

Corporate Governance

Omron continually reviews and improves our corporate governance structures supporting sustainable value creation

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 sustained 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 nearly 20 years in 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/governance/pdfs/20160329_governance_policies_e.pdf

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	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 (Outside Members)	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 2006: Revised	2015: Revised
Omron Corporate Governance Policies			2015 Established

Corporate Governance Framework

Omron has elected to be a company with an Audit & Supervisory Board under the provisions of the Companies Act.

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.

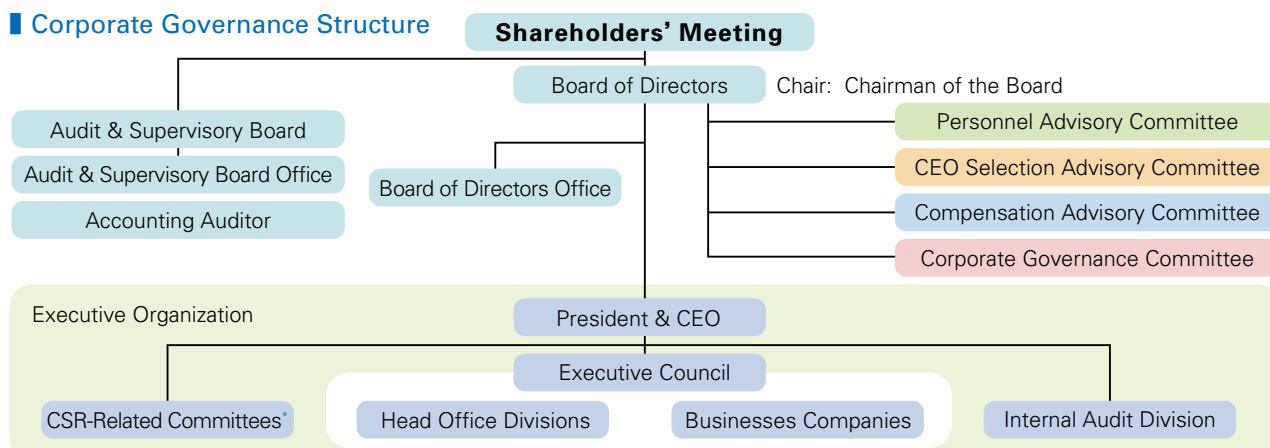
Omron has established several advisory

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 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.

Corporate Governance Structure



* Includes Corporate Ethics & Risk Management Committee, Information Disclosure Executive Committee, and Group Environment Activity Committee

Board of Directors

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

Audit & Supervisory Board

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

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.

CEO Selection Advisory Committee

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

Compensation Advisory Committee

Sets policies for director and executive officer compensation; evaluates compensation levels, deliberates specific compensation packages.

Corporate Governance Committee

Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.

Executive Council

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

Audit Functions

The Audit & Supervisory Board performs compliance and validity audits related to director performance and Board of Director supervisory duties. The Audit & Supervisory Board works to provide a basis for ensuring the practicability of these audits. The Global Internal Auditing HQ, which reports directly to the president and CEO,

periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and business company. Internal audits are more than just a tool to confirm compliance; they are also a valuable means for providing feedback and advice for operational improvement.

Selection of Outside Directors and Auditors

The Omron Board of Directors nominates and selects outside directors and outside Audit & Supervisory Board members as a means to oversee business operations as a representative of Omron shareholders and other stakeholders. Outside directors are selected based on predefined standards of independence.

In addition to the requirements under the Companies Act, Omron has established other rules for governing the independence of outside directors in compliance with independence standards set by the relevant stock exchanges.

Based on these standard of independence, three of Omron's eight members of the Board of Directors are outside directors, and two of the four members of the Audit & Supervisory Board are likewise outside members. Omron has submitted

filings to the relevant stock exchanges designating these individuals as outside independent directors.

