

[Revised parts](#)

This document has been translated from the Japanese original for reference purposes only. Where there are any discrepancies between the Japanese original and the translated document, the original Japanese document shall prevail.

## **OMRON Corporate Governance Policies**

Seeking sustainable enhancement of our corporate value

### **Section 1 General Provisions**

#### **1. Basic Stance for Corporate Governance and Objective of Establishing the Corporate Governance Policies**

At the OMRON Corporation and its affiliated companies (hereinafter referred to as 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.

In accordance with this basic stance, the OMRON Group has set forth the following corporate governance policies (hereinafter referred to as the “Policies”) as the foundation for the Group's pursuit of continuous enhancement of its corporate governance.

#### **<Omron Principles>**

##### **Our Mission**

**To improve lives and contribute to a better society**

##### **Our Values**

- **Innovation Driven by Social Needs**

Be a pioneer in creating inspired solutions for the future.

- **Challenging Ourselves**

Pursue new challenges with passion and courage.

- **Respect for All**

Act with integrity and encourage everyone’s potential.

## <Management Philosophy>

We believe a business should create value for society through its key practices.

We are committed to sustainably increasing our long-term value by putting Our Mission and Values into practice.

- We uphold a long-term vision in our business practices to create solutions to society's needs
- We operate as a truly global company through our fair and transparent management practices
- We cultivate strong relationships with all of our stakeholders through responsible engagement

## 2. Establishment, Revision, and Abolishment

Any establishment, revision, and abolishment of these Policies must undergo resolution at a meeting of the Board of Directors.

## Section 2 Stakeholder Relationships

### 1. Relationships with Shareholders

#### (1) General Shareholders Meetings

The OMRON Group recognizes the general shareholders meetings as its highest decision-making body. As such, the OMRON Group takes measures to ensure that shareholders are provided with a sufficient time to exercise their rights, and maintains an environment in which shareholders can exercise their rights appropriately.

- The OMRON Group holds the annual general shareholders meeting at least three days prior to the so-called “date of highest concentration of general shareholders meetings.”
- The OMRON Group strives to include the simplest and clearest possible explanations in the convocation notices, including the use of charts and tables, and sends the notices to shareholders at least three weeks before the date of the meeting.
- Prior to sending convocation notices to shareholders, the OMRON Group discloses information included in the convocation notice. To do so, the OMRON Group posts convocation notices in Japanese and English on the Tokyo Stock Exchange's Electronic Voting Platform and the Group's website about a month before the date of the meeting.

- The OMRON Group seeks to enhance convenience for shareholders in exercising their voting rights by enabling electronic voting via the Internet or using the Electronic Voting Platform.

Should institutional investors who hold shares in street names express, in advance of the general shareholders meeting, an interest in exercising voting rights, the OMRON Group will consult with the trust bank and/or custodial institutions over this possibility. Should such institutional investor(s) also desire to observe the general shareholders meeting, such admission will be accepted after the investor(s) undergo specified procedures.

## **(2) Securing the Rights of Shareholders**

Living up to its management philosophy, “We cultivate strong relationships with all of our stakeholders through responsible engagement,” the OMRON Group will fully secure virtually all shareholder rights, including rights of minority shareholders and foreign shareholders. The OMRON Group also strives to build long-term relationships of trust with shareholders by increasing its corporate value and providing adequate returns of earnings to shareholders.

- The Board of Directors will sincerely accept the results of the exercise of voting rights. Should votes against the OMRON Group’s proposal exceed 30%, the Board will analyze the reasons behind opposing votes and take necessary measures such as engaging in dialogue with shareholders.

## **(3) Constructive Dialogue with Shareholders**

The OMRON Group strives to contribute to sustainably increasing its corporate value through dialogue with shareholders. Additionally, we will separately release our basic policies for the development of systems and initiatives for facilitating constructive dialogue with shareholders.

## **(4) Basic Strategy for Capital Policy**

1. To maintain and improve shareholder value, the OMRON Group will implement management practices by taking into consideration the adequate target levels for return on invested capital (ROIC), return on equity (ROE), and earnings per share (EPS). To prepare for rapid fluctuations in economic conditions, we will also set the equity ratio target at a level sufficient for maintaining a corporate credit rating that enables raising of funds without regard to monetary market conditions.

