

# **FY2019 ESG Presentation**



**2020.2.17**  
**OMRON Corporation**

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# OMRON Principles & Sustainability

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**(Presentation by President and CEO Yoshihito Yamada)**

## OMRON Principles

**In 1959, OMRON Founder Kazuma Tateisi created the motto behind our growth: Solving social issues through our business**

# **Our Mission**

## **To improve lives and contribute to a better society**



Founder Kazuma Tateisi

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- Since its founding, OMRON's mission has been to solve society's issues through our business. This has been in the driving force for our growth.
- This dates back to the Mission set out in 1959 by OMRON's founder, Kazuma Tateisi. The Mission encapsulates two beliefs held strongly by the founder.  
The first is that a business should create value for society through its key practices; the second is OMRON's determination to be a pioneer in creating inspired solutions for the future.
- At the time the founder set out OMRON's Mission, it was a small company of only 800 people, generating annual revenue of ¥400 million. Despite this, he set out an ambitious vision.
- The Mission lives on at OMRON in the form of the OMRON Principles.

## OMRON Principles

**Our Mission**

**To improve lives and contribute to a better society**

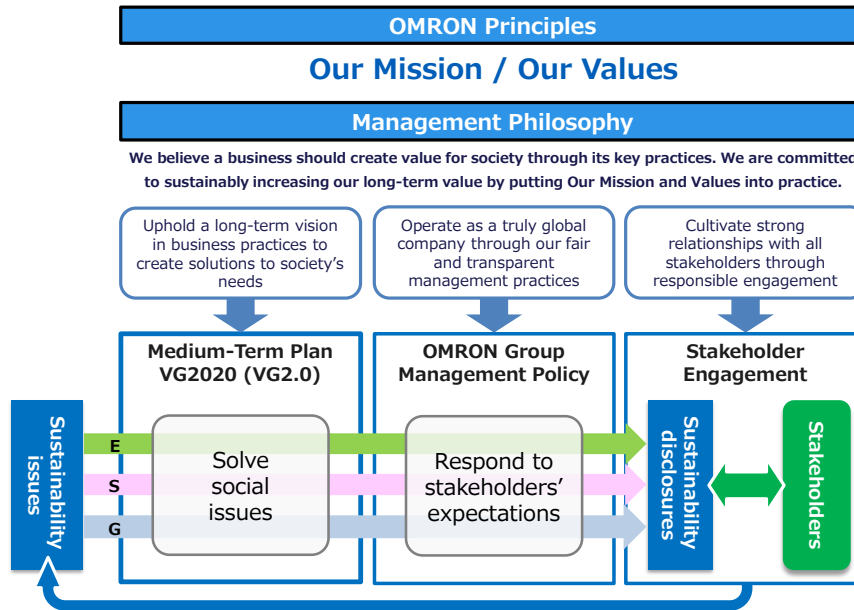
**Our Values**

- **Innovation Driven by Social Needs**  
Be a pioneer in creating inspired solutions for the future.
- **Challenging Ourselves**  
Pursue new challenges with passion and courage.
- **Respect for All**  
Act with integrity and encourage everyone's potential.

- This is the current form of the OMRON Principles.
- The founder's original mission lives on as Our Mission. In 2015, we set out the key values for each and every one of our employees as Our Values. Our Mission and Our Values are shared globally by all OMRON employees.

## Management Based on OMRON Principles

### Management Philosophy underpins alignment with OMRON Principles



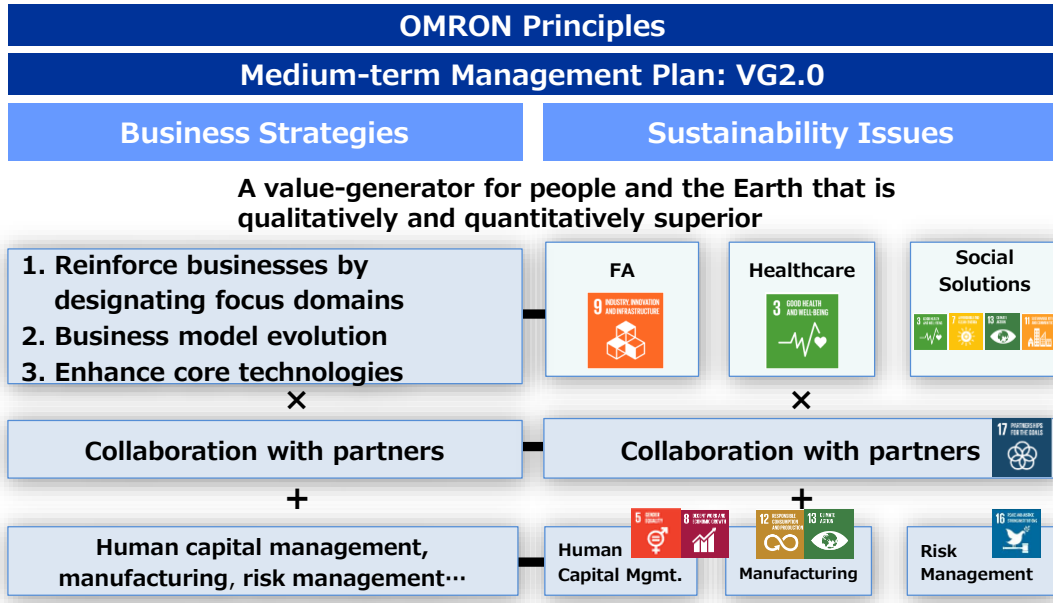
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- In order to foster understanding and encourage employees to 'live' the values, we set out a Management Philosophy. Through this we express our commitment to sustainably increasing our long-term value by putting into practice Our Mission and Values.
- Our Medium-term Plan, the OMRON Group's Management Policy and stakeholder engagement initiatives all derive from this philosophy.
- OMRON's focus on stakeholder engagement, including disclosure of non-financial information, reflects the Management Philosophy which clearly states 'Cultivate strong relationships with all stakeholders through responsible engagement'.

VG2.0 and Sustainability Policy are Linked

**VG2.0 earnings targets and business strategies are linked to key sustainability issues**



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- At OMRON, the earnings' targets and business strategies set out in the Medium-term Plan are linked to key sustainability issues, and are managed on an integrated basis.
- I, as the President, have a duty to report to the Board on our key sustainability initiatives and progress to date. As the most senior executive, I am also responsible for execution of these initiatives.

## Solving Social Issues Through Our Business

## Key social issues targeted in OMRON's Medium-term Plan(VG2.0)

Society (Focus Domain)	Key Social Issue to be Tackled	Business Segment
Factory Automation	Addressing <b>labor shortages</b> , a global issue for manufacturing	IAB
	Addressing <b>shortage of experienced workers</b> on shop floor, and further progress in manufacturing miniaturization	
Healthcare	<b>Reduce incidence of debilitating cerebral/cardiovascular events toward zero</b> (Zero strokes/myocardial infarctions)	HCB
	Achieve early detection and treatment of asthma	
Social Solutions	Contribute to <b>reducing traffic accidents, creation of stress-free urban transportation</b>	SSB/ Environmental Solutions HQ
	Prevent global warming, reduce CO2 emissions by <b>expanding use of renewable energy and enhancing efficient usage</b>	

● In the Medium-term Plan, we have identified the key issues to be solved in our focus domains. For example, in Factory Automation, we are focused on addressing labor shortages, and in Healthcare, reducing cerebral/cardiovascular events toward zero.



