT, the Industrial Automation Business's business that offers essential value, will contribute to the reduction of greenhouse gases and lead to the provision of new social value. They also recognized that energy solutions and security management are business models that can be expanded beyond the manufacturing industry. In addition, they discussed the necessity of co-creation with partners in the promotion of businesses offering essential value and the development of expert human resources from the essential value perspective.
- In addition to confirming the progress of the collaboration with JMDC, the Board of Directors discussed the challenges in achieving "Zero Events" for cardiovascular diseases and the expansion of business domains other than cardiovascular.

<Acceleration of diversity and inclusion>

- Contents of reports at the meeting of the Board of Directors
- The business execution division reported the following points to the Board of Directors.
- As the results of the engagement survey VOICE, they reported that all categories including diversity and inclusion remained sound, and that the SEI^{*1} score was 76, exceeding the target of 70.
 - They reported that there were issues in "work efficiency" and "performance management" within "work environment," and that "work process simplification" and "sufficient encouragement to employees who are not producing results in line with their positions" were implemented as specific measures in order to further raise the motivation of employees.
 - Regarding secondary positions that have been implemented since 2021, they reported on the current situation of employees' secondary positions and

examples and challenges related to accepting secondary positions. Moreover, they reported results related to the acquisition of professional human resources, revitalization of the organization, and interactions with diverse human resources that have led to the creation of new value and career development for employees.

- Main contents of discussions at the meeting of the Board of Directors
- Regarding "sufficient encouragement to employees who are not producing results in line with their positions" among the results of the engagement survey VOICE, which is an issue unique to Japan, the Board of Directors discussed the establishment of the recharge and recharge^{*2} system and the need to analyze the root cause of the inability to produce results according to position. In addition, they also discussed the importance of identifying obstacles to "smooth business progress," which got a low score even overseas, and making management decisions about "stopping" through the practice of high-cycle management^{*3}.
- The Board of Directors recognized that making the employment system more flexible and introducing a secondary position system led to the resolution of the shortage in human resources. They also recognized that themes related to solving social issues attracted applicants and resulted in more than 60 times more applications. Moreover, the Board of Directors discussed expanding the number of secondary position themes, further improving the placement of the right people in the right places, and revitalizing the organization and developing employees through recruitment for secondary positions.

<Improvement of supply chain resilience>

- Contents of reports at the meeting of the Board of Directors
- The business execution division reported the following points to the Board of Directors.
- They reported recovery from the impact of the Shanghai lockdowns in the first half of the year through the recovery of production and the strengthening of supply capabilities, and that the Company will achieve sales in

the current fiscal year by demonstrating expanded product supply capabilities.

- Main contents of discussions at the meeting of the Board of Directors
- The Board of Directors discussed how to procure important materials based on the Economic Security Promotion Bill, the necessity of procuring parts at the supply chain level, and consideration of local production for local consumption that takes the effects of decoupling into account.

<Promotion of initiatives aimed at addressing important sustainability issues>

- Contents of reports and resolutions at the meeting of the Board of Directors
- The business execution division reported the following points to the Board of Directors.
- They reported and resolved at the Board of Directors to set targets for fiscal 2022 to achieve targets for important sustainability issues in the Long-Term Vision and Medium-Term Management Plan, and to promote and implement various sustainability initiatives. In addition, they reported and resolved to change the environmental targets (Scope 1 and 2) for 2030 from a 59% reduction compared to fiscal 2016 to a 65% reduction by implementing strategic initiatives formulated in the Long-Term Vision, such as the decarbonization of society, ongoing initiatives for energy conservation and renewable energy, procurement of renewable energy power, and utilization of the J-Credit Scheme.
 - Regarding the disclosure of information related to climate change in the Annual Securities Report, in light of the trend for future disclosure standards being under the TCFD^{*4} framework, they made a report on the intention to disclose information under the framework of "Governance," "Strategy," "Risk Management," and "Metrics and Targets," which are items for disclosure requested by the TCFD, and disclosed information in the 85th term (June 2022) Annual Securities Report. In addition, regarding the disclosure of the degree of impact of climate-related risks and opportunities on

business and finances, they reported on a step-by-step disclosure plan in the Medium-Term Management Plan, and the Board of Directors resolved on this.