2. With respect to capital policy that results in a change of control or in significant dilution, the Board of Directors will make a rational decision by fully taking into consideration the effects it would have on the aforementioned ROIC, ROE, and EPS.
3. If the OMRON Group implements a fund-raising program that will result in significant dilution, the use of the fund and its collection plan will be fully examined and deliberated at a meeting of the Board of Directors before making a resolution, and sufficient explanation will be given to investors and shareholders.

#### **(5) Cross-Shareholding Strategy**

1. Aiming for sustainable improvement of its corporate value, the OMRON Group will hold shares of other companies as cross-shareholdings\*, but only in cases intended for collaboration toward building social value.
2. As for cross-shareholdings, the Board of Directors annually assesses whether or not to hold each individual cross-shareholding, by closely examining its purpose and underlying rationale from a medium- to long-term perspective. The assessment of appropriateness for cross-shareholdings will reflect the status of collaboration with the investment destination, its impact on the OMRON Group's business, the ROE of the investment destination, and the degree of contribution to the OMRON Group's earnings that the transactions with the investment destination make, and other factors. In the case of shares for which the purpose of holding and the underlying rationale have found to have diminished based on the results of assessment, the OMRON Group will proceed with sale of the cross-held shares while taking into consideration the possible impact on its business and markets.
3. The Voting Rights Exercising Committee chaired by the CFO will make a decision whether or not to exercise voting rights for cross-held shares. Decisions with respect to whether or not to execute voting rights of cross-held shares, will be based on comprehensive judgment of the possibility of improvement in corporate value of the investment destination in the medium- to long-term. Dialogue with the investment destination will be arranged as necessary.

\* cross-shareholding: There are cases where listed companies hold the shares of other listed companies for reasons other than pure investment purposes, for example, to strengthen business relationships. Cross-shareholdings here include not only mutual shareholdings but also unilateral ones.

## **(6) Anti-Takeover Measures**

1. No anti-takeover measures are in place at the OMRON Group.
2. In the case of a tender offer made to us, the Board of Directors will take the following measures in response:
  - Seek the presentation of a strategy to enhance the OMRON Group's corporate value from the party making the tender offer.
  - Make a presentation of the OMRON Group's strategy to increase its corporate value to shareholders.

## **(7) Prevention of Related Party Transactions**

1. The OMRON Group will examine the presence of any transactions in which the OMRON Group engages with its directors, executive officers, and/or Audit & Supervisory Board members, and prepare confirmation documents. Any finding of material fact will be reported to the Board of Directors.
2. Any transactions between related parties will be disclosed in accordance with the Companies Act, Financial Instruments and Exchange Act, and other applicable laws, as well as rules established by the Tokyo Stock Exchange.

## **2. Relationships with Employees**

Based on one of Our Values, "Respect for all," the OMRON Group aims to become a corporate group that encourages a diverse assembly of people with varied thoughts and value perceptions to fully demonstrate their capabilities and bring out their unique potential. To this end, various initiatives are implemented at the OMRON Group:

- In accordance with established corporate policies for human resources development and internal environment development, the OMRON Group ensures the diversity of core human resources in terms including work experience, specialized knowledge, insights, gender, international experience, and age.
- For highly motivated employees who make continuous efforts to improve themselves, appropriate opportunities to develop necessary skills shall be offered.
- TOGA (The OMRON Global Awards), an internal annual commendation program, has been established in order to encourage all OMRON Group employees worldwide to put the Omron Principles into practice.
- The Omron Group Rules for Ethical Conduct are disseminated to all officers and employees across the world as a guide for actions and behavior they should take and to ensure their compliance with laws and regulations.

- A whistleblower hotline system is in place within the OMRON Group to accept reports regarding acts of violations or behaviors that could possibly be in violation of the Omron Group Rules for Ethical Conduct, work rules, and/or laws and regulations. A whistleblower hotline system is also in place at an external law firm.
- In accordance with laws, regulations, and internal company rules, hotline contacts are maintained strictly confidential and whistleblowers are fully protected from any detrimental treatment.

### **3. Relationships with Customers**

Based on one of Our Values, “Innovation Driven by Social Needs,” the OMRON Group strives to offer products and services capable of addressing social issues ahead of others by anticipating the potential needs of society. Through this endeavor and by maintaining a commitment to “Quality First,” we seek to increase customer satisfaction.