## Social Issues in the FA Space

## Major changes on the shop floor on a global basis



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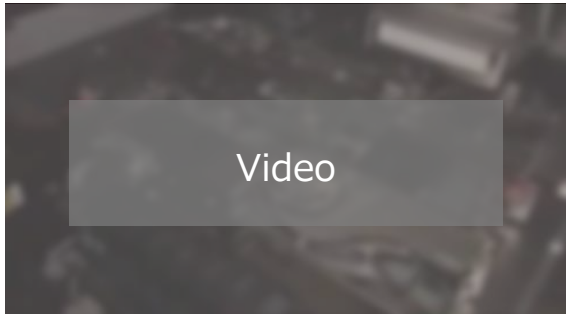
- I will highlight some examples from both Factory Automation and Healthcare. I will start with Factory Automation.
- Globally, manufacturing is now facing significant changes at the shop floor level. The many challenges include shortages of experienced workers, rising labor costs and the migration to high-density mounting in electronic substrates, perhaps best represented by ADAS, which poses challenges in quality control.
- OMRON aims to solve social issues resulting from societal change through innovation.

## FA Business: X-ray Substrate Inspection Equipment (AXI)

**Achieve required production efficiency, enhance product quality for high-density component mounting: contribute to safety and security in autonomous driving**

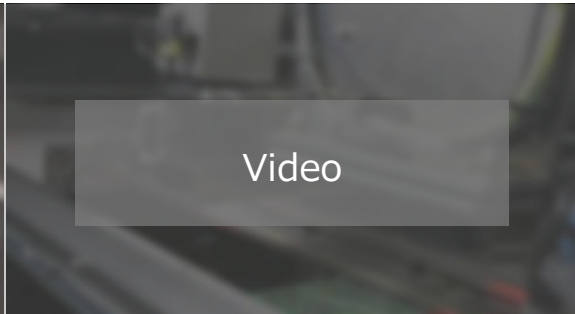
### Conventional Technology

Stop at each point to capture images  
Sampling inspection



### Unique OMRON Technology

Continuous image capture  
In-line inspection



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- On the back of rising ADAS adoption, the auto parts industry is increasingly moving toward high-density mounting for electronic substrates.
- Given that quality issues in such products can have life-threatening consequences, each individual electronic substrate should be inspected. However, inspections to date have been time-consuming which has meant, in practice, it has only been possible to conduct inspections on a sampling basis. The challenge for manufacturers has been managing the trade-off between maintaining productivity and quality control.
- AXI incorporates an X-ray inspection process directly into the production line, making it possible to conduct in-line inspections of all items, thus improving both productivity and quality.
- OMRON's innovation supports safety and a sense of security as the era of autonomous driving approaches.

## Solving Social Issues Through Our Business

Society (Focus Domain)	Key Social Issue to be Tackled	Business Segment
Factory Automation	Addressing <b>labor shortages</b> , a global issue for manufacturing	IAB
	Addressing <b>shortage of experienced workers</b> on shop floor, and further progress in manufacturing miniaturization	
Healthcare	<b>Reduce incidence of debilitating cerebral/cardiovascular events toward zero</b> (Zero strokes/myocardial infarctions)	HCB
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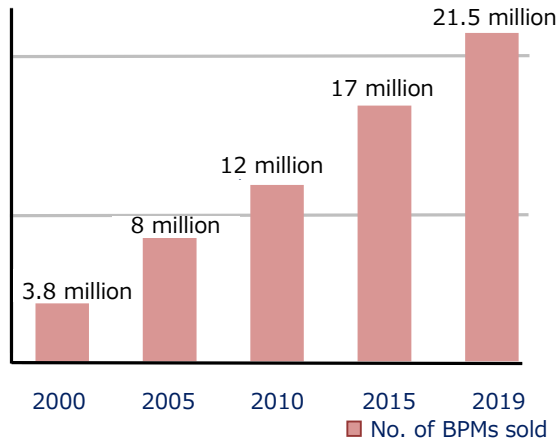
- Next, I will highlight an example in the Healthcare domain.
- OMRON is seriously focused on fully eradicating neurovascular and cardiovascular events, such as strokes and cerebral and cardiovascular infarctions. This is an initiative shared by all OMRON employees under the concept of Zero Events.

## Social Issues in the Healthcare Space

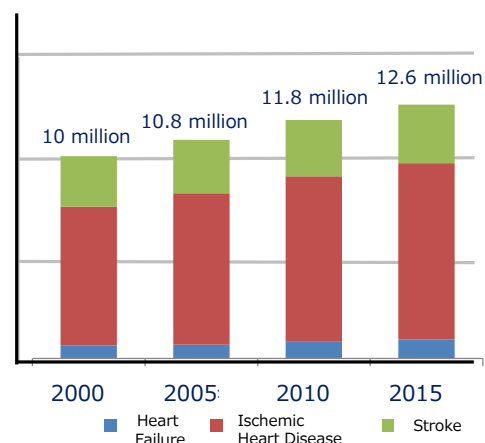
**OMRON drove the adoption of blood pressure management in the home, but cerebral and cardiac event fatalities are still rising**

### Unit Sales of Home-use BPMs

(Global Market Share 50%)



### Cerebral/Cardiac Event Fatalities (Global)\*1



\*1:WHO Global Health Estimates2015

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- OMRON was the pioneer in home-use BPMs, driving the global adoption of blood pressure management in the home. OMRON's global market share is 50%, and it sells 21.5 million units a year.
- Despite this, the number of global fatalities or patients suffering aftereffects of health events resulting from hypertension continues to increase.
- OMRON aims to reduce the number of strokes and myocardial infarctions to zero. This is not only our fervent desire but the challenge with which we have tasked ourselves.

## HCB: Progress toward Achieving Zero Events

**Progress toward achieving Zero Events with revolutionary new devices.  
Wearable BPM selected by Time for The 100 Best Inventions of 2019**



**US FDA approved  
Japan PMDA approved**



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- In order to make Zero Events a reality, OMRON is engaged in innovation on a number of fronts, such as launching first-in-the-world revolutionary devices, and providing diagnostic and treatment services that leverage data.
- OMRON's wearable BPM is the only wrist-type BPM in the world which is capable of continuous readings and that has been approved by the FDA and PMDA as a medical device. With this device, we have changed the concept of what BPMs are used for, from managing to monitoring blood pressure.
- Continuous monitoring of blood pressure allows patients to learn their own blood pressure patterns and enables them to detect early signs of abnormal blood pressure readings. This makes it possible to take preventative action before a potential event, such as raising the ambient temperature or taking nitroglycerin. This brings us one step closer to Zero Events.
- This wearable BPM was launched in December 2018 in North America and December 2019 in Japan. Since its launch, it has been highly rated for its technology and innovativeness. In December 2019, it was selected by Time Magazine as one of The 100 Best Inventions of 2019.

## HCB: Progress toward Achieving Zero Events

**Launched world's first BPM capable of simultaneous EKG and blood pressure readings**

World  
First

**Combined EKG-BPM\***  
(Simultaneously reads EKG and BP)



\*FDA approved



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- The combined EKG-BPM is the world's first BPM that can simultaneously measure both blood pressure and EKG.
- Simultaneous readings of blood pressure and EKG during daily life allows individuals with no subjective symptoms to detect arrhythmia, making early detection of cardiac conditions possible. This is also the only device of its kind that has been approved as a medical device by the FDA.
- OMRON will continue to challenge itself to innovate, identifying longer-term social issues by backcasting from the future.

## Our Biggest Challenge

# How to foster a true understanding of the OMRON Principles amongst employees to encourage and inspire resonance?

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- The biggest challenge as the President of OMRON is how to instill a true understanding of the OMRON Principles to foster resonance, which will inspire more of these kinds of innovations.
- It is not enough to allude to empathy and resonance in the OMRON Principles. In order to achieve true resonance throughout the organization, we are undertaking activities to promote understanding of the OMRON principles, to ensure that our front line employees 'live' the values.