*1 SEI: Sustainable Engagement Index

Indicator that measures the presence of a high level of motivation to contribute to the achievement of targets, maintained through good mental and physical health, or a strong sense of belonging to the organization, or a productive work environment

*2 Recharge and recharge: Change of position from key managerial position to non-managerial position (recharge), and reappointment to key managerial position (rechallenge)

*3 High-cycle management: OMRON's unique management policy of increasing the ability to create customer value in a compounded manner by speeding up the verification and correction cycle rather than speeding up business

*4 TCFD: Task Force on Climate-related Financial Disclosures

■ Main contents of discussions at the meeting of the Board of Directors

- Recognizing that the achievement of the fiscal 2030 target of Scope3cat.11^{*1} (18% reduction compared to fiscal 2016), which is an important sustainability issue, requires efforts not only by the Company, but by the entire value chain, and that there are complex issues such as rising procurement costs for renewable energy, the Board of Directors discussed the need to upgrade strategic scenarios that grasp risks and opportunities to a company-wide level and the development of energy-saving designs for new products.

Focus theme 2: Response to risks in the era of uncertainty <Improvement of ability to detect changes in the global geopolitical environment and transformation of global business operations>

■ Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- A lecture by an economist and an exchange of opinions on the outlook for China's economic trends and its impact on the world economy were implemented. In addition, as a concrete response to geopolitical risks, the Global Strategy H.Q. reported on the "Report on the Group's response policy to geopolitical risks" and the Industrial Automation Business reported on the "Response to local production for local consumption against production site risk" and the "Response to double-tracking against risk of materials used."

■ Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed the feasibility of implementing risk avoidance measures and the importance of maintaining the perspective of assessing timing. They also recognized the need to accelerate the localization of business operations in order to promote local production for local consumption.

< Enhancement of cybersecurity >

■ Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- In addition to reporting on the overall image and maturity of current cybersecurity measures, they reported on priority issues and initiatives to strengthen the Company's systems against ransomware^{*2} attacks in normal times and in emergencies, and to evolve into a security infrastructure that supports the promotion of businesses offering essential value.

■ Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed strengthening measures for issues in finding and training security human resources based on case studies from other companies in order to develop cyber security. In addition to strengthening the team of cyber security experts, it was also requested that employees continue to be thoroughly trained in preparation for increasingly sophisticated cyber attacks such as email hacking. Moreover, the periodic implementation of simulations for ransomware attacks and the importance of cyber security insurance were discussed.

*1 Scope3cat.11: Reduction of GHG emissions from the use of products sold by the Company

*2 Ransomware: A malicious program that encrypts data stored on a device and demands money in exchange for restoring the data

Focus theme 3: Checking the progress of establishing a companywide IT system <Monitoring companywide IT system construction with third-party evaluation in mind>

■ Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- They submitted progress confirmation for the construction of the companywide IT system in the first and second half of the year, and reported on the implementation status, the results of external evaluations by third-party organizations, and initiative planning for fiscal 2023. The Board of Directors resolved the capital investment plan for fiscal 2023.
- As for the implementation status in fiscal 2022, it was reported that the requirements definition phase for ERP deployment in Europe had been completed, and that preparations for transition to the planning and requirements definition phase for ERP deployment in Japan had been completed. In terms of deployment in Europe, it was reported that a compliance rate of 91% was achieved, exceeding the target compliance rate of 80%, by thoroughly adhering to the Fit to Standard principle, and that design and development will begin in April 2023. In terms of deployment in Japan, a master schedule that makes use of what was learned from deployment in Europe was formulated, and it was reported that core operations, data linkage, and utilization infrastructure would be implemented as a minimum scope in order to increase the success rate of the project.

