

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* based on the Basic Stance for Corporate Governance. Since establishing the Management Personnel Advisory Committee in 1996, we have spent more than 25 years formalizing and strengthening our framework of corporate governance.

We intend to continue our pursuit of ongoing corporate governance improvement as we develop our own unique vision of governance.

* OMRON Corporate Governance Policies <https://www.omron.com/global/en/about/corporate/governance/policy>

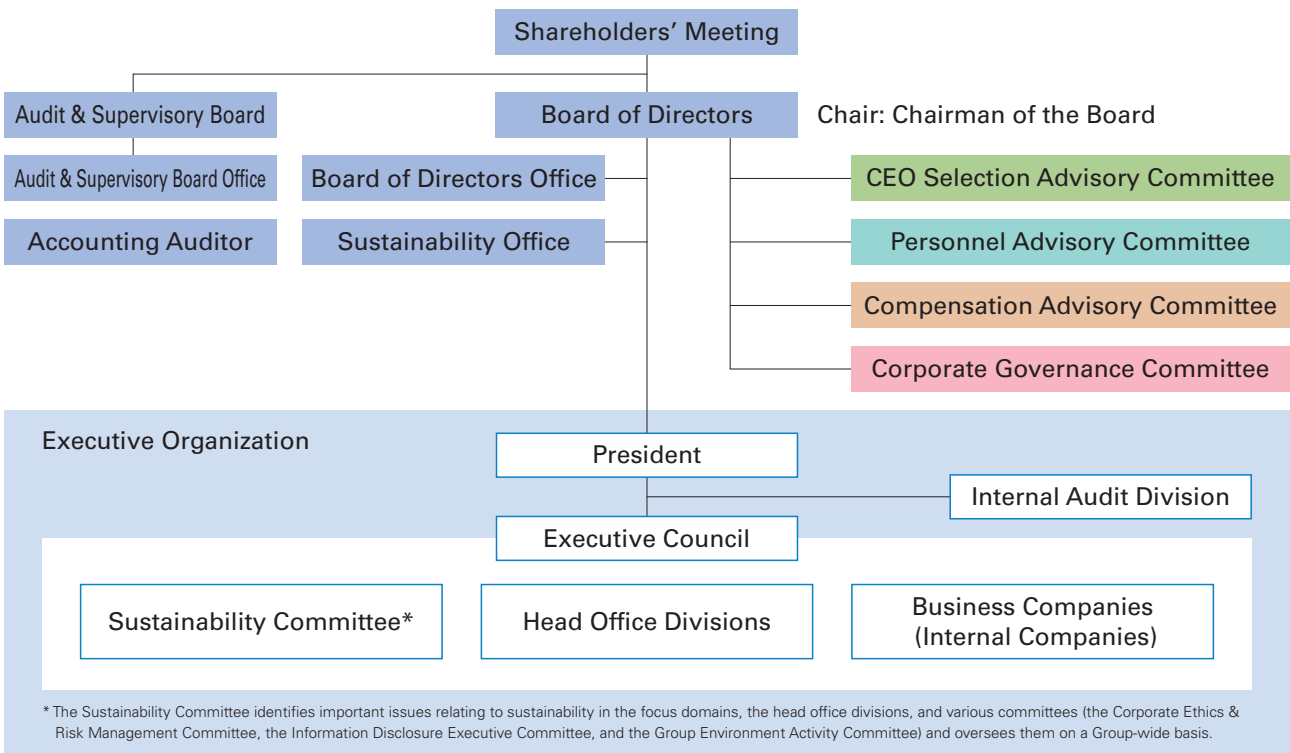
Corporate Governance Initiatives

	1999	2003	2011
OMRON Principles	1959: Corporate Motto	1990: OMRON Principles	1998: Revised
OMRON Corporate Governance Policies			2015: Established
Chairman of the Board	Representative Director and President		2003: Chairman serves as Chair of the Board of Directors and Chairman of the Board
President	1987: Yoshio Tateishi	2003: Hisao Sakuta	2011: Yoshihito Yamada
Separation of management oversight and business execution	30 directors	1999: Revised the Articles of Incorporation, setting number of board members to 10 or fewer	
		1999: Adopted executive officer system	
			2017: Abolished Directors with title (excluding Chairman of the Board) 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 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 deliberations. 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 chair of the Board and President (CEO) have been separated. The Chairman serves as chair of the Board of Directors with no direct corporate representational authority. OMRON has established several advisory committees to enhance the oversight functions of the Board of Directors. These committees include the CEO Selection Advisory Committee, the Personnel Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. The CEO Selection Advisory Committee, the Personnel 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 President and CEO is not a member of any of these committees. The chair and members of the Corporate Governance Committee are outside directors and outside members of the Audit & Supervisory Board. This structure offers another layer of transparency and objectivity to the decision-making process. In these policies, OMRON has created a hybrid governance framework that combining the best features of a company with an Audit & Supervisory Board and a company with a Nomination Committee. Outside directors and outside members of the Audit & Supervisory Board attended the 13 meetings of the Board of Directors held during fiscal 2021 at a rate of 100%. Outside members had an attendance rate of 100% at the 13 meetings of the Audit & Supervisory Board.