## Circle of Resonance Originating from TOGA

### Unique activities to deepen understanding of OMRON Principles

Message from Senior Management



OMRON Principles Dialogue



Initiative 1

The Omron Global Award (TOGA)



CEO Circle



Initiative 2

Engagement Survey



Omron Principles Workplace Exchange



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- We undertake a number of activities to broaden the circle of resonance around embracing the OMRON Principles.
- The most notable are The OMRON Global Award (TOGA) and the engagement survey VOICE.



## Deepening Employee Engagement (Video)

TOGA2018 Video



*The OMRON Global Awards*

- TOGA overview video

## Example of a TOGA Theme

### Theme

Promoting the creation of Metabolic Management Centers (MMCs) and one-stop management of diabetes patients by leveraging medical innovation

### Social Issues

More than 110 million diabetes patients in China

Issues: Shortage of specialist doctors, lack of treatment framework for patients with diabetes and related complications

### Actions Taken to Address the Issue

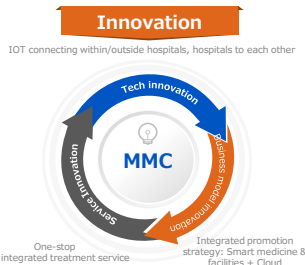
Explain importance of MMCs at 100 conferences over a 1-year period, winning support from the Chinese government, specialist doctors, pharmaceutical firms and medical IT companies. Establish MMCs with integrated one-stop patient data, able to provide optimized treatment

### Results

355 MMCs set up over 3-year period in hospitals across China, with more than 700 hospitals indicating their intent to set up MMCs. MMCs equipped with OMRON products, contributing to HCB revenue growth as well



Theme Leader : Li Zhen-Jie (China)



Integrated diabetes testing equipment developed for MMC

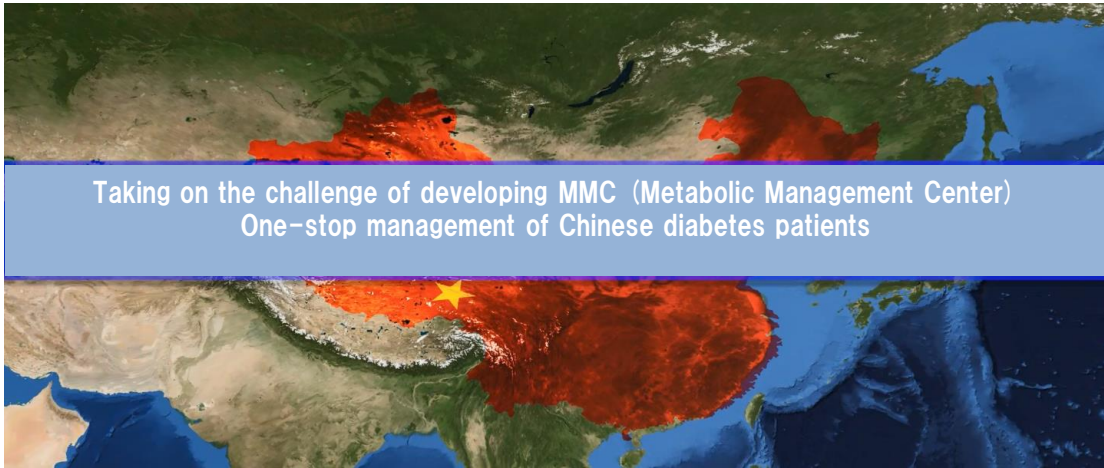
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- I will highlight a theme taken up by our China Healthcare business as a specific example of TOGA.
- China is seeing a surge in diabetes patients, which are now estimated to number more than 110 million people. Diabetes can lead to complications involving sight or the nervous system. In China, there is a shortage of specialist doctors. As a result, treatment of the various aspects of diabetes had been split across different departments within hospitals, with patients being shuffled around between doctors.
- The example I will highlight is a case where an individual recognized the need for change and took the initiative in leading efforts to bring about this change.

## TOGA Theme (Video)

TOGA2018 MMC Video



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- Video showcasing HCB's theme for China.
- What is wonderful about this initiative is that it is a project that was not driven by instigation from above but instead, was developed by the team on their own.
- OMRON has BPMs and measurement equipment for arteriosclerosis but does not have ophthalmological diagnostic equipment or test kits. Therefore, MMCs cannot be outfitted by OMRON alone. But the ripple effect of others resonating with the team's objectives led ophthalmological test equipment makers and pharmaceutical companies to pledge their cooperation.
- While OMRON's China business is struggling under the impact of US-China trade tensions, HCB's China sales grew a strong 113% Y/Y. MMC project sales were a major contributor to this strong result.



# Human Capital Initiatives

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**(Presentation by Masahiko Tomita, Managing Executive Officer,  
Senior General Manager, Global Human Resources and  
Administration HQ)**

## TOGA Activities

**Sharing and recognizing examples of putting the OMRON Principles into practice in everyday work**

### Three Key Characteristics

- 1 Team declaration of an initiative embodying the OMRON Principles, taking action
- 2 Teams judged on how well they have lived the Values
- 3 Share themes (= value created) with all employees

### 5 Processes



### 3 Rules

1. Must embody the Principles
2. Declare and register a theme  
in advance
3. Must be a team effort

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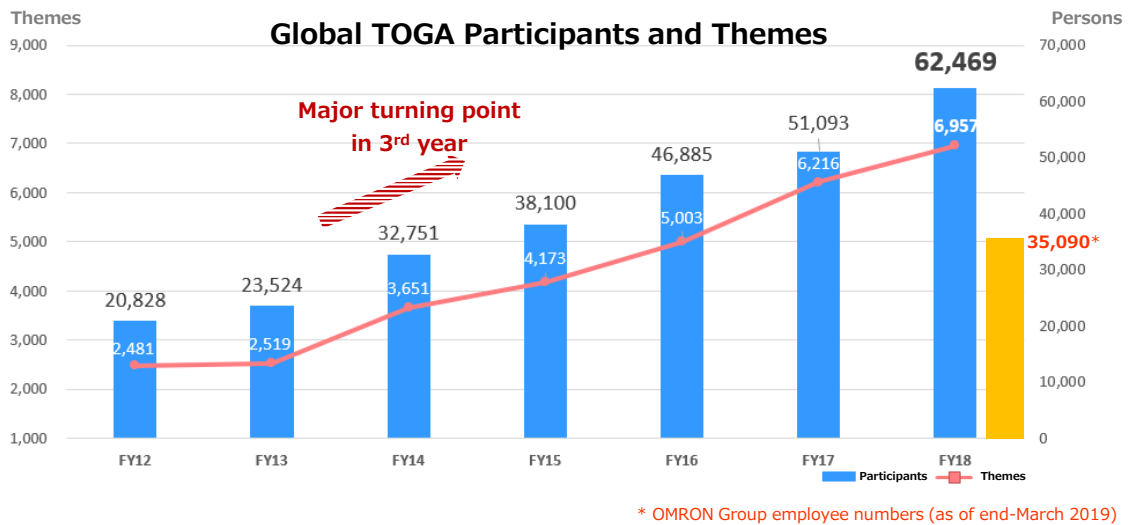
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- TOGA is not simply recognition program but is an activity to support all global employees in embracing and putting the OMRON Principles into practice.
- The 3 key characteristics of TOGA are as shown on the slide.
- It consists of 5 processes. What is important is that there must be complete buy-in from each employee. As employees go through the process, they should be asking themselves 'Why are we doing this?', 'How does this tie into a social issue?' and ensuring they are fully satisfied with their answers. The next steps are to declare and put into practice a commitment, review and share, and learn and resonate.
- There are 3 rules.
  - Must embody the Principles
  - Must declare and register a theme in advance
  - Must be a team effort, with 2 or more people involved

We look favorably upon teams that, for instance, bring together individuals from different companies such as FA and HCB, or cross-border teams that bring together, for instance, sales people in the Netherlands and manufacturing staff in China.