### **4. Relationships with Business Partners and Suppliers**

The OMRON Group fulfills its social responsibilities by complying with applicable laws and regulations. We will also do so by globally promoting comprehensive CSR procurement, which also demands meeting environmental protection and human rights-related requirements. We also aim to offer high-value products and services by consistently procuring the best possible goods and services in terms of QCDS (Quality, Cost, Delivery, and Service) as a whole from global sources, in order to increase customer satisfaction.

### **5. Relationships with Communities**

In line with Our Mission, “To improve lives and contribute to a better society,” we aim to provide solutions to society’s issues through our business, as we recognize the importance of creating value for society. We also believe that the very purpose of OMRON’s existence—its mission—is to continuously contribute to the sustainable development of society, as we continue to seek to create a better society.

- Guided by the Omron Principles, the OMRON Group will help to build a sustainable society on a global scale by offering products and services that contribute to the global environment and making the most effective use of its management resources possible.
- Points of contact are in place to handle inquiries from citizens of local communities and other stakeholders and sincerely respond to them.

- The OMRON Group will proactively promote community involvement and other social contribution activities. At the same time, efforts will be exerted to encourage and support employees to individually take part in community involvement and other social contribution programs on their own initiative.

## **6. Relationship with the OMRON Corporate Pension Fund as an Asset Owner**

1. The OMRON Corporate Pension Fund is responsible for the management of accumulated pension funds.
2. The Company assigns persons qualified in financial affairs, management of funds, human resources, etc. to the OMRON Corporate Pension Fund in order to ensure the professional investment management of corporate pension funds.
3. The Company assigns a person responsible for financial affairs as the chairperson of the Fund Asset Management Committee. In the Fund Asset Management Committee, the person responsible for financial affairs takes part in the formulation and review of the fund management policy, while also comprehensively evaluating asset managers of corporate pension funds from qualitative and quantitative perspectives. This shall be done on the presumption that the independence of the OMRON Corporate Pension Fund will be maintained.
4. The chairperson of the OMRON Corporate Pension Fund reports to the CFO regarding the operational practices and financial standing of the Fund, as well as the management status of pension funds.

## **Section 3 Full Disclosure**

### **1. Information Disclosure Standards**

The OMRON Group will proactively disclose and provide information in order to enhance fairness and transparency in management practices.

- To meet the demands of shareholders and other stakeholders to seek information, the OMRON Group complies with the Companies Act, the Financial Instruments and Exchange Act, and other applicable laws and regulations, as well as the rules established by the Tokyo Stock Exchange. Additionally, the OMRON Group will strictly observe the separately established internal company rules to ensure appropriate and timely disclosure of financial and business-related information **both in Japanese and English.**

- With respect to cases that need to be individually judged for disclosure, the Information Disclosure Executive Committee, a cross-divisional organization consisting of members from various divisions, determines the information that should be disclosed from a multifaceted perspective.

## **Section 4 Corporate Governance System**

### **1. Organizational Structure**

The OMRON Group has chosen to adopt the organizational structure of “Company with an Audit & Supervisory Board” as stipulated by the Companies Act. To enhance the functions of the Board of Directors, four advisory committees are in place, namely the CEO Selection Advisory Committee, the Personnel Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. By incorporating the best aspects of the governance system of a “Company with Committees” as well, the OMRON Group has established and adopted a hybrid type governance structure.

### **2. Board of Directors**

#### **(1) Roles and Responsibilities of the Board of Directors**

The Board recognizes its fiduciary responsibility to shareholders and assumes the responsibility of sustainably improving the OMRON Group’s corporate value through appropriate exercise of its authority.

- To fulfill the above responsibilities, the Board exercises oversight functions over the overall management in order to ensure fairness and transparency of management practices. The Board does so through election of directors, Audit & Supervisory Board members, and executive officers. It also determines compensation for directors and executive officers, and makes important operational decisions.
- The Board also decides as well as discloses the OMRON Group’s important management vision and management policies, including:
  - Sustainability Policy, Key Sustainability Issues and Goals (including climate change risk responses based on the Task Force on Climate-related Financial Disclosures (TCFD) framework)
  - Important business strategies for focus domains (including business portfolio strategies)



- Technological and intellectual property strategies, human resources strategies, and others.
- The Board selects key themes for the important management vision and management policies according to changes in the business environment and continuously exercises oversight functions.
- Based on its effectiveness evaluation, the Board decides the Board operational policies and key themes for each year and exercises oversight functions.
- The Board requests timely explanations from external auditors and/or the internal auditing department if and when any fraudulent activity within the OMRON Group should be discovered and indicated by them or when any deficiency or problem is pointed out.

