

Risk Management

Integrated Risk Management for Supporting Global Business Activities

OMRON implements integrated risk management under a common framework throughout the Group. This is because, it is necessary to increase our risk sensitivity, and identify and take action before risks become apparent in order to respond quickly to changes as the speed of environmental changes surrounding management and business increases and the degree of uncertainty rises. We aim for active risk management where front-line employees and management work together to solve problems arising from changes in the environment that cannot be addressed by front-line employees alone. We are implementing a PDCA cycle

globally to improve the quality of this activity. We are additionally considering how to equip ourselves with mechanisms enabling efficient, effective, and prompt risk decisions while still adhering to the OMRON Principles and relevant business rules in order to achieve our long-term vision SF2030.

Integrated Risk Management System and Structure

Under the internal control system, the framework for integrated risk management is summarized in the OMRON Group Rules (OGR)* for Integrated Risk Management, which clarify the position of the risk management framework within Group management. The Senior General Manager of the Global Risk Management and Legal HQ (GRL Manager) is the person in charge of its promotion. Additionally, risk

managers (160 in total) have been appointed for head office divisions, business companies, regional headquarters and Group companies across the world, to help promote initiatives on a global scale through the concerted effort of management and front-line employees. The three main activities are as follows:

- Grasp changes in the environment in a timely manner, share this information with relevant parties, and assess the impact in a timely manner
- Conduct global risk analysis to identify critical risks and establish appropriate responses
- Implement crisis response measures when risks become apparent in a crisis

* The OMRON Group has established shared OMRON Group Rules (OGR) as the foundation for fair and transparent management. The OGR has been established for major functions such as risk management, accounting and finance, human resources, information security, and quality assurance. The rules are reviewed annually to ensure that changes in the environment are reflected in the rules in an appropriate and timely manner.

➤ Compliance and Risk Management

Corporate Ethics and Risk Management Committee Structure



Integrated Risk Management Cycle



Group Critical Risks and Analysis

In SF2030, the OMRON Group aims to solve social issues that arise in the transition to a new social and economic system. To this end, we are working to create social value in business domains and are implementing initiatives integrating sustainability with business. We designated April 2024 to September 2025 as a period of structural reform and launched Structural Reform Program NEXT 2025. We consider the key factors that must be addressed in the execution of these initiatives to be risks. In operating our group, we have identified the following two Group Critical Risks. S Rank: Risks of utmost importance to the operation of the Group, which may jeopardize its survival or bring severe social liability, A Rank: Risks that

impede the achievement of important group goals. We monitor the implementation of measures and changes in the risk situation. If the Group does not take appropriate measures for the Group Critical Risks, it will incur serious social responsibility. It could also lead to the failure of business strategy, resulting in the loss of corporate value.

