FY18 ESG Presentation
OMRON Sustainability Initiatives

Tsutomu Igaki
Executive Officer
Global Investor & Brand Communications HQ
In 1959, Omron Founder Kazuma Tateishi created the motto,

**To Improve Lives and Contribute to a Better Society**

In words that are easy to understand, this motto implies that the very purpose of the company’s existence is to serve society as well as to pursue profits.
Inheriting the Spirit of Our Founder through the 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.
Management Based on the OMRON Principles

We have declared our Management Philosophy based on the OMRON Principles, setting our Long-Term Vision and conducting our business guided by the OMRON Group Management Policy.

### OMRON Principles

Our unchanging, unshakeable beliefs. The cornerstone of our decisions and actions. What binds us together and serves as the driving force behind OMRON growth.

### Management Philosophy

Management Philosophy and approach to putting the OMRON Principles into practice through our businesses.

### Long-Term Vision VG2020

Our Long-Term Vision for the next 10 years, representing our strong desire to build a better society.

### OMRON Group Management Policy

A group-wide management policy under which our diverse employee base comes together globally in unity, while thinking and taking action individually.
Global Activities to Promulgate and Create Shared Belief in the OMRON Principles

Promulgating and creating shared belief in unique OMRON activities in all workplaces

CEO Circle

OMRON Principles Dialogue

The OMRON Global Award (TOGA)

Messages From Senior Management

Engagement Survey

OMRON Principles Workplace Interchange
OMRON Principles and Sustainability Initiatives

Long-Term Vision VG2020

GLOBE STAGE

EARTH-1 STAGE

OMRON Principle Acceleration

Sustainability Project

Revised in May 2015

PJ started in Nov. 2015

Senior Leader’s Discussion

OMRON Principles

Practicing the OMRON Principles

Revised in May 2015

February 2017 Management Approval

Mid-Term Plan VG2.0

Sustainability Management


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Linking Medium-Term Management Plan and Sustainability Initiatives

OMRON Principles

Medium-Term Management Plan VG2.0

Business Target & Strategies

- Net Sales ¥1 trillion
- Operating Income ¥100 billion

1. Redefine focus domains and maximize the strength of businesses
2. Evolve business models
3. Reinforce core technologies

Sustainability Initiatives

A global value-creating group that is qualitatively and quantitatively superior

Collaborative Creation With Partners

- Factory Automation
- Healthcare
- Mobility
- Energy Management

Collaborating With Partners

- Human Capital Management
- Manufacturing
- Risk Management

Human Capital Management, Manufacturing, and Risk Management
Management Commitment to Sustainability

Adopt sustainability indicators from third-party organizations for use in medium- and long-term performance-linked compensation (Directors and Executive Officers)

**Medium- to Long-Term Performance-Linked Compensation**

**Short-Term Performance-Linked Compensation**

**Base Salary**

**Calculation Formula**

\[
\text{Stock-Based Compensation} = \text{Standard Compensation} \times \text{Performance Factor} \times \text{ROE Factor} \times \text{Sustainability Factor}
\]

*Base : Short-Term : Mid/Long-Term = 1 : 1 : 1.5 (CEO)*
Corporate Governance

Takashi Kitagawa
Executive Officer
Board of Directors Office
Introduction

What Does Corporate Governance Mean to You?

Fraud Prevention Systems
Management Monitoring Systems
Earnings Capacity Improvement Systems
Management Foundation
Mirror Reflection of Management
At the OMRON Corporation and its affiliated, 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.

In accordance with this basic stance, the OMRON Group has set forth the following corporate governance policies as the foundation for the Group's pursuit of continuous improvement of its corporate governance.
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.
The OMRON Principles link directly to our corporate governance.

OMRON Principles

OMRON Corporate Governance Policies

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.
We have designed a hybrid structure incorporating the outstanding features of nominating committees to strengthen the oversight function of the board of directors.
Chairs of the Personnel Advisory Committee, CEO Selection Advisory Committee, and Compensation Advisory Committee are outside directors. A majority of the members of these committees are outside directors. The chair and members of the Corporate Governance Committee are outside directors and outside members of the Audit and Supervisory Committee, raising transparency and objectivity in our decision-making. Our CEO does not serve as a member on any of these committees.

<table>
<thead>
<tr>
<th>Title</th>
<th>Name</th>
<th>Personnel Advisory Committee</th>
<th>CEO Selection Advisory Committee</th>
<th>Compensation Advisory Committee</th>
<th>Corporate Governance Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman of the Board</td>
<td>Fumio Tateishi</td>
<td>☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representative Director</td>
<td>Yoshihito Yamada</td>
<td>☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Representative Director</td>
<td>Kiichiro Miyata</td>
<td>☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Koji Nitto</td>
<td>☐</td>
<td>☐</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Director</td>
<td>Satoshi Ando</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td></td>
</tr>
<tr>
<td>Outside Director</td>
<td>Eizo Kobayashi★</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Kuniko Nishikawa★</td>
<td>☐</td>
<td></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Outside Director</td>
<td>Takehiro Kamigama★</td>
<td>☐</td>
<td></td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member (Full-time)</td>
<td>Kiichiro Kondo</td>
<td>☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member (Full-time)</td>
<td>Tokio Kawashima</td>
<td>☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member (Independent)</td>
<td>Hideyo Uchiyama★</td>
<td>☐</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Audit &amp; Supervisory Board Member (Independent)</td>
<td>Tadashi Kunihiro★</td>
<td>☐</td>
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</tr>
</tbody>
</table>

Chairperson ☐  Vice-Chairperson ☐  Committee Member ☐  Independent under Tokyo Stock Exchange rules

| Ratio of Outside Directors and Outside Audit and Supervisory Board Members | 3/5 | 3/5 | 3/5 | 5/5 |

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The selection and responsibilities of our president and CEO and the role of outside directors.
Section 4 Corporate Governance System

5. Advisory Committees

(2) The CEO Selection Advisory Committee

In accordance with the relevant rules, the CEO Selection Advisory Committee is intended to bolster the management oversight function of the Board of Directors by enhancing the transparency, objectivity, and timeliness of the decision-making process regarding nomination of candidates for CEO.

