

# Corporate Governance

To ensure sustainable creation of corporate value, OMRON works constantly to enhance our system of corporate governance.

## Basic Stance for Corporate Governance of the Company

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.

## 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 1996, we have spent more than 20 years formalizing and strengthening our systems

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  
<http://www.omron.com/about/governance/organization/>

## Corporate Governance Initiatives

	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		2017: Eliminated board titles*
Outside Directors		2001: One outside director	2003: Two outside directors (seven directors)
Audit & Supervisory Board Members (Independent)	1998: One member	1999: Two members	2003: Three 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	
Corporate Philosophy	1990: OMRON Principles	1998: Revised	2006: Revised
OMRON Corporate Governance Policies			2015: Established

\* Not including chairman of the Board

## Corporate Governance Framework

OMRON has elected to be a company with an Audit & Supervisory Board.

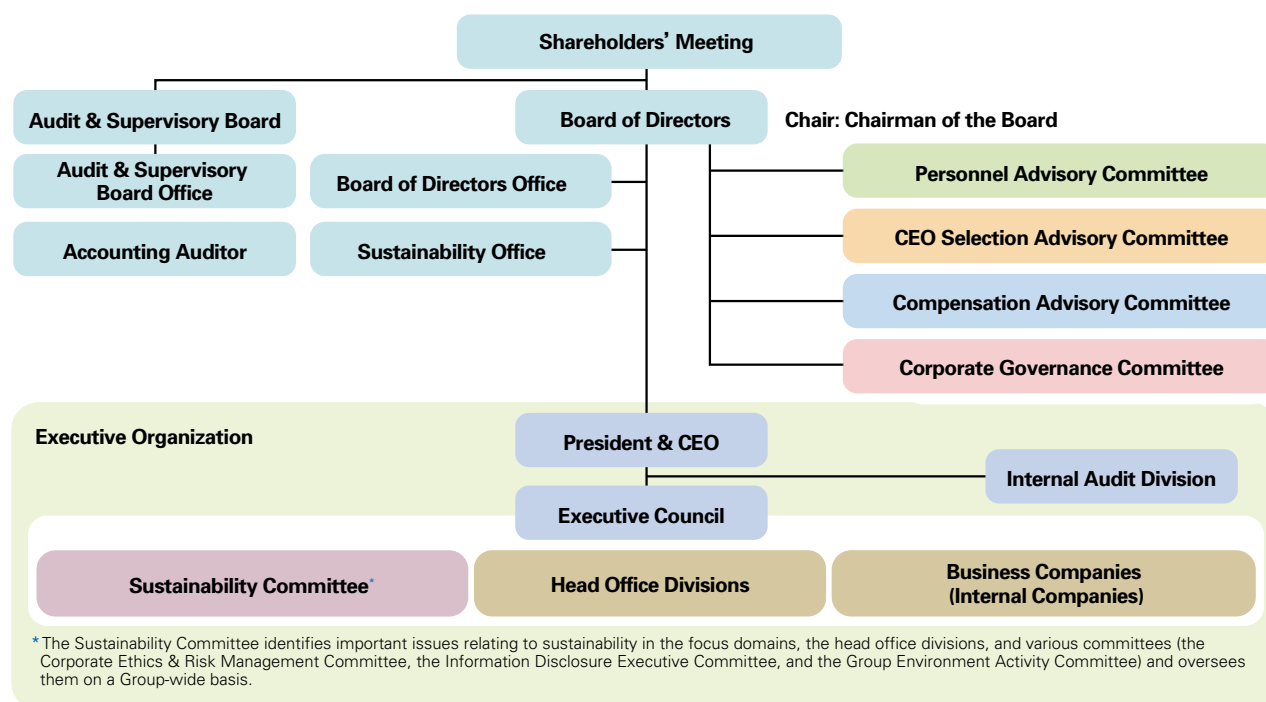
The OMRON Board of Directors is made up of eight members to ensure substantive discussion and deliberation about important corporate matters. OMRON has separated the management oversight and business execution functions within the Company, creating a system whereby the majority of Board directors are not engaged directly in business operations. We have also adopted a policy setting the ratio of outside directors to at least one third of the total number of directors on the Board.

To increase objectivity on behalf of the Board of Directors, the titles and roles of Chairman of the Board and President (CEO) are separated. The Chairman serves as chair of the Board of Directors,

without direct corporate representational authority.

OMRON has established several advisory committees to assist the Board of Directors. These committees include the Personnel Advisory Committee, the CEO Selection Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The Personnel Advisory Committee, the CEO Selection 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 chair and members of the Corporate Governance Committee are outside directors and outside corporate auditors, which offers yet

### Fiscal 2017 Corporate Governance Structure



**Board of Directors**  
Makes decisions related to performance targets and strategies; oversees the execution of business operations.

**Compensation Advisory Committee**  
Sets policies for director and executive officer compensation; evaluates compensation levels and deliberates specific compensation packages.

**Audit & Supervisory Board**  
Oversees corporate governance structure and execution business operations; conducts audits of day-to-day business activities, including those performed by directors.

