Risk Management

Integrated Risk Management for Supporting Global Business Activities

Under the internal control system, OMRON pursues integrated risk management and compliance from a global perspective.

In order to rapidly respond to the faster pace of change in the operating environment and rising levels of uncertainty, in addition to strengthening efforts to become more attuned to risk and detecting and addressing risks before they materialize, we will strive for a responsive risk management, that solves problems arising out of changes in the environment, that cannot be addressed by front-line employees alone, by combining front-line and management strengths. We will strive to constantly improve these efforts through global PDCA cycles.

We are additionally considering how to equip ourselves with mechanisms enabling efficient, effective, and prompt risk decisions while still adhering to the OMRON Principles and relevant business rules in order to achieve our long-term vision SF2030.

Integrated Risk Management System and Structure

OMRON's Integrated Risk Management framework is encapsulated by the OMRON Group Rules* (OGR; OMRON Rules for Integrated Risk Management), which are spearheaded by our Global Risk Management and Legal HQ. These rules clarify the position of risk management frameworks in regards to Group management. Additionally, risk managers (approximately 160 in total) are appointed for each head office division, business company, regional headquarters and Group company across the world, to help promote initiatives on a global scale through the concerted effort of management and front-line employees. The three main activities are as follows:

▶ Grasp changes in the environment in a timely manner, share this information with relevant parties, and assess impact in a timely manner

▶ Conduct global risk analysis to identify important risks and establish appropriate responses
▶ Implement crisis response measures when risks become apparent in a crisis

In order to promote ethical practices and risk management, we have established a Corporate Ethics and Risk Management Committee which consists of key risk managers, and generally meets four times a year. This committee discusses and shares information on the occurrence of significant risks, environmental changes, and the status of risk mitigation measures. It also conducts group-wide risk assessments. The status of Integrated Risk Management activities is reported to the Executive Council and the Board of Directors as appropriate.

* The OMRON Group has established shared OMRON Group Rules (OGR) as the foundation for fair and transparent management. The OGR has been established for major functions such as risk management, accounting and finance, human resources, information security, and quality assurance. The rules are reviewed annually to ensure that changes in the environment are reflected in the rules in an appropriate and timely manner.

Risk Reporting and Crisis Management

In the event of a crisis, matters are swiftly reported to management in accordance with our Integrated Risk Management Rules. We then respond via a crisis response task force, as appropriate to the rank of the risk in question. Related information is centrally managed, and responses are monitored from outbreak.

Raising Risk Sensitivity Based on Lessons of the Past

The ideal structure for us at OMRON is one in which our front lines and management work together to solve issues arising from changes in the environment that cannot be addressed by those on the front lines alone. Accordingly, we have created the OMRON Risk Book – Risk Scenario 100, a business risk casebook aimed at capitalizing on past experience. This book is used as an awareness-raising tool for management. Incidents that occur within the Group are an important learning opportunity that can help us to increase our sensitivity to risk.