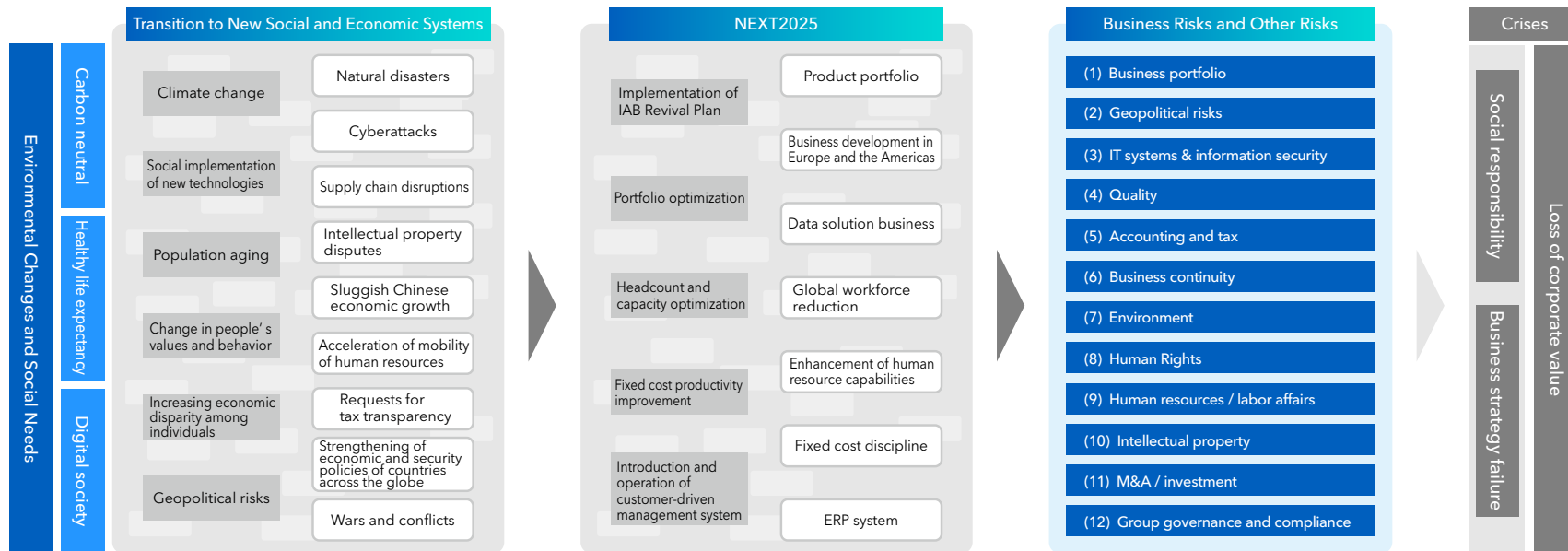
Risk assessment as of the end of fiscal 2023

Themes of Group Critical Risks based on the OMRON Group's risk analysis conducted at the end of fiscal 2023 are presented in the table below. We will pay particular attention to risks associated with executing NEXT 2025, such as business portfolio and headcount and capacity optimization, as well as Group governance and compliance

risks as we seek to accelerate business and improve profitability. If appropriate and sufficient measures are not taken, these risks could impact the Group's operating results, financial condition, or the accomplishment of its long-term vision. Accordingly, we consider them to be matters that could have a material impact on judgment by investors.

However, this is not an exhaustive list of all risks; the Group may be affected in the future by risks that are currently unforeseeable or considered insignificant. Matters discussed here that are not historical facts reflect the judgment of OMRON Group management as of the date of submission of this annual securities report (June 21, 2024).

Overview of Businesses and Other Risks



Addressing Group Critical Risks

1) Business Portfolio

Risk Scenario	<p><Environment> While the OMRON Group faces a mounting need to address social issues, the economic environment today is worsening against the backdrop of China's slowing economic growth and disruptions in the supply chain, and the outlook for the future remains volatile and uncertain. Such changes in the environment will have a material impact on the areas of activity and product offerings of each of the Group's businesses, including the following:</p> <ul style="list-style-type: none"> • Business expansion of the Industrial Automation Business in Greater China • Blood pressure monitor business of the Healthcare Business • Energy solutions business of the Social Systems, Solutions and Service Business <p><Impact> Adequately responding to the rising demand from growing industries and areas will create new value for society and business opportunities. Meanwhile, if the business environment deteriorates more than expected in Greater China, on which we are currently highly dependent, or for the businesses and products that drive growth in each business segment, and if we fail to optimize our portfolio to respond to changes in the environment, there is a risk of a decline in sales and other performance downturns, as well as the risk of not realizing sustainable and profitable growth.</p>
Response	<p><System> Under the Structural Reform Program NEXT 2025, we will build industry/area portfolios to reduce dependence on China through such efforts as accelerating business expansion in Europe and the Americas.</p>