■ Number of Major Meetings Held and Rates of Attendance (Fiscal 2015)

Meetings of the Board of Directors	13
Meetings of the Audit & Supervisory Board	13
Outside Director attendance at Board of Director Meetings	97.2%
Outside Audit & Supervisory Board member attendance at Board of Director Meetings	100%
Outside Audit & Supervisory Board member attendance at Audit & Supervisory Board meetings	96.2%

■ Advisory Committee Composition

Title	Name	Personnel Advisory Committee	CEO Selection Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman	Fumio Tateishi				
President and CEO	Yoshihito Yamada				
Executive Vice President and CFO	Yoshinori Suzuki				
Executive Vice President	Akio Sakumiya				
Director	Koji Nitto				
Outside Director	Kazuhiko Toyama [†]				
Outside Director	Eizo Kobayashi [†]				
Outside Director	Kuniko Nishikawa [†]				
Audit & Supervisory Board Member	Kiichiro Kondo				
Audit & Supervisory Board Member	Tokio Kawashima				
Audit & Supervisory Board Member (Independent)	Yoshifumi Matsumoto [†]				
Audit & Supervisory Board Member (Independent)	Hideyo Uchiyama [†]				

Note: ◎Chairman ○Vice Chairman □Committee Member

[†] Independent Officer

Financial Incentives for Directors and Audit & Supervisory Board Members

The Company established the Compensation Advisory Committee to enhance objectivity and transparency related to director remuneration*. This committee is chaired by an outside director and consists of five directors, none of whom can be the Company's chairman or president.

The Compensation Advisory Committee conducts deliberations and makes recommendations regarding director compensation. These recommendations are presented before the annual general meeting of shareholders, where shareholders vote on the total amount of compensation for members of the Board of Directors. The Company's Board of Directors then determines director compensation within the scope set by the shareholders.

The Company has introduced medium-term performance-linked bonuses and performance-linked stock acquisition rights in an effort to give directors incentives to achieve medium-term management targets and to strengthen governance over

compensation.

Under this structure, the governance system for director compensation incorporates three components: (1) base salary; (2) yearly performance-linked bonuses; and (3) medium-term performance-linked bonuses, stock compensation, and performance-linked stock acquisition rights. With this compensation structure, the Company aims to motivate directors to achieve short-, medium-, and long-term targets and to generate sustainable corporate value.

Total compensation for members of the Audit & Supervisory Board is determined by a vote at the annual general meeting of shareholders. The members of the Audit & Supervisory Board then consult and determine their compensation within the scope set by the shareholders.

* Compensation of Directors and Audit & Supervisory Board Members
http://www.omron.com/about/ir/shareholder/pdfs/convocation_notice_79th.pdf
 (Convocation Notice for The 79th Ordinary General Meeting of Shareholders P34-36)

Evaluating the Effectiveness of the Board of Directors

The Company conducts analysis and evaluation on the effectiveness of the Board of Directors so that the members of the Board will enhance the function and the effectiveness of the Board

to realize the sustained improvements in corporate value by recognizing, sharing, and improving the direction to be taken by the Board and the issues arising from such direction.

Method for Evaluating the Effectiveness of the Board of Directors

Evaluation on the effectiveness of the Board of Directors is conducted mainly by the Corporate Governance Committee chaired by a director (independent) and comprising directors (independent) and Audit & Supervisory Board members (independent).

As an initial process in evaluating the effectiveness of the Board of Directors, all directors comprising the Board of Directors and Audit & Supervisory Board members were asked to complete an anonymous self-evaluation

questionnaire. The Corporate Governance Committee analyzed the contents of the self-evaluation, sorted out the issues and reported the results of evaluating the effectiveness of the Board of Directors to the Board of Directors.

The Board of Directors verified the evaluation results, discussed measures to enhance the effectiveness of the Board and formulated the Board's operating policy for the following fiscal year.

Fiscal 2015 Results of Evaluating the Effectiveness of the Board of Directors

As a result of analysis and evaluation on the effectiveness of the Board, it was confirmed that the governance system currently adopted by the Company and the operation of the system were appropriate. The evaluation indicated that an open atmosphere conducive to active discussions pervaded the Board of Directors and the Advisory Committees and that oversight over management

in general was being appropriately conducted through constructive discussions.

Meanwhile, the necessity to reinforce the oversight functions of the Board of Directors through expanded discussion of medium-to long-term management strategies was pointed out as an issue going forward.