<Integrated Risk Management Cycle>

<Corporate Ethics and Risk Management Committee Structure>
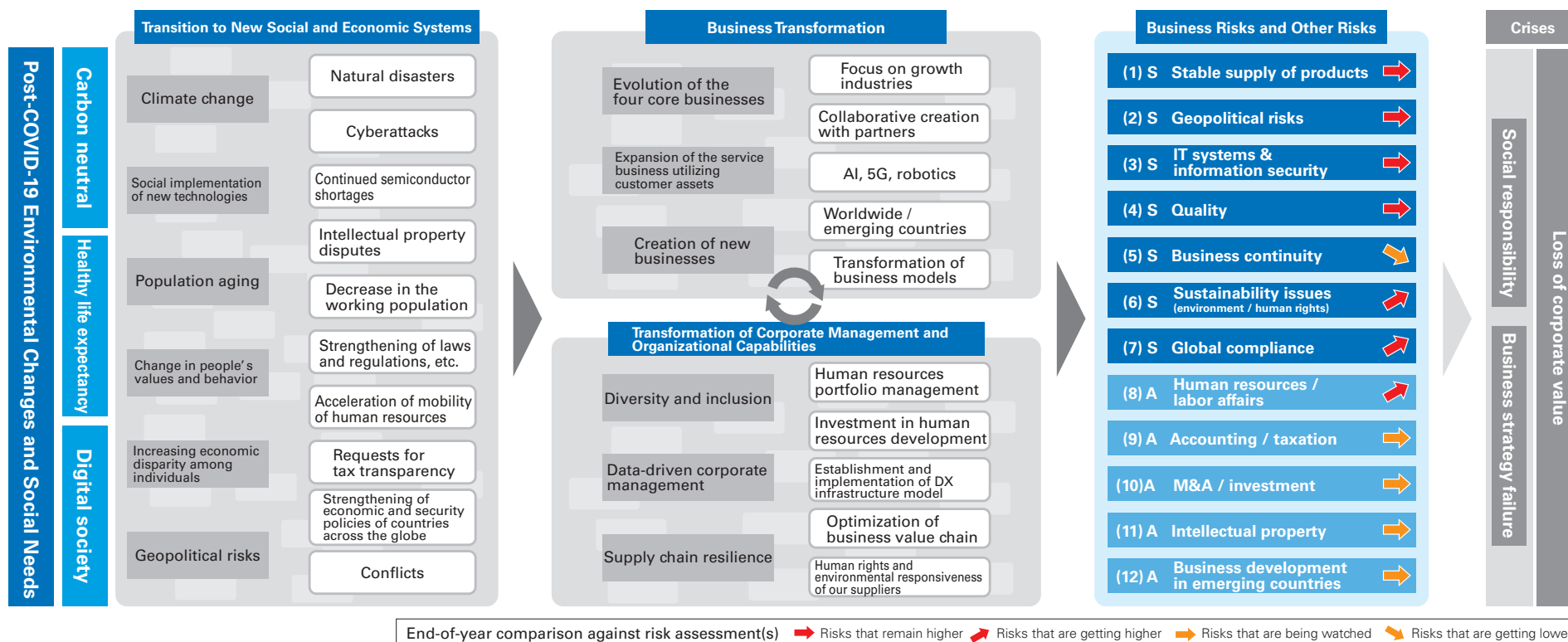
Significant Group Risks and Analysis

In SF2030, the OMRON Group aims to solve social issues that arise in the transition to a new social and economic system. To this end, we are committed to transforming business and transforming corporate management and organizational capability based on the factors that influence social issues. We consider the key factors that must be addressed in the execution of these efforts to be risks.In operating our group, we have identified the following two significant Group risks. S Rank: Risks of utmost importance to the operation of the Group, which may jeopardize its survival or bring severe social liability, A Rank: Risks

that impede the achievement of important group goals. We monitor the implementation of measures and changes in the risk situation. At present, the S and A ranks set by the Group are as follows. If the Group does not take appropriate measures for the significant Group risks, it will incur serious social responsibility. It could also lead to the failure of business strategy, resulting in the loss of corporate value.

<Risk assessment as of the end of fiscal 2022>
Themes, risk ranks and our recognition of future trends of significant Group risks based on the OMRON Group's risk analysis conducted at the end of fiscal

2022 are presented in the table below. If appropriate and sufficient measures are not taken, these risks could impact the Group's operating results, financial condition, or the accomplishment of its long-term vision.Accordingly, we consider them to be matters that could have a material impact on judgment by investors. However, this is not an exhaustive list of all risks; the Group may be affected in the future by risks that are not currently foreseeable or considered significant. Matters discussed here that are not historical facts reflect the judgment of OMRON Group management as of the date of submission of this annual securities report (June 23, 2023).

<Overview of Businesses and Other Risks>

Addressing Significant Group Risks

The following are the significant Group risks that the Group has designated as S-rank risks and is currently focusing on.

* For information on business and other risks, please follow the link in the QR code.

(1) Stable Supply of Products (S Rank)

External Environment and Risk Scenario

Previous confusion in the supply chain, including container shortages and customs delays, is beginning to come to an end. While the business environment remains unclear, increased consumption and investment is expected due to changes in societal and industrial structures. However, shortages of components for semiconductors and other items are expected to continue, and fears remain over increased distribution costs. If the procurement volume of components does not reach the required level, or if the logistics lead times become significantly longer, this could result in lower product supply. This brings with it a risk of lower sales and decreased competitiveness.

The Group's Business and Countermeasures

Optimization of our global business value chain is a key element in OMRON management plans, and is pursued by the Global Procurement and Quality & Logistics HQ as well as each business company.

<Example of a Specific Risk Countermeasure: Responding to Components Crush>
In response to ongoing components scarcity, we have responded by switching to easier to acquire components, updating product design to require fewer components, and entering into strategic partnerships with external electronics manufacturing services (EMS).

