

Risk Management

December 27, 2017

Executive Officer, Senior General Manager,

Shuji Tamaki

Global Risk Management and Legal HQ

Today's Takeaways

- **Current risk management activities started in conjunction with the rollout of Long-term Vision VG2020*, on the back of global expansion**
- **Aim to develop a globally integrated framework for fulfilling our social responsibility while working with senior management to create a risk management framework that embodies OMRON's philosophy and values**
- **Annual cycle of PDCA activities in place, centered around the Board of Directors and Committee. Undertake risk analysis, develop responses to material risks and crises**
- **Specifically address the Group's material risks by handling disaster response, enhancing corporate ethics understanding, and establishing the OMRON Global Rules system**
- **Aim to continue to act as the link between management and working level, in order to, alongside management, address issues that cannot be resolved at the working level**

*VG2020: Long-term Vision started in FY2011

Sustainability Targets for Risk Management



Key Initiatives



Social Issues	FY2020 Targets & KPI
Act with Integrity and Fairness	<ul style="list-style-type: none">• Dramatic evolution of global governance<ul style="list-style-type: none">• Global penetration of OMRON Group Rules• Global training implemented for Ethical Conduct Rules
IT Security, Personal Information Protection	<ul style="list-style-type: none">• Dramatic evolution of global governance<ul style="list-style-type: none">• Global penetration of OMRON Group Rules• Build new framework for IT security

Today's Topics

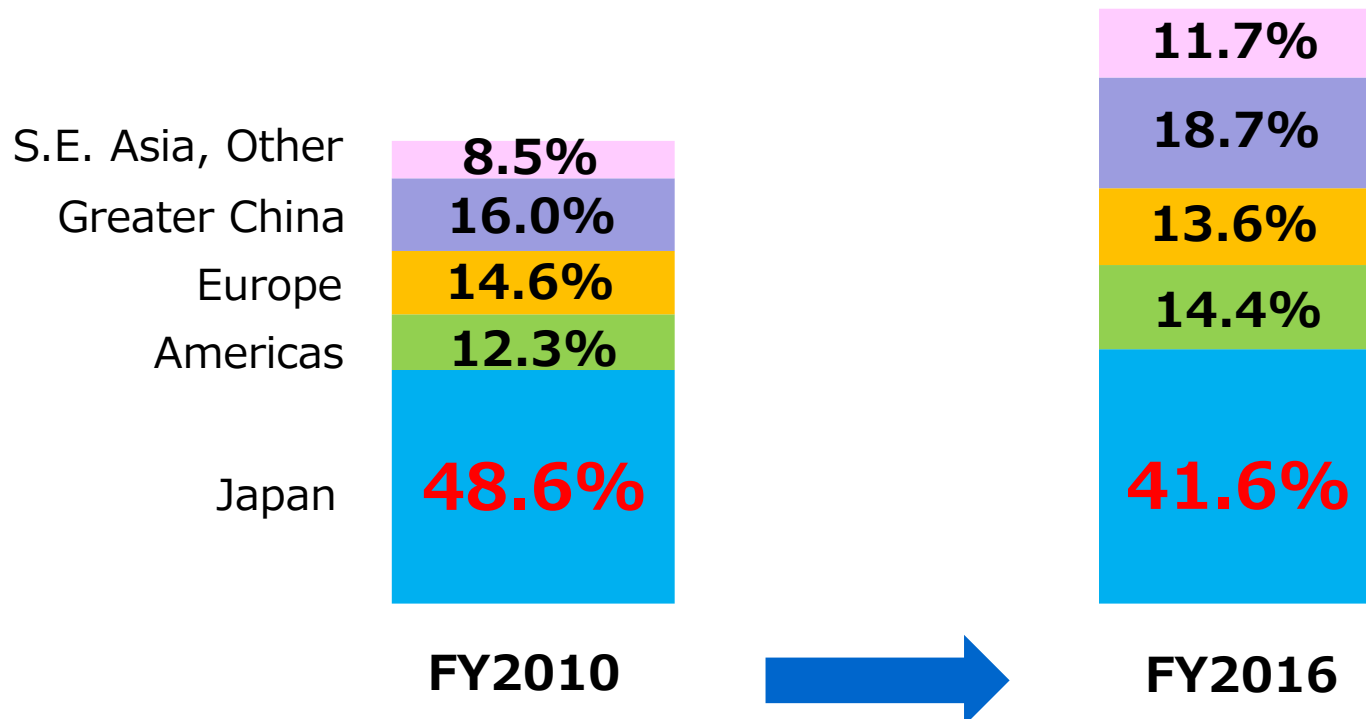
- 1 . Business Activities Expanding Globally**
- 2 . Businesses and Risk**
- 3 . Starting Up In Conjunction with VG2020**
- 4 . Integrated Global Risk Management**
- 5 . Initiatives to Date**
- 6 . Current Activities**
- 7 . Annual Activity Cycle**
- 8 . Examples of Activities (Disaster Response, Global Corporate Ethics Month, OMRON Group Rules)**
- 9 . Risk Manager Network**
- 10. Future Challenges**