Fiscal 2022 OMRON's 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
Selects board directors, auditors, and executive officers, determines compensation for directors and executive officers, makes decisions on important business issues, and performs other supervisory functions.

Compensation Advisory Committee
Sets policies for director and executive officer compensation; deliberates compensation levels and specific compensation packages.

Audit & Supervisory Board
Oversees corporate governance framework and execution of business operations; conducts audits of day-to-day business activities, including those performed by directors.

Corporate Governance Committee
Oversees ongoing corporate governance improvement; deliberates policies to advance management transparency and fairness.

CEO Selection Advisory Committee
Deliberates candidates for selection as new CEO; deliberates succession plans and candidates in the event of an emergency.

Executive Council
Deliberates and discusses important operational matters within the scope of the authority of the president and CEO; determines the future direction.

Personnel Advisory Committee
Sets standards and policies related to selecting and hiring directors, Audit & Supervisory Board members, and executive officers; deliberates on proposed candidates.

Fiscal 2022 Advisory Committee

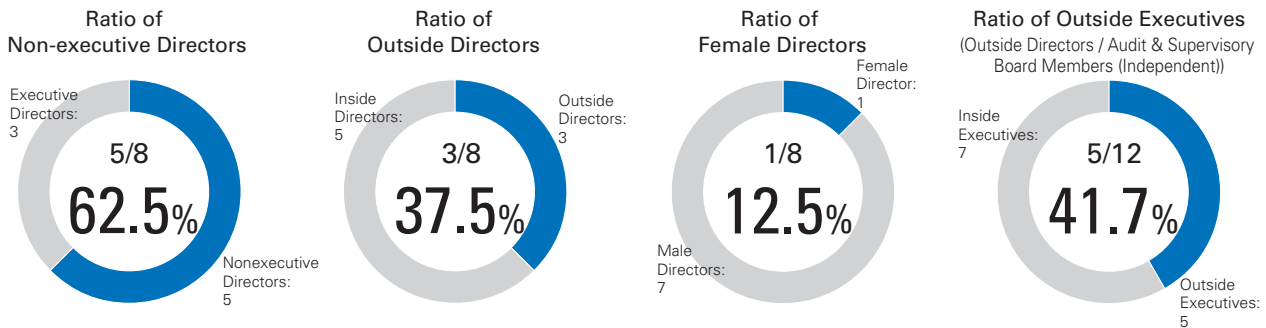
Title	Name	CEO Selection Advisory Committee	Personnel Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Fumio Tateishi	□			
Representative Director	Yoshihito Yamada				
Representative Director	Kiichiro Miyata		□		
Director	Koji Nitto			□	
Director	Satoshi Ando	○	○	○	
Outside Director	Takehiro Kamigama ◆	◎	□	◎	◎
Outside Director	Izumi Kobayashi ◆	□	◎	□	○
Outside Director	Yoshihisa Suzuki ◆	□	□	□	□
Audit & Supervisory Board Member	Shuji Tamaki				
Audit & Supervisory Board Member	Kiyoshi Yoshikawa				
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

Approach to Composition of the Board of Directors

In order to strengthen the supervisory function of the Board of Directors, supervision is separated from execution, and the majority of the Board consists of Directors who are not involved with business execution. In addition, at least one-third of the Board of Directors consists of Outside Directors. To ensure independence, Outside Directors and Outside Audit & Supervisory Board Members (Independent) are appointed based on OMRON's Independence Requirements for Outside Executives. The diversity of the Board of Directors will also be ensured by providing a well-balanced mix of human resources with experience, expertise, and knowledge required for realizing our management vision among the Directors and Audit & Supervisory Board Members who are the members of the Board of Directors.

Composition of Board of Directors



Main Areas of Experience and Expertise of Directors and Audit & Supervisory Board Members

Title & Name	Corporate management	Sustainability ESG	New business creation Innovation	Technology Production Quality	Financial accounting	Legal affairs Compliance Internal control	Global experience	Background and Qualifications
Chairman of the Board Fumio Tateishi	●	●					●	
Representative Director and President Yoshihito Yamada	●	●					●	
Representative Director, Senior Managing Executive Officer, CTO Kiichiro Miyata	●		●	●			●	
Director, Senior Managing Executive Officer, CFO Koji Nitto					●		●	
Director Satoshi Ando		●			●	●	●	Finance
Outside Director Takehiro Kamigama	●	●	●	●			●	Manufacturing industry
Outside Director Izumi Kobayashi	●	●	●				●	Financial and international organization
Outside Director Yoshihisa Suzuki	●	●	●	●			●	General trading company
Audit & Supervisory Board Member Shuji Tamaki						●	●	International lawyer
Audit & Supervisory Board Member Kiyoshi Yoshikawa		●		●			●	
Audit & Supervisory Board Member (Independent) Hideyo Uchiyama	●	●			●	●	●	Certified public accountant
Audit & Supervisory Board Member (Independent) Tadashi Kunihiro	●	●				●	●	Lawyer