(2) Geopolitical Risks

Risk Scenario	<p><Environment> The global business environment is growing increasingly complex due to policies enacted in various countries and regions in response to issues such as US-China relations, the situation in Russia and Ukraine, and the conflict in the Middle East. Notably, economic security policies, including formation and deployment of multilateral frameworks, are evolving further, related to the stable supply of important commodities such as semiconductors, promotion of advanced technologies, and regulation of exports, imports and investments. Political confrontations, human rights issues, and heightened risks of conflicts may lead to further expansion of various measures in the future as well as policy changes due to elections in some countries. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Supply of products to global markets from major factories in China, Asia, etc. • Investment and business expansion in cutting-edge technologies such as robotics in the United States and other countries • Sales to customers with respect to products covered by economic security policies, and the promotion of businesses related to social infrastructure such as finance and transportation
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Risk Scenario	<p><Impact> Developments such as restructuring of supply chains globally will create new social value and present business opportunities. On the other hand, if we fail to adequately respond to market changes, demand for the OMRON Group's products and services will decline, and if we fail to adequately respond to new laws and regulations, it may result in export restrictions, sanctions violations and others. There is a risk that it may cause sales to decrease, strategies to be reviewed, serious administrative penalties to be incurred, or our brand value to be damaged.</p>
Response	<p><System> OMRON business response policies are deliberated on by management bodies such as the Board of Directors and the Executive Council. Legal and regulatory response is overseen by each responsible department. For instance, in regard to export controls, the Global Risk Management and Legal HQ conducts global security trade management via a companywide export control committee.</p> <ul style="list-style-type: none"> • Related OGR: Integrated Risk Management Rules, and Export Control Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Exploring and promoting medium- to long-term production and research and development systems to reduce the impact of geopolitical risks • Monitoring global political and economic conditions and trends in laws and regulations, and ascertaining the impact of economic sanctions and responding to them <p>[Example of a specific risk countermeasure: Responding to the situation in Russia and Ukraine] Regarding export control, we have strengthened the process of pre-screening transactions that may pose security risks globally in order to better respond to increasingly complex export regulations and sanctions imposed by various countries.</p>

(3) IT and Information Security

Risk Scenario	<p><Environment> The rapid digitalization of socioeconomic activity is bringing about a transformation in corporate management, for instance through the use of data to make management decisions or development of new products and services centered on AI and IoT devices. While the infrastructure for data distribution is being developed globally, the risk of cyberattacks due to the misuse of AI as well as the risk of technical information leaks due to the mobility of human resources is increasing more than ever. Countries are strengthening regulations on the handling and transfer of important information such as personal data and technical information from the perspective of protecting privacy and ensuring economic security. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Business operations using global systems, including our supply chains • "Corporate IT System Project" with the aim of building a new management system • Promotion of a new business model focused on goods and services, such as the utilization of health data in the Data Solution Business
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Risk Scenario	<p><Impact> Developments such as the use of big data in medical services will create new social value and present business opportunities. On the other hand, if measures to deal with information security risks, such as cyberattacks, are not adequate, it may cause the OMRON Group's business activities and provision of products and services to be suspended or result in information leakage. If measures to comply with global personal data regulations, particularly those on international transmission, are not taken appropriately, it could result in violations of laws and regulations. There is a risk that it may lead to a decrease in sales, serious administrative penalties, or damage to our brand value.</p>
Response	<p><System> As the basic policy, we have newly established and published the "Basic Policy on Information Security." Under the supervision of a supervising director, the Senior General Manager of each head office division controls and manages measures for each area of information security, product security and personal information management as a person with operational responsibility. For issues encompassing the respective areas, the Cyber Security Integration Conference chaired by the supervising director meets to resolve them. Additionally, in order to provide direction at higher levels, the Information Security Strategies Conference, chaired by the President and CEO, deliberates on priority issues and strategies. In terms of implementation, policies are promoted and managed through the Information Security Promotion Conference chaired by the Senior General Manager of Global Business Process and IT Innovation HQ as the supervising director for cybersecurity and participated in by persons in charge of IT of all regional headquarters. As for personal data, we strive to grasp trends in laws in various countries and the status of the OMRON Group and strengthen actions to ensure compliance with laws and regulations, with the Senior General Manager of the Global Risk Management and Legal HQ being the person in charge.</p> <ul style="list-style-type: none"> • Related OGR: IT Governance Rules, and Information Security Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Evaluation and strengthening of measures based on NIST-CSF*, a global standard framework • Collection of comprehensive threat information through external specialized agencies and rolling out countermeasures within the Group • Prompt reporting and actions to minimize damage in the event of an incident by the Incident Response Office (CSIRT) • Implementation of risk assessment and measures to ensure the security of high-risk supply chains • Employee education for enhanced information literacy and conducting of drills to prepare for cyberattacks • Implementation of website vulnerability checkups and improvements • Construction of a global system to respond to personal data regulations <p>[Example of a specific risk countermeasure: Enhancing the system and process for responding to an emergency] We developed ransomware crisis management procedures, conducted cyberattack drills for management, provided incident response training at regional headquarters, and conducted other activities to improve our ability to respond to emergencies.</p>