## **(2) Composition of Board of Directors**

- Management oversight and business execution are kept separate and a majority of the Board shall consist of directors who are not involved with business execution.
- At least one-third of the Board shall consist of independent outside directors.
- The Board shall consist of members who possess the experience, specialized knowledge, and insights necessary to realize the OMRON Group's management vision.
- The Board discloses its skill matrix.
- The CEO Selection Advisory Committee dedicated to CEO candidate nominations, the top-priority matter in management oversight, is established under the Board of Directors. The Personnel Advisory Committee concerning nomination and personnel evaluation of directors, Audit & Supervisory Board members, and senior executive officers; and the Compensation Advisory Committee concerning remuneration of directors and executive officers; are also attached to the Board.
- The CEO Selection Advisory Committee, the Personnel Advisory Committee, and the Compensation Advisory Committee are chaired by an independent outside director, and the majority of each committee should be composed of independent outside directors.
- The President and CEO shall not belong to any of the above-mentioned advisory committees.
- The Corporate Governance Committee, established for the purpose of enhancing corporate governance, is also to be chaired by an independent outside director, and its members consist of independent outside director and Audit & Supervisory Board members.

- The lead independent outside director assumes the position of chair of the Corporate Governance Committee.

### **(3) Chair of the Board of Directors**

- To clarify the oversight function of directors, the chairperson without authority to represent the company will take on the position of chair of the Board.
- The chairperson should not be involved with business execution.
- The chair of the Board shall strive to facilitate free, open, and constructive discussions to take place at Board of Directors meetings.

### **(4) Internal Control**

To ensure that business execution is conducted swiftly under proper control, the Board of Directors establishes the Basic Policy for the Establishment of an Internal Control System. In accordance with this policy, the Board oversees the development of the OMRON Group's systems for ensuring compliance, sound financial reporting, and effective risk management. It is also responsible for monitoring the implementation of such systems.

- Matters related to risk management and compliance shall be reported to the Board of Directors on a quarterly basis in order to make sure that the Basic Policy for the Establishment of an Internal Control System functions effectively.
- The Board utilizes the internal auditing department to ensure the internal control system appropriately functions in order to maintain sound financial reporting, legal compliance, operational efficiency, and asset protection, and oversees the system's operational status.
- Directors' engagement in competing transactions, transactions between directors and the company, or other transactions involving any possible conflict of interest shall require approval of the Board of Directors.

## **3. Audit & Supervisory Board**

### **(1) Roles and Responsibilities of the Audit & Supervisory Board**

The Audit & Supervisory Board bears in mind its fiduciary responsibility to shareholders and works to secure the integrity of the OMRON Group toward sustainable enhancement of corporate value, and acts for the common interests of the shareholders.

- The Audit & Supervisory Board strives to develop a system to ensure effectiveness of audits conducted by each of its members.
- The Audit & Supervisory Board works in collaboration with independent outside directors and the internal auditing department.
- The Audit & Supervisory Board exchanges views with independent outside directors and provides them with information acquired through auditing.
- The Audit & Supervisory Board appropriately fulfills the duty of exercising its authority concerning the appointment/dismissal of Audit & Supervisory Board members and their compensation.
- The Audit & Supervisory Board deliberates and determines amounts of compensation for individual Audit & Supervisory Board members within the scope of the sum of compensation amounts for all Audit & Supervisory Board members, which is determined by resolution at the general shareholders meeting. Compensation for Audit & Supervisory Board members shall consist only of a base salary that reflects their roles.

## **(2) Chair of the Audit & Supervisory Board**

- The chair of the Audit & Supervisory Board will be selected from among its members by a resolution at an Audit & Supervisory Board meeting.
- The chair of the Audit & Supervisory Board will perform duties assigned by the Audit & Supervisory Board. However, Audit & Supervisory Board members' exercise of their rights must not be hindered or interfered with.

## **(3) Relationship with External Auditors and the Internal Auditing Department**

The Audit & Supervisory Board works in collaboration with external auditors and the internal auditing department to ensure a system that enables sufficient and appropriate auditing.

- The Audit & Supervisory Board sets criteria for evaluating and selecting external auditors and confirms their independence and expertise.
- The Audit & Supervisory Board seeks explanations from external auditors to examine whether they meet quality control standards required for sufficiently and appropriately conducting audits.
- The Audit & Supervisory Board requests timely explanations from external auditors and/or the internal auditing department if and when any fraudulent activity within the OMRON Group should be discovered and indicated by them or when any deficiency or problem is pointed out.