The CEO Selection Advisory Committee annually conducts assessment of the CEO and nominates a candidate for the CEO for the succeeding fiscal year.

In the case of re-appointment, the CEO Selection Advisory Committee nominates the current CEO for the succeeding fiscal year, based on results of an evaluation reflecting the Company's business results. The Committee then makes recommendations to the Board of Directors.

In the case of change, the CEO Selection Advisory Committee nominates candidates for the CEO for the succeeding fiscal year based on the succession plan, etc. and makes recommendations to the Board of Directors.

The Corporate Governance Report (Comply and Explain)

- OMRON Corporate Governance Policies* (extracts) revised on Nov.27, 2018 -

The Board of Directors takes the appointment and dismissal of the CEO as one of the highest-priority matters in management oversight. Accordingly, the CEO Selection Advisory Committee, dedicated to the nomination of candidates for the CEO, annually evaluates the performance of the CEO and nominates candidates for the CEO based on the results of the evaluation, thereby maintaining the transparency, objectivity, and timeliness of the CEO appointment process. As such, the Company annually appoints a CEO for the succeeding fiscal year based on the evaluation reflecting the Company's business results, etc. and thus has established a system for deliberating the reappointment or dismissal of the current CEO based on the business results, etc.

* https://www.omron.com/about/corporate/governance/
Outside directors play a major role in the CEO Selection Advisory Committee, ensuring transparency and objectivity in the CEO selection process.

**CEO Selection Advisory Committee**

<table>
<thead>
<tr>
<th>Chairman</th>
<th>Outside Director</th>
<th>Outside Director</th>
<th>Outside Director</th>
<th>Outside Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eizo Kobayashi</td>
<td>Satoshi Ando</td>
<td>Kuniko Nishikawa</td>
<td>Takehiro Kamigama</td>
<td>Fumio Tateishi</td>
</tr>
</tbody>
</table>

- Chair is an outside director
- Majority of members are outside directors
- CEO is not a committee member
- All members are non-executive directors
Outside Director

Eizo Kobayashi
Senior Representative, ITOCHU Corporation

Kuniko Nishikawa
President & CEO, Firststar Healthcare Co. Ltd., Chief Executive Officer, FRONTEO Healthcare, Inc.

Takehiro Kamigama
Mission Executive, TDK Corporation
CEO Selection Advisory Committee meets on an annual basis. Members-only deliberations are conducted after asking the president and CEO three questions. After receiving reports and holding discussions, the board of directors selects (or reappoints) the president and CEO. This process ensures a highly transparent and objective selection process, unique to OMRON.

- **Annual discussion of president appointment** (not just when new president is to be named)

- **Matters Discussed (specific questions to the CEO by the committee chair)**
  - President Appointment for Upcoming FY
    - Do you intend to continue as CEO in the upcoming fiscal year?
  - Succession Plan
    - Who do you intend to be your successor in the event of an emergency?
  - Succession Plan
    - What are you doing to educate and train your successor? *Provide list of successors*

- **Committee member discussion after CEO leaves the room**

  **CEO Selection Advisory Committee**
  - Three Discussion Items
    - *1 Committee chair is an outside director; majority of members are outside directors

  **Reports**

  **Board of Directors**
  - Decision on CEO
    - *2 Eight directors (three of whom are outside director)
Outside directors serving as members of the CEO Selection Advisory Committee provide executive oversight of the board of directors, ensuring we meet our duties in selecting the CEO.
The Corporate Governance Committee (consisting of only outside directors) evaluates the effectiveness of the OMRON board of directors. Based on this evaluation, we improve the effectiveness of the board of directors through management policy decisions (overseen by the board of directors) and oversight by executive body (via board of director meetings).

Evaluation performed by committee ensuring transparency and objectivity
Policies deliberated and determined in board of director meetings

Outside directors contribute significantly to improving board of director effectiveness
What role do outside directors play in the OMRON governance structure?

CEO Selection Advisory Committee selects/reappoints CEO

Oversee operational execution in board of director meetings
Higher Levels of Sustainable Corporate Value

This has been an explanation of OMRON governance in the brief time we have to share today. We encourage ongoing dialogue toward creating higher levels of sustainable corporate value.
Reference
Yoshihito Yamada was the first-ever OMRON CEO appointed by the CEO Selection Advisory Committee, taking over from Hisao Sakuta. (June 2011)

Committee Members as of FY2010
Chairman : (Outside Director) Kazuhiko Toyama
Vice Chairman : (Director) Fumio Tateishi
Member : (Outside Director) Masamitsu Sakurai
(Director) Yoshio Tateishi

Committee Establishment
(1) Shifted management unifying inward force from the founder to the OMRON Principles (May 2006)
(2) Selection and dismissal of CEO is the most important issue related to oversight function
(3) Accountability for transparency and objectivity to stakeholders
(4) CEO to concentrate on incorporating the OMRON Principles in management

Committee Deliberations Leading to Yoshihito Yamada’s Selection as CEO
(1) Narrowed list of candidates to 10 individuals three years prior to Yamada’s selection in 2011
(2) Discussed whether individuals could lead in promoting the OMRON Principles and demonstrate skills to accomplish the OMRON Vision (VG2020 )
(3) Narrowed list candidates to several individuals, evaluated individually

Reference:
First CEO Appointed through the CEO Selection Advisory Committee

https://www.omron.com/about/corporate/governance/govlib/
Policy for the operation of the board of directors for fiscal 2017

The board of directors exercises its oversight function with particular focus on three areas to ensure achievement of the medium-term management plan VG2.0, which began in fiscal 2017:

- Progress of short-term management plans
- Human resources and technology strategies key to medium-term management strategies
- Initiatives to address materiality, which have been identified based on sustainability policies

Results of the fiscal 2017 evaluation of board effectiveness

The Corporate Governance Committee confirmed that the board of directors operated according to the policy for board operations for fiscal 2017 and that the board demonstrated its oversight function. Evaluation results and future issues are as described below:

- Progress of short-term management plans
  The board of directors discussed and approved VG2.0 and the company-wide management plan for fiscal 2017. In addition, the board of directors received sufficient reports from executives regarding initiatives at individual divisions.