■ Main contents of discussions at the meeting of the Board of Directors

- On top of recognizing the importance of promoting Fit to Standard even for deployment in Japan, which has more functions and is more complex than Europe, the Board of Directors also confirmed that some themes need to be developed outside the standard as Fit to Business.
- The Board of Directors requested the continued promotion of the project after confirming that the project was progressing as planned and recognizing that the purpose of building the companywide IT system is not simply to replace the system, but to innovate operations and improve productivity through DX.

5-1-2. Significant matters other than the focus themes

<Discussions toward the creation of an optimal governance system>

- Contents of reports at the meeting of the Board of Directors
 - The Chairman of the Japan Association of Corporate Directors was invited as an external lecturer to give a lecture and exchange opinions on corporate governance issues and future direction, and discussions were held regarding the construction of an optimal corporate governance system for realizing the Long-Term Vision.
- Main contents of discussions at the meeting of the Board of Directors
 - The Board of Directors, with the participation of the external lecturer, discussed continuing to consider optimal governance in accordance with the scale of the company, the business situation, the actual state of corporate governance, etc., as well as the vital importance of having substantial discussions on medium- to long-term strategies, etc. at Board of Directors meetings. Furthermore, the Board of Directors confirmed that it will continue to hold discussions focused on the evolution of OMRON's corporate governance.

< Confirmation of status of M&A and alliances >

- Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

 - Of the four business domains set in the Long-Term Vision, they reported on the status of M&A and alliance considerations in the Industrial Automation and Healthcare Solutions domains.
 - As an example of an alliance, they reported on the establishment of the "Health & Productivity Management Alliance"^{*1}, which aims to improve productivity by improving the health of employees and reducing the burden of medical expenses on companies, as well as create a market for health promotion and prevention of serious illness.
- Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed alliances in the Industrial Automation domain, products that are lacking in order to promote ILOR+S^{*2}, and the status of alliances involving customers.
- Alliances in the healthcare solution domain discussed the direction of monetization in investments in overseas ventures, consideration of alliances not only with platformers but also with private insurance companies, and the need for analysis from the perspective of investment companies.

*1 Health & Productivity Management Alliance: Eight companies, including OMRON, act as lead managing companies of this alliance, which aims to "design a model for health and productivity management, co-create solutions to make it work, and implement them in the industrial world." Scheduled to start in June 2023.

*2 ILOR+S: "Input," "Logic," "Output," "Robot," "Safety"

< Reports on intellectual property >

- Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

 - In order to achieve the Long-Term Vision, the realization of a value creation story (business model) linked to the utilization of intellectual property and intangible assets is being promoted, and it was reported that "ambidextrous IP activities" were implemented by combining the "exclusive type" and "sharing & inclusion type" with optimal balance.
- Main contents of discussions at the meeting of the Board of Directors
 - The Board of Directors recognized that intellectual property activities have evolved to be unlike conventional concepts of intellectual property, that they are strategies that are directly linked to business models, and that they are timely initiatives for the promotion of businesses offering essential value in the Long-Term Vision. In addition to the utilization of existing technologies and the search for new technologies in creating new businesses, they discussed how stakeholder empathy can be enhanced by explaining efforts to create technology in-house and investments in intellectual property and intangible assets in terms of their connection with the management story. At the same time, the Board of

Directors discussed the importance of contracts for open and closed parts of the sharing & inclusion type, the permeation of intellectual property utilization within the Company, and the importance of developing specialists with intellectual property knowledge and business sense.

5-2. Evaluation by the Corporate Governance Committee

The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness during fiscal 2022 and reported the following evaluation results at the Board of Directors meeting held on May 16, 2023.

