

# Corporate Governance

## 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. 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\*<sup>1</sup> 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.

\*1 OMRON Corporate Governance Policies  
<https://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	2017: Eliminated board titles* <sup>2</sup>
		1999: Adopted executive officer system	2017: Positioned president as an executive officer
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 Principles	2006: Revised	2015: Revised
OMRON Corporate Governance Policies			2015: Established

\*2 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) have been separated. The chairman serves as chair of the board of directors, without direct corporate representational authority.

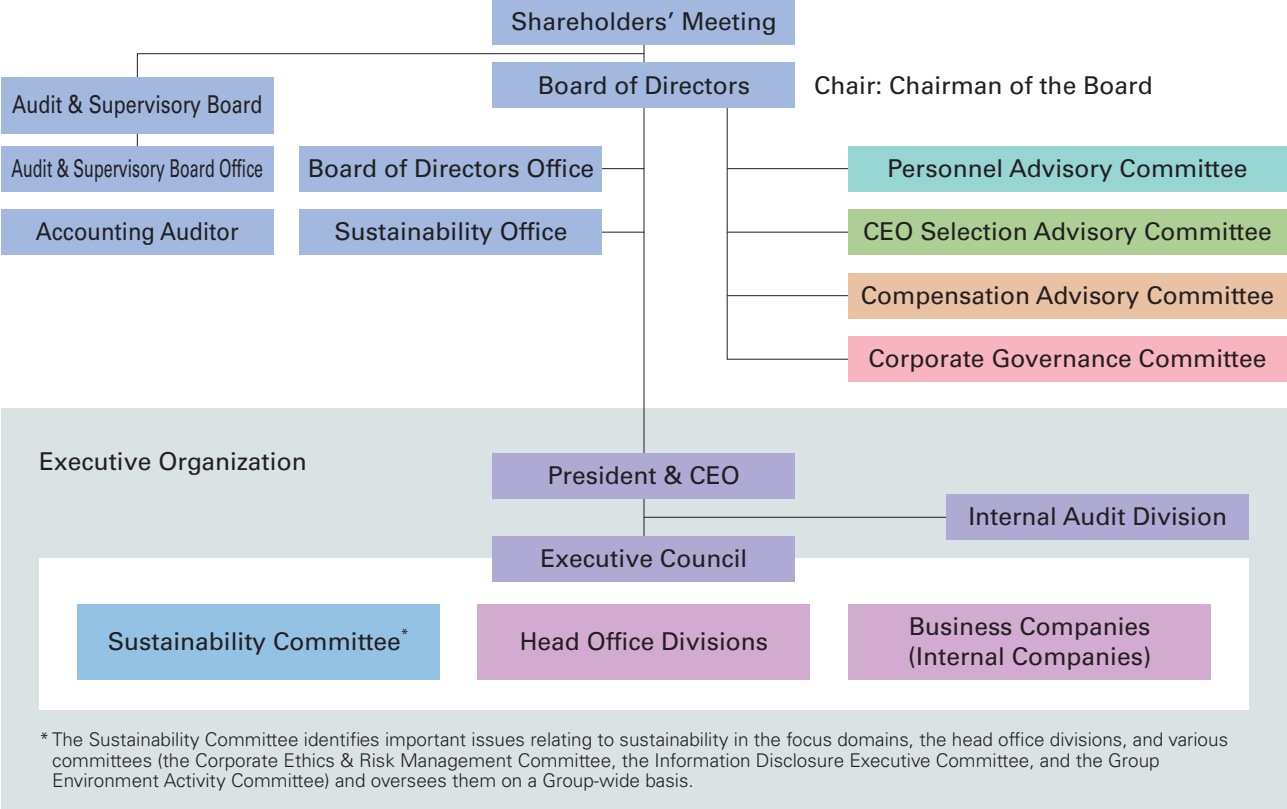
OMRON has established several advisory committees to enhance the oversight functions of the board of directors. These committees include the Personnel Advisory Committee, the CEO Selection

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.

Outside directors attended the 13 meetings of the board of directors held during fiscal 2017 at a rate of 94.4%. Outside auditors attended at a rate of 100%. Outside auditors attended the 13 meetings of the Audit & Supervisory Board at a rate of 100%.