Director Compensation

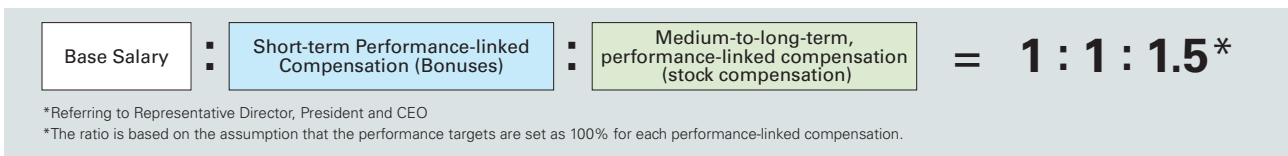
Compensation Policy for Directors

- 1 Basic Policy**
 - The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.
 - The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.
 - The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.
- 2 Structure of Compensation**
 - 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 compensation composition ratio of performance-linked compensation to base salary shall be determined according to each Director's role and responsibility.
 - Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.
- 3 Base Salary**
 - The amount of a base salary, paid monthly, shall be determined for each role by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.
- 4 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 as 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).
 - The performance-linked component of stock compensation shall be paid after the medium-term management plan concludes, while the non-performance-linked component shall be paid after the Director retires.
 - 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 role and responsibility.
- 5 Compensation Governance**
 - The compensation composition, compensation composition ratio, level of the base salary, as well as performance indicators and evaluation methods of performance-linked compensation shall be determined based on the deliberations and recommendations of the Compensation Advisory Committee.
 - The amount of compensation for each Director shall be determined by a resolution of the Board of Directors reflecting the deliberations and recommendations of the Compensation Advisory Committee.

Overview of Compensation Structure for Directors (From fiscal 2021)

(1) Compensation Composition Ratio

Compensation for Directors and Executive Officers consists of a base salary (fixed compensation) and compensation according to Company performance, namely short-term performance-linked compensation (bonuses) and medium-to-long-term, performance-linked compensation (stock compensation). The ratio of compensation consisting of performance-linked compensation compared to base salary has been determined for each role:



(2) Base Salary

A base salary is paid monthly to Directors and Executive Officers as fixed compensation. Base salaries are determined for each role by taking into account the salary levels of officers at other companies (benchmarked companies of the same industry and scope selected by the Compensation Advisory Committee), as surveyed by a specialized outside organization.

(3) Short-term Performance-linked Compensation (Bonuses)

Bonuses are paid as a lump sum after the fiscal year concludes to Executive Officers and Directors excluding Outside Directors as short-term performance-linked compensation, which is linked to yearly performance indicators and the degree of achievement of performance targets. Director bonuses vary between 0% and 200% according to the achievement of operating income, net income, and ROIC targets defined in the annual operating plan.



(4) Medium-to-long-term, performance-linked compensation (stock compensation)

Stock compensation is paid as medium-to-long-term, performance-linked compensation to Executive Officers and Directors excluding Outside Directors. Stock compensation comprises the performance-linked component (60%), which is linked to the degree of achievement of the medium-term management plan, and the nonperformance-linked component (40%), which aims for retention and motivation to improve share prices over the medium- to long-term, and is paid under the condition of a certain term of service. The performance-linked component of stock compensation is paid after the medium-term management plan concludes, while the non-performance-linked component is paid after the Director retires. The performance-linked component will fluctuate in the range of 0% to 200% depending on the degree of achievement of performance targets in the medium-term management plan. In the event of serious misconduct during their term of office, and such misconduct harms the Company, the Compensation Advisory Committee will deliberate and make a recommendation. Based on this discussion and recommendation, the Board of Directors and President shall resolve to limit the payment of stock-based compensation for Directors and Executive Officers, respectively.

$$\text{Base amount for each position} \times \left(\text{Financial targets evaluation 60\%} + \text{Corporate value evaluation 20\%} + \text{Sustainability evaluation 20\%} \right) = \text{Performance-linked portion}$$

	Evaluation weight	Evaluation indicators	Targets
Financial targets evaluation	60%	• EPS	¥400
		• ROE	10%
Corporate value evaluation	20%	• Relative TSR*1	100%
Sustainability evaluation	20%	• Reduction of greenhouse gas emissions (internal target)	-53% from FY2016
		• Score of Sustainable Engagement Index (SEI)*3 in engagement survey*2 (internal target)	70 points
		• Dow Jones Sustainability Indices (third-party evaluation)	DJSI World

*1 Indicator that compares total shareholder return (TSR) of OMRON in the covered period to the percentage change of TOPIX, dividends included (Relative TSR = TSR + Percentage change of TOPIX, dividends included)

*2 Survey measuring employees' voluntary motivation to contribute to targets of the organization

*3 Indicator that measures the presence of a high level of motivation to contribute to the achievement of targets, maintained through good mental and physical health, or a strong sense of belonging to the organization, or a productive work environment

(5) Performance indicators of performance-linked compensation

- The performance indicators for short-term performance-linked compensation (bonuses) were set from the short-term management plan's indicators for financial targets towards the realization of the short-term management plan based on "SF 1st Stage" (fiscal 2022 to fiscal 2024).
- The performance indicators for medium- to long-term performance-linked compensation (stock compensation) were set from the indicators in SF 1st Stage for financial targets, non-financial targets and strategic targets towards the realization of "SF 1st Stage" (fiscal 2022 to fiscal 2024). In addition, the long-term vision for 2030 "SF2030" aims to maximize corporate value, and indicators for directly evaluating corporate value have been set.