1. Business Activities Expanding Globally

Globalization accelerated under VG2020*. Exposed to a wider array of risks in engaging in business activities.

Sales ¥617.8 billion
(Operating Income ¥48 billion)

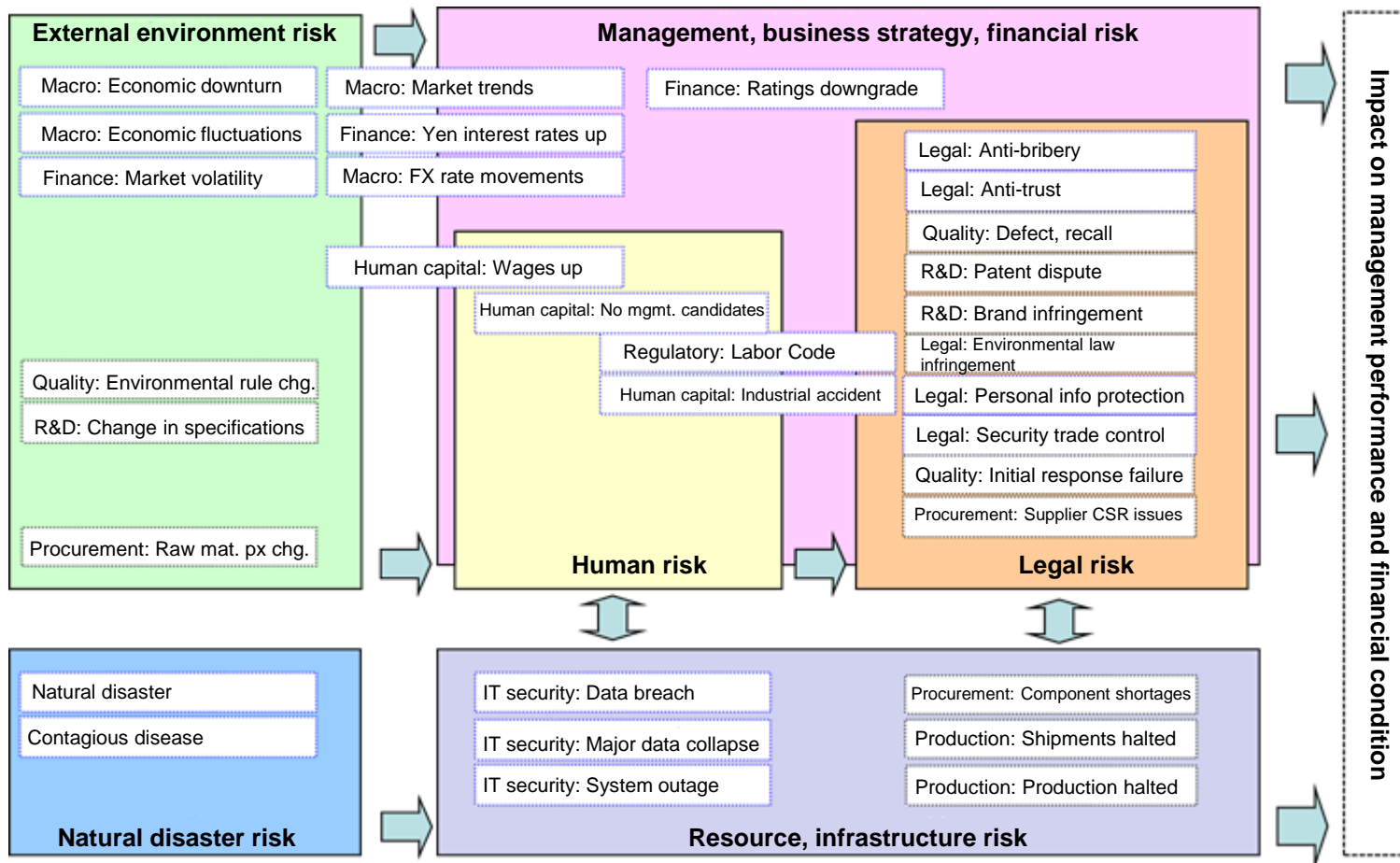
Sales ¥794.2 billion
(Operating Income ¥67.6 billion)