* NIST-CSF: Cyber Security Framework (CSF) published by the National Institute of Standards and Technology (NIST) in 2014. This framework is generic and systematic. Countries around the world are moving toward compliance, including the U.S.

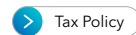
(4) Quality

Risk Scenario	<p><Environment> Quality is the foundation of a company's public trust. A high degree of safety and accuracy is demanded for innovative products and services that utilize new technologies, with many governments exploring or even implementing new regulations covering issues such as use of AI and product security. Public appeals to reduce health and environmental impacts are also higher than ever, and regulations in each country covering the presence, recycling and labeling of organic fluorides (PFAS) and other chemical substances are growing stricter. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Control equipment and energy solution products that can lead to fires, accidents, and shutdowns of facilities in the event of product defects • Global products to which various countries' laws and regulations on product safety, chemical substances, cybersecurity and others are applicable • Promotion of a business model that combines goods and services, such as the i-BELT service to make use of data for manufacturing sites <p><Impact> Ensuring quality that responds globally to high standards for new technologies and product safety will create new social value and present business opportunities. On the other hand, in the event that we provide inadequate product design/inspection, inappropriate customer support or inappropriate reporting in the event of quality defects and others, or in the event that we fail to appropriately comply with laws, regulations, and standards globally, it may result in large-scale recalls of the OMRON Group's products or suspension of production and distribution of products. There is a risk that it may cause a loss to be incurred, sales to decline, or our brand value to be damaged.</p>
Response	<p><System> OMRON's basic quality policy is based on the principle of quality first. Our quality assurance system is pursued by the Global Procurement and Quality & Logistics HQ, with the President and CEO assuming ultimate responsibility. Swift and appropriate measures are taken, under oversight by the Board of Directors, if and when serious quality issues arise.</p> <ul style="list-style-type: none"> • Related OGR: Quality Assurance Rules, and Product Quality Risk Management Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Acquisition of Quality Management System (QMS) such as ISO9001 (ISO13485: Medical equipment industry, IATF16949: Automotive industry) • Application and deployment of a QMS adapted to the service business • Establishing quality technologies for technologies with high risks (such as lithium-ion batteries and power devices) • Strengthening a product security system (gathering external vulnerability information and a response system (Product Security Incident Response Team, PSIRT), security monitoring activities, etc.) • Currently working to ascertain trends in environmental and safety-related laws, regulations, and standards related to products, and to strengthen management systems conducting impact assessments • Establishment and operation of quality consultation desks and implementation of quality compliance training and on-site quality inspections