## Evolution: Seven Years of TOGA

**Number of participants, themes increasing every year. Participants now exceed total employee numbers**



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- TOGA started in 2012, with cumulative participation of 20,000 people.
- There was a key breakthrough in the 3rd year. In the early stages, HQ was actively leading TOGA activities, and European and North American colleagues tended to be on the fence about participating. However, with past winners acting as evangelists, we saw a dramatic increase in participants from the 3rd year as the activities shifted to being driven by motivated employees on the ground around the world. In the 4th year, cumulative participants exceeded the total number of OMRON employees at the time.
- Currently, OMRON has approximately 35,000 employees. Last year, the 8th year of TOGA, the cumulative number of participating employees was 65,000. This is because individual employees are involved in multiple project themes. We believe it reflects the development of a culture that is constantly challenging itself to 'live' the OMRON Principles.

## The TOGA Process as an Opportunity for Employee Growth

### Significant learnings for theme leaders and managers from the TOGA process

#### Examples of learnings from the TOGA process



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- The 5 processes of TOGA create many opportunities for new learnings.
- In particular, this is true of the 3 processes of 'Declaration', 'Taking Action' and 'Sharing and Feedback'. For each stage, the theme leader is presented with learning opportunities around the ability to set goals and articulate, to manage projects, to exhibit leadership capabilities, to see things from a management perspective and to demonstrate presentation skills.
- In addition, managers acting as sounding boards for theme leaders also are presented with opportunities to revisit their understanding of the OMRON Principles as they listen and give advice. Managers also learn to delegate to the theme leaders and to appropriately praise good performance.
- In this way, TOGA is not only a platform for putting the Principles into practice for all employees, but a platform for new learnings and insights for all employees.

## Attracting Human Capital: A Two-pronged Effort

**Initiated engagement survey VOICE to create an environment where a diverse workforce can thrive, to accelerate human resource development through TOGA initiatives**



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- In order to more effectively leverage this platform to accelerate human resource development, it is important to create an environment where a diverse workforce can thrive.
- With the aim of creating such an environment, we initiated the VOICE engagement survey in 2016.



## Engagement Survey VOICE

## Goal

To support OMRON's continuous development, Voice allows the management team to:

1. Measure the attractiveness of the workplace
2. Understand and identify issues
3. Create a framework for actions to solve issues

FY2018  
Overview

## Target

**Global Employees 23,920**

\*Excludes overseas production workers

## Results

**No. of respondents 20,161, response rate 84.3%**

**No. of additional comments 8,496**

## Major programs introduced or revised as a result of VOICE feedback

- Expand work from home program: FY19 (abolished limitations)
- Introduce application system: FY18
- Expand public job posting system: FY18  
(increased number of companies where program is available)
- Start global corporate system project: FY18

- The objectives of OMRON's engagement survey are as shown on the slide.
- As indicated by its name, VOICE captures how employees view management. It is a marketing tool that supports management in making OMRON more attractive. It is not simply a general survey to measure satisfaction or to analyze the organization.
- All OMRON global employees, approximately 24,000 with the exception of overseas production line workers, participate. We consider the additional comment section to be particularly important. Management has received around 8,500 proposals and comments from employees about how to make OMRON a more attractive workplace.
- President Yamada reviews all of the comments. Other executives also review the comments for their own divisions. Major items are discussed at the executive committee level; the committee then determines the actions it deems necessary.
- The research company responsible for designing and implementing this survey has said that OMRON's engagement survey is unique in terms of not only its objectives but the sheer number of additional comments, as well as the fact that executives review and discuss all of the content.

## Examples of Initiatives in Response to Survey Feedback

## Goal

In response to the expectations of highly motivated employees ready for new challenges, we created mechanisms to provide a diverse range of opportunities, to support OMRON's sustainable growth

## Over-view

## Public Job Postings

- System for recruiting employees for openings in other departments



FY2019-2020 results  
120 applicants, 41 hires

## Application Program

- System for employees to advertise talents and challenge themselves, to win new opportunities



FY2019-2020 results  
102 applied, 42 hires

- The public job postings system and application program are some examples of new initiatives created as a direct result of VOICE feedback.
- At OMRON, we are firmly committed to supporting highly motivated employees ready for new challenges. The public job postings system and application program represent mechanisms to support such individuals.
- The public job postings systems is designed to support recruiting employees for openings in other departments.
- The application program is a system for employees to promote their own talents to departments in which they are interested, even if there are no current openings. The application program was launched in 2019 as a result of VOICE comments. The program has been through 2 cycles so far, with 102 applicants and 42 hires. The employees successful in winning new opportunities are highly motivated and have been able to fully tap into their capabilities in their new roles.
- There has also been a secondary benefit from this program. Under the program, employees who are key players in their current roles have applied for new opportunities. The heads of their current teams are only informed once an employee has successfully been hired. It is tough for teams losing a key player. The program is generating a healthy tension in prompting many department heads to focus on enhancing the attractiveness of their teams in order to motivate and retain talent.
- The application program is merely one example of how OMRON is creating an environment where employees' voices are heard and where they can thrive.

## In Summary

**Through TOGA**

**Encourage creation of solutions to social issues and personal development**

**Leveraging VOICE to**

**create an environment where a diverse workforce can thrive**

**By continuously challenging ourselves,  
we create a virtuous cycle where  
OMRON can grow along with its employees**

**OMRON's commitment to attracting human capital,  
creating a diverse and inclusive workplace**

- TOGA and VOICE are the twin pillars that allow sustainable growth for both individuals and the organization. Through TOGA we encourage the creation of solutions to social issues and personal development. We leverage VOICE to create an environment where a diverse workforce can thrive. By continuously challenging ourselves, we create a virtuous cycle where OMRON can grow along with its employees. This is OMRON's commitment to attracting human capital and creating a diverse and inclusive workplace.



# Climate Change Initiatives

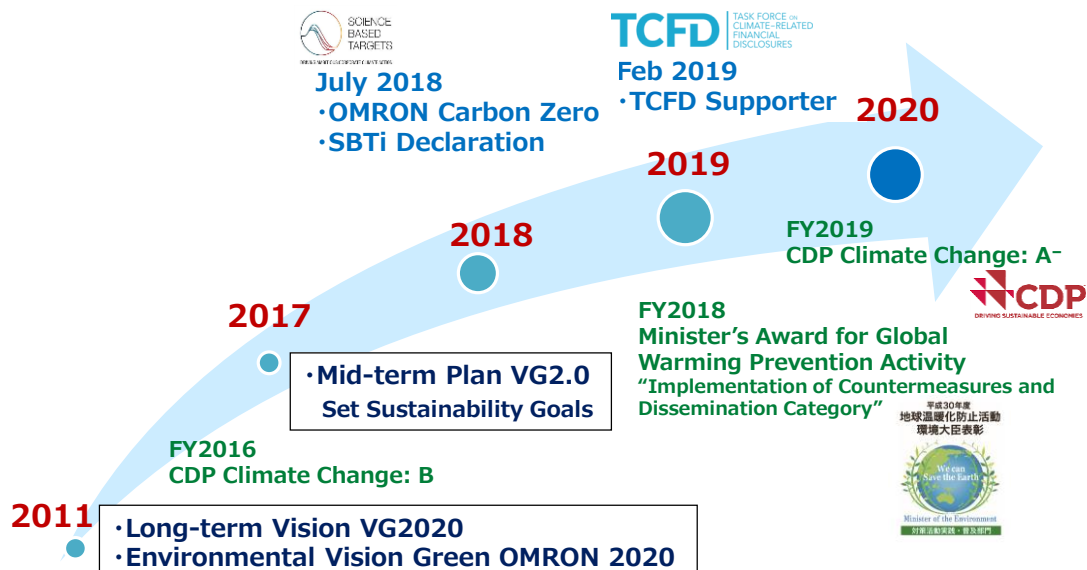
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**(Presentation by Kashuku Hirao, Senior General Manager,  
Sustainability Office)**