*VG2020: Long-term Vision started in FY2011

2. Businesses and Risk

Operating businesses globally makes it necessary to respond to a wide array of risks



Graphic representation of the business risks as shown on <https://www.omron.co.jp/ir/keiei/risk.html>

3. Starting Up in Conjunction with VG2020

Initiate discussions of risk management with the Board of Directors in 2011, the first year of VG2020

Top Management View

- 'Given the faster pace of change in the operating environment and rising levels of uncertainty, there is a need to prepare and respond rapidly to risks. In order to do so, we must be more attuned to risk, identifying and addressing risks at an early stage.'
- 'There is an increasing need to accelerate the pace of our businesses. Ignoring risk management is like being told to drive full speed ahead while blindfolded.'
- Becoming a strong company requires not only the ability to grow and generate profits but the ability to respond appropriately to change.



Products, Services



Customers

4. Integrated Global Risk Management

Integrated approach to managing risk on a global basis.

‘Integrated Global Risk Management’

Focus on developing risk management framework fitting for OMRON

Objectives

- Ensure the continued existence of the company
- Achieve targets
- Fulfil corporate social responsibilities

* Integrated Global Risk Management Policy

https://www.omron.co.jp/sustainability/governance/risk_management/



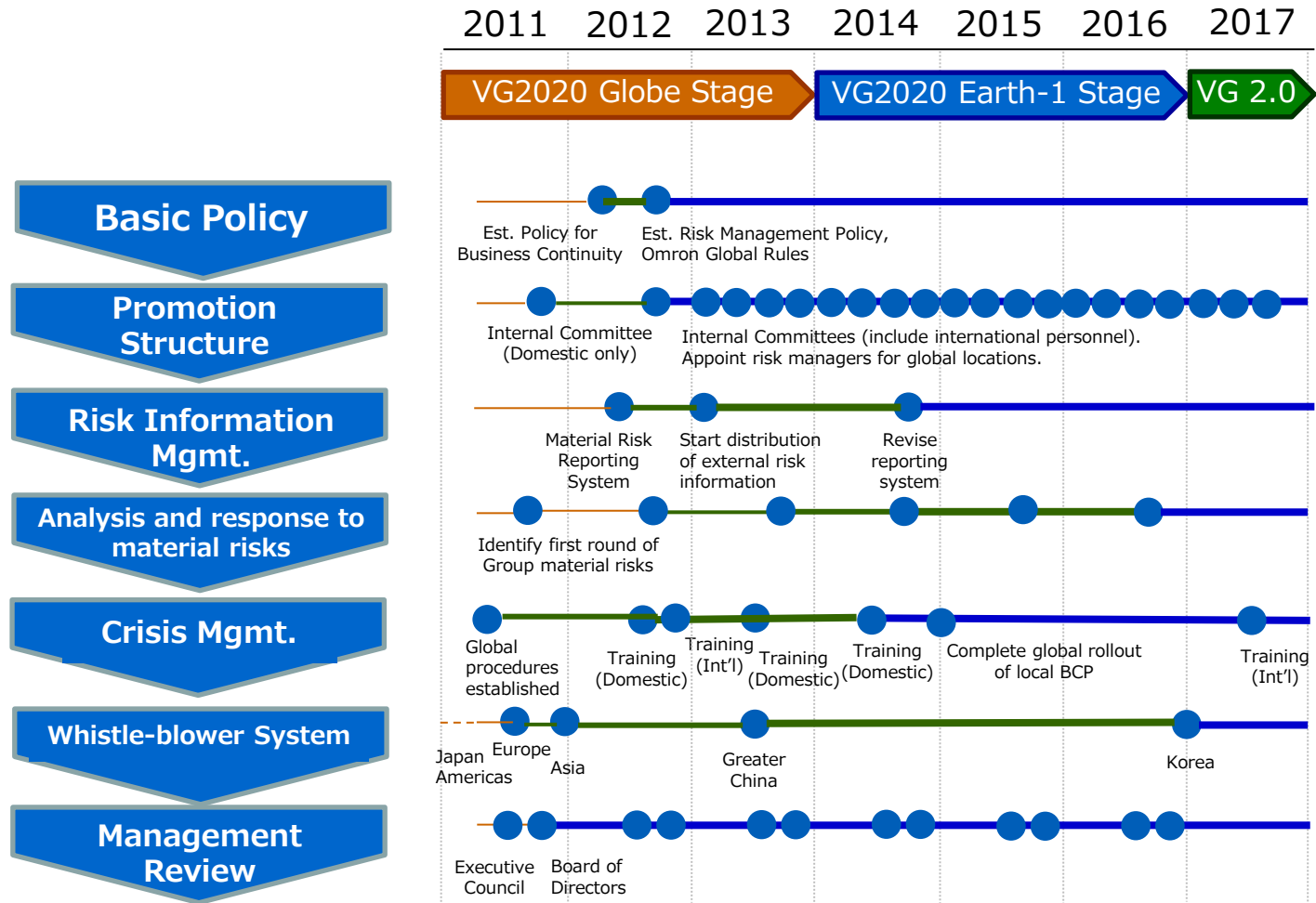
4 Elements
of
Integration

- Clearly integrate risk management into the Group management process
- Integrate group risk management activities under a common framework
- Integrate information on the Group’s global risks
- Integrate (embed) risk management into day-to-day business activity

■ **Our aim :** In response to changes in the operating environment on issues that the businesses find challenging to resolve independently, we aim to bring together the efforts of the business units and management to find resolution.

5. Initiatives to Date

**Start building a global framework in 2011.
Leverage framework to improve global penetration**