- The Audit & Supervisory Board holds interviews with those being audited, while external auditors and CEO are also in attendance.
- The Audit & Supervisory Board periodically holds meetings on a quarterly basis and in the closing month for each fiscal year. External auditors and the head of the internal auditing department also participate.

#### **4. External Auditors**

##### **(1) Roles and Responsibilities of External Auditors**

External auditors are tasked with the important duties of assuring reliability of disclosed information and are accountable to investors and shareholders.

- External auditors shall work in collaboration with the Audit & Supervisory Board to maintain a system that enables appropriate audits.
- External auditors shall secure effective independence and expertise.
- External auditors shall meet quality control standards necessary for appropriately conducting audits.

#### **5. Advisory Committees**

##### **(1) The CEO Selection Advisory Committee**

In accordance with the relevant rules, the CEO Selection Advisory Committee is intended to bolster the management oversight function of the Board of Directors by enhancing the transparency, objectivity, and timeliness of the decision-making process regarding nomination of candidates for CEO.

- The CEO Selection Advisory Committee annually conducts assessment of the CEO and nominates a candidate for the CEO for the succeeding fiscal year.
  - In the case of re-appointment, the CEO Selection Advisory Committee nominates the current CEO for the succeeding fiscal year, based on results of an evaluation reflecting the Company's business results. The Committee then makes recommendations to the Board of Directors.
  - In the case of change, the CEO Selection Advisory Committee nominates candidates for the CEO for the succeeding fiscal year based on the succession plan, etc. and makes recommendations to the Board of Directors.

- The CEO Selection Advisory Committee deliberates annually about CEO succession planning and contingency succession planning to take over the position in emergency situations and makes recommendations to the Board of Directors.
- Based on the CEO Selection Advisory Committee's recommendations, the Board of Directors determines the proposition regarding the election of directors to be resolved at the general shareholders meeting.

## **(2) The Personnel Advisory Committee**

In accordance with the relevant rules, the Personnel Advisory Committee is intended to bolster the management oversight functions of the Board of Directors by enhancing the transparency, objectivity, and timeliness of the decision-making process regarding nomination of candidates for directors, Audit & Supervisory Board members, and executive officers.

- The Personnel Advisory Committee deliberates and sets criteria for the selection of directors, Audit & Supervisory Board members, and executive officers.
- To swiftly respond to the need for global-scale growth and greater competitive strength, as well as significant changes in the business environment, the Personnel Advisory Committee shall work to provide diversity in the Board of Directors, Audit & Supervisory Board, and among executive officers **in terms including work experience, specialized knowledge, insights, gender, international experience, and age.**
- The Personnel Advisory Committee receives reports from the chairperson of the Board on results of interviews with each director in order to evaluate each director.
- In response to consultation from the chairperson of the Board of Directors (for directors), from the chairperson of the Board of Directors, who has been entrusted by the Audit & Supervisory Board (for its members), and from the CEO (for **senior** executive officers), the Personnel Advisory Committee deliberates on personnel evaluation of such executives in accordance with the selection criteria established by the committee. Also considered is the degree of implementation of the Omron Principles, achievement of performance targets, etc. Based on these, the Personnel Advisory Committee makes recommendations to the Board of Directors.
- **The Personnel Advisory Committee confirms succession plans for management executives (such as CFO and CTO).**

- Based on the committee's recommendations, the Board of Directors determines the proposition regarding the election of directors to be resolved at the general shareholders meeting.
- Based on the committee's recommendations, the Board of Directors, with the consent of the Audit & Supervisory Board, determines the proposition regarding the election of Audit & Supervisory Board members to be resolved at the general shareholders meeting.
- The propositions regarding the election of directors and Audit & Supervisory Board members shall describe and explain brief personal records of the candidates (including current posts and duties at OMRON for candidates for directors), reasons for supporting the candidates, and other important posts assumed by the candidates.

### **(3) The Compensation Advisory Committee**

In accordance with the relevant rules, the Compensation Advisory Committee is intended to bolster the management oversight function of the Board of Directors by enhancing transparency and objectivity in determining compensation amounts for each director and executive officer.