5) Accounting and Tax

Risk Scenario	<p><Environment> Proper financial reporting and tax compliance are fundamental to corporate activities. As the globalization of companies accelerates and transactions are becoming increasingly borderless with new business models and services created, accounting standards are getting more advanced and tax systems are becoming more complex. Also, with progress in cooperation and coordination among countries, companies are subject to growing demands regarding tax transparency. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Transactions with customers and intragroup transactions on a global basis • Development of diverse services through a combination of products and services, in addition to products only <p><Impact> Ensuring compliance with global accounting standards and confidence in tax procedures will create new social value and present business opportunities. On the other hand, if we fail to manage assets appropriately or conduct appropriate accounting for new services/businesses or restructuring, or fail to respond appropriately to tax laws, transfer pricing taxation systems, customs laws, and other related regulations of various countries, or trends in enforcement by the authorities, we may be required to revise the financial statements, or pay substantial additional penalties or settlements from the authorities, or suffer damage to our brand value.</p>
Response	<p><System> Pursuant to the basic framework for internal control on financial reporting and the "Tax Policy*" approved by the Board of Directors, and led by the Global Finance and Accounting HQ, we have established and operate systems and rules aimed at ensuring appropriateness in accounting and tax operations.</p> <ul style="list-style-type: none"> • Related OGR: Accounting and Finance Rules, Anti-Fraud Rules, Implementation and Promotion of J-SOX Rules, and Customs Clearance Administration Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Strengthen self-inspection of internal controls and conduct audits focused on indications of risk • Regularly gather information on accounting standards using outside experts, etc. and assess and respond to their impact, etc. • Review policies related to international taxation in light of various OECD reports and the development of new international taxation rules • Work with local subsidiaries to respond to changes in taxation systems and enforcement by authorities in each country and region • Strengthen customs compliance system and monitoring

*For the "Tax Policy," please refer to the following:



6) Business Continuity Risks (Natural Disasters, etc.)

Risk Scenario	<p><Environment> There remains a possibility globally that natural disasters such as floods, torrential rains and huge earthquakes and emergence of infectious diseases could cause society to become dysfunctional. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Suppliers and production bases in various countries and regions across the world • Provision of products and services for social infrastructure and human health management that are required to continue even in the event of an emergency • Development of energy solutions business to respond to demands for disaster prevention and mitigation <p><Impact> Demands for companies regarding business continuity and initiatives to enhance social resilience will create new social value and business opportunities. On the other hand, in the event of unforeseen disasters, there is a possibility of partial suspension or reduction of business activities due to large-scale suspension of social infrastructure and economic activities, production stoppage at our plants, or long-term suspension of parts supply from important suppliers. There is a risk that it may lead to a decrease in sales or damage to our brand value.</p>
Response	<p><System> Based on basic policies for personal safety, preservation of public infrastructure and full cooperation in recovery efforts, individual business companies and head office divisions cooperate to establish business continuity plans that include matters of production, procurement, distribution, and IT.</p> <ul style="list-style-type: none"> • Related OGR: Integrated Risk Management Rules, and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Simulations and training drills for emergency situations • Operation of an employee safety confirmation system and stockpiling of emergency food and drinking water at business sites according to risks • Centralized management of supplier production area information and establishment of evaluation systems for alternative production sites • Establishing escalation routes for emergencies and a structure to ascertain impacts