## Evolution of OMRON's Climate Change Initiatives

Strengthened initiatives in line with our Environmental Vision and Policy



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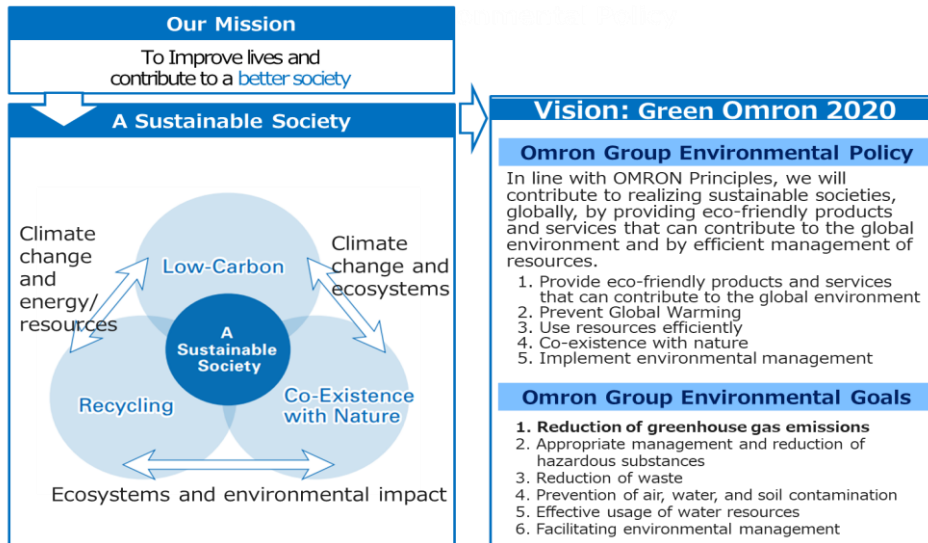
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- At OMRON we view the building of an environmentally sustainable society as contributing to a better society, as set out in the OMRON Principles.
- In FY2011, we formulated our long-term environmental vision Green OMRON 2020 as a framework for our climate change initiatives.
- Since the Paris Agreement on Climate Change, there has been a significant shift worldwide with increased demands for companies to further step up climate change initiatives.
- Amidst this backdrop, OMRON made its SBTi declaration, setting out a science-based GHG reduction target in FY2018. It set out a new target 'OMRON Carbon Zero'. In 2019, OMRON declared its support for TCFD.
- On the back of its initiatives, assessments of OMRON have improved. CDP recently announced that it had upgraded OMRON's score from 'B' last year to 'A-'.

## OMRON Principles and Environmental Policy

**OMRON's Environmental Policy is based on 2 pillars**

- Providing eco-friendly products and services
- Leverage management resources to achieve a global, sustainable society



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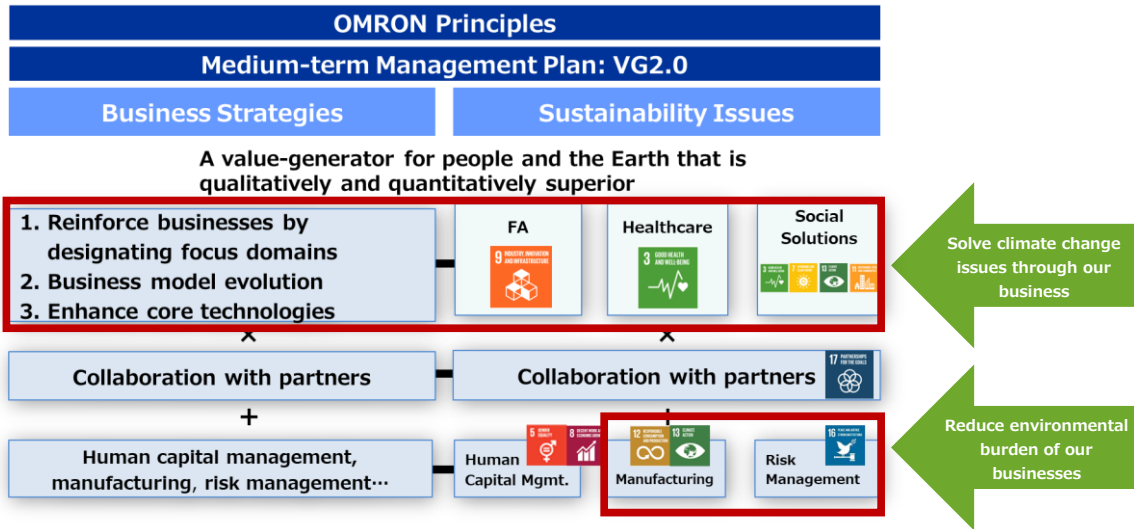
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● OMRON's Environmental Vision is based on 2 pillars.

- Providing eco-friendly products and services
- Fully leveraging management resources to achieve a global, sustainable society

## VG2.0 and Sustainability Policy are Linked

**Solve climate change issues through our business, while also reducing the environmental burden of our businesses**



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- In our current Medium-term Plan, we position achieving our sustainability targets as important as achieving our business targets.
- While aiming to solve the globally pressing issues of climate change through our business, we also seek to reduce the environmental burden of our business activities. We are simultaneously accelerating initiatives on both sides.

## Specific Initiatives

**Expand environmental contributions by providing eco-friendly products and services, and reducing the environmental burden of our businesses**

## Expand Contribution from Eco-friendly Products/Services

**Examples of products****Factory Automation**

- Safety light curtain
- Temperature controller
- Environmental Andon

**Healthcare**

- Solar-powered BPM
- Power-efficient nebulizer

**Social Solutions**

- PV inverters
- Storage battery systems
- Advanced traffic control systems

**Examples of Services****Social Solutions**

- Local energy self-sufficiency (Miyazu City)

## Reduce Environmental Burden of our Businesses

**Energy efficiency**

- Systems enabling visualization of power consumed
- Proposals and action plans based on analysis of potential in Japan/China/Asia
- Elimination of CFCs/HCFCs/fluorescent lights

**Adoption of renewable energy**

- Adoption of in-house solar power generation (Japan/China)
- Increase procurement of power from renewable sources

\*Analysis of potential: On-site diagnosis to develop and prescribe measures to reduce power consumption and use renewable energy sources (Leverages OMRON Group expertise)