- The Compensation Advisory Committee deliberates on the Compensation Policy for Directors and makes recommendations to the Board of Directors. Based on the committee's recommendations, the Board of Directors determines the Compensation Policy for Directors.
- The Compensation Advisory Committee deliberates on the Compensation Policy for Executive Officers.
- In response to consultation from the Chairman of the Board of Directors (for Directors), and from the CEO (for Executive Officers), and based on the above-mentioned policies, the Compensation Advisory Committee deliberates on compensation structure, compensation ratios, base salary levels, and performance-linked compensation indicators and evaluation methods for Directors and Executive Officers.
- Director compensation based on the preceding deliberations is as follows:
  - Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
  - The ratio of performance-linked compensation to base salary shall be determined according to the title of the individual in question.

- Compensation for independent outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- The amount of a base salary shall be determined by taking into account the salary levels of other companies, as surveyed by a specialized outside organization, and shall be paid each month.
- Performance-linked compensation shall consist of short-term performance-linked compensation and medium- to long-term performance-linked compensation. As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets. Bonuses shall be paid in a lump sum after the conclusion of the fiscal year. As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock). Performance-linked stock compensation shall be paid upon the conclusion of a medium-term management plan, while non-performance-linked stock compensation will be paid after the individual's retirement from service.
- The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's roles and responsibilities.
- Based on the Compensation Advisory Committee's recommendations, the Board of Directors determines the amounts of compensation for individual directors within the scope of the sum of compensation amounts for all directors set by resolution of the general shareholders meeting.

#### **(4) Corporate Governance Committee**

In accordance with the relevant rules, the Corporate Governance Committee is intended to enhance the transparency and fairness of management practices from the standpoint of all stakeholders and continuously take steps to enhance corporate governance.

- The Corporate Governance Committee evaluates the composition, operation, and effectiveness of the Board of Directors, and reports the results of evaluation to the Board of Directors.
- The Corporate Governance Committee draws up "Independence Requirements for Outside Directors and Audit & Supervisory Board Members (Independent)" and makes recommendations to the Board of Directors.

- Regarding corporate governance-related matters other than the above, the Corporate Governance Committee, in response to consultation from the Board of Directors or the chairperson of the Board, makes recommendations to the Board.

## **6. Directors and Audit & Supervisory Board Members**

### **(1) Directors**

Directors bear in mind their fiduciary responsibilities to shareholders and perform directors' duties, seeking the sustainable enhancement of corporate value.

- Directors shall always endeavor to put the Omron Principles into practice and should have insight, a strong sense of ethics, fairness, and integrity required for directors.
- Directors shall collect sufficient information for performing their duties and actively state their views based on individual values, ethical sense, experience, and knowledge at the Board meetings, so as to contribute to active, frank, and constructive discussions.
- Directors shall work to master and improve the knowledge required for properly performing their roles and responsibilities.

### **(2) Independent Outside Directors**

From an independent standpoint, independent outside directors shall perform functions of overseeing business execution, providing advice, and monitoring and managing conflicts of interest, while also reflecting stakeholders' views on the Board of Directors' decisions.

- Independent outside directors will exchange views with the Audit & Supervisory Board members regarding the OMRON Group's management.
- To fulfill their roles, independent outside directors may seek additional information from the company as necessary.
- Additional important posts assumed by independent outside directors will be described in the Corporate Governance Report and the General Shareholders Meeting Convocation Notice.

### **(3) Audit & Supervisory Board Members**



As they perform their duties, Audit & Supervisory Board members bear in mind their fiduciary responsibilities to shareholders and work to secure the integrity of the OMRON Group toward sustainable enhancement of corporate value.

- Audit & Supervisory Board members shall always endeavor to put the Omron Principles into practice and should have insight, a strong sense of ethics, fairness, and integrity required for performing their duties. They should also have specialized knowledge in law, finance, accounting, management, and other related areas.
- Audit & Supervisory Board members perform the audit of business and accounting processes based on applicable laws and regulations.
- Audit & Supervisory Board members conduct the audit on legality and appropriateness of directors' duties, and the fulfillment of Board of Directors' oversight obligations.
- ~~Audit & Supervisory Board members exercise their rights regarding the audit of the performance of directors' duties, appointment and dismissal of external auditors, and the determination of external auditors' remuneration.~~
- Audit & Supervisory Board members monitor and verify that the Board of Directors has made proper decisions, and that an internal control system has been developed and is being implemented appropriately.
- Audit & Supervisory Board members shall endeavor to acquire and improve the knowledge required for properly performing their roles and responsibilities.
- Full-time members of the Audit & Supervisory Board, taking the characteristics of the full-time position into consideration, shall proactively strive to improve the audit environment, including the exercise of their rights to perform investigation based on law. The full-time members shall also actively collect internal information by attending important internal meetings and through audits by visiting subsidiaries in Japan and abroad.
- Full-time Audit & Supervisory Board members shall share information they have acquired through performance of their duties with other members of the Audit & Supervisory Board.