7) Environment

Risk Scenario	<p><Environment> Toward the realization of decarbonization and lower environmental impact, we are required to view climate change from the two aspects of "opportunity" and "risk" to put our corporate social responsibility into practice and build further on our competitive advantage. In addition, demand for disclosure on corporate initiatives for environmental issues is growing year by year in order to reflect the information in corporate valuation and investment activities, and there is an increasing trend for third-party assurance of disclosed information to be regulated by laws. On the other hand, food and water shortages caused by frequent floods and droughts due to global warming, issues concerning plastics, and ecosystem destruction have become a social issue at the global level. As countries across the globe accelerate their policies toward carbon neutrality, requests for companies to reduce greenhouse gas emissions and ensure traceability are also expanding. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Realization of automation at production sites to increase productivity and energy efficiency in the Industrial Automation Business • Widespread use of renewable energy through evolution of energy control technology in the Social Systems, Solutions and Service Business • Development and provision of components that lead to a reduction in carbon footprint in the Device & Module Solutions Business • Waste reduction at all production sites across the globe with the aim of realizing a circular economy <p><Impact> Growing need for products and services that contribute to decarbonization will create new social value and provide business opportunities. On the other hand, as many companies seek to solve social issues, business competitiveness directly hinges on whether or not strategies and execution are successful. Further, inappropriate disclosure called greenwashing in sales promotional activities may lead to the loss of social confidence, which in turn may cause transactions to be suspended, product development to be discontinued, strategies to be reviewed, and our brand value to be damaged.</p>
Response	<p><System> To address environmental issues, we carry out activities in accordance with the OMRON Environmental Policy established by resolution of the Board of Directors. In terms of the concrete execution system, the Global Corporate Communications & Engagement HQ takes the lead in promoting initiatives under the responsibility of a director in charge of sustainability promotion who has been delegated authority from the President and CEO. The Senior General Manager of the Global Human Resources and Administration HQ, the Senior General Manager of the Global Procurement and Quality & Logistics HQ, and the Presidents of respective business companies are responsible for measures for the internal domain, supply chain domain, and business strategy domain, respectively.</p> <ul style="list-style-type: none"> • Related OGR: Environmental Management Rules and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Accelerating reductions in greenhouse gas emissions for which a target is set for each of Scope 1 and 2 and Scope 3 Category 11 • Transitioning to a circular economy through the expansion of collection and recycling efforts, circular material procurement, the maximization of the resource recycling rate, and other efforts • Disclosure of information on sustainability issues, including information in line with TCFD recommendations

8) Human Rights

Risk Scenario	<p><Environment> Toward the realization of a sustainable society, companies are being required to take responsibility for human rights issues not only within their own companies but also across the entire value chain. On the other hand, remedying forced labor, child labor, low or unpaid wages, long working hours, working environments with inadequate safety and hygiene, and harassment has become a social issue. Efforts to ensure respect for human rights through legislation are progressing, by visualization of supply chains through due diligence and prohibiting imports from countries and regions with human rights concerns. New human rights issues have also arisen as a result of technological innovations such as the use of AI. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Global business sites and supply chains, including those in China and Asia • R&D and provision of products and services using AI <p><Impact> Building value chains and utilizing AI in consideration of human rights will create new social value and provide business opportunities. On the other hand, failure to respond appropriately to human rights issues in the value chain, or failure to comply with laws and regulations on AI that results in discrimination and other human rights issues through products and services may lead to the loss of social confidence, which in turn may cause transactions to be suspended, product development to be discontinued, strategies to be reviewed, and our brand value to be damaged.</p>
Response	<p><System> To address human rights issues, we carry out activities in accordance with the OMRON Human Rights Policy established by resolution of the Board of Directors. In terms of the concrete execution system, the Global Corporate Communications & Engagement HQ takes the lead in promoting initiatives under the responsibility of a director in charge of sustainability promotion who has been delegated authority from the President and CEO. The Senior General Manager of the Global Human Resources and Administration HQ, the Senior General Manager of the Global Procurement and Quality & Logistics HQ, the Presidents of respective business companies, the Senior General Manager of Technology and Intellectual Property HQ, and the Senior General Manager of Global Risk Management and Legal HQ are responsible for measures for the internal domain, supply chain domain, business strategy domain, ethical utilization of technologies including AI, and redress mechanism, respectively.</p> <ul style="list-style-type: none"> • Related OGR: HRM Rules, Occupational Safety and Health Management Rules, and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures to fulfill corporate responsibility to respect human rights in alignment with the UN Guiding Principles on Business and Human Rights (UNGPR):</p> <ul style="list-style-type: none"> • Risk assessment using the RBA* Assessment Tool • Presenting sustainable procurement guidelines to suppliers and confirming compliance status • Collecting information on AI and developing internal rules for use of AI in businesses • Operating a human rights redress mechanism globally

* RBA: Responsible Business Alliance. Global CSR alliance focused mainly on the electronics industry.