- Human resources and technology strategies key to medium-term management strategies
  (1) Human resources strategies
  The board of directors discussed human resources strategies, a key component of VG2.0. The board recognized that human resources strategies were important to achieve VG2.0 and that the board should continue to exercise its oversight function.
  
  (2) Technology strategies
  The board of directors confirmed the companywide core technology system developed on the SINIC Theory platform. SINIC Theory is OMRON’s unique predictive theory encompassing AI, IoT, robotics, and other rapid technological innovations. The Board recognized that technology strategies were important to achieve VG2.0 and that the board should continue to exercise its oversight function.
  
  (3) Other strategies related to medium-term management strategies
  The board of directors recognized the need to exercise its oversight function on strategies related to information systems and quality to achieve the company’s medium-term management strategies.

- Initiatives to address materiality which have been identified under sustainability policies
  To ensure the achievement of VG2.0, the board of directors received reports on fiscal 2020 targets and KPIs for material sustainability issues. The board also received reports related to the company-wide management structure for advancing Sustainability and reports on material issues. OMRON began sustainability initiatives in fiscal 2017. The board recognized the need to exercise its oversight function on an ongoing basis.

Policy for the operation of the board of directors for fiscal 2018

Based on the results of the fiscal 2017 evaluation of board effectiveness and identified future issues, the board of directors has been charged with exercising its oversight function to ensure the achievement of VG2.0, focusing on three areas in particular:

- Strategies for information systems and quality with respect to medium-term management strategies
- Ongoing initiatives for human resources and technology strategies
- Initiatives to address material sustainability issues (materiality)
OMRON Group Environmental Action for a Sustainable Society

Kiyoshi Yoshikawa
Managing Executive Officer
Global Manufacturing Innovation HQ
Our Mission

To Improve lives and contribute to a better society

A Sustainable Society

- Climate change and energy/resources
- Climate change and ecosystems
- Low-Carbon
- Recycling
- Co-Existence with Nature
- Ecosystems and environmental impact

Vision: Green Omron 2020

Omron Group Environmental Policy

In line with OMRON Principles, we will contribute to realizing sustainable societies, globally, by providing eco-friendly products and services that can contribute to the global environment and by efficient management of resources.

1. Provide eco-friendly products and services that can contribute to the global environment
2. Prevent Global Warming
3. Use resources efficiently
4. Co-existence with nature
5. Implement environmental management

Omron Group Environmental Goals

1. Reduction of greenhouse gas emissions
2. Appropriate management and reduction of hazardous substances
3. Reduction of waste
4. Prevention of air, water, and soil contamination
5. Effective usage of water resources
6. Facilitating environmental management
## Today’s Theme

### Green OMRON 2020 Goals: Today’s Theme

<table>
<thead>
<tr>
<th>Issues</th>
<th>Goals as of Fiscal 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainability Issues</strong> 1. Reduction of greenhouse gas emissions</td>
<td>Environmental Contribution ( \geq ) CO2 emissions at production centers</td>
</tr>
</tbody>
</table>
| **KPI change** Global Net Sales to CO2 Emissions \( \Rightarrow \) Greenhouse gas emissions  
  \( \cdot \) 2050 Achieve Zero Emission  
  \( \cdot \) 2030 Reduce by 32\% vs. 2016  
  \( \cdot \) 2020 Reduce by 4\% vs. 2016 | |
| **Sustainability Issues** 2. Appropriate management and reduction of hazardous substances | Reduction of mercury through the prevalence of digital thermometers and digital blood pressure monitors: 69 tons / year  
  ✓ Stop use of fluorocarbon (CFC) in FY2018  
  ✓ Stop use of fluorocarbon (HCFC)  
  ✓ Stop use mercury (fluorescent lamp use) |
| 3. Reduction of waste | Achieve Zero Emission at all global production sites |
| 4. Prevention of air, water, and soil contamination | Perform environmental legal assessments at all global production sites |
| 5. Effective usage of water resources | Reduce water consumption at all global production sites by 6\% vs. FY2015 result |
| 6. Facilitating environmental management | Acquire and maintain ISO 14001 certification at all global production sites |
Expanding Our Environmental Contribution Through Our Businesses

Maximize the Effective Use of All Management Resources
(Improve energy, resource productivity)

Products and Services Useful to Society
(Grow our businesses that have a positive impact on the global environment)

Reduce Our Environmental Impact

Greater Volume of Environmental Contribution

Greater Efficiency

*Environmental Contribution
Calculated based on the **direct effect** of product contributions and the **indirect effect** of the use of our products and services.