#### **(4) Independent Outside Audit & Supervisory Board Members**

Independent outside Audit & Supervisory Board members, taking their independent position into consideration, shall express their views to the CEO and the Board of Directors.

- Independent outside Audit & Supervisory Board members shall proactively strive to improve the audit environment, including exercising their rights to perform investigations based on law.
- Additional important posts assumed by independent outside Audit & Supervisory Board members will be described in the Corporate Governance Report and the General Shareholders Meeting Convocation Notice.

#### **(5) Independence Criteria**

- Along with the requirements stipulated by the Companies Act, the OMRON Group has established its own “Independence Requirements for Outside Directors and Audit & Supervisory Board Members,” which are used as the standard for selecting outside executives.
- The “Independence Requirements for Outside Directors and Audit & Supervisory Board Members” are established by the Board of Directors, following deliberation at the Corporate Governance Committee and in response to the committee’s recommendations. These requirements are published through the Corporate Governance Report and Reference Materials for General Shareholders Meetings.

#### **(6) Support Structure**

1. To enable sufficient discussion at Board of Directors meetings, a secretariat to the Board of Directors will be set up and operated by performing the following tasks:
  - Preparation of the schedule for Board meetings for the current year and planning for agenda items.
  - Setting sufficient time for deliberations at Board meetings.
  - Distribution of information materials concerning agenda items no later than four days prior to the meeting date.
  - Without being limited to the above, the secretariat to the Board of Directors will provide directors (including independent outside directors) with information, as required for their decision-making.
2. To assist Audit & Supervisory Board members in performing their duties and to provide support for other activities, a secretariat to the Audit & Supervisory Board composed of dedicated staff will be set up.
  - Staff of the secretariat to the Audit & Supervisory Board shall strive to maintain independence from those involved with business execution and perform their duties under the command of the Audit & Supervisory Board members.

3. The internal auditing department and the other executive organizations shall proactively provide necessary information to directors and Audit & Supervisory Board members for performing their duties.
4. The budget deemed necessary for directors and Audit & Supervisory Board members to perform their duties will be secured.

#### **(7) Training Policy**

The OMRON Group offers training and information necessary for directors and Audit & Supervisory Board members to fulfill their roles and responsibilities, as required.

- When directors and Audit & Supervisory Board members newly assume office, they will be offered lectures by experts and training regarding laws and corporate governance. Training regarding amendments to law and management issues will continuously be offered after they assume office.
- In addition to the above, when independent outside directors and outside Audit & Supervisory Board members newly assume office, an explanatory session about the OMRON Group's business and a tour to observe OMRON Group's main business sites will be organized.
- The Board of Directors annually makes opportunities available for explanation of each business's strategy.
- The OMRON Group provides outside directors and outside Audit & Supervisory Board members with necessary information regarding the Group's business issues and other matters.

Established June 23, 2015

Revised March 29, 2016

Revised April 1, 2017

Revised June 22, 2017

Revised November 27, 2018

Revised February 25, 2021

Revised [October 28, 2021](#)

