

Integrated Risk Management

Engaging in more global, speedier activities to contribute to the Group's ability to respond to change

Omron Risk Management Activities and Annual Cycle

At the time we launched our Long-term Vision VG2020 business plan in 2011, we also took the opportunity to review our risk management activities. As a result of this review, we initiated a program of **integrated risk management**.

At the time, our president charged us with two tasks: (1) Identify global risks to be able to respond with speed, and (2) Have every employee in the Group view risk as a seed of opportunity and seize upon these opportunities for growth. With these instructions, we

established three main activities related to integrated global risk management.

- 1 Conduct an annual global risk analysis to identify important risks and establish appropriate responses
- 2 Establish crisis response measures when a risk is identified
- 3 Promptly report and share important risk information among affected parties (risk information management)



Shuji Tamaki

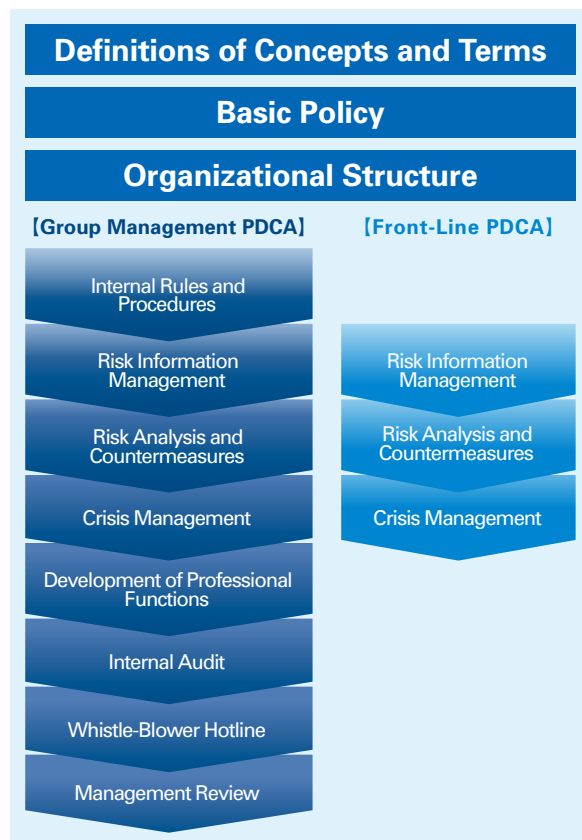
Executive Officer
Senior General Manager
Global Risk Management and
Legal HQ

We view compliance with laws and statutes as a legal risk, which is included in our integrated risk management program.

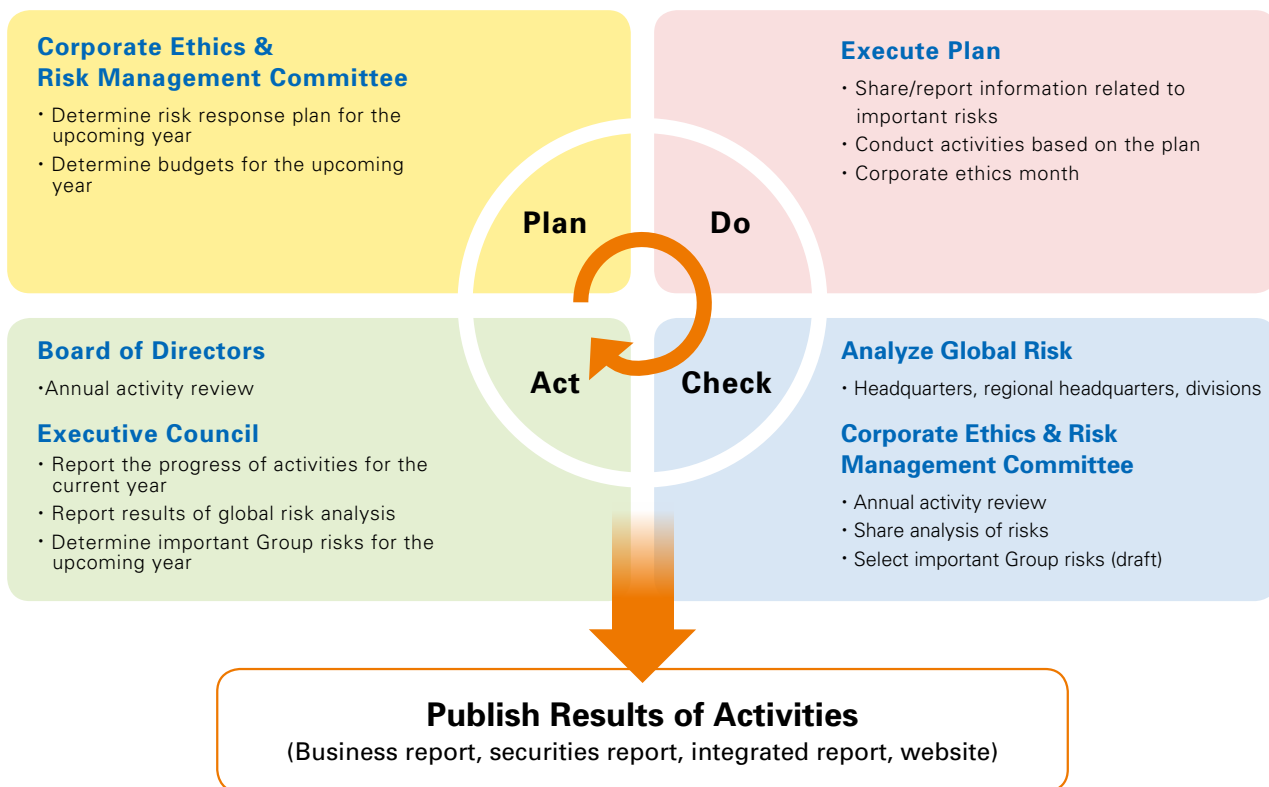
We have clearly defined our activity framework to promote efficiency and effectiveness in our global activities. This framework is formalized in the **Omron Group Rules for Integrated Risk Management**.