### Fiscal 2018 Corporate Governance Structure



\* The Sustainability Committee identifies important issues relating to sustainability in the focus domains, the head office divisions, and various committees (the Corporate Ethics & Risk Management Committee, the Information Disclosure Executive Committee, and the Group Environment Activity Committee) and oversees them on a Group-wide basis.

**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 the selection of a chief executive officer; deliberates succession plans and candidates in the event of an emergency.

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

## Fiscal 2018 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

## Status of Initiatives Towards Improving Board of Director Effectiveness

### Overview of Initiatives Towards Improving Board of Direct Effectiveness

The company works to improve board effectiveness to ensure sustained enhancement of corporate value. Such initiatives are undertaken in a two-part cycle: (1) Evaluate board effectiveness and (2) Determine and implement policies for the operation of the board of directors based on (1).

#### (1) Evaluate board effectiveness

The Corporate Governance Committee is responsible for evaluating board effectiveness. Methods of evaluation are as described below:

- Directors and Audit & Supervisory Board Members conduct self-evaluations by completing an anonymous self-evaluation questionnaire.
- Individual interviews of directors and Audit & Supervisory Board members are also conducted by chairman of the board of directors, who asks about improving the effectiveness of the board.
- The Corporate Governance Committee analyzes the results of the self-evaluations and the

interviews by the chairman of the board of directors, and then conducts an evaluation of the board's effectiveness.

#### (2) Determine and implement policies for the operation of the board

Based on the evaluation results by the Corporate Governance Committee in (1), the board of directors formulates and determines the policy for the operation of the board of directors for the next fiscal year. The board is then operated under this policy.

### Initiatives toward improving board of director effectiveness



## Overview of the Results of Evaluation of Board of Director Effectiveness for Fiscal 2017

### Policy for the operation of the board of directors for fiscal 2017

The board of directors exercises its oversight function with particular focus on three areas to ensure achievement of the medium-term management plan VG2.0, which began in fiscal 2017:

- **Progress of short-term management plans**
- **Human resources and technology strategies key to medium-term management strategies**
- **Initiatives to address materiality, which have been identified based on sustainability policies**

### Results of the fiscal 2017 evaluation of board effectiveness

The Corporate Governance Committee confirmed that the board of directors operated according to the policy for board operations for fiscal 2017 and that the board demonstrated its oversight function. Evaluation results and future issues are as described below:

#### ■ **Progress of short-term management plans**

The board of directors discussed and approved VG2.0 and the company-wide management plan for fiscal 2017. In addition, the board of directors received sufficient reports from executives regarding initiatives at individual divisions.

#### ■ **Human resources and technology strategies key to medium-term management strategies**

##### 1) Human resources strategies

The board of directors discussed human resources strategies, a key component of VG2.0. The board recognized that human resources strategies were important to achieve VG2.0 and that the board should continue to exercise its oversight function.

##### 2) Technology strategies

The board of directors confirmed the company-wide core technology system developed on the SINIC Theory platform. SINIC Theory is OMRON's unique predictive theory encompassing AI, IoT, robotics, and other rapid technological innovations. The Board recognized that technology strategies were important to achieve VG2.0 and that the board should continue to exercise its oversight function.

##### 3) Other strategies related to medium-term management strategies

The board of directors recognized the need to exercise its oversight function on strategies related to information systems and quality to achieve the company's medium-term management strategies.

#### ■ **Initiatives to address materiality which have been identified under sustainability policies**

To ensure the achievement of VG2.0, the board of directors received reports on fiscal 2020 targets and KPIs for material sustainability issues. The board also received reports related to the company-wide management structure for advancing sustainability and reports on material issues. OMRON began sustainability initiatives in fiscal 2017. The board recognized the need to exercise its oversight function on an ongoing basis.

### Policy for the operation of the board of directors for fiscal 2018

Based on the results of the fiscal 2017 evaluation of board effectiveness and identified future issues, the board of directors has been charged with exercising its oversight function to ensure the achievement of VG2.0, focusing on three areas in particular:

- **Strategies for information systems and quality with respect to medium-term management strategies**
- **Ongoing initiatives for human resources and technology strategies**
- **Initiatives to address material sustainability issues (materiality)**