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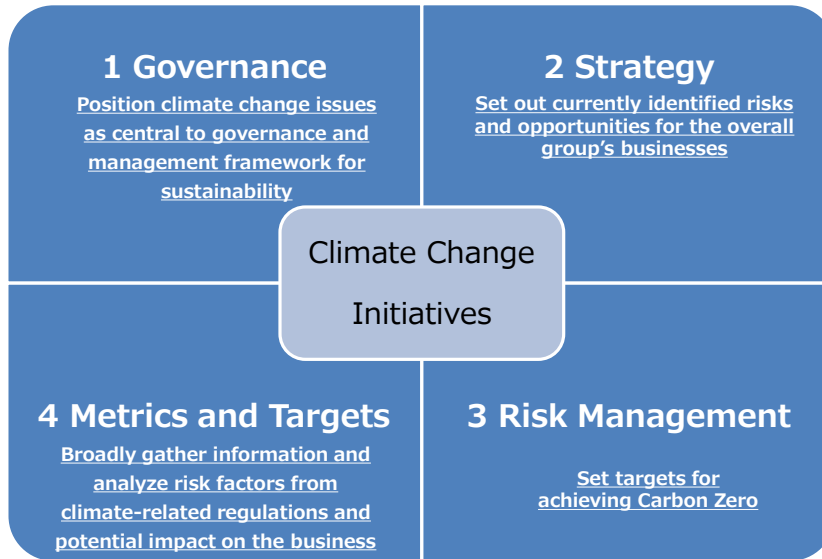
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- With regard to solving climate change issues through our business, we are working to increase eco-friendly products and services in all of our business domains.
- As examples, we provide products such as PV inverters, which are necessary for solar power generation, or storage battery systems to effectively use the generated power, as well as launching energy systems and services to revitalize local communities by making them energy self-sufficient.
- Examples of efforts to reduce the environmental burden of our business include the visualization of power consumption in our manufacturing bases, in order to properly control and reduce energy usage.
- With regard to renewable energy sources, we are installing solar power systems in Japan and China for our own use.



## Climate Change Initiatives: Disclosure Using TCFD Framework

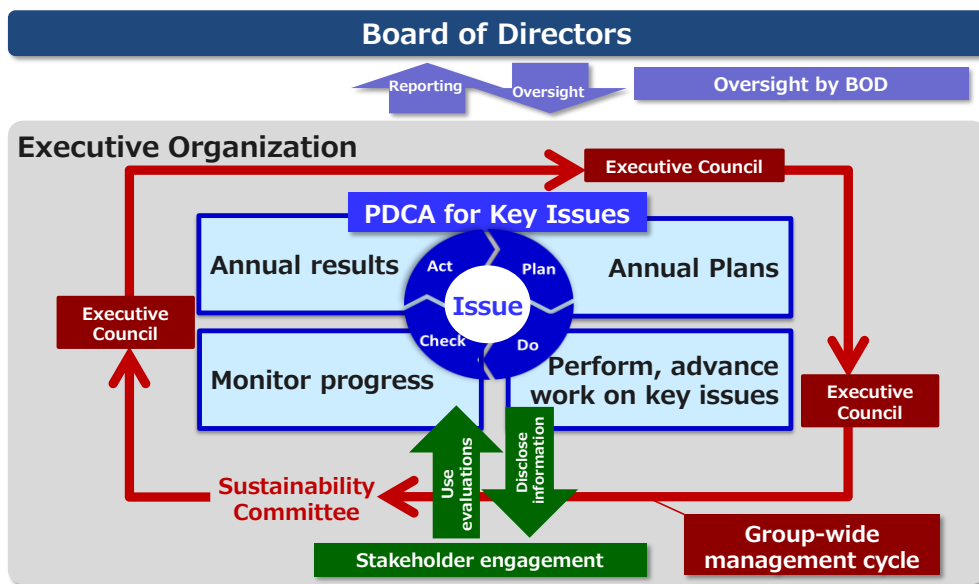
Present our initiatives using TCFD's recommended disclosure framework



- OMRON declared its support for TCFD roughly 1 year ago. Since then, we are using TCFD's disclosure framework for our overall initiatives and have been disclosing reports on our progress.

## 1 Governance

Climate change initiatives are designated key sustainability issues under Mid-term Plan VG 2.0, with monitoring and oversight by the board



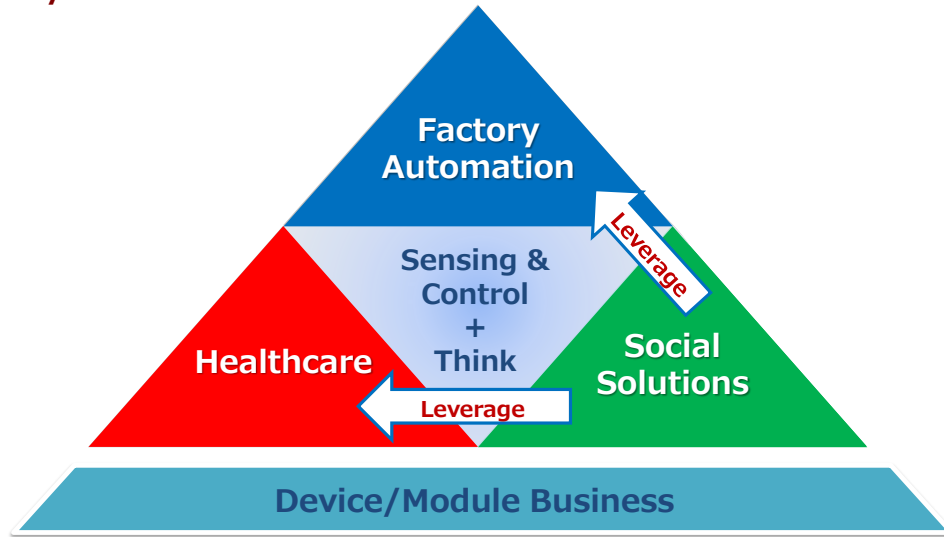
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- I will explain the 4 elements of TCFD's disclosure framework.
- 1. Governance
- With regard to climate change initiatives, the board has monitoring and oversight responsibilities for major sustainability issues within the Medium-term Business plan.
- The executive shares its annual targets, specific action plans and progress updates with the Sustainability Committee and Executive Council. In the event of issues, the Committee and Council debate solutions.

## 2. Strategy: Scenario Analysis

Initiating scenario analysis in Social Solutions domain, which provides products and services to generate, store and save energy to maximize customers' energy efficiency. Analysis to be subsequently leveraged in Factory Automation and Healthcare domains



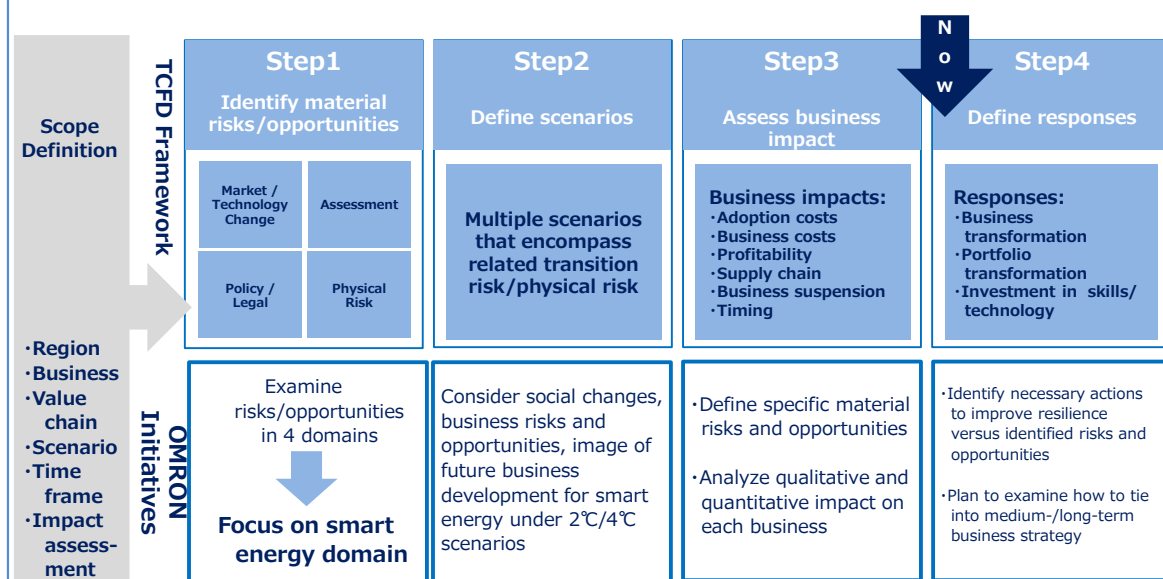
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- 2. Strategy
- TCFD advocates the use of scenario analysis to identify risks and opportunities for the business, related to expected climate change in the future, as well as disclosure of current and potential impacts.
- OMRON has 3 business domains. We are currently conducting scenario analysis for the Social Solutions domain which particularly contributes to maximizing our customers' energy efficiency through products and services for energy generation, energy storage and energy saving.
- We plan to undertake scenario analysis for the FA and Healthcare domains going forward.