5-2-1. General comments on evaluation

■ Points commended

- Oversight functions were fully demonstrated through the selection of focus themes by backcasting from the Long-Term Vision for what the Company should look like by 2030, the discovery of issues, and discussions on the ideal direction in consideration of the overall picture.
- As active discussions were held for all themes, including the focus themes, and about 75% of the time required for the Board of Directors meetings was dedicated to proposals centered on medium- to long-term discussions, the Board of Directors fulfilled their function as a monitoring board for the realization of the Medium-Term Management Plan.
- Two-way discussions with Outside Executives deepened as opportunities for Internal Executives to speak actively based on their respective roles and expertise increased.

■ Points requested

- High-quality discussions are held each time, but in order to confirm the certainty of strategy execution, issues and risks recognized by the business execution division should be presented and reported more clearly.
- In order to further enhance the monitoring board function, regular reports should be narrowed down to matters with high importance and timeliness. This will expand the scope of delegation of authority for business execution and increase medium- to long-term discussions at Board of Directors meetings.

- As the social environment and economic conditions are constantly changing, flexibility to appropriately discuss issues identified in executing business strategies at Board of Directors meetings should be continued.

5-2-2. Individual evaluation

The Corporate Governance Committee commended and requested the following points regarding the Board of Directors in fiscal 2022.

■ Points commended

- Regarding geopolitical risks, the Board of Directors was able to confirm that the current global business operation policy is appropriate.
- Analysis of the results of the engagement survey VOICE clarified issues with the Company's organizational capabilities and clarified the direction of action to be taken.

■ Points requested

- Discussions on future business strategies in collaboration with JMDC will continue to be an important theme for transforming business models from an essential value perspective, and the Board of Directors should demonstrate its oversight functions through continuous discussions.
- Geopolitical risks and responses to them should continue to be monitored and discussed in fiscal 2023 as a response to risks in the era of uncertainty.
- Discussions on building the companywide IT system should not only be from the perspective of system innovation, but should be enhanced to discussions from a DX perspective that innovates existing businesses.

5-3 Initiatives by the Advisory Committees and evaluation by the Corporate Governance Committee

5-3-1. General comments on evaluation

The Corporate Governance Committee commended the operations of the CEO Selection Advisory Committee, Personnel Advisory Committee, and Compensation Advisory Committee for ensuring an objective and transparent process and operating properly.

Regarding the role of the Corporate Governance Committee, the Corporate Governance Committee requested from the Board of Directors that their role not only be to evaluate the effectiveness of the Board of Directors, but be expanded to include opportunities to discuss corporate governance.

5-3-2. Individual evaluation

The Corporate Governance Committee commended the following points regarding each Advisory Committee.

- CEO Selection Advisory Committee
As described in "3. Change of President" at the beginning
- Personnel Advisory Committee
They were commended for taking time to openly discuss the list of candidates for Outside Directors and Outside Audit & Supervisory Board Members in addition to regular matters, for strengthening the board succession, and for ensuring appropriate operations.
- Compensation Advisory Committee
They were commended for deliberating regular deliberation items based on the compensation structure decided in fiscal 2021 and for ensuring appropriate operations.

5-4 Initiatives on information sharing opportunities and evaluation by the Corporate Governance Committee

5-4-1. Initiatives on information sharing opportunities

■ On-site visits

Opportunities are provided for Outside Executives to visit major bases, exhibitions, etc. and participate in in-house events, which leads to an improvement in understanding of the Company's business and organizational culture.

■ Outside Executives' and Accounting Auditor's opinion exchange meeting (continuously held from fiscal 2015)

Supervisory and auditing functions are being strengthened by sharing the viewpoints of the Accounting Auditor with Outside Executives. In addition, through this approach, we are building a relationship in which Outside Executives

directly exchange information about risks in the Company with the Accounting Auditor.

■ Interviews by the Chairman of the Board of Directors (continuously held from fiscal 2016)

The Chairman of the Board of Directors holds individual interviews with Directors and Audit & Supervisory Board Members once a year to discuss improvement plans related to the operation of the Board of Directors.