Initiatives Towards Improving the Board of Directors' Effectiveness

1. Overview of initiatives towards improving the Board of Directors' effectiveness

The Company ensures transparency and fairness in business management, speeds up management decisions and practices, and strives to boost the OMRON Group's competitive edge. The ultimate objective is to achieve sustained enhancement of corporate value. To this end, the Company reinforces the supervisory functions of the Board of Directors through initiatives for improving its effectiveness.

Such initiatives are undertaken in a cycle of (1) evaluation of the Board of Directors' effectiveness and (2) determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans.

(1) Evaluation of the Board of Directors' effectiveness

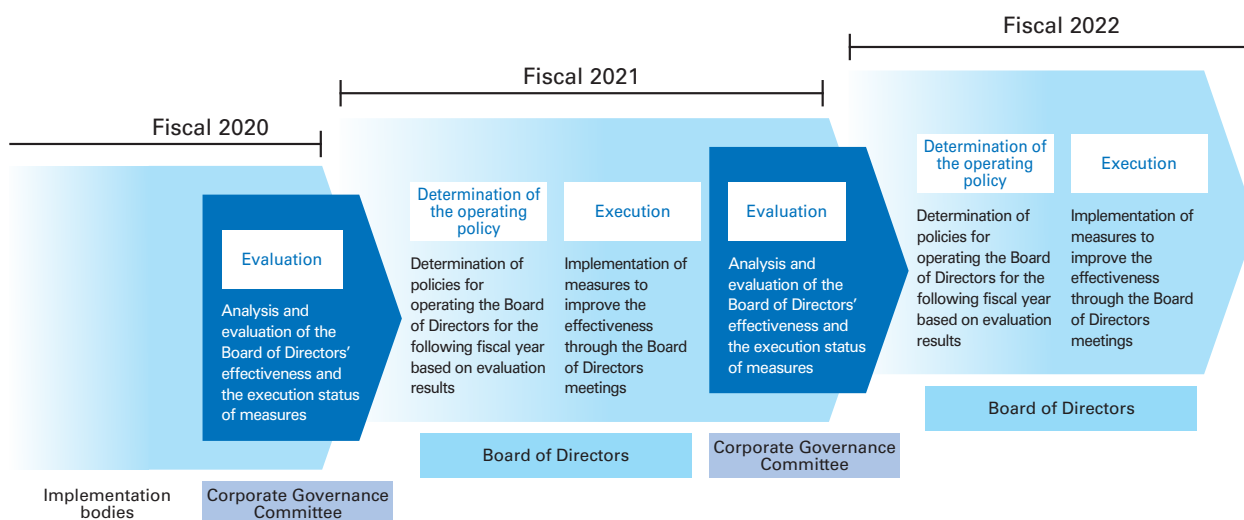
The Company's evaluation of the Board of Directors' effectiveness is conducted by the Corporate Governance Committee chaired by an Outside Director and comprising only Outside Directors and Audit & Supervisory Board Members (Independent) (hereinafter "Outside Executives"). Outside Executives act as members of the Board of Directors while having the perspectives of all stakeholders including the shareholders. The Corporate Governance Committee, which is composed only of Outside Executives, performs evaluations in order to ensure that evaluations are both objective and effective.

(2) Determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans Based on the evaluation results by the Corporate

Based on the evaluation results by the Corporate Governance Committee in (1) and the business environment, etc., the Board of Directors determines the policy for the operation and focus themes of the Board of Directors for the next fiscal year. The Board of Directors formulates and implements annual plans based on this operation policy.

The Company continues to improve the Board of Directors' effectiveness by implementing (1) and (2) above on a yearly basis. The Corporate Governance Committee has evaluated these initiatives to be the Company's unique, optimal activities that are both objective and effective. The Board of Directors recognizes the Company's initiatives as being more effective than evaluations by third parties.

Initiatives Towards Improving the Board of Directors' Effectiveness



2. Evaluation of the Board of Directors' effectiveness for fiscal 2021

The methods of the evaluation of the Board of Directors' effectiveness and the evaluation items in the self-evaluation for fiscal 2021 are as described below.

2-1. Evaluation methods

1) Self-evaluations by Directors and Audit & Supervisory Board Members

- Each Director and Audit & Supervisory Board Member performed self-evaluations of the contents of discussions at the meetings of the Board of Directors and the extent of oversight functions exercised, immediately following each meeting of the Board of Directors. Immediately after each meeting of the Board of Directors, Outside Executives evaluated the Board of Directors and held a review meeting to review the Board of Directors.
- Each Director and Audit & Supervisory Board Member performed self-evaluations of the operation, etc. of the Board of Directors over the course of the year following the meeting of the Board of Directors held on March 1, 2022.