**Direct Effect**  CO2 reduction generated through OMRON product energy conservation improvements compared to a standard product
Examples  Energy-saving nebulizers, safety sensors, industrial temperature controllers, general power sources

**Indirect Effect**  CO2 reduction generated through customer use of products in which OMRON components form a major portion of energy saving/energy generation products
Examples  PV Inverter, power converter systems for electric and hybrid vehicles, electric power steering

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Key Sustainability Initiatives
Actions to Reduce Greenhouse Gas Emissions

Make Maximum Use of All Management Resources

Adopted system to visualize electricity usage (Ayabe City, Kyoto location)

Converted self-generated power to clean energy (Production plant in Guangzhou City, China)

Overseas

Offer Products and Services Useful to Society

Products that contribute to the spread of clean energy

Products

Used abandoned fields to create locally produced, locally consumed energy (Miyazu City, Kyoto)

Services

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Key Sustainability Initiatives
History of Environmental Contribution

Steady rise in environmental contribution since unveiling of Green OMRON 2020

(1,000)

(thousand of tons-CO2)

Environment contribution
CO2 emissions at production centers

<table>
<thead>
<tr>
<th>Year</th>
<th>Environment contribution</th>
<th>CO2 emissions at production centers</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>189</td>
<td>193</td>
</tr>
<tr>
<td>2012</td>
<td>193</td>
<td>203</td>
</tr>
<tr>
<td>2013</td>
<td>661</td>
<td>215</td>
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<td>2014</td>
<td>851</td>
<td>221</td>
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<tr>
<td>2015</td>
<td>508</td>
<td>593</td>
</tr>
<tr>
<td>2016</td>
<td>593</td>
<td>202</td>
</tr>
<tr>
<td>2017</td>
<td>659</td>
<td>204</td>
</tr>
</tbody>
</table>
Revised Greenhouse Gas Emissions Reduction Targets

Green OMRON 2020

**CO2 emissions at production centers (FY2011-)**
(¥mil./tons-CO2)

Steady improvements in achievement of KPIs

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>3.21</td>
</tr>
<tr>
<td>2012</td>
<td>3.21</td>
</tr>
<tr>
<td>2013</td>
<td>3.6</td>
</tr>
<tr>
<td>2014</td>
<td>3.83</td>
</tr>
<tr>
<td>2015</td>
<td>4.12</td>
</tr>
<tr>
<td>2016</td>
<td>3.94</td>
</tr>
<tr>
<td>2017</td>
<td>4.22</td>
</tr>
</tbody>
</table>

**GHG emission (As of FY2017)**
(thousand of tons-CO2)

<table>
<thead>
<tr>
<th>Year</th>
<th>Emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>193</td>
</tr>
<tr>
<td>2012</td>
<td>203</td>
</tr>
<tr>
<td>2013</td>
<td>215</td>
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<td>2014</td>
<td>221</td>
</tr>
<tr>
<td>2015</td>
<td>202</td>
</tr>
<tr>
<td>2016</td>
<td>202</td>
</tr>
<tr>
<td>2017</td>
<td>204</td>
</tr>
</tbody>
</table>

*Omron Carbon Zero: Zero GHG Emissions by 2050*

Paris Agreement

Issued in 2016

Hold average global temperature increase to within 2°C of pre-industrial revolution era

Limiting greenhouse gas emissions is critical

2018 Established
We are striving to limit temperature rise to within 2°C to combat global warming. We have set goals in line with SBTs to limit rise in temperature, advancing initiatives in energy conservation and renewable energy.
### Green OMRON 2020 Environmental Targets and Progress

<table>
<thead>
<tr>
<th>Issues</th>
<th>Goals as of Fiscal 2020</th>
<th>FY2017 Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sustainability Issues</strong></td>
<td>Environmental Contribution &gt; CO2 Emissions at Production Centers</td>
<td>659k t-CO2 &gt; 204k t-CO2</td>
</tr>
<tr>
<td>1. Reduction of greenhouse gas emissions</td>
<td>KPI change: Global Net Sales to CO2 Emissions ⇒ Greenhouse gas emissions&lt;br&gt; • 2050 Achieve Zero Emission&lt;br&gt; • 2030 Reduce by 32% vs. 2016&lt;br&gt; • 2020 Reduce by 4% vs. 2016</td>
<td>• Changed KPIs during FY2018</td>
</tr>
<tr>
<td><strong>Sustainability Issues</strong></td>
<td>Reduction of mercury through the prevalence of digital thermometers and digital blood pressure monitors: 69 tons / year</td>
<td>51 tons / year</td>
</tr>
<tr>
<td>2. Appropriate management and reduction of hazardous substances</td>
<td>✓ Stop use of fluorocarbon (CFC) in FY 2018&lt;br&gt; ✓ Stop use of fluorocarbon (HCFC)&lt;br&gt; ✓ Stop use mercury (fluorescent lamp use)</td>
<td>• CFC 39% reduction&lt;br&gt; • HCFC 25% reduction&lt;br&gt; • Mercury (fluorescent lamp) 26% reduction</td>
</tr>
<tr>
<td>3. Reduction of waste</td>
<td>Achieve Zero Emission at all global production sites</td>
<td>23 locations (58% progress)</td>
</tr>
<tr>
<td>4. Prevention of air, water, and soil contamination</td>
<td>Perform environmental legal assessments at all global production sites</td>
<td>36 locations (90% progress) Two locations excluded for strategic purposes</td>
</tr>
<tr>
<td>5. Effective usage of water resources</td>
<td>Reduce water consumption at all global production sites by 6% vs. FY2015 result</td>
<td>5.9% reduction</td>
</tr>
<tr>
<td>6. Facilitating environmental management</td>
<td>Acquire and maintain ISO 14001 certification at all global production sites</td>
<td>39 locations (98% progress)</td>
</tr>
</tbody>
</table>
Sustainability reports are made to the board of directors who monitor and oversee progress. Individual business divisions are responsible for execution, working in cooperation to identify risks and opportunities; responsible for setting targets and forming/implementing business plans.

