Acting on the OMRON Principles and Human Capital Management

December 27, 2017

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Masahiko Tomita
Global Human Resources and Administration HQ
Today’s Takeaways

・ We believe our people and our organization are the drivers of growth under VG2.0. To coincide with the start of VG2.0, we enhanced our initiatives to accelerate this growth.

・ We have set initiatives and targets in the following areas: ‘Attracting and developing human capital’, ‘Diversity and inclusion’, ‘Employee wellbeing’, ‘Occupational health and safety’ and ‘Respect for human rights and labor practices’.

・ To create an environment that encourages our employees to continue to challenge themselves to implement the OMRON Principles in their work, we created TOGA (The OMRON Global Awards) in FY2012. From FY2017, to further support employees taking initiative, we have tied behaviors such as creating innovation or day-to-day tasks to the satisfaction of solving social issues.

・ We have also initiated engagement surveys from FY2016, to give management insight into what global employees are feeling and a grasp of organizational management issues. Addressing such issues elevates the attractiveness of OMRON as a workplace.
## Key Initiatives

<table>
<thead>
<tr>
<th>Social Issues</th>
<th>FY2020 Targets &amp; KPI</th>
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</table>
| **Attracting and Developing Human Capital** | • Evolve and advance TOGA to act in the spirit of the OMRON Principles  
- Ratio of non-Japanese in managerial positions overseas: 66%  
- Accelerate PDCA cycle via employee engagement surveys |
| **Diversity & Inclusion**             | • Ratio of women in managerial roles (OMRON Group in Japan): 8%  
• Disability employment: Expand hiring above the legally mandated level |
| **Employee Wellbeing**                | • Participation rate for mental health education: 100% (domestic)  
• Mental Toughness Deviation Scores: 55 (domestic) |
## Key Initiatives

### Social Issues

<table>
<thead>
<tr>
<th>Occupational Health and Safety</th>
<th>FY2020 Targets &amp; KPI</th>
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<tbody>
<tr>
<td></td>
<td>• OHSAS18001 certification: # of accredited locations &gt; 80% of total production (in value terms)</td>
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<td></td>
<td>• OHSAS leaders/teams in place: All target sites</td>
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<td></td>
<td>• Participation rate in training for leaders/teams: 100%</td>
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<table>
<thead>
<tr>
<th>Respect for Human Rights and Labor Practices</th>
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<tr>
<td>• Formulation and implementation of human rights due diligence process</td>
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<tr>
<td>• Ratio of production bases where risk analysis and remedial measures have been implemented: All production sites</td>
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Evolve and Advance TOGA to Act in the Spirit of the OMRON Principles
OMRON Principles

Our Mission

To improve lives and contribute to a better society

Our Values

- Innovation Driven by Social Needs
  Be a pioneer in creating inspired solutions for the future.
- Challenging Ourselves
  Pursue new challenges with passion and courage.
- Respect for All
  Act with integrity and encourage everyone’s potential.

Omron Principles

Revised May, 2015
Overview: OMRON Principles and TOGA

Start TOGA in FY2012 on a global basis to support employees in implementing the OMRON Principles in the workplace

Goal: Instill the OMRON Principles in all aspects of daily work

<table>
<thead>
<tr>
<th>Understand</th>
<th>Accelerate</th>
<th>Implement</th>
<th>Embrace &amp; Relate</th>
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TOGA
Sharing how all employees implement the OMRON Principles in their daily tasks enhances the conviction of implementing the Principles

OMRON Principles Dialogues:
Embracing the Principles through workplace discussion of how the Principles relate to individual roles

Internal publications

Corporate grade-based training

Educational Tools (pamphlets, cartoons, videos)

<table>
<thead>
<tr>
<th>General employees</th>
<th>Middle management</th>
<th>Senior management</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workplace Management</td>
<td>Chairman dialogues</td>
<td>Next-generation leadership training</td>
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What is TOGA? (The OMRON Global Awards)

An annual global group-wide awards program designed to foster a culture in which employees continue to challenge themselves in implementing the Principles

3 Key Features

1. At time of entry, teams declare the challenge they will take on and must follow through

2. Entries will be evaluated on how strongly they relate to the Principles

3. The resulting value created through the challenges will be shared on a Group-wide basis
The number of TOGA entry themes and participants continue to increase annually. Cumulative participation over the last 6 years: 213,181 participants, 24,043 entries.