**Corporate Governance Committee**  
Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.

**Personnel Advisory Committee**  
Sets standards and policies related to selecting and hiring directors, Audit & Supervisory Board members, and executive officers; selects candidates and evaluates performance of current directors and executive officers.

**Executive Council**  
Deliberates and makes decisions regarding important operational matters within the scope of the authority of the president and CEO.

**CEO Selection Advisory Committee**  
Deliberates and nominates candidates for corporate president & CEO; deliberates succession candidates in the event of an emergency.

another layer of transparency and objectivity onto its decision-making process.

In these policies, we have created a hybrid governance framework, combining the best features of a Company with an Audit & Supervisory Board and a Company with a Nominating Committee.

Outside directors attended the 13 meetings of the Board of Directors held during fiscal 2016 at a rate of 97.4%. Outside auditors attended at a rate of 92.3%. Outside auditors attended the 13 meetings of the Audit & Supervisory Board at a rate of 100%.

## More Effective Oversight

In 1999, OMRON adopted the executive officer system of management. Since that time, we have endeavored to separate the roles of oversight and business execution, setting up advisory committees, separating the role of chairman of the Board and that of president, and ensuring that a majority of the Board consists of non-executive directors. In this way, we have improved the supervisory functions of the board of directors.

Beginning fiscal 2017, no OMRON director has a specific title, with the exception of the chairman of the Board. We believe this measure will help improve the oversight function of the Board of Directors. As the awareness of oversight becomes stronger among directors, the functions of the Board of Directors will

become more effective.

At the same time, the president, who is the chief executive officer, is now elected from among the executive officers in order to establish an optimum and flexible execution system. With the president now an executive officer, we are able to select the president via Board resolution in conformity with the fiscal business year. We believe naming the president at the beginning of the fiscal year will aid in creating a more optimum and flexible system of business execution.

This is one more way in which OMRON strives for sustainable corporate value growth through a well-defined separation between oversight and execution, each side clearly aware of their responsibilities.

### Fiscal 2017 Advisory Committee Members

Title	Name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi		□		
Representative Director	Yoshihito Yamada				
Representative Director	Kiichiro Miyata	□			
Director	Koji Nitto			□	
Director	Satoshi Ando	○	○	○	
Outside Director	Eizo Kobayashi★	◎	◎	□	◎
Outside Director	Kuniko Nishikawa★	□	□	◎	○
Outside Director	Takehiro Kamigama★	□	□	□	□
Audit & Supervisory Board Member (Full-time)	Kiichiro Kondo				
Audit & Supervisory Board Member (Full-time)	Tokio Kawashima				
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

## Evaluating the Effectiveness of the Board of Directors

OMRON performs analyses and evaluations of the effectiveness of the Company's Board of directors. The objective of these measures is to improve Board of Director performance and realize sustainable enhancement of corporate

value by raising an awareness of the issues and the direction of the Company among Board directors. Directors then build a shared awareness and work to improve the issues identified.

### Fiscal 2016 Evaluation of the Effectiveness

The Corporate Governance Committee is the body responsible for evaluating the effectiveness of the Board of Directors.

As with fiscal 2015, all directors and Audit & Supervisory Board members filled out self-evaluations anonymously. These evaluations served as the basis for the evaluation formula. Evaluations addressed Board deliberation styles and operating methods. Further, the Corporate Governance Committee evaluated the fiscal 2016 policy for the operation of the Board of

Directors and related specific initiatives. In addition, the Board chair and directors were interviewed individually to provide them with an opportunity to give their opinions on the effectiveness of our Board.

The Corporate Governance Committee analyzed these self-evaluations and interviews, reporting the results to the Board of Directors. The Board of Directors then developed operating policies for fiscal 2017 based on these evaluation results.

### Fiscal 2016 Results of the Evaluation

The Corporate Governance Committee concluded that there are no problems with the current governance system or operations. The committee further concluded that the Board is functioning appropriately, and confirmed the initiatives based on the fiscal 2016 policies for the operation of the Board of Directors. The committee also confirmed matters identified as future issues.

#### Fiscal 2016 Initiatives

- Discussed medium- to long-term business strategies and approved the medium-term management plan VG2.0, including specific initiatives and targets.
- Formulated company-wide ESG-related policy (Sustainability Policy). Identified important issues (materiality) based on the policy, and developed the structure to supervise the management of these issues.
- Revised Board of Director Rules and delegated board authority related to certain matters for deliberation.

#### Future Issues

- Supervisory functions for achieving VG2.0 goals

### Fiscal 2017 Policy for the Operation of the Board of Directors

Based on the results of this evaluation, the Board of Directors will exercise its supervisory functions to ensure the Company achieves the objectives of VG2.0 (beginning fiscal 2017). Supervision will focus on three main points:

- Confirming the progress of the short-term

management plan

- Formulating human resources and technical strategies which are keys to medium-term management strategies
- Driving initiatives to address materiality identified based on Sustainability Policy