**Sustainability Management Structure**

- **Shareholders’ Meeting**
- **Board of Directors**
- **Audit & Supervisory Board**
- **Audit & Supervisory Board Office**
- **Board of Directors Office**
- **Accounting Auditor**
- **Sustainability Office**

**Environment Management Structure**

- **In charge of environmental management**
  - **CEO**
- **Director in charge of environmental management**
  - Senior general manager, Global Manufacturing Innovation HQ
- **Person responsible for environmental management**
  - Senior general manager, Global Manufacturing Innovation HQ, Environmental Innovations Center

- **Business divisions intermediate management**
  - Sites in Japan
  - Sites overseas
- **HQ intermediate management**

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*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 overseas them on a Group-wide basis.*
Future Direction

Pursue activities to accomplish 2020 goals; research policies and targets for the next 10 years

Green OMRON 2020

Long-Term Vision VG2020

Next Environmental Policy & Goals

Next Long-Term Plan

Realize OMRON Carbon Zero
OMRON Carbon Zero for a Sustainable Society

Teruyasu Imai
Senior General Manager
Environmental Innovation Center
Global Manufacturing Innovation HQ
OMRON Carbon Zero

- Set goals in line with SBTs to respond to global warming
- Aim for zero greenhouse gas (GHG) emissions by 2050 (Scope 1, 2) (2018.7.27 news release)

GHG emissions [10k t-CO2]

<table>
<thead>
<tr>
<th>Year</th>
<th>2016 Actual</th>
<th>2020 Target</th>
<th>2030 Target</th>
<th>2050 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>GHG emissions</td>
<td>27 -3</td>
<td>24 -4</td>
<td>17 -32</td>
<td></td>
</tr>
</tbody>
</table>

Currently drawing up Scope 3 targets

OMRON Carbon Zero (Target) Vs. 2016 -4% Vs. 2016 -32% GHG Zero Emissions

GHG reduction
GHG emissions
Nearly 90% of OMRON Group greenhouse gas emissions arise from electric power. As we minimize energy usage through consistent conservation, we also advance our transition to clean energy use through a number of different measures.
Energy Conservation and Renewable Energy Activity Cycle Toward Reducing GHGs

The main feature of the OMRON Group’s GHG reduction programs is the energy conservation and renewable energy activity cycle. This cycle leverages the expert staff, knowledge, products, and services of our energy management business.

Determine Potential

Energy experts provide on-site diagnoses (Leveraging OMRON Group internal business expertise)

- Identify conditions on-site (risks and opportunities)
- Suggest responses to risk
- Suggest actions on improvement opportunities
- Simulate impact
- Calculate costs for measures

(Ex.)

Determination results

<table>
<thead>
<tr>
<th>Category</th>
<th>Suggestions</th>
<th>Reduction Vol. kWh</th>
<th>Reduction Vol. t-CO₂</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transformer</td>
<td>Upgrade to High-Efficiency Transformers</td>
<td>45,668</td>
<td>36</td>
</tr>
<tr>
<td>Equipment</td>
<td>PV Electricity Generation</td>
<td>300,000</td>
<td>234</td>
</tr>
<tr>
<td>HVAC Equipment</td>
<td>Revise Temperature Settings for Second Floor Central Air</td>
<td>13,845</td>
<td>11</td>
</tr>
<tr>
<td>Compressor</td>
<td>Reduce Compressor Air Volume</td>
<td>151,532</td>
<td>118</td>
</tr>
<tr>
<td>Compressor</td>
<td>Revise Air Intake Route for Compressor Room</td>
<td>21,577</td>
<td>17</td>
</tr>
<tr>
<td>Compressor</td>
<td>Compressor Inverter Control</td>
<td>98,350</td>
<td>77</td>
</tr>
<tr>
<td>Lighting Equipment</td>
<td>Reduce Lighting in Second Floor Storage Room</td>
<td>13,415</td>
<td>10</td>
</tr>
<tr>
<td>Lighting Equipment</td>
<td>Turn Off Lights During Breaks in the Production Room Work Area</td>
<td>3,227</td>
<td>3</td>
</tr>
<tr>
<td>Production Line</td>
<td>Prevent Heat Dissipation From Steam Pipes</td>
<td>95,600</td>
<td>75</td>
</tr>
<tr>
<td>Production Line</td>
<td>Measures to Prevent Leaks From Steam Pipes</td>
<td>45,552</td>
<td>36</td>
</tr>
</tbody>
</table>

Sustainable Energy Conservation and Renewable Energy Activity Cycle

Execute the PDCA cycle beginning with an analysis of potential

Determine potential

Create action plan

Survey impact

Secure budget

Operation

Execute measures

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Seventy percent of OMRON Group electricity usage is in Japan and China.
Activities Looking Ahead to 2050

- Plans in place to reduce total electricity usage in Japan/China (70% of total group usage) by 54k t-CO2
- Rolling out energy conservation and renewable energy cycle programs in other areas to meet 2050 goals

GHG emissions [k t-CO2]

Increase in GHG emissions due to increased sales

2016 Actual  2020 Target

250  240 (Emissions Goal)

Reductions via energy conservation -19
Reductions via renewable energy -35

Upgrade HVAC equipment -13
Advance energy conservation measures -6
Electricity through renewable energy -5
Purchase electricity from renewable sources -30

-54

Reduce in GHG emissions due to increased sales

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Adopt self-consumption solar power, expand purchases of renewable energy, and continue to increase share of renewable energy used in group electricity consumption