## Attachment – 1

### <Policy for Constructive Dialogue with Shareholders>

- We proactively engage in dialogue with all investors and shareholders through investor relations (IR) activities in order to build sound relationships with them. We also seek to understand the shareholder composition and promote active IR efforts.
- The IR department is in charge of conducting dialogue with shareholders, under the supervision of the CEO. If requests for individual meetings are made by shareholders, the CEO, directors (including outside directors), [Audit & Supervisory Board members \(including outside Audit & Supervisory Board members\)](#), and executive officers will engage in individual meetings as necessary.
- To facilitate smooth and efficient dialogue with shareholders, the IR department, taking on the central role, works in collaboration with other related departments.
- We arrange presentations for institutional investors to explain our medium- to long-term management strategies, financial results, individual businesses, and other matters. For individual investors, we set up explanatory sessions at IR events organized by the stock exchange or securities firms. After the close of the general shareholders meeting, we also set up separate opportunities to engage with shareholders.
- Explanatory information and a video used for the presentation of financial results are posted on OMRON Group's website.
- When establishing and announcing business strategies and business plans, we articulate our general stance regarding earnings plans and capital policy based on the correct understanding of the Company's cost of capital, while also presenting details thereof.
- For announcement, we present our targets including the following:
  - For long-term management strategies and medium-term management plans, we present qualitative targets and quantitative targets (sales, operating income, ROIC, etc.), and the framework of strategies to achieve the targets including the allocation of management resources.
  - For short-term plans, we present financial targets (sales, operating income, ROIC, etc.) and the framework of strategies to achieve them.
- Investor views and inquiries obtained through dialogue are reported on a quarterly basis as follows, in order to incorporate suggestive input in our management decisions and make effective use of this input for sustainable enhancement of corporate value.
  - Report as part of CEO's activity report to the Board of Directors

- Report investor views, inquiry summary, and results of IR financial result presentations to directors, Audit & Supervisory Board members, and executive officers.
- As for control of insider information, a disclosure policy is separately stipulated to ensure appropriate and fair disclosure.

## **Attachment – 2**

### **<Independence Requirements for Outside Directors and Audit & Supervisory Board Members (Independent)>**

To be considered for the position of outside executive, candidates themselves and/or the company/companies and/or organization/s they belong to must not:

1. Presently assume the role of director (excluding outside director), audit & supervisory board member (excluding outside audit & supervisory board member), executive officer and/or employee of the OMRON Group (Note), or have assumed any of these roles in the past.
2. Have been a principal shareholder\* of the OMRON Group, or assumed the role of director, auditor, executive officer and/or employee of any legal entity that is a principal shareholder of the OMRON Group or any legal entity for which the OMRON Group is a principal shareholder, in any fiscal year of the past five years.  
\* A “principal shareholder” means a company, etc. holding shares that provide 10% or more of total voting rights.
3. Be a director, auditor, executive officer and/or employee of any principal partner or supplier\* of the OMRON Group.  
\* A “principal partner or supplier” means a company whose payments to the OMRON Group or payments received from the OMRON Group in the current or any of the past three fiscal years represent 2% or more of the consolidated net sales of either the OMRON Group or the partner/supplier company (this also includes its parent company and important subsidiaries and affiliates).
4. Be a director, auditor, executive officer and/or employee of any company or organization that receives a large amount of donations\* from the OMRON Group.  
\* A “large amount of donations” means yearly donations in excess of ¥10 million or 2% of the consolidated net sales or total revenue of the recipient entity, whichever is larger, on average for the past three fiscal years.
5. Have directors, auditors, and/or executive officers who are mutually dispatched between the candidate’s company/organization and the OMRON Group.
6. Have assumed the role of representative, employee, partner or other staff member of an accounting auditor for the OMRON Group in any fiscal year of the past five years.
7. Be an attorney, certified public accountant, consultant or other agent who receives a large amount of monetary consideration\* and/or other property from the OMRON Group, besides the compensation for directors and audit & supervisory board members.

\* A “large amount of monetary consideration” means a yearly consideration amounting to ¥10 million or more for individuals, and in the case of an organization, a yearly consideration that represents 2% or more of the consolidated net sales of the relevant organization, on average for the past three fiscal years.

8. Be a spouse, a relative within two degrees of kinship, a relative living together or a relative who shares living expenses with any of the following individuals:
  - (1) A director, audit & supervisory board member, executive officer and/or core employee\* of the OMRON Group.
  - (2) An individual who assumed the role of director, audit & supervisory board member, executive officer and/or core employee of the OMRON Group in any fiscal year of the past five years.
  - (3) An individual who is not qualified for outside directors and audit & supervisory board members in the above-mentioned items 2-7.
    - \* A “core employee” means an employee holding the position of senior general manager or higher.
9. Hold a position or condition that would bring the independence of the candidate into doubt when performing the duties of an outside director or audit & supervisory board member.

Note: The above-mentioned “the OMRON Group” refers to OMRON Corporation and its subsidiaries and affiliates.

Outside executives shall continue to comply with the above-mentioned independence requirements after they are appointed as outside directors or Audit & Supervisory Board Members. If they were assigned a major managerial position, their independence shall be verified according to the independence criteria herein at the Personnel Advisory Committee.