6. Current Activities

Annual activities to promote Risk Management



7. Annual Activity Cycle

Annual activity cycle established around Board of Directors, Executive Council and Corporate Ethics & Risk Management Committee



8. Examples of Activities

Examples of Omron Group responses to material risks

1. Disaster response
2. Global Ethics Month
3. Omron Group Rules

OMRON Group Material Risks

- S Risks: **Business continuity, violation of global laws** (bribery, etc.)
Global information/IT security risks, etc.
- A Risks: Employee safety, **Internal fraud**, occupational health & CSR compliance, Group management weakness, etc.

Examples of Activities

December 27, 2017

**General Manager,
Yoshichika Tanabe**

**Risk Management Department,
Global Risk Management and Legal HQ**

8.1. Disaster Response

Given earthquakes and other natural disasters carry significant risk for employees, regional communities and business continuity, this is our top priority.

■ **Natural disasters impacting our business**

- 2011 Great East Japan Earthquake (factories, offices); Thai floods (factories)
- 2016 Kumamoto Earthquakes (factories); Central Tottori Earthquake (factories)
- 2017 Mexico Earthquake (office)

■ **Earthquake response**

- Confirm safety of employees
 - Decide whether physical structures can be used safely
 - Confirm status for restoration of electric power, gas, water and other utilities, secure utilities
 - Confirm status of component and materials suppliers
 - Provide support to employees to restore normal living conditions in order to return to work, provide support to local communities
 - Prepare to restart production/operations
 - Restart production
 - Disclose information to external stakeholders
- **Even when OMRON facilities are not directly impacted, confirm that there will be no impact to supply chain**

8.2. Global Corporate Ethics Month

Every October and November designated Global Corporate Ethics Months to raise awareness and understanding of corporate ethics. Each region allowed to tailor activities to enhance penetration.