<table>
<thead>
<tr>
<th></th>
<th>2017 Actual</th>
<th>2018 Fcst</th>
<th>2020</th>
<th>2021-</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electricity Consumption (MWh/yr)</strong></td>
<td></td>
<td></td>
<td></td>
<td>Global purchasing of</td>
</tr>
<tr>
<td></td>
<td>350,587</td>
<td>357,000</td>
<td>413,000-20,000</td>
<td>electricity from renewable sources</td>
</tr>
<tr>
<td><strong>Renewable Energy Usage (MWh/yr)</strong></td>
<td></td>
<td></td>
<td></td>
<td>• Renewable energy</td>
</tr>
<tr>
<td>Self-Consumption Solar Power</td>
<td>5,552</td>
<td>22,900</td>
<td>70,800</td>
<td>certificates</td>
</tr>
<tr>
<td>Purchase of Electricity from Renewable Sources</td>
<td>4,787</td>
<td>21,200</td>
<td>65,500</td>
<td></td>
</tr>
<tr>
<td><strong>Renewable Energy Usage (%)</strong></td>
<td>1.6%</td>
<td>6.4%</td>
<td>18.0%</td>
<td></td>
</tr>
</tbody>
</table>

*Use renewable energy to reduce electricity use by 20,000MWh

**Additional Information**

- **Self-Consumption Solar Power Equipment Installations**
  - Netherlands: wind Power
  - Brazil: hydroelectricity
  - Netherlands: wind Power
  - Brazil: hydroelectricity
  - Japan (Kansai): hydroelectricity

- **Purchases of Electricity from Renewable Sources (by location)**
  - Netherlands: wind Power
  - Brazil: hydroelectricity
  - Japan (Kansai): hydroelectricity
  - Search for GHG Reduction Measure Ideas
    - Today, we are investigating options, routes, processes, and other means to obtain electricity from renewable sources and procure renewable energy certificates. We intend to incorporate these means into future GHG reduction measures.
PDCA for Climate Change Issues

Set GHG Targets

Indicator: switch from net sales to CO2 emissions to GHG emissions

Execute Reduction Plan

Advance energy conservation measures, use of renewable energy

Confirm Progress

Reporting, Disclosure

Integrated report

Engagement Targets

Social

Investors

Customers

Suppliers

Affiliated groups

Medium- to Long-Term Plan

SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

Single-Year Action Plan

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OMRON Environmental Solutions Business Engagement

Katsumi Ohashi
Environmental Solutions Business HQ
VG2.0 Pivotal Strategy : Energy Management

Social Value: Contribute to a Better Global Environment

Create (Energy Generation)
Smart Use (Energy Conservation)
Store (Storable Energy)

Solutions
- Equipment & System
- Engineering
- Service

Organization
- Environment Solution Business HQ

OMRON Field Engineering co. Ltd
Subsidiary of OMRON Social Solutions co., Ltd

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## Vision of the Environmental Solutions Business

Use energy conversion technology and control technology to **contribute to a sustainable society through the wider adoption of renewal energy.**

<table>
<thead>
<tr>
<th>Vision</th>
<th>Spread of renewable energy</th>
<th>Building a sustainable society</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Sales of PV invertors for solar power generation</td>
<td>Leverage storage battery systems for use in renewable energy management affected by changes in the weather</td>
</tr>
</tbody>
</table>

- **Vision:** Use energy conversion technology and control technology to contribute to a sustainable society through the wider adoption of renewal energy.

- **Spread of renewable energy:**
  - Sales of PV invertors for solar power generation

- **Building a sustainable society:**
  - Leverage storage battery systems for use in renewable energy management affected by changes in the weather

---

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Optimal use of overall energy linked to generation, storage, and conservation products and services

PV Inverters for Solar Power

- PV Inverters
- Energy intelligent gateways
- Electricity sensor
- OMRON field engineering
- Solar power monitoring service
- Electricity volume sensors

Storage Battery System

- Store as shown above
- Collaboration between storage battery and electricity generation
- Home/industrial use flexible storage battery system

Energy Conversion & Control

- Generate Without Waste
- Conversion of generated power
- Measure, control electricity
- Smart Use

Generate
Without Waste

Conversion of generated power

PV inverters

Energy intelligent gateways

Electricity via solar power hybrid storage battery system

Collaboration between storage battery and electricity generation

Home/industrial use flexible storage battery system

Electricity Sensors

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High Market Share of the Environmental Solutions Business

No.1 share of the generation, storage, and conservation markets

Share 35%  |  **Energy Generation**: home-use PV inverters  
           |  **No.1** in Japan

Share 33%  |  **Energy Generation**: industrial-use low-voltage PV inverters  
           |  **No.1** in Japan

Share 26%  |  **Storable Energy**: home-use storage battery systems  
           |  **No.1** in Japan

Share 33%  |  **Energy Conservation**: industrial-use electricity sensors (multi-circuit)  
           |  **No.1** in Japan
Do You Know PV Inverters?

Device that converts direct current from solar cells and storage batteries **efficiently** to alternating current for home use, connecting safely to an electric power system.

![Diagram of solar cell, PV inverter, and electricity sales](image-url)
OMRON products used in above-ground solar power systems and residences

PV Inverter

Storage Batteries
In 2002, a grid safety empirical research project was conducted for entire town’s clustered installation of solar power electricity generation systems.

First-ever clustered installation empirical research in Japan

Established AICOT®; created the world’s largest multi-clustered system for a total of 553 homes producing a total 2,129 kW.

Pal Town Josai no Mori, Ota city, Gunma Pref.
We see the end of feed in tariff (FIT) and RE100 as future market opportunities where we can offer controls for self-consumption systems.

**The End of FIT**
- Accelerate adoption of storage batteries used in solar power self-consumption systems.

**Renewable Energy 100 (RE100)**
- Accelerate adoption of solar power suppliers among participating companies.

**<Major Participating Companies>**
Apple, Microsoft, Google, Citibank, Bloomberg, PHILIPS, BMW, GM Motors, AXA, Ricoh, Sekisui House, Askul

(138 companies as of July 2018)

**Value in solar power self-consumption system controls**
Importance of balancing power generation with power consumption. Imbalances could result in blackouts (worst case). Important to provide balance for the adoption of renewable energy, which fluctuates with changes in the weather.
Leverage PV inverters and No.1 position of storage battery system market, contributing to balance through electricity generation and storage controls, encouraging wider adoption of renewable energy which changes with weather fluctuations.