2) Interviews by the Chairman of the Board of Directors

- The Chairman of the Board of Directors conducted individual interviews to Directors and Audit & Supervisory Board Members between January and March 2022.

3) Evaluation by the Corporate Governance Committee

- The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness on March 25 and April 26, 2022.

2-2. Self-evaluation items

Self-evaluation items are as follows. Evaluations were performed from the perspectives of whether or not the Board of Directors sufficiently exercised its oversight functions, and whether it contributed to the exercise of its oversight functions. Evaluations are performed by completing anonymous questionnaires. For each evaluation item, answers are provided using five-point scales and free comment fields.

1) Self-evaluations performed immediately following meetings of the Board of Directors

- Contents of discussions at the meeting of the Board of Directors
- Extent of oversight functions exercised by the Board of Directors

2) Self-evaluations for the entire year, performed at the end of the fiscal year

1. Operation of the Board of Directors
 - 1) Policy for the operation of the Board of Directors for fiscal 2021
 - 2) Fiscal 2021 focus themes
 - 3) Deliberations and reports regarding issues other than focus themes
 - 4) Policy for the operation and focus themes of the Board of Directors for fiscal 2022
2. Increasing information sharing opportunities
 - 1) Individual meetings
 - 2) Initiatives on information sharing opportunities
3. Advisory committees
4. Other overall issues regarding the Board of Directors

3) Other self-evaluations (evaluations performed when new officers are appointed, when changes are made to the corporate governance system, etc.)

- Scale and composition of the Board of Directors
- State of operations of the Board of Directors
- Operation of advisory committees

3. Policy for the operation and focus themes of the Board of Directors for fiscal 2021

Board of Directors Operation Policy for Fiscal 2021

“To enable the OMRON Group to achieve a drastic increase in corporate value over the next 10 years, the Board of Directors will exercise its oversight functions in a multifaceted manner and from the short-term and medium- to long-term perspectives.”

Focus Themes

1) Completion of the next long-term vision and determination of the next medium-term management plan

< Points to be supervised >

- Response to the new normal era post COVID
- Initiatives for key sustainability issues
- Transformation of business model and acceleration of innovation
- Reform of human resources management
- Strengthening resilience

2) Response to the increasing geopolitical risks

3) Checking the progress of establishing a companywide IT system

Background of the establishment of the policy for the operation and focus themes of the Board of Directors for fiscal 2021 (discussed and decided at the Board of Directors meeting held in May 2021)

Focus theme 1: Completion of the next long-term vision and determination of the medium-term management plan

As the long-term vision “SF2030” (hereinafter, the “Long-term Vision”) and the medium-term management plan “SF 1st Stage” (hereinafter, the “Medium-term Management Plan”) begins in fiscal 2022, the Board of Directors confirmed that exercising oversight functions towards the determination of the Long-term Vision and the Medium-term Management Plan was a top-priority matter. Accordingly, when determining the Long-term Vision and the Medium-term Management Plan, the Board of Directors discussed the improvement of corporate value from a medium- to long-term perspective, including the response to the era post COVID, the strengthening of sustainability initiatives, the transformation of the business model, the acceleration of innovation and the reform of human resources management.

Focus theme 2: Response to the increasing geopolitical risks

As geopolitical risks have a material impact on business and performance, the focus theme from fiscal 2020 was continued and the Board of Directors supervised in a timely and continuous manner.

Focus theme 3: Checking the progress of establishing a companywide IT system

Establishing a companywide IT system is OMRON’s first initiative, and as it is a large-scale decade-long project, the focus themes from fiscal 2019 and fiscal 2020 were continued, and the Board of Directors supervised the progress in fiscal 2021.

4. Results of evaluation of the Board of Directors' effectiveness for fiscal 2021

4-1. Performance of operation of the Board of Directors

4-1-1. Focus themes

Focus theme 1: Completion of the next long-term vision and determination of the medium-term management plan

■ Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- Beginning with a look back at VG2020, they reported on how OMRON views social issues with a long-term vision, how to create social value, the direction of the evolution of a business model that combine goods and services, initiatives that aim for the realization of a carbon-neutral society, initiatives to respect human rights in the value chain, the concepts of diversity and inclusion, data-driven corporate management based on DX, etc.
- A new initiative to link employee thoughts with Company targets by deciding three out of the eleven non-financial targets of the Medium-term Management Plan through a vote by all global employees was reported. In addition, in order to raise employee awareness about participation in the Long-term Vision, they created and reported an easy-to-understand Long-term Vision story for employees.
- They reported the introduction of stock compensation for employees as a measure to maximize corporate value in the Long-term Vision by uniting management, employees and shareholders. After a resolution by the Board of Directors, stock compensation for employees that is linked to the degree of achievement of financial and non-financial targets in the Medium-term Management Plan was introduced.
- In addition to the strategic and financial targets of the Long-term Vision, material sustainability issues and Medium-term Management Plan, the Board of Directors resolved non-financial and strategic targets related to the environment, human rights and diversity, as well as the newly formulated environmental policy and the human rights policy.