Common Global Activities

- Streaming of President's message (25 languages)
- Promotion of Omron Group Rules for Ethical Conduct (25 languages)

OMRON Group CSR Practice Policies / OMRON Group Rules for Ethical Conduct

https://www.omron.co.jp/assets/img/sustainability/pdf_inquiry/omron_csr_guideline_w.pdf



Japan China Asia

- e-learning (96% participation rate* rollout ongoing in some geographies)

Americas

- Ethics Month Meetings (Training for presidents and management of subsidiaries)

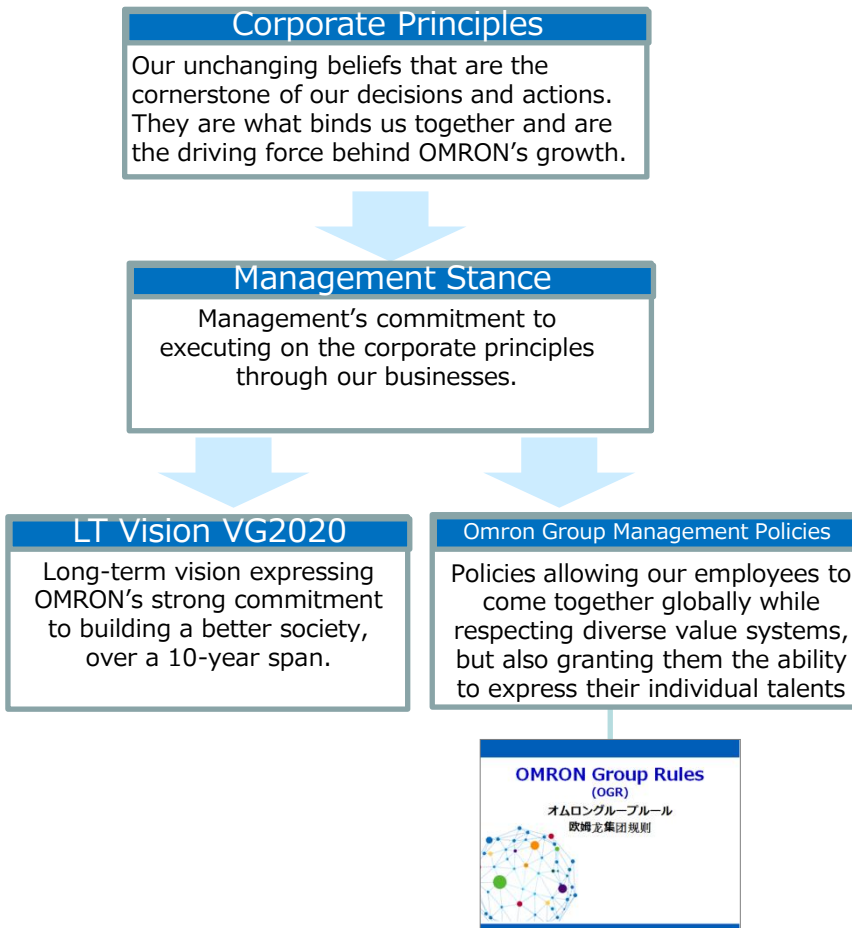
Europe

- Animated character features in Compliance video explaining the importance of corporate ethics to employees

8.3. OMRON Group Rules

As a part of initiatives to rebuild the governance framework, developed OMRON Group Rules (OGR) to bring together risk management, compliance practices.

Focused on raising awareness and penetration on a global basis



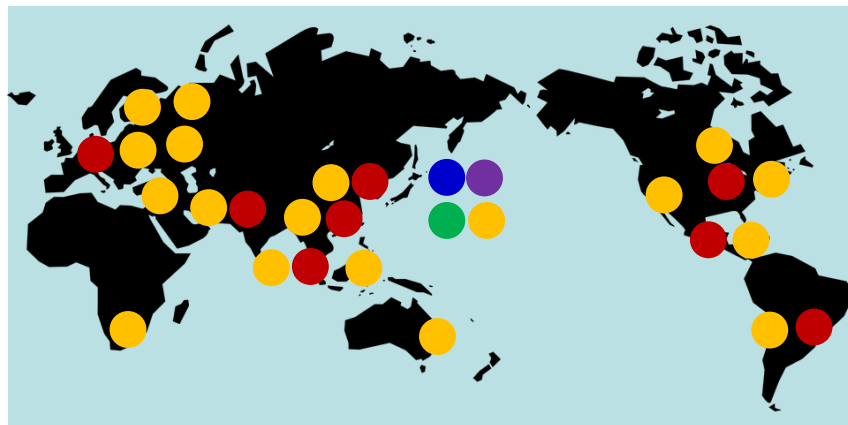
OMRON Group Rules (OGR)