Key to Wider Renewable Energy Adoption
Looking Ahead to the Near Future

Link equipment to networks to bundle and control electricity. Enter the electricity aggregation business using solar power, storage batteries.
Contribute to the Spread of Renewable Energy

Sustainability targets: Aim for 11.2GW by 2020, contributing to the wider adoption of renewable energy

Vision

Use energy conversion technology and control technology to contribute to a sustainable society through the wider adoption of renewal energy.
Reinvigorate Communities Through Renewable Energy!
Creating a solar power generation business using idle fields in Miyazu City, Kyoto Pref.

Tetsuya Miyazaki
OMRON Field Engineering Co., Ltd
Energy Management HQ
VG2.0 Pivotal Strategy: Energy Management

Social Value: Contribute to a Better Global Environment

Create (energy generation)
Smart Use (energy conservation)
Store (Storable energy)

Energy Management

Factory Automation
Healthcare
Mobility
Energy Mgmt.

OMRON Field Engineering co. Ltd
Subsidiary of OMRON Social Solutions co., Ltd

Environment Solution Business HQ

Equipment & System
Engineering
Service

Organizations
OMRON Field Engineering (OFE) Business Domains

- Main businesses in the public sector (rail, traffic, finance, etc.); nearly 50 years of experience of equipment construction and maintenance in highly demanding markets.
- Leverage strengths to improve services in the energy sector
Improving lives and contributing to a better society by solving energy issues

Smart Energy Management Systems
(Smart, rational use of energy through a combination of generation, conservation, and storage)

Buildings
Factories, hospitals, commercial facilities, etc.

Areas
Regions, communities

Energy Management Business
Work with local governments and companies to commercialize local production and consumption of renewable energy, solving regional issues.

**Business Concept**
- Identify regional issues
- Communicate issues
- Business concept

**Survey Business Plan**
- Explore local production and consumption models for renewable energy
- Create business plan
- Select business partners

**Raise Capital**
- Design and procure means for raising capital
- Preparations to establish SPC*1
- Design and implement governance

**Commercialize**

*1: SPC: Special Purpose Company  
*2: EPC: Engineering, Procurement, Construction  
*3: O&M: Operation and Maintenance
Devastation of idle fields becoming serious issue, burden to the region

Miyazu City

• City is a famous destination to see the Amanohashidate sandbar; however, population has decreased by one-third over the past 30 years (1985 to 2015). Current permanent population stands at 18,000.
• Yura district is a village of 1,000 people. 45% elderly population. Marked population decline; significant increase in abandoned fields over the past 40 years.

Yura

Residential areas are surrounded by an increasing number of abandoned fields; frequent threat of animal damage causing safety concerns
Solar power generation business using idle fields as a community asset

Major reason why improvement of abandoned fields was accepted by locals (Social needs)

Miyazu City: town/people /jobs
Population vision/strategic goals
Ratio of self-supplied renewable energy
0% (2014) ⇒ 5% (2019) (City needs)

Miyazu City (local government)

Miyazu retail electricity sales company (currently examining commercial viability)

Cheap Electricity

Town hall, public facilities, etc.

Regional retail electricity sales business

Solar power enterprise (launched in FY2017)

Bank of Kyoto
Kyoto Hokuto Shinkin Bank
Kyocera (PV equipment)
Kaneshita construction (production)
Miyazu HQ general contractor
OFE

Regional Power Generation Business Model

Regional FIT retail electricity sales

Business viability via FIT use

Regional contribution

Investment

Financing

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History of Power Plant Construction

Business viability = construct six power plants (including non-abandoned field locations in Yura) for a total of 5MW to ensure electricity production scale

Yura No.1 Solar Power Plant

Yura North Solar Power Plant (No.1 through No.3)

Upper Miyazu Solar Power Plant

Miyazu City Joshi Solar Power Plant
• OFE led all commercialization processes, bringing together Miyazu City, landowners, investors, and financial institutions to coordinate the business.
• Major factor for success was conceiving the business with a local government and working together for commercialization with the community.

*1 EPC: Engineering, Procurement, Construction
*2 O&M: Operation and Maintenance
Success Point (1): Acquire Land

- Lease agreements signed for 140 plots with 100 landowners
- Completed agreements for all plots and registered inheritances as result of painstaking surveys, discussions, explanations, and negotiations.

Current Status
- No inheritance for land having no lessees or buyers
- Considerable number of landowners moved out of town or overseas
- Remains difficult to contact local owners due to lack of information
Success Point (2): Business Leadership, Funding

- Due to lack of business leadership, OFE proposed business plan to local companies and financial institutions; succeeded in agreement to establish SPC and passed due diligence for nonrecourse loan.
- Major factor for success was a common vision of community development.

**Investment:** approx. ¥250 million

- Kaneshita Construction: 62%
- Kyocera: 19%
- OFE (SSB): 19%

**Financing from financial institutes**
- Bank of Kyoto
- Kyoto Hokuto Shinkin Bank

**Meeting nonrecourse loan terms**
- Viability of business plan
- Acceptance of business plan by the three investors
- Evidence of agreements, approvals, etc.

