

Message from the Chairman



OMRON Continues to Improve Our Unique Governance Mechanisms from Viewpoint of Society, Striving for Sustainable Enhancement of Corporate Value

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Chairman

Fumio Tateishi

Management Based on the OMRON Principles and Corporate Governance

To improve lives and contribute to a better society. OMRON's Corporate Motto, established in 1959, reflects two desires of our founder. The first is an aspiration to contribute to a better society through business. The second is a declaration that OMRON will be a leader in creating a better society. When we officially changed our name to OMRON in 1990, we created the OMRON Principles as a way to

carry on our Corporate Motto. Since that time, we have revised these principles three times to match our development as a company and the changing times, relying on the OMRON Principles as the bedrock of our management. The objective of corporate governance at OMRON is to ensure we practice the OMRON Principles and create rising levels of corporate value.

Corporate Governance Policies Unique to OMRON

OMRON strives for elevated transparency and fairness in management, emphasizing organic communications between supervisory and front-line execution functions to generate greater speed in our business. In other words, the role of OMRON corporate governance is to be a mechanism for innovation driven by social needs and sustainable corporate value growth.

OMRON balances the dynamic relationship between governance controls and management by clearly separating the supervisory and business execution roles in the company. The chairperson acts as the chair of the board of directors, while the CEO serves as the person ultimately responsible for business management. This system has evolved over 23 years since we established the Management Personnel Advisory Committee in 1996. And our Long-Term Vision, created in 1991, has been the foundation for making this possible. By maintaining a long-term vision, we have evolved corporate governance as a support for innovation driven by social needs and our ongoing aspirations for more innovation.

In 2017, we revised our director remuneration system, raising the ratios of medium- and long-term performance-linked compensation. We did this to further motivate our directors to practice the OMRON Principles and strive to raise corporate value over the medium and long term. We use the voluntary disclosure of this director remuneration policy to demonstrate our commitment to sustainable corporate value improvement to our stakeholders and encourage a better understanding of our management philosophy and initiatives.

In recognition of our commitment, OMRON received the Minister of Economy, Trade and Industry Award in the first-ever *Corporate Governance of the Year 2018*. This award is sponsored by the Japan Association of Corporate Directors. In particular, OMRON was noted for our president selection and succession plan, operated under the CEO Selection Advisory Committee. The selection of a corporate president is the first order of business for corporate governance. Here, OMRON was singled out for high transparency in the selection process, the ongoing effectiveness of our CEO Selection Advisory Committee, and our

track record in selecting presidents. This recognition has become another motivation for future improvement.

Building Greater Corporate Value

We have entered our third year operating under the *VG2.0* medium-term management plan. Looking at our external environment, we see continued uncertainty in the global situation stemming from U.S.-China trade friction. In these times, businesses must be even more capable of responding to environmental change. OMRON aspires to solve social issues, backcasting from the future, rather than focusing on the short term.

More specifically, in 2017 we established key sustainability issues which we address by solving social issues through our businesses and by answering the expectations of our stakeholders. Sustainable corporate value growth relies on an approach combining initiatives for key sustainability issues with our *VG2.0* medium-term management plan. As the result of a board of director evaluation, the OMRON board of directors identified sustainability as a key management policy and continue to address sustainability in board discussions.

We began conducting board of director evaluations in 2015, performed by the Corporate Governance Committee, which consists of outside directors and outside members of the Audit & Supervisory Board. The results of these evaluations are used to determine policies for the operation of the board of directors and key topics for the next fiscal year. In so doing, we strive to raise sustainable corporate value through exercising oversight and lifting board effectiveness. In fiscal 2019, we will once again operate our board based on these policies to achieve *VG2.0* and exercise our oversight function looking ahead to our next long-term vision, which will begin in fiscal 2021.

OMRON will continue to rely on the OMRON Principles, improving our unique corporate governance mechanisms from the viewpoint of society, striving for sustainable enhancement of corporate value.