■ Main contents of discussions at the meeting of the Board of Directors

● Human resources

The Board of Directors pointed out the importance of the utilization of human resources for business growth and the evolution of the business model and discussed the need to secure human resources not only through employee training and mid-career hires, but also through M&A and business alliances with other companies.

● Diversity and inclusion

The Board of Directors recognized that the concepts of diversity and inclusion lead to the creation of new things through the interaction of diverse values. Moreover, the Board of Directors discussed the need to not only pursue quantitative targets for the number and percentage of women and foreigners, but also to develop substance through the promotion of diversity.

● Environment

The Board of Directors recognized the importance of addressing Scope 3 to reduce greenhouse gas emissions not only within the Company, but also in the value chain as a whole, and discussed concrete initiatives to realize carbon neutrality.

● Disclosure

There was a discussion concerning the need to clarify the relationship between the Long-term Vision, the Medium-term Management Plan and the material sustainability issues in order to increase empathy and resonance with stakeholders, including investors and employees, and the Board of Directors recognized the need to clarify and disclose the relationship among the three.

● Examination system

The Board of Directors pointed out the need for the Long-term Vision and Medium-term Management Plan to be recognized by all global employees, regardless of whether they are Japanese or foreigners. The Board of Directors discussed the examination project system, the formulation process and the method of disseminating information inside and outside the Company after formulation.

Focus theme 2: Response to the increasing geopolitical risks

■ Contents of reports at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- After providing an opportunity for economists to explain the relationships and economic conditions of countries that are at conflict from a macro perspective, the Global Strategy H.Q. reported on the business impact of geopolitical risks at OMRON from the perspective of legal regulations, customs, competition, etc.
- In the item on the operational status of the internal control system, it was reported that the geopolitical risk would be raised to the highest rank of the material Group risks in light of the recent tense situation in Russia and Ukraine.

■ Main contents of discussions at the meeting of the Board of Directors

- Discussions were held at the Board of Directors on how to reduce the impact of various countries' imposition of regulations on business while hypothesizing the future trends of each country.
- The Board of Directors recognized that how to perceive geopolitical risks is synonymous with thinking about the ideal state of each business and regional headquarters, and discussed the need to increase the speed of management with global flexibility through delegation to each region.

Focus theme 3: Checking the progress of establishing a companywide IT system

■ Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- Beginning with a look back on the basic plan of the new companywide system, they reported on the project promotion system, including the Company and vendors, project progress in fiscal 2021, initiative planning for fiscal 2021 and beyond, and issue recognition as a business execution division ((1) cost control, (2) scope control, (3) resource securing, and (4) thorough enforcement of Fit to Standard).
- The annual investment plan up until the completion of the project (fiscal 2030) was reported from the perspective of cash flow and profit and loss impact, and the Board of Directors resolved the capital investment plan for fiscal 2022.

■ Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed the need to visualize operations before establishing the new system, the need for a prioritized introduction plan based on the characteristics of each area, and the sustainability of the new system.
- The project is a large-scale decade-long project that requires a reasonable amount of investment, and as it has begun in earnest, the Board of Directors discussed the need for the introduction of a new mechanism for third parties to monitor the progress of the project and to increase the frequency of reports to the Board of Directors.

4-1-2. Significant matters other than the focus themes (business portfolio management)

■ Board of Directors' supervision of M&A and alliances, and business transfers

- The Board of Directors regularly checks and discusses M&A candidates, mainly in the FA and healthcare fields, using long lists and short lists.
- M&A, including minority investments, and alliances with other companies were discussed from a wide range of perspectives at the Board of Directors meeting in 2021. In addition to the acquisition of the common stock of JMDC, investment into Techman Robot, a cooperative robot manufacturer in Taiwan (investment ratio: about 10%), and the initiatives of the corporate venture capital company OMRON VENTURES CO., LTD. were reported. Moreover, while working to transform the business model and create new businesses, the Board of Directors promoted the strengthening of business portfolio management, as well as discussed and resolved on the transfer of semiconductor/MEMS (Micro Electro Mechanical Systems) factories and MEMS development/production functions to MinebeaMitsumi Inc.

■ Acquisition of JMDC common stock

Contents of reports and resolutions at the meeting of the Board of Directors

The business execution division reported the following points to the Board of Directors.

- The business execution division reported to the Board of Directors that it was considering acquiring the common stock of JMDC, a company that operates a healthcare data platform business. Regarding the acquisition of JMDC's common stock, the business execution division aims to develop personalized aggravation and nursing care prevention solutions that support prescription medication treatments and patient lifestyle changes, by predicting the risk of the onset of individual patient events (possibility and timing). They aim to offer these solutions through the analysis of medical data that the JMDC Group possesses (such as medical prescriptions and medical examinations) combined with blood pressure, vital signs and levels of physical activity data gathered by OMRON.
- This is OMRON's largest investment project ever, and it was discussed from various perspectives. The Board of Directors resolved to acquire 33.0% of JMDC's common stock for JPY 111,864.6 million (JPY 6,000 per share) and to conclude a capital and business alliance with JMDC.