## 2 Strategy: Scenario Analysis

Currently conducting scenario analysis for smart energy domain (energy system that reduces GHG and is resilient in face of natural disasters)



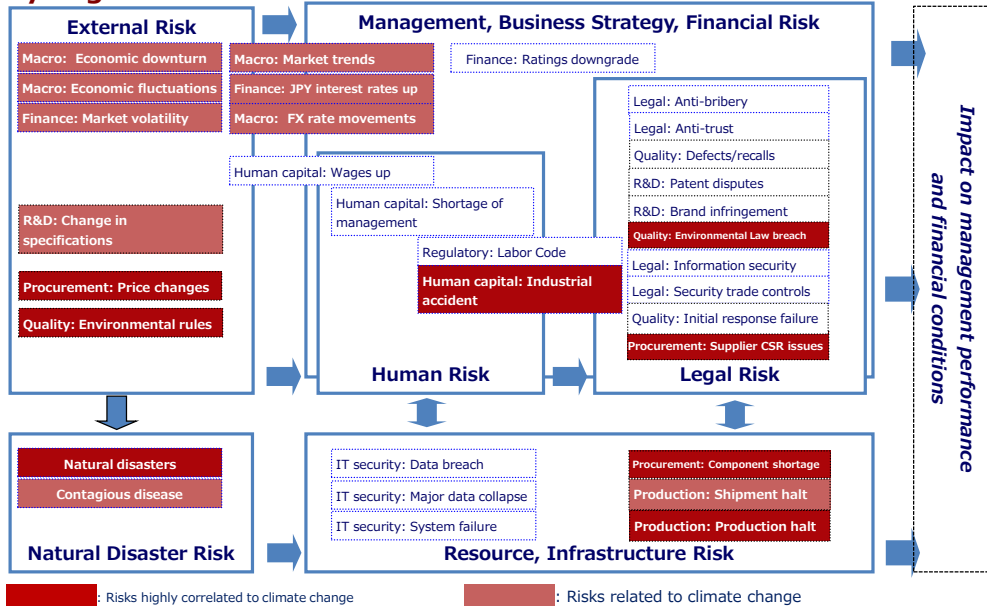
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- At the end of last November, we set up a project team within the Social Solutions business, to collaborate with the Sustainability Office on the scenario analysis. We have completed Step 3 and are about to commence Step 4.
- In Step 1, we considered transition risk, physical risk and opportunities for the 4 business areas within Social Solutions. Given the broad range of businesses, we chose to focus first on products and services that directly contribute to solving climate change issues in the smart energy area.
- In Step 2, we identified the key factors within smart energy and considered what the business might look like in 2030 under 2°C and 4°C scenarios.
- In Step 3, we evaluated the business impact from the future business image derived in Step 2, from a quantitative perspective.
- The analysis of the smart energy area will be completed at the end of March. We plan to continue our analysis of Social Solutions, focusing on the other 3 business areas. Such analysis will tie into our longer-term business strategies going forward.

### 3 Risk Management

#### Climate change positioned at center of integrated risk management Analyzing risks



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### 3. Risk Management

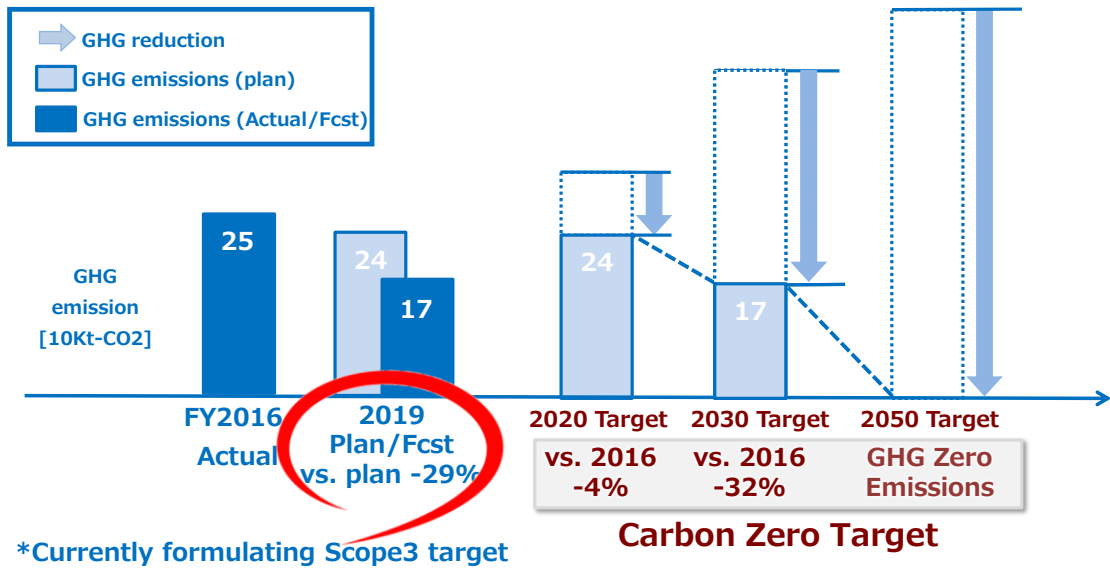
Climate change is positioned at the center of our integrated risk management process.

In this slide, risks highly correlated to climate change are shown in dark red. The lighter red bars are risks, while not high, that relate to climate change.

With regard to natural disaster risk management, we are reviewing our BCP and conducting drills on a regular basis.

#### 4. Metrics and Targets: OMRON Carbon Zero

**Committed to reducing power consumption and migration to green energy. Expect to achieve FY2019 target for expanding area where renewable energy is procured**



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#### 4. Metrics and Targets

In July 2018, we set out a new target, 'OMRON Carbon Zero'. We aim to achieve zero GHG emissions for Scope 1 and 2 in 2050. We have set a 2030 target for reducing emissions by 32% relative to FY2016 levels.

We are firmly focused on initiatives to reduce energy consumption and to migrate to green power sources through the use of renewable energy, in order to achieve our target. We have made solid progress in reducing emissions every year. We now expect to achieve our target in FY2019 by procuring power generated from renewable sources.