9) Human Resources and Labor

Risk Scenario	<p><Environment> As the mobility of human resources increases globally, the competition for hiring scarce talent who have advanced technological skills, such as IT expertise, is becoming more intense than ever. On top of that, wage levels are rising across the globe, triggered by global inflation and labor shortages. In such an environment, it is important to implement human capital management that makes us attractive to job seekers and enhance employee engagement. In addition, there has been demand for disclosure on human capital from society in recent years. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Further efforts to develop the skills of the current workforce and securing talent with required abilities • Accelerating diversity and inclusion <p><Impact> The development of human resources and an environment that attracts diverse talented human resources and encourages each individual to seize the initiative and demonstrate his/her abilities is a driving force for increasing corporate value. On the other hand, if the human resource strategies implemented during the structural reform period is not sufficiently effective, it could lead to an exodus of employees with scarce skills and experience or labor problems while making the recruitment of new talent difficult. In addition, if the disclosure of information on human capital is inappropriate, it may lead to damage to our brand value due to a decrease in confidence from investors.</p>
Response	<p><System> Important human resource strategies are discussed and decided by the Board of Directors and Executive Council. Under the Chief Human Resources Officer (CHRO), the Global Human Resources and Administration HQ is taking the lead in implementing measures.</p> <ul style="list-style-type: none"> • Related OGR: HRM Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Restructuring of human resource portfolio • Fair evaluation, appointment, and placement of executive officers and key management personnel • Investment in human resources with an eye to transforming organizational capabilities • Initiatives and programs to share achievements that solve social issues (medium-term performance-linked stock-based compensation, etc.) • Implementing "TOGA" to instill the OMRON Principles in all employees and promote greater empathy and resonance

10) Intellectual Property

Risk Scenario	<p><Environment> It is essential to form intellectual property and intangible assets with a competitive edge and link them with value creation stories in order to improve corporate value sustainably while solving social issues, and open innovation and alliances are accelerating in technology development and the development of business models. On the other hand, competition and confrontations among companies and countries over intellectual property have also intensified, and issues from the perspective of fair trade in business alliances with start-up companies have been pointed out. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Technology fields of focus such as robotics, sensing, power electronics, and AI/data analysis • Creation of new businesses such as data healthcare, food production automation, and DX support for manufacturing sites <p><Impact> The trend of promoting investment in intellectual property and intangible assets as a source of competitiveness will create new social value and business opportunities. On the other hand, if the acquisition and protection of such assets are not done adequately, leakage of technologies and know-how or imitation of our brands may occur, causing our business to lose its competitive edge. In addition, in the event of a patent infringement dispute, etc. or unauthorized use, it may cause the provision of the products and services of the OMRON Group to be suspended and result in claims for substantial compensation for damages or payment of royalty. There is a risk that it may cause a loss to be incurred, sales to decline, or our brand value to be damaged.</p>
Response	<p><System> The Technology and Intellectual Property HQ is responsible for intellectual property activities based on the basic policy. Intellectual property strategies are regularly reported at and discussed by the Board of Directors.</p> <ul style="list-style-type: none"> • Related OGR: Intellectual Property Management Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Initiatives to improve the accuracy of the decisions on directions of research themes and the selection of partners by utilizing the IP landscape • Developing and implementing an intellectual property strategy linked to business and R&D, to accumulate intellectual property rights with a competitive edge • Research of third parties' intellectual property rights in conducting R&D and design • Analysis and evaluation of third parties' infringement of the OMRON Group's intellectual property rights, and strengthening of the enforcement of rights • Measures against counterfeiting activities, including online transactions, and preventing the acquisition of trademarks similar to the Company's brand names with malicious intent