Main contents of discussions at the meeting of the Board of Directors

- The Board of Directors discussed how the combination of medical data possessed by the JMDC Group (such as medical prescriptions and medical examinations) and data possessed by OMRON (such as blood pressure, vital signs and levels of physical activity data) will lead to health promotion and aggravation prevention measures with the goal of Zero Events.
- In addition to co-creating a business with JMDC, the importance of learning the good points of JMDC's organizational culture was discussed, and the Board of Directors recognized the need to learn from JMDC and utilize the knowledge gained in OMRON's management.
- The Board of Directors recognizes the need to build a dedicated team at both companies not only at the management level, but also at the basic operating level to accelerate discussions and lead to the creation of new businesses in order to collaborate with JMDC.
- The Board of Directors discussed the appropriate acquisition price of common stock in terms of both risk and return, taking into consideration the impairment risk after the acquisition of common stock.

4-2. Evaluation by the Corporate Governance Committee

The Corporate Governance Committee conducted evaluations of the Board of Directors' effectiveness during fiscal 2021 and reported the following evaluation results at the Board of Directors meeting held on May 16, 2022.

4-2-1. General comments on evaluation

The Corporate Governance Committee commended and requested the following points regarding the Board of Directors in fiscal 2021.

■ Points commended

- Based on the policy for the operation of the Board of Directors and the focus themes for fiscal 2021, the Board of Directors exercised their supervisory functions from various points of view from a short-term and medium- to long-term perspective.
- As the percentage of items centered on discussions about focus themes was more than 70% of the time required for the Board of Directors meetings, the Board of Directors fulfilled their function as a monitoring board for improving corporate value over the medium to long term.
- In response to the presentation by the business execution division, the Outside Directors had various opinions and suggestions from the viewpoint of management and the Audit & Supervisory Board Members (Independent) had various opinions and suggestions from the viewpoint of legality and appropriateness, which enhanced the feasibility of strategies. Moreover, there was an increase in remarks from the perspective of Audit & Supervisory Board Members, such as the sharing of information obtained by internal Audit & Supervisory Board Members through on-site inspections.

■ Points requested

- Internal Executives should speak more actively based on their respective roles, experience and expertise in order to deepen two-way discussions with Outside Executives.
- The reported items of the Board of Directors should further clarify issues and report them in order to enhance discussions about solving issues.

4-2-2. Individual evaluation

The Corporate Governance Committee commended and requested the following points regarding the Board of Directors in fiscal 2021.

■ Points commended

- The Board of Directors fulfilled a significant role by recognizing that "completion of the next Long-term Vision and determination of the Medium-term Management Plan" was a top-priority matter within the focus themes and completing it after a total of six meetings over a two-year period.

- The Board of Directors clarified their responsibility towards sustainability initiatives by approving financial and non-financial targets as management targets in the Medium-term Management Plan after identifying material sustainability issues in the Long-term Vision.
- The newly introduced stock compensation for employees was a measure that allowed management, employees and shareholders to work together to maximize corporate value in the Long-term Vision, and it is a compensation system that is more effective than conventional monetary compensation and enhances employee motivation. In addition, management's intention to practice management with multi-stakeholder awareness inside and outside the Company was concretely shown.
- Considering the situation in Russia and Ukraine, as well as from the perspective of how to set up a risk management network in an era characterized by Volatility, Uncertainty, Complexity and Ambiguity (VUCA), the Board of Directors showed good foresight by continuing the focus theme "response to the increasing geopolitical risks" from fiscal 2020 in fiscal 2021.
- Regarding "checking the progress of establishing a companywide IT system," understanding of the overall picture of the project, the progress at the present time and the approval of the investment plan were a result of continuously exercising supervisory functions as a focus theme since fiscal 2019. In addition, the Board of Directors agreed to the introduction of a new mechanism for third parties to monitor the progress of the project and to increase the frequency of reports to the Board of the Directors.
- The Board of Directors has continuously considered growth investments such as M&A in order to improve corporate value over the medium to long term and approved the acquisition of JMDC's common stock. Regarding the acquisition of JMDC's common stock, in addition to the goal of creating a healthcare data platform business, the significance of acquiring JMDC's common stock developed into discussions concerning what OMRON can learn from JMDC's organizational culture and how it can be utilized in OMRON's management in an era of rapid change, and thus the Board of Directors fulfilled a significant role.

■ Points requested

- Regarding the "Long-term Vision and the Medium-term Management Plan," "response to the increasing geopolitical risks" and "checking the progress of establishing a companywide IT system," the Board of Directors should continue to exercise its supervisory functions in fiscal 2022, including progress.

4-3 Initiatives on information sharing opportunities and evaluation by the Corporate Governance Committee

4-3-1. Initiatives on information sharing opportunities

■ On-site visits

Opportunities are provided for Outside Executives to visit major bases, exhibitions, etc. and participate in in-house events, which leads to an improvement in understanding of the Company's business and organizational culture.