**Support of experts**
- Attorneys, judicial scriveners, CPAs, etc.

**Business Entity**
- Miyazu Solar Power Plant LLC

**Establish company**

**Secure financing**

**Finely detailed business plan and patient explanations**
-Projected retail electricity revenues for 20 years
-Initial running cost calculation
-IRR potential of 5%
Success Point (3): Facilities Construction (Battle With Nature)

Completed construction safely, overcoming difficult land conditions

- Brutally cold winter with **snow accumulation** over 1m
- *Jungle-like* trees and weed infestation
- *Soft* paddy fields and swamp conditions
- **Elevation difference**
  - Park ruins 2m-plus high
- **Significant water damage** in the past

*From the Ministry of Land, Infrastructure, Transport and Tourism website*
Value of Initiatives Implemented

Model Offering Benefits to All Parties

[Miyazu City]
- Contribute to achieving renewable energy goals
- Tax income (property tax, etc.)
- Lease income for city-owned land

[Citizens]
- Idle field improvements
- Regional Contribution

[Landowners]
- Lease income
- Land management (grass cutting)

[Kyocera]
- Experience in power generation business
- Sales of power generation modules
- Investment income

[Financial Institutions]
- Experience in syndicated loans
- Regional renewable energy production business experience in financing

[Kaneshita Construction]
- Experience in new business
- Site preparation revenues
- LLC consolidated income
- Investment income

[OFE]
- Experience in area energy solutions
- Power generation equipment EPC sales
- Solar power generation O&M sales
- Investment income

Region
Same three firms opened power plants in seven sites across three prefectures, generating 3.2MW.

Oeyama No.1, No.2 Solar Power Plant

Built observatory on top to aid in regional development
Working with partners inside and outside the company to resolve regional issues through renewable energy
Sustainability Initiatives

Kashuku Hirao
Senior General Manager
Sustainability Office
Sustainability Management Structure

The Sustainability Office reports to the board of directors and is responsible for advancing sustainability company-wide.

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The OMRON board of directors has monitoring and oversight for sustainability initiatives. The board identifies social trends and internal corporate conditions, revising targets and initiatives on an ongoing basis.

**Board of Directors**

**Executive Organization**

- **PDCA for Key Issues**
  - Annual results (New, revised policies)
  - Annual Plans (Determine goals)
  - Monitor progress (Identify gaps between social trends and evaluations)
  - Perform, advance work on key issues

- **Executive Council**
  - Sustainability Committee
  - Stakeholder engagement
  - Group-wide management cycle

- **Use evaluations**
- **Disclose information**

**Sustainability Management Structure**

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Solving Social Issues Through our Businesses

Factory Automation
Respond to labor shortages and diversifying manufacturing practices

Healthcare
Zero brain and cardiovascular diseases, respiratory diseases

Mobility
Reduce traffic accidents, environmental footprint of automobiles

Energy Management
Promote the use of renewable energy, CO₂ reductions

Sustainability Targets (Fiscal 2020 Goals/KPI)

- Create new products leading to innovative-Automation in four focus industries
  - Create Controls Technologies for Manufacturing Innovation -

- Blood pressure monitor sales: 25 million units/year
- Develop analytical technologies to continuously track blood pressure fluctuations
- Nebulizer + asthma wheeze monitor sales: 7.65 million units/year

- Create safe driving support systems, technologies
- Create 360° recognition technologies for advanced driving support/self-driving vehicles
- Sales of vehicles with eco-friendly products: 12 million units/year
  (Increase ratio of high fuel efficiency products: 50%)

- Cumulative shipped capacity of solar power/storage battery systems: 11.2GW
- Build the energy resource aggregation business using PV/storage system (Japan)

Red: targets updated or added

*See the OMRON corporate website for more. https://www.omron.com/about/sustainability/omron_csr/tasks_goals/
**Issues Responding to Stakeholder Expectations**

### Human Capital Management
- Talent Attraction and Development
- Diversity and Inclusion
- Wellness Management
- Occupational Safety and Health
- Respect for Human Rights and Labor Practices

**Sustainability Targets (Fiscal 2020 Goals/KPI)**
- Continue expanding TOGA*,
- Accelerate the PDCA implementation via employee engagement surveys
- Ratio of women in managerial roles (Japan): 8%
- Improve awareness of wellness management (company-wide awareness of Boost5*)
- International OSH** certification: At sites representing 80% of production capacity
- Define and adopt due diligence processes for human rights

### Manufacturing/Environment
- Product Safety and Quality
- Supply Chain Management
- Reduction of Greenhouse Gas Emissions
- Appropriate Management and Reduction of the use of Hazardous Substances

**Product Safety and Quality**
- Produce safety assessments for newly developed products: 100%
- **Improve product safety assessments**
- Sustainability self-checks at partner suppliers: 100% implementation; score of 85 points or higher
- Reduce GHG emissions by 4% (vs. fiscal 2016, SBT conformity**)
- Reduce mercury through the adoption of digital thermometers and digital blood pressure monitors: 69 tons/year

### Risk Management
- Fair Business Practices
- Information Security, Personal Information Protection

**Risk Management**
- Promote OMRON Group rules in all global bases
- Global training for ethical conduct
- Build a new information security system

*See the OMRON corporate website for more.  https://www.omron.com/about/sustainability/omron_csr/tasks_goals/*
Sustainability Vision to Be Led by Principles

Strive for sustainable OMRON corporate value growth and sustainable social development from a global perspective, based on the OMRON Principles.

**Value Creation**
- Solving social issues through business
- Better management of risks

**Company’s Sustainable Growth**

**Trust/Expectation**
- Creating new business opportunities
- Hiring and retaining talents
- Stronger relationship with stakeholders

**Society’s Sustainable Growth**

**OMRON Principles**

**Growth in Society**

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External Evaluations

Win both prestigious Social and Governance awards in Japan.

- Selected for Health and Productivity 2019 Recognition
- Winner of the Corporate Governance of the Year 2018 Minister of Economy, Trade and Industry Award
To reach higher levels of corporate value, we will continue to analyze the risks and opportunities related to climate change and disclose information.

- We have expressed Our Support of the Proposals of the Task Force on Climate-related Financial Disclosures (TCFD)