<table>
<thead>
<tr>
<th>Year</th>
<th># of employees (Consol.)</th>
<th># of employees</th>
<th>Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY12</td>
<td>20,828 employees (2,481 themes)</td>
<td>23,524 employees (2,519 themes)</td>
<td>32,751 employees (3,651 themes)</td>
</tr>
<tr>
<td>FY13</td>
<td>38,100 employees (5,003 themes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>46,885 employees (6,216 themes)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>51,093 employees (as of March 2017)</td>
<td></td>
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Globally-linked themes and new value-creating or innovation-creating themes gradually increasing.
The TOGA cycle starts on May 10th, Founder’s Day, and ends on Founder’s Day in the following year, when the next cycle starts.
What Goes Into the Annual Cycle?

The annual process makes it possible to deepen the sense of connection between the OMRON Principles and daily tasks.

1. **Initiate**
   - Reaffirm ‘Why do this?’, ‘Who for?’
2. **Declare**
   - Elevate conviction through public declaration
   - Stimulate others through public declaration
3. **Execute**
   - Mutual recognition of efforts enhances confidence
4. **Share**
   - Discussion generates a broader sense of shared experience and motivation
5. **Embrace**
   - Take pride from public recognition
   - Not mandatory; encourage employees to find their own inspiration

Motivate individuals/teams; elevate performance → Generate Results → Achieve Business Vision/Mission → Realize Our Mission

Hoist a flag → Make a declaration → Sympathize → Review and Share → Execute
TOGA Highlights: 1. Healthcare Business (Asia)

Social Needs
28% of adult population in Philippines has high blood pressure and cardiovascular conditions are the #1 cause of fatalities

Social Value & Omron’s Contribution
In support of local government, distribute blood pressure monitors to medical institutions to promote daily medical check-ups

Result
Installation of 44,000 units in local community medical facilities.

The strong desire to contribute to society led to the cross-border teamwork needed to develop product tailored to customer specifications, to be delivered in line with customer requirements.

(Philippines/Singapore sales companies, Vietnam plant)

Develop partnership with Philippine government
(Social approach: Participate in test case)
TOGA Highlights: 2. Electronic & Mechanical Components Business (Korea)

Social Issue
Radiography technicians taking X-rays exposed to radiation on a daily basis

Solution Proposed
Develop wireless handheld switch that allows hospital technicians to operate X-ray equipment from a distance

Result
Enter into a strategic partnership with customer, take first step toward commercialization

Presentation by team leaders

Wireless hand-switch leveraging wireless technology
TOGA Highlights: 3. Global HQ (Japan)

Social Issue
SMEs struggling with labor shortages, young people unable to find full-time work (NEETs)

Solution Proposed
Developed/implemented a matching platform for SMEs and young people in search of work, two cohorts that might not ordinarily find each other

Result
Revolutionized the job search process for two cohorts with seemingly little hope for success: NEETs/shut-in young people hoping for full-time employment and SMEs not able to attract employees

PR video

Key team members

Matched 12 job seekers with 24 companies

Companies waiting up to a maximum of 80 minutes to speak to a single job seeker!
Clear progress in enhancing understanding and resonance to the OMRON Principles within the Group. The next challenge is to practice the Principles by going beyond internal business divisions to collaborate with external partners in order to solve social issues.

**Entry**
- **2012**: Activities driven by HQ-sponsored events
  - HQ-driven
  - Distribute entry badges, drum up interest
  - Tie into Founder’s words
- **2015**: Activities Promoted by each Business company and divisions
  - Division-driven
  - Simplified entry
  - Discuss relationship to OMRON Principles
- **2017**: Activities now driven by self-motivated employees; deeper internal / external engagement
  - Self-motivated entry
  - Encourage entries focusing on social issues (e.g. SDGs)

**Share**
- **2012**: Regional competition formats set by HQ
- **2015**: Divisional presentations
  - Diversification of regional formats
- **2017**: Using social media to share and distribute findings

**Global Final**
- **2012**: Present awards, share findings at 80th anniversary ceremony
  - Post video
  - Distribution of booklets
- **2015**: Present awards, share findings on Founder’s Day
  - Live broadcasts
  - Hold regional presentations
- **2017**: Findings shared to an expanded audience including internal and external stakeholders such as employees, investors and students and customers and partner companies.