■ Outside Executives' and top Executives' opinion exchange meeting (continuously held from fiscal 2019)

Opportunities are provided for the exchange of opinions between Outside Executives and top Executives, which leads to an improvement in understanding of the Company's business and organizational culture.

■ Board of Directors review (continuously held from fiscal 2021)

Outside Executives conduct a review of the Board of Directors immediately after meetings of the Board of Directors. Outside Executives sharing amongst themselves what they felt immediately following meetings of the Board of Directors leads to the improvement of the evaluation of the Board of Directors.

■ Observation of Executive Committee meetings (continuously held from fiscal 2021)

Outside Executives may observe Executive Committee meetings (management meetings by Executives), as fully understanding the situation of the business execution division will lead to the expansion of the breadth and depth of discussions at the Board of Directors meetings

5-4-2. General comments on evaluation

The Corporate Governance Committee commended the implementation of various initiatives on information sharing opportunities for Outside Executives to deepen their understanding of organizational culture and the situation of the business execution division in order to improve the effectiveness of the Board of Directors.

5-4-3. Individual evaluations

The Corporate Governance Committee commended and requested the following points of the Board of Directors' initiatives regarding individual information sharing opportunities.

■ On-site visits

- Through visits to the automation center (ATC-KUSATSU), understanding of organizational management deepened through the understanding of solutions that are at the core of businesses offering essential value and dialogue with sales and SE staff. With the end of the COVID-19 crisis in sight, it has been requested that opportunities for on-site visits be strengthened.

■ Outside Executives' and Accounting Auditor's opinion exchange meeting

- Opinion exchange meetings between Outside Executives and the Accounting Auditor were held on two occasions. In the first discussion, the Accounting Auditor expressed its awareness of challenges in accounting audits that capture changes in the business environment, and requested investments in JMDC and responses to issues in the global internal audit system.

- In the second discussion, the Accounting Auditor brought up investments in JMDC and issues in the global internal audit system, leading to discussions about approaches to investment evaluation and the strengthening of the global audit system, which connected to future actions. From the next fiscal year onwards, it is requested that multifaceted information be provided in order to further grasp specific situations on-site.

■ Outside Executives' and Top Executives' opinion exchange meeting

- In response to the change in Presidents of all Business Companies as of April 2023, an opinion exchange meeting between the four new Presidents of the Business Companies and Outside Executives was held, enabling two-way discussion and free discussion. Outside Executives asked what they would like to see change, and the Presidents of the Business Companies expressed their candid thoughts on efficient business

operations, including the implementation of high-cycle management, and ensuring psychological safety. It was a useful opportunity for communication as we strive towards the start of the new system, and it is requested that these kinds of discussions continue going forward.

6. Policy for the operation and focus themes of the Board of Directors for fiscal 2023

Based on the results of evaluation conducted by Corporate Governance Committee, Board of Directors engaged in a discussion to determine its operational policy for fiscal 2023. Based on the results of this discussion, Board of Directors operational policy for fiscal 2023 and its focus themes were determined at Board of Directors meeting held on May 31.

<Board of Directors Operational Policy for Fiscal 2023>

The Board of Directors will exercise its oversight functions from a medium- to long-term perspective as we move forward to achieving the OMRON Group's long-term vision, SF2030, and the medium-term management plan, SF 1st Stage, under the new business execution system. This will be done by recognizing the link between the following three focus themes and issues subject to oversight.

<Focus Themes>

1) Monitoring progress of the long-term vision and medium-term management plan

< Points of oversight >

- Operational status of the new business execution system
- Progress of global human resources strategy implementation
- Autonomous growth and business model transformation
- Future business strategy in alliance with JMDC

2) Response to risks in the era of uncertainty

< Points of oversight >

- Response to global geopolitical risks including changes in markets
- Enhancement of cybersecurity

3) Construction of the Corporate IT System

< Point of oversight >

- Progress of Enterprise Resources Planning (ERP) system deployment in Europe and Japan