This activity cycle for integrated risk management begins every autumn with a risk analysis. The Executive Council (consisting of the president and division managers) determines important risks, while the Board of Directors evaluates these activities. Next, risk response plans are determined and related budgets are set. Finally, these measures are carried out and the results are published through our integrated report and website.

Integrated Risk Management Framework



Activity Cycle for Integrated Risk Management



Omron Group Important Risks and Risk Information Management —

We assign a **rank of “S”** to the most critical management risks that threaten the existence of the Group or call into question important issues of corporate social responsibility. We assign a **rank of “A”** to risks that may impede important Group goals. These ranks are determined annually by the Executive Council after discussion in the Corporate Ethics & Risk Management Committee.

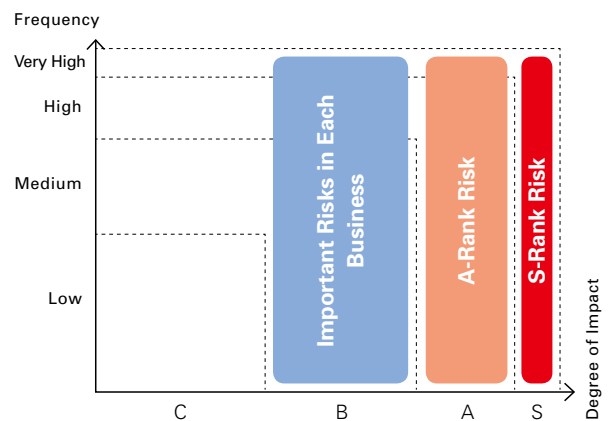
We have selected nearly 100 sources of information from within Japan and around the world to monitor important trends in external risk. Each day we check risk information, promptly sharing any important developments with the appropriate individuals.

As a rule, important risks identified within the Group are reported to headquarters within **24** hours. In the event of a major disaster or accident, for example, we will immediately confirm the safety of local Group employees. The results of this investigation are immediately forwarded to the Global Risk Management and

Legal HQ by telephone or email.

Our network of employees and their response to risk management play a critical role in accomplishing this task. For this reason, **risk managers** are selected within each headquarters department, each business division, each overseas region, and within each Group company.

■ Omron Group Important Risks



Compliance Initiatives

One example of our compliance structure is our whistleblower hotline, an effective means to prevent corruption within the Group. We are setting up this program at regional headquarters throughout the world, with systems already completed in Japan, the Americas, Europe, Asia, and China. During fiscal 2012, we received six reports with the only overseas hotline existing in the Americas (compared to 20 reports in Japan). In fiscal 2015, we received 21 reports across the five regions

listed above (31 reports in Japan). With the consultation of attorneys, we discreetly investigated each report, taking measures to prevent recurrence when necessary.

Every October, we hold the Corporate Ethics Month in Japan. During this month, we conduct training, publish a special message from the president, and conduct other activities. Beginning this year, the Corporate Ethics Month will be a global event for Omron.

Risk Management and ESG

In our global risk analysis last autumn, we noted rising demands for ESG, and concluded that an improper response to ESG matters could result in a number of issues. Emerging economies in particular have started to introduce stricter laws as they struggle with national issues related to pollution, bribery and corruption, and labor conditions. Early on, we identified Group risks related to the environment, labor safety,

and corruption. Although we have measures in place to respond to these risks, we believe we must strengthen related activities. For example, we have held regular training related to corruption prevention at our locations throughout the world. Moving forward, we plan to introduce more detailed controls according to the situation within each Group company.

Business Risk and Operating Risk

We defined comparatively short-term financial risks as **business risk** and longer-term non-financial risks related to earnings and corporate value as **operating risk**. The activities we have described thus far have mainly been related to operating risk.

In addition to risk management, I also have responsibility for legal affairs, which relates to business risk in terms of important contracts and issues arising during the course of conducting our business. In these cases, I communicate with business divisions about both legal risks and important business risks, offering advice regarding any needed measures. However, I believe we must look for risk and provide advice much earlier in the business process, during product development, individual business and

transaction planning, and so forth.

In our M&A activity as well, we must instill in our new members a commitment to the Omron Principles, our rules, and our integrated operations aligned with business strategy. I am convinced that failure to do so will mean failure of the acquisition. I believe this is a clear example of business risk, as well as **active risk management** in the integration post-merger/acquisition. We studied the risks involved in the companies we acquired during fiscal 2014 and 2015, taking steps to address the risks identified in our integration plan. We must raise our skill level in analyzing risk and planning efficient/effective measures if we are to respond correctly to M&A involving any type of company in any country around the world.

Future Issues and Initiatives

As discussed above, we plan to instill an understanding of risk management in each Group company as we engage in more activity across the world. Our vision is that each locale becomes capable of analyzing their own risks, taking effective action quickly while the risks are still small and manageable. This will accelerate the

speed of our business at the Group company level, as well as for the Omron Group as a whole.

We are committed to advancing integrated risk management activities that promote greater globalization and speed, helping strengthen the ability of the Omron Group to respond to change.