■ Outside Executives' and Accounting Auditor's opinion exchange meeting (continuously held from fiscal 2015)

Supervisory and auditing functions are being strengthened by sharing the viewpoints of the Accounting Auditor with Outside Executives. In addition, through this approach, we are building a relationship in which Outside Executives directly exchange information about risks in the Company with the Accounting Auditor.

■ Interviews by the Chairman of the Board of Directors (continuously held from fiscal 2016)

The Chairman of the Board of Directors holds individual interviews with Directors and Audit & Supervisory Board Members once a year to discuss improvement plans related to the operation of the Board of Directors.

■ Outside Executives' and top Executives' opinion exchange meeting (continuously held from fiscal 2019)

Opportunities are provided for the exchange of opinions between Outside Executives and top Executives, which leads to an improvement in understanding of the Company's business and organizational culture.

■ Board of Directors review (held from fiscal 2021)

Outside Executives conduct a review of the Board of Directors immediately after meetings of the Board of Directors. Outside Executives sharing amongst themselves what they felt immediately following meetings of the Board of Directors leads to the improvement of the evaluation of the Board of Directors.

■ Observation of Executive Committee meetings (held from fiscal 2021)

Outside Executives may observe Executive Committee meetings (management meetings by Executives), as fully understanding the situation of the business execution division will lead to the expansion of the breadth and depth of discussions at the Board of Directors meetings.

4-3-2. General comments on evaluation

The Corporate Governance Committee commended the implementation of various initiatives on information sharing opportunities for Outside Executives to deepen their understanding of organizational culture and the situation of the business execution division in order to improve the effectiveness of the Board of Directors.

4-3-3. Individual evaluations

The Corporate Governance Committee commended the following points regarding individual information sharing opportunities.

■ On-site visits

- Due to the impact of COVID-19, on-site visits did not take place in fiscal 2020, but in fiscal 2021, the committee visited the Ayabe factory, automation centers and robot exhibitions, and we deepened our understanding of the production status of the Company's main business, the Industrial Automation Business (IAB), and applications that combine multiple products and software.
- Going forward, in order to deepen the understanding of business content and organizational culture, the effectiveness of on-site visits will be further enhanced through the creation of opportunities to hear the voices of on-site staff.

■ Outside Executives' and Accounting Auditor's opinion exchange meeting

- At the opinion exchange meeting between Outside Executives and the Accounting Auditor in fiscal 2020, the committee did not dig deeper into management issues due to differences in perspectives and positions, but in fiscal 2021, efforts were made to match the perspectives of both parties before the exchange of opinions took place, which led to deeper discussions.
- The Accounting Auditor raised current issues and potential risks such as goodwill impairment risks, securing accounting personnel in emerging countries and unification of accounting IT systems globally, which led to a deeper understanding of the items of the Board of Directors.

■ Interviews by the Chairman of the Board of Directors

- Interviews by the Chairman of the Board of Directors are an opportunity for the Chairman of the Board of Directors and each member of the Board of Directors to discuss issues and directions for the future, and they are beneficial as a place for frank exchanges of opinions.

■ Observation of Executive Committee meetings

- The establishment of a mechanism that allows Outside Executives to observe Executive Committee meetings makes it possible to directly check the details, quality, quantity, etc. of the discussions of the business execution division before presentation to the Board of Directors, and it is beneficial from the perspective of exercising supervisory functions.
- Listening to the remarks of top Executives at Executive Committee meetings will help determine who will become the next generation of top Executives.

5. Policy for the operation and focus themes of the Board of Directors for fiscal 2022

Based on the results of evaluation conducted by Corporate Governance Committee, Board of Directors engaged in a discussion to determine its operational policy for fiscal 2022. Based on the results of this discussion, Board of Directors operational policy for fiscal 2022 and its focus themes were determined at Board of Directors meeting held on May 31.

Board of Directors Operational Policy for Fiscal 2022

"Fiscal 2022 saw the launch of the OMRON Group's long-term vision, SF2030, and the medium-term management plan, SF 1st Stage. Toward achieving them, the Board of Directors will exercise its oversight functions together with the ability to respond to change from near-term as well as medium- to long-term perspectives. This will be done recognizing the link between the following three focus themes and issues subject to oversight."

Focus Themes

1) Monitoring progress of the long-term vision and medium-term management plan

<Points to be supervised>

- Transformation of business models (promotion of businesses reflecting an essential value perspective, including alliance with JMDC)
- Acceleration of diversity and inclusion
- Improvement of supply chain resilience
- Promotion of initiatives aimed at addressing important sustainability issues

2) Response to risks in the era of uncertainty

<Points to be supervised>

- Improvement of ability to detect changes in the global geopolitical environment
- Transformation of global business operations
- Enhancement of cybersecurity

3) Confirmation of progress in the construction of the Corporate IT System

<Points to be supervised>

- Monitoring corporate IT system construction with third-party evaluation in mind