(2) Geopolitical Risks (S Rank)

External Environment and Risk Scenario

The global business environment is growing increasingly complex due to policies enacted in various countries and regions in response to issues such as US-China relations and the situation in Russia and Ukraine. Notably, there is currently a rapid increase in economic security policies (including formation and deployment of multilateral frameworks) related to the stable supply of important commodities (in particular semiconductors), promotion of advanced technologies, and regulation of exports and investments. There is already the possibility that such measures will increase due to the increasing risk of political conflicts, strife and human rights issues. If we fail to adequately respond to market changes, demand for the OMRON Group's products and services will decline, and if we fail to adequately respond to new laws and regulations, it may result in restrictions on export, sanctions violations and others. There is a risk that it may cause sales to decrease, strategies to be reviewed, serious administrative penalties to be incurred, or our brand value to be damaged.

The Group's Business and Countermeasures

OMRON business response policies are deliberated on by management bodies such as the Board of Directors and the Executive Council. Legal and regulatory response is overseen by each responsible department. For instance, in regards to export controls, the Global Risk Management and Legal HQ conducts global security trade management via a company-wide export control committee.

<Example of a Specific Risk Countermeasure: Responding to the Situation in Russia and Ukraine>
A company-wide headquarters headed by the President has been set up to deal with the situation. In August 2022, we decided to suspend the Industrial Automation Business and Device & Module Solutions Business in Russia indefinitely after carefully examining the

sustainability of the business. As for the Healthcare Business, we continue to supply only medical devices, such as blood pressure monitors and nebulizers.

(3) IT Systems & Information Security (S Rank)

External Environment and Risk Scenario

The rapid digitalization of socioeconomic activity is bringing about a transformation in corporate management, for instance through the use of data to make management decisions or development of new, IoT-focused products and services. However, with the development of global data infrastructure, the risk of cyberattacks has increased more than ever, and regulations in each country on the handling and transfer of personal, technical and other important data are growing stronger, with a focus on privacy protection and economic security.
If measures to deal with information security risks, such as cyberattacks, are not adequate, it may cause the OMRON Group's business activities and provision of products and services to be suspended or result in information leakage. If measures to comply with global personal data regulations, particularly those on international transmission, are not taken appropriately, it could result in violations of laws and regulations. There is a risk that it may lead to a decrease in sales, serious administrative penalties, or damage to our brand value.

The Group's Business and Countermeasures

As executive officers, basic policies and measures—divided into categories of information security, product security, and personal information management—are managed by each senior general manager of head office divisions, under the oversight of responsible directors. Issues that involve multiple categories are handled by a Cybersecurity Integration Conference, which is convened as necessary and chaired by the responsible director. Additionally, in light of the current environment and in order to provide direction at higher

levels, a new Information Security Strategies Conference, chaired by the president, has also been put into place in order to deliberate on priority issues and strategies. In terms of implementation, policies are promoted and managed via an Information Security Promotion Conference, which comprises persons in charge of IT at offices around the globe and, as the officer in charge of security integration, is chaired by Senior General Manager of the Global Business Process and IT Innovation HQ. Furthermore, we make efforts to grasp the global situation and legal trends in individual countries as regards private data, and to strengthen our response to such laws and regulations, with Senior General Manager of the Global Risk Management and Legal HQ placed in charge of such matters.

<Example of a Specific Risk Countermeasure: Development and Operation of Systems for Continuous Monitoring of IT Equipment and Detection of Suspicious Behavior>
In response to external evaluation of our information security systems, we have prioritized strengthening of cyberattack detection. We carry out in-house, global monitoring of IT devices 24 hours a day, 365 days a year, and respond swiftly when unauthorized access or other attacks are detected.

(4) Quality (S Rank)

External Environment and Risk Scenario
Quality is the foundation of a company's public trust. A high degree of safety and accuracy is demanded for innovative products and services that utilize new technologies, with many governments exploring or even implementing new regulations covering issues such as use of AI and product security. Public appeals to reduce health and environmental impacts are also higher than ever, and regulations in each country covering the presence, recycling and labeling of organic fluorides (PFAS) and other chemical

substances are growing stricter.
In the event that we provide inadequate product design/inspection, inappropriate customer support or inappropriate reporting in the event of quality defects and others, or in the event that we fail to appropriately comply with laws, regulations, and standards globally, it may result in large-scale recalls of the OMRON Group's products or suspension of production and distribution of the product. There is a risk that it may cause a loss to be incurred, sales to decline, or our brand value to be damaged.

The Group's Business and Countermeasures
OMRON's basic quality policy is based on a principle of quality first. Our quality assurance system is pursued by the Global Procurement and Quality & Logistics HQ, with the president assuming ultimate responsibility. Swift and appropriate measures are taken, under oversight by the Board of Directors, if and when serious quality issues arise.