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Accelerate PDCA cycle via employee engagement survey ‘VOICE’
Defining Engagement Surveys

1. **Management tool to identify and address management issues**
   Positioned not as a diagnostic tool for the company, organization or employees but a tool to identify and address management issues on a global basis:
   What employees want from management

2. **Measure ‘Employmentability’ (Corporate’s ability to attract and retain human resources)**
   An assessment of the attractiveness of OMRON as a workplace from the perspective of existing and prospective employees. Also a potential trigger for management in thinking about how to enhance attractiveness

3. **A tool for understanding what employees really think**
   More than an aggregate, quantitative score, the open comment sections give management a window on what employees are really thinking, making it possible to raise issues that can form the basis for subsequent actions
## Survey Overview

<table>
<thead>
<tr>
<th>Respondents (Global total)</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>21,260</td>
<td>23,617</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Response rate (Global total and regional breakdown)</th>
<th>Region</th>
<th>Responses</th>
<th>Respondents</th>
<th>%</th>
<th>Region</th>
<th>Responses</th>
<th>Respondents</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td></td>
<td>16,963</td>
<td>(21,260)</td>
<td>80</td>
<td>Global</td>
<td>19,957</td>
<td>(23,617)</td>
<td>85</td>
</tr>
<tr>
<td>Americas</td>
<td></td>
<td>1,056</td>
<td>(1,855)</td>
<td>57</td>
<td>Americas</td>
<td>1,999</td>
<td>(3,137)</td>
<td>64</td>
</tr>
<tr>
<td>Asia</td>
<td></td>
<td>1,045</td>
<td>(1,268)</td>
<td>82</td>
<td>Asia</td>
<td>1,751</td>
<td>(1,871)</td>
<td>94</td>
</tr>
<tr>
<td>Greater China</td>
<td></td>
<td>3,279</td>
<td>(4,267)</td>
<td>77</td>
<td>Greater China</td>
<td>3,551</td>
<td>(4,090)</td>
<td>87</td>
</tr>
<tr>
<td>Japan</td>
<td></td>
<td>9,988</td>
<td>(11,883)</td>
<td>84</td>
<td>Japan</td>
<td>10,878</td>
<td>(12,187)</td>
<td>89</td>
</tr>
<tr>
<td>Europe</td>
<td></td>
<td>1,595</td>
<td>(1,987)</td>
<td>80</td>
<td>Europe</td>
<td>1,476</td>
<td>(2,114)</td>
<td>70</td>
</tr>
<tr>
<td>Korea</td>
<td></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>Korea</td>
<td>301</td>
<td>(329)</td>
<td>91</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th># of open comments</th>
<th>FY2016</th>
<th>FY2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approx. 7,600</td>
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### Structure

**55 questions**
- Major categories:
  - Engagement, customer-centric / awareness of quality, diversity, corporate ethics, OMRON Principles & VG 2.0, training / professional development, change and risk-taking, sense of belonging/job satisfaction, earnings management, team work, expectations for the survey

**76 questions**
- Major categories:
  - Engagement, customer-centric / awareness of quality, diversity, corporate ethics, OMRON Principles & VG 2.0, training / professional development, change and risk-taking, sense of belonging/job satisfaction, earnings management, team work, evaluation of management, operational efficiency, work-life balance
  - Blue items added in FY2017
View of OMRON from the Engagement Survey

FY2017 results: YoY improvement in all businesses & regions. High level of resonance to OMRON Principles and corporate pride maintained. Will implement measures to respond to expectations expressed for enhancements to further facilitate acting on the Principles through daily work

FY2016: Key Findings

1. High level of resonance to OMRON Principles

2. High level of pride in company and own work

3. Expectations for increased opportunities for employees to challenge themselves for personal growth and achievements

FY2017: Key Findings

1. Even higher level of resonance to OMRON Principles

2. Expectations for greater empowerment

3. Expectations for improved operational efficiencies
Key changes made in Japan and globally, based on FY2016 results. Currently debating the actions to be taken based on FY2017 results.

**Actions resulting from FY2016 findings**

<table>
<thead>
<tr>
<th>Domestic Actions</th>
<th>Global Actions</th>
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<tbody>
<tr>
<td><strong>1. Lay the ground for diversification of working styles</strong></td>
<td><strong>1. Expand talent discovery / human capital development programs</strong></td>
</tr>
<tr>
<td>・ Working from home (trial)</td>
<td>・ Initiate global talent discovery process (Joint effort by local subsidiaries and regional HQs)</td>
</tr>
<tr>
<td>・ Introduction of paid leave on hourly basis</td>
<td>・ Identify and nurture talented young employees</td>
</tr>
<tr>
<td>・ Develop communication platform (Introduction/promotion of O365)</td>
<td>・ Create individual development plans</td>
</tr>
<tr>
<td><strong>2. Expand professional development programs to support self-motivated growth</strong></td>
<td>・ Online training (management basics)</td>
</tr>
<tr>
<td>・ Expand online educational tools</td>
<td>・ Expanded merit-based training programs (English/Chinese-language)</td>
</tr>
<tr>
<td>・ Financial support for expensive professional development training</td>
<td>*Develop in FY2017 for execution in FY2018</td>
</tr>
<tr>
<td>・ Company-sponsored seminars after-hours</td>
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</tbody>
</table>
In Conclusion

TOGA + VOICE