- Consists of 24 Global Rules (Ethical conduct, risk management, unauthorized control, information security, security trade management, approval authority, management of group companies, IT controls, accounting and funding, occupational health, environmental management, procurement, brand management)
- Enhance Group company governance
- Execution of rules = Implementation of sustainability practices

9. Risk Manager Network

Risks Managers tasked with raising penetration on a global basis
(Global HQ, business companies, regional HQs, group companies)

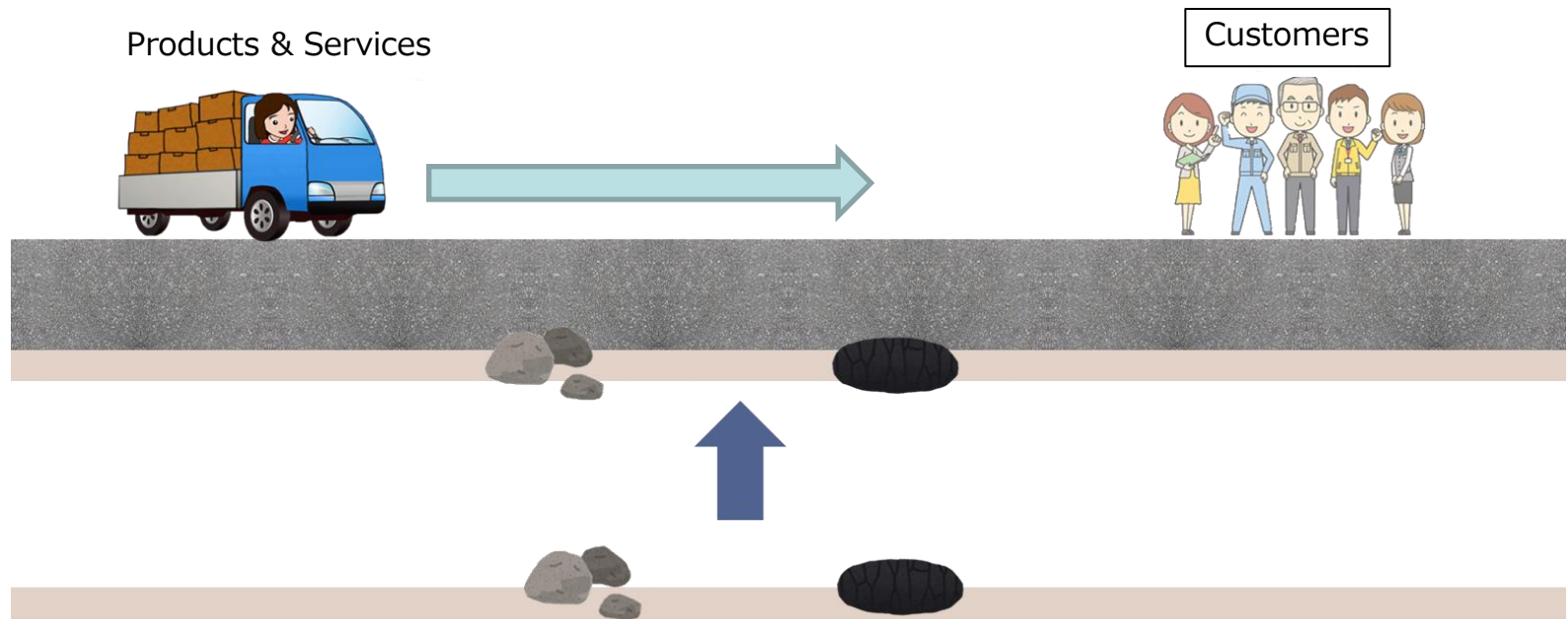
We will continue to reinforce the network,
based on a relationship of trust



● Senior Risk Manager	
● HQ Division Risk Managers	10
● Business Company Risk Managers	7
● Regional HQ Risk Managers	5
● Group company Risk Managers	174

10. Future Challenges

Enhancing group governance, including risk management, will allow us to deliver more value, at a faster pace, to our customers.



In Closing

Given the faster pace of change in the operating environment and rising levels of uncertainty, there is a need to prepare and respond rapidly to risks. In order to do so, we must be more attuned to risk, identifying and addressing risks at an early stage.

To do so,

Risk management team will act as a link between management and the businesses.

In particular, in response to changes in the operating environment on issues that the businesses find challenging to resolve independently, we aim to bring together the efforts of the business units and management to find resolution.

Thank you

OMRON