<Example of a Specific Risk Countermeasure: Response to a Serious Quality Issue>
We have in place and operate a system that promptly and accurately reports risks to the top management in the event that a serious quality issue arises. With respect to the risk of dangerous ignition of storage battery units that occurred in the Social Systems, Solutions and Service Business, we are providing a software update and product replacement free of charge for some of the Company's storage battery units so that customers can use them with peace of mind.

(5) Business Continuity Risks (Natural Disasters and Infectious Disease) (S Rank)

External Environment and Risk Scenario
The COVID-19 pandemic, which began in 2020, is beginning to come to a close and socioeconomic activity has begun to return to normal. However, the global possibility of a new infectious disease or a

natural disaster, such as flooding, torrential rains or a major earthquake, that could impede the functioning of society, still remains. In the event of unforeseen disasters, there is a possibility of partial suspension or reduction of business activities due to large-scale suspension of social infrastructure and economic activities, production stoppage at our plants, or long-term suspension of parts supply from important suppliers. This brings a risk of lower sales and damage to brand value.

The Group's Business and Countermeasures
Following basic policies for personal safety, preservation of public infrastructure and full cooperation in recovery efforts, each business company and head office division cooperates to establish business continuity plans that include matters of production, procurement, distribution, and IT.

<Example of a Specific Risk Countermeasure: COVID-19>
In regards to COVID-19, in February 2020 we established the Pandemic Response Headquarters, led by the president, which prioritized ensuring the health and safety of our employees and preventing the spread of infection in regions where we operate. In March 2023, in response to policy decisions by the Japanese government, we shifted focus and began treating COVID-19 in a similar manner as seasonal influenza.

(6) Sustainability Issues (environment / human rights) (S Rank)

External Environment and Risk Scenario
In order to achieve a sustainable society, the public expects companies to fulfill their responsibilities in terms of the environment and human rights, not only within their own company but throughout the value chain. These concerns are also reflected in corporate value assessments and investor behavior, thus the

demand for disclosure of a company's sustainability measures increases every year, including trends towards legislating requirements for third-party certification.

In regards to the environment, food and water shortages, due to increased floods and droughts caused by global warming, are becoming a global issue. As carbon neutrality policies gain pace in countries around the world, demands for companies to decrease GHG emissions and ensure traceability are growing.

In regards to human rights, rectifying problems such as forced labor, child labor, low or unpaid wages, long working hours and unsafe or unhygienic working environments is currently an important social issue. Progress is being made on efforts to legally protect human rights, such as by ensuring supply chain visibility through due diligence or prohibiting imports from countries or regions that have a risk of human rights abuses. New human rights issues are also arising due to technological innovations such as the use of AI. Sustainability efforts are a company's license to do business, and increased need for products and services that contribute to issues such as decarbonization and human rights protections is an opportunity for companies to create new social value and grow business. On the other hand, as many companies seek to solve social issues, business competitiveness directly hinges on whether or not strategies and execution are successful. Further, inappropriate disclosure called greenwashing in sales promotional activities, failure to respond appropriately to human rights issues in the value chain, or failure to comply with laws and regulations on AI that results in discrimination and other human rights issues through products and services may lead to the loss of social confidence, which in turn may cause transactions to be suspended, product development to be discontinued, strategies to be reviewed, and our brand value to be damaged.

The Group's Business and Countermeasures

For information on major environmental risk countermeasures, see pp. 85-92.
For information on major human rights risk countermeasures, see pp. 93-98.

(7) Global Compliance (S Rank)

External Environment and Risk Scenario

Global efforts to address societal issues, such as climate change or aging societies, are gaining steam. As the role played by companies in these efforts grows more important, public demand for fair business dealings is higher than ever. Laws and regulations on the part of international organizations and individual countries to prevent anti-competitive behavior, bribery and other such behavior are growing stricter. At the same time, regulations covering development of IT, AI and other technologies, or the creation of innovation through business alliances, are also being explored or already in place.

If the authorities find or determine that a violation of fair trade laws or regulations has occurred, there is a risk that it could result in serious administrative penalties or damage to our brand value.

The Group's Business and Countermeasures

The response policy for internal control including corporate ethics and compliance is discussed and determined by the Board of Directors. Under the OMRON Group Management Policy, we have organized a Corporate Ethics & Risk Management Committee to carry out activities.

