

Evaluating the Effectiveness of the Board of Directors

1. Status of Initiatives Towards Improving the Board of Directors' Effectiveness

OMRON Corporation works to improve the board's effectiveness to realize the sustained enhancement of corporate value. The company works to improve the board's effectiveness to realize the sustained enhancement of corporate value. Such initiatives are undertaken in a cycle of **(1)** evaluation of the board's effectiveness and **(2)** determination and implementation of the policy for the operation of the board of directors based on **(1)**.

*Please refer to our website for details of "Initiatives Towards Improving the Board of Director Effectiveness"

<https://www.omron.com/about/corporate/governance/chart/>

2. Overview of the Results of Evaluation of the Board of Directors' Effectiveness for Fiscal 2018

(1) Policy for the Operation of the Board of Directors for Fiscal 2018

The Board of Directors shall demonstrate its oversight function to ensure the achievement of the medium-term management plan "VG2.0," based on the results of evaluation of the board's effectiveness for fiscal 2017, with emphasis on the following three areas.

- Strategies regarding information systems and quality in the medium-term management strategies
- Ongoing initiatives for human resources strategies and technical strategies
- Initiatives to address material sustainability issues (materiality)

(2) Results of Evaluation of the Board of Directors' Effectiveness for Fiscal 2018

Based on the favorable results of self-evaluations by Directors and Audit & Supervisory Board Members and interviews conducted by Chairman of the Board of Directors in terms of evaluation of theme selection, the details of discussions, the status of operation and other matters, the Corporate Governance Committee confirmed that the Board of Directors is sustainably improving the effectiveness of the Board of Directors for sustained enhancement in corporate value and demonstrating its oversight function.

The Corporate Governance Committee evaluated each theme in the policy for the operation of the Board of Directors as follows.

As for strategies regarding information systems and quality in medium-term management strategies selected as a theme for the first time in the fiscal year under review, consensus on the future direction was fostered after the Board of Directors understood the current situation and received useful suggestions from Directors (Independent) and Audit & Supervisory Board Members (Independent) based on their experience and insights. Regarding human resources strategies and technical strategies, which are ongoing themes from fiscal 2017, the Board of Directors held in-depth discussions through multifaceted question and answer sessions with the understanding that executive organization advances strategy-based initiatives and steadily facilitates their progress and penetration. Regarding initiatives to address material sustainability issues (materiality), an ongoing theme in the third year, the Board of Directors confirmed that such initiatives and engagement activities evolve together and the system to promote the initiatives is functioning properly.

The Corporate Governance Committee recognized that themes raised as the policy for the operation of the Board of Directors for fiscal 2018 were organically associated with the keywords "human resources" and "technology," through discussions about such themes from the standpoint of enhancing medium- to long-term corporate value at the Board of Directors meetings.

In addition, Directors and Audit & Supervisory Board Members actively make comments at the Board of Directors meetings. In particular, Directors (Independent) and Audit & Supervisory Board Members (Independent) make comments and proposals based on their experience and insights. Executive organization takes the opinions and proposals of the Board of Directors seriously and leverages them to further strengthen strategies and initiatives.

< Overview of Discussions of Each Theme >

● Strategies Regarding Information Systems

Recognized the issues of the current IT systems and discussed a direction of a company-wide IT system with an eye to next long-term vision, assuming that technological innovation mainly through AI will transform business systems drastically.

● Strategies Regarding Quality

Recognized the issues of the current Quality Management System (QMS), and discussed a direction of improvement for the ideal QMS and the policy for human resource development that is the key to improvement.

● Human Resources Strategies

Confirmed the whole picture of human resources strategies and progress of the main themes, and discussed a theme of future strategies (initiatives mainly to develop human resources for leadership role in charge of management, diverse human resources and self-dependent human resources).

- **Technology Strategies**

Discussed strategies for value creation and technology creation to achieve management of technology, and initiatives to identify and develop transformative human resources to support such strategies.

- **Initiatives to Address Material Sustainability Issues (Materiality)**

Confirmed the progress of initiatives to achieve targets for material sustainability issues, and also discussed target-setting and initiatives to solve new social issues.

3. Policy for the Operation of the Board of Directors for Fiscal 2019

Based on the evaluation results of the Board's effectiveness for fiscal 2018, the Board of Directors discussed and determined the policy for the operation of the Board of Directors for the fiscal 2019.

Fiscal 2019 is the third year of OMRON's "VG2.0" medium-term management plan. In this fiscal year, the Board of Directors will fully put its oversight and supervision functions to use, in order to ensure the achievement of VG2.0 goals, while also looking ahead to the next long-term vision set to start in fiscal 2021.

< Key Initiatives Set in Operational Policies >

- Confirmation of the direction for long-term strategies with the upcoming long-term vision in mind
- Continuous execution of strategies concerning information systems and quality
- Implementation of measures to deal with changes anticipated to occur in the internal and external business environments in fiscal 2019 and 2020

The company will make efforts in enhancing the Board's effectiveness for sustained improvement in corporate value.

4. Policy for the Operation of the Board of Directors for Fiscal 2016 to 2019

Since the introduction of the effectiveness evaluations of the Board of Directors, the Board of Directors has both determined the policy for the operation of the Board of Directors and exercised its oversight function focusing on operating policies and upon important topics defined therein. As a result of these initiatives, board operations now closely resemble those of a monitoring board, focused on deliberations of material medium- and long-term topics. Topics requiring continued monitoring have been classified as ongoing topics for the next fiscal year. In particular, sustainability initiatives have been categorized as three-year themes, subject to detailed discussions. These discussions included the opinions of many outside directors. The Board of Directors considered these opinions and reflected these suggestions in initiatives.

OMRON continues to improve board effectiveness to ensure sustained enhancement of corporate value.

| Fiscal 2016 | Fiscal 2017 | Fiscal 2018 | Fiscal 2019 |
|---|---|--|---|
| Operating Policies | | | |
| Transfer authority to executive officers; conduct medium- and long-term oversight | Exercise oversight functions to ensure the achievement of VG2.0 | Exercise oversight functions to ensure the achievement of VG2.0 | Management strategies to achieve VG2.0 Demonstrate functions beginning in fiscal 2021 Exercise oversight functions for the next long-term vision |
| Key Initiatives | | | |
| <ul style="list-style-type: none"> ● Next medium-term management plan based on medium- to long-term management strategy ● Formulate ESG policies and create initiatives to execute policies ● Strengthen oversight function and transfer authority to executive officers | <ul style="list-style-type: none"> ● Confirm progress of short-term management plan ● Human resources and technology strategies required for the medium-term management strategy ● Initiatives to address material issues (materiality) set in accordance with sustainability policies | <ul style="list-style-type: none"> ● 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) | <ul style="list-style-type: none"> ● Confirmation of long-term strategic direction looking towards the next long-term vision ● Continued initiatives toward strategies regarding information systems and quality ● Continued initiatives to respond to changes in the internal and external business environment in fiscal 2019-2020 |