Fiscal 2016 Bord of Director Operating Policy

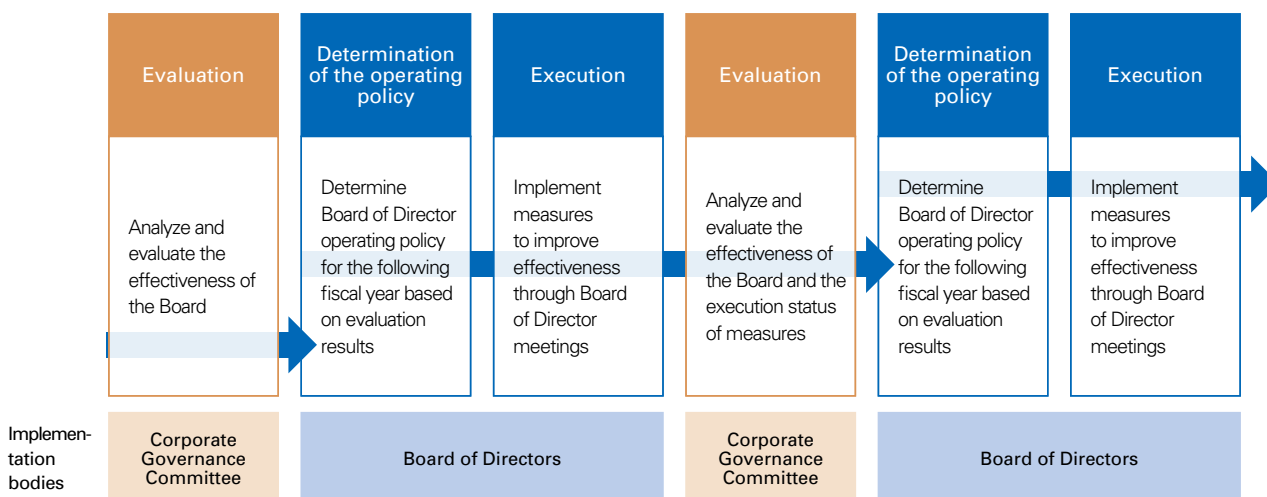
In light of the evaluation results by the Corporate Governance Committee as well as the recent changes in the environment, the Board of Directors shall continue to delegate its authorities to executive organizations, and in addition to existing initiatives, further expand its discussions on medium-to-long term management strategies to reinforce the oversight functions of the Board of Directors through the following initiatives.

- The Board of Directors shall expand discussions of the medium-term management plan based on medium-to long-term management strategies in preparation for the formulation of the next medium-term management plan for fiscal 2017

forward, as well as to enhance its oversight functions.

- As ESG has become a topic of growing interest among institutional investors and society in general, the Board of Directors shall coordinate ESG policies (from a standpoint of meeting social responsibilities) and build a system to put these policies into practice.
- The Board of Directors shall continue to delegate its authorities related to the execution of measures for short-term issues to the executive organizations and build a structure to reinforce oversight function for medium-to long-term management issues.

Initiatives towards Improving the Effectiveness of the Board of Directors



Message from an Outside Director

Evaluating the Effectiveness of the Board of Directors

In launching this initiative, we began building a framework based on discussions within the Corporate Governance Committee, which is made up of outside directors. These discussions addressed by whom and how such evaluations would be conducted, as well as how we would link the results of evaluations to improving the effectiveness of the Board of Directors.

While objectivity is important, evaluations that solely emphasize form and numerical data will not lead to substantial and autonomous improvements in effectiveness. To ensure both effectiveness and objectivity, we asked all members of the Board of Directors to complete a self-evaluation. Based on the results of these evaluations, the Corporate Governance Committee performed an evaluation of the effectiveness of the Board. This evaluation focused on areas having room for reform and improvement.

The committee then submitted a report to the Board of Directors. This report included frank opinions and proposals for solving the issues. The report was framed as the result of an evaluation from outside directors and auditors familiar with Omron and intimately involved in Omron management oversight. As such, we believe our Board of Directors accepted the feedback earnestly and sincerely.

After receiving the evaluation results, the Board of Directors promptly set about implementing operating policies. I believe that this evaluation of the effectiveness of our Board of Directors has served as an impetus for change, and that the Board of Directors will serve as an even more robust platform for decision-making, which will be proven as the Corporate Governance Committee continues to gauge our progress.

Kazuhiko Toyama

Outside Director

Chairman of the Corporate Governance Committee
President and CEO, Industrial Growth Platform, Inc.

July 2016