Compliance Activities

Group-wide Management Policies and Rules

We have established the OMRON Group Rules as the foundation for fair and transparent management. The OMRON Group Rules are a set of systematic shared rules for the Group that establish important matters for the efficient, effective, and global promotion of Group governance. These rules have been established for major functions such as compliance, risk management, accounting and funding, human resources, information security and quality assurance. The rules are reviewed annually to ensure that changes in the internal and external environment are reflected in the rules in an appropriate and timely manner.

Group Code of Conduct

We consider corporate ethics and compliance to be one of its most important issues. In order to practice Socially Responsible Corporate Management, we have established the OMRON Group Rules for Ethical Conduct, which provide specific codes of conduct for officers and employees, in 25 languages. We regard education and awareness-raising activities for directors and employees as the basis for promoting and ensuring corporate ethics and compliance, and we provide ongoing education through new employee training, position-based training, and other opportunities.

Corporate Ethics Month

We have designated October of each year as Corporate Ethics Month, to educate employees on strict adherence to corporate ethics and compliance. We distribute top management messages to directors and employees in Japan and overseas, disseminate the OMRON Group Rules, which are the Group's common management foundation, provide compliance education on cartel prevention, anti-bribery, etc., and disseminate information about the Whistleblower Hotline.

Efforts to Prevent of Anti-competitive Behavior and Bribery

The OMRON Group Rules for Ethical Conduct stipulate fair trade and compliance with laws and regulations, and in particular prohibit cartels and other anti-competitive behavior, as well as bribery of domestic and foreign public officials and others. It also prohibits entertainment and gift-giving in excess of normal social courtesies, even with business partners and related parties.

Initiatives Related to Protection of Personal Information

The OMRON Group Rules for Ethical Conduct stipulate the protection and management of information. We have established the OMRON Group Rules Concerning Personal Information, and have established management measures for the acquisition, use, and disposal of information according to its rank of importance. We are also promoting necessary measures by keeping abreast of trends in laws and regulations in various countries concerning the protection of personal information and the status of the OMRON Group.

Whistleblower System

● A Whistleblower Hotline that ensures fairness and protection for whistleblowers

OMRON has established a whistleblower hotline, as a method of monitoring adherence to corporate ethics and compliance. We accept reports of any conduct that violates or may violate the OMRON Group Rules for Ethical Conduct, employment regulations, or laws and ordinances. Our internal rules require strict confidentiality and prohibit retaliatory action as a result of reporting or maintaining secrecy. Information about the Whistleblower Hotline is disseminated through the intranet and internal training programs.

● Reporting and consultation status

We consider the number of whistleblowing cases to be one of the indicators of the effectiveness of the whistleblower system, and regard it as appropriate to have a certain number of reported cases. In fiscal 2022, there were 84 reports globally (30 in Japan, 54 overseas). The breakdown is as follows:

<Breakdown of Reports Received in Fiscal 2022>

Internal Audit

The Global Internal Auditing HQ conducts regular internal audits related to issues such as accounting, operations, and legal compliance. Audits are carried out from a risk management perspective. Through these internal audits, we regularly evaluate and improve the status of compliance with laws and regulations, including personal information protection, and the effectiveness of risk management activities.

Dealing with Violations

When any conduct is found to be in violation of the OMRON Group Rules for Ethical Conduct, employment regulations, internal rules, or laws and regulations, the Company takes disciplinary action and other strict measures, in accordance with the employment regulations and other rules established by each company in the OMRON Group.

Case | **Global Corporate Ethics Month 2022: Raising Ethical Awareness of Employees Globally**

Since 2016, the OMRON Group has designated October of each year as Global Corporate Ethics Month and has been implementing initiatives to raise employees' ethical awareness and enhance their relevant knowledge. During this month, all employees receive training and learn about the OMRON Group Rules for Ethical Conduct, which stipulate actions to be taken by employees in accordance with the OMRON Principles and laws and regulations.

In fiscal 2022, we carried out the following three activities as global common activities: a message from top management, translated into 10 languages, was distributed to employees; compliance training was carried out on the shared global topic of cartels; and efforts to increase awareness of whistleblower system were undertaken. In addition to these activities, topics of focus related to our long-term vision and to specific regional risks were selected for individual regions, with activities focused on e-learning and webinars. In Japan and China, training focused on personal information and software license management was carried out, while in Europe training on GDPR, export controls, AI ethics and human rights was carried out. Extra touches were added in Europe, such as the issuing of a "Corporate Ethics Month Passport" that could be stamped after each training, for those who were interested. Training focused on cybersecurity, data privacy, and IP management was carried out in other regions. Activities such as these allow employees to learn about the backdrop for certain rules, promote a greater sense of ethics among employees, and help to prevent compliance violations that might arise out of ignorance.