## 4 Metrics and Targets: Examples of Initiatives

**Started with Japan and China, which accounts for 70% of total power consumed. Now starting analysis of potential in Asia**

### Japan

#### Initiatives in Japan

Analysis of potential completed  
Installed new PV systems at  
27% of major domestic locations



#### Increasing procurement of renewable energy

Proactively increasing procurement of energy from renewable sources through common purchasing

40% of major domestic locations using renewable energy

### China

#### Cutting Power Consumption in China

Analysis of potential completed  
Initiating actions mainly focused on reducing power usage such as optimized utilization of compressors and production line visualization



### Other

#### Also starting in Asia

Undertaking analysis of potential in Asia, where GHG emissions volume is third behind Japan and China

Medium-term plan to be formulated based on results of analysis

#### Global initiatives

Full elimination of CFCs/HCFCs and fluorescent lighting likely to be achieved 1 year ahead of plan

\*Analysis of potential: On-site diagnosis to develop and prescribe measures to reduce power consumption and use renewable energy sources (Leverages OMRON Group expertise)

- Specific initiatives toward achieving OMRON Carbon Zero have been initiated in Japan and China, which account for 70% of our power consumption. In FY2019, we have completed the analysis of potential for 27% of our major locations in Japan and have installed new PV facilities.
- From FY2018, we started procuring renewable energy-based power in the Kansai area. This was expanded to the Tokyo Area in FY2019. 40% of our major domestic locations have already adopted renewable energy sources.
- In China, our focus has primarily been on reducing power consumption. We have started conducting analysis of potential in Asia from this year.

## In Summary

**We will continue to focus on solving climate change and other social issues through our businesses while simultaneously reducing the environmental burden of our businesses**



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- We will continue to focus on solving climate change and other social issues through our business while simultaneously reducing the environmental burden of our businesses.





# Corporate Governance

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**(Presentation by President and CEO Yoshihito Yamada)**

## History of Corporate Governance at OMRON

## Corporate governance evolving in line with the OMRON Principles

	1999	2003	2011
President	1987: Yoshio Tateishi	2003: Hisao Sakuta	2011: Yoshihito Yamada
Chair of the Board of Directors / CEO	President served as both		2003: Chairman serves as chair of the Board of Directors; president serves as CEO
Separation of management oversight and business execution	30 directors	1999: Revised articles of incorporation, setting number of board members to 10 or fewer	
		1999: Adopted executive officer system	
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 Philosophy	1959: Corporate Motto	1990: OMRON Principles	1998: Revised
OMRON Corporate Governance Policies	2006: Revised		
	2015: Established		

\*2 Not including chairman of the Board

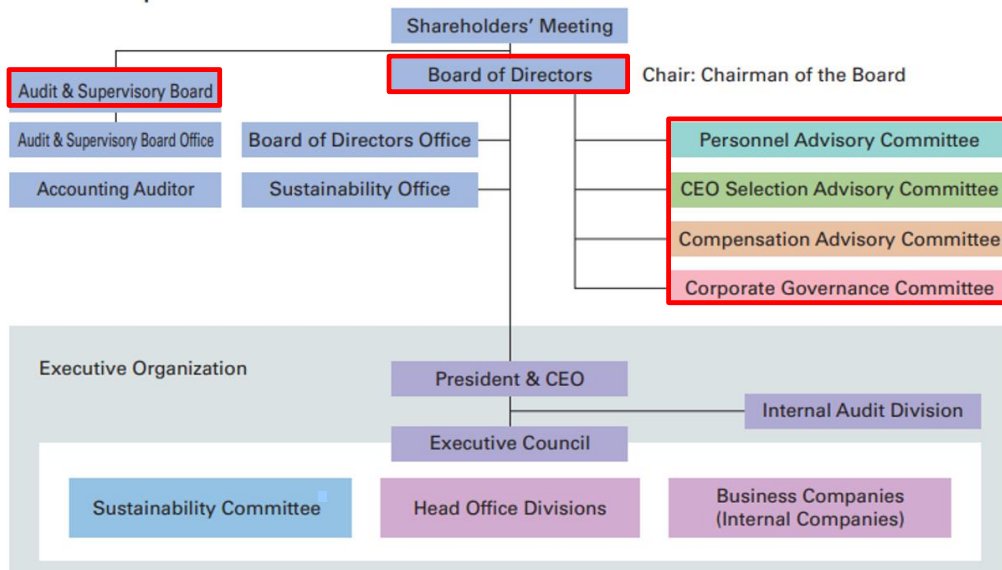
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- OMRON's corporate governance is a mechanism for implementing management based on the OMRON Principles. Our goal is to achieve sustainable growth of long-term value by putting the OMRON Principles into practice.
- Since the creation of the Management Personnel Advisory Committee in 1996, OMRON has steadily improved its corporate governance.
- In line with changes in society and the growth of the company, we have separated the roles of oversight and execution, created various committees to create a unique governance structure that has evolved as OMRON put into practice our Mission and Values.
- The key characteristic of this process at OMRON is our careful focus on ensuring that we prioritize the effectiveness of corporate governance above all, rather than simply implementing a standard structure. We have allowed our corporate governance to evolve gradually over time.

## Corporate Governance Structure

**A hybrid structure incorporating the outstanding features of a nominating committee to strengthen the board's oversight function**



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- OMRON is a company with an audit and supervisory board, but in order to enhance the board's oversight function, we have created a hybrid structure that incorporates the advantages of a nomination committee.
- There are 2 key characteristics. All of the committees are chaired by external independent directors and external independent directors have a majority in all of the committees. Also, I, as the president, am not a member of any of the committees.
- The reason why OMRON has chosen not to become a company with a nomination committee is because we believe there are more benefits to being a company with an audit and supervisory board. At this juncture, we believe this hybrid structure is the best.
- The OMRON group has a diverse range of businesses and each of our business companies operate on a global basis. Each of our auditors are actively involved in on-site audits of each business on a global basis, from the perspective of monitoring and overseeing the board. For OMRON and the governance of the group, we believe the Audit and Supervisory Board functions extremely well, in executing the independent investigative rights of independent auditors.
- Given this, OMRON has chosen to be a company with an audit and supervisory board, but has created a hybrid structure by choosing to supplement the auditing function by setting up various committees that leverage the advantages of a company with a nomination committee. We believe this is the best structure for OMRON.

## Key Characteristics of Corporate Governance

- ✓ **Separation of oversight and execution**
- ✓ **Strengthening oversight function**
- ✓ **Continued evolution of corporate governance**

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- The first characteristic of governance at OMRON is the separation of oversight and execution. I, as the most senior executive, am not a member of any of the committees.
- The second is the strengthening of the oversight function of the board. While we are a company with an audit and supervisory board, we have adopted a hybrid structure that allows us to benefit from the advantages of a company with a nomination committee.
- The third is the continued evolution of corporate governance. We believe enhancing corporate governance is an unending evolutionary process. Going forward, our governance will continue to evolve in line with changes to the operating environment and our own growth. We will maintain our primary focus on effectiveness to grow long-term value.

**We will achieve sustainable corporate value growth by continuing to generate both economic value and social value, underpinned by our focus on solving social issues through our business**

- OMRON is highly committed to putting the OMRON Principles into practice. By solving social issues through our business, OMRON will continue to create economic value and social value.
- I believe our sustainability initiatives are a natural part of putting the Principles into practice. By continuing to implement the OMRON Principles, I believe OMRON will be recognized by society and can sustainably grow long-term value.

**OMRON**



# Reference

## 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.

In accordance with this basic stance, the OMRON Group has set forth its Corporate Governance Policy as the foundation for the Group's pursuit of continuous improvement of its corporate governance.

Source: Corporate Governance page, OMRON Web site  
<https://www.omron.com/about/corporate/governance/policy/>