11) M&A and Investment

Risk Scenario	<p><Environment> While the need to advance technologies as a means to solve social issues increases, companies are expected to accelerate innovation through alliances, M&A, and investments with companies with technological capabilities. On the other hand, in addition to fluctuations in the performance and valuation of investee companies, there have also been developments such as the tightening of investment restrictions due to economic security policies and the operation of antitrust laws in additional sectors including IT. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Promotion of M&A and investment, including alliances and divestitures, under portfolio management • Co-creation with partners who share and resonate with the social issues that OMRON perceives, in order to create new businesses <p><Impact> Acquiring new management resources through strategic M&A and investments will create social value and business opportunities. On the other hand, if companies fail to do enough planning or due diligence, or post-merger integration (PMI) and governance for M&A counterparties or investees are not properly implemented, the anticipated synergies or alliance may not proceed as planned. There is a risk that a substantial impairment loss may be recognized and material revisions to the plans may need to be made.</p>
Response	<p><System> The policies for and implementation of M&A and investments are discussed and determined by the Board of Directors and other executive committees with investment discipline in accordance with the responsibility and authority specified in the management rules, and each transaction is promoted by a project team comprised of the business company, head office divisions, and outside experts.</p> <ul style="list-style-type: none"> • Related OGR: Management Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Exploring and assessing M&A and investment candidates based on business strategy • Detailed prior review and due diligence such as confirmation of the financial condition and contract details of the target company • Review of specific target progress for post-acquisition or post-investment economic impact by the Board of Directors (at least once a year) <p>[Example of a specific risk countermeasure: Monitoring and oversight of the listed subsidiary] We made a takeover bid for JMDC Inc., our investee company, and made JMDC Inc. a consolidated subsidiary in October 2023. Our Board of Directors will monitor and supervise JMDC Inc.'s strategies and business plans, including progress and challenges, in order to ensure the company's sustainable growth.</p>

12) Group Governance and Compliance

Risk Scenario	<p><Environment> As efforts to address social issues such as climate change and population aging accelerate globally and the role played by companies becomes more important, social demands for fair trade are also growing. International organizations and various governments have tightened laws and regulations against anti-competitive behavior and bribery. Also, regulations in response to the evolution of IT, AI, and other technologies, and the promotion of innovation through alliances and other means are being increasingly explored and implemented. In addition, in some emerging countries and regions, corruption is a social problem due to weak legal governance and unstable political conditions. In Japan, the demand to protect subcontractors is increasing in response to the recent depreciation of the yen and soaring energy prices. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the following:</p> <ul style="list-style-type: none"> • Provision of products and services globally, including those licensed by the governments of various countries • Development of new products and business models through co-creation with various business partners <p><Impact> Meeting globally expanding demands accurately and expectations for innovation by companies will create new social value and present business opportunities. On the other hand, as we address the need to accelerate business and improve profitability as well as increase the independence of business operations in each region and at each group company, we expose ourselves to the risk of legal and regulatory non-compliance concerning fair business transactions and accounting practices that could result from poor governance and internal control. If any such non-compliance occurs, it could result in serious administrative penalties and damage to our brand value.</p>
Response	<p><System> The response policy for internal control including corporate ethics and compliance is discussed and determined by the Board of Directors. Under the OMRON Group Management Policy, we have established and operate a governance system for group companies pursuant to the OGR, and the Corporate Ethics and Risk Management Committee carries out activities.</p> <ul style="list-style-type: none"> • Related OGR: Corporate Administration Rules, Ethical Conduct Rules, Internal Audits Rules, and Procurement Rules <p><Initiatives> Specifically, we are promoting the following measures:</p> <ul style="list-style-type: none"> • Global checks and monitoring by division in charge of each function • Risk management at each regional headquarters to address critical risks according to the characteristics of each area • Regular compliance education through Global Corporate Ethics Month in October of each year, etc. • Operating whistleblower hotlines worldwide • Internal audit and guidance for improvement based on a risk-based approach • Monitoring and training on the Subcontract Act for relevant business sites by the purchasing division