

Corporate Governance, Compliance, and Risk Management

Omron is committed to maintaining and exercising a proper governance system while increasing management transparency. To firmly establish a high standard of corporate ethics, we will continue to enhance our compliance system and strengthen a risk management framework that supports ongoing improvement in corporate value.

Corporate Governance

Basic Policies

Omron is making an effort to enhance its corporate governance based on the belief that the most crucial factor in earning stakeholders' support is to establish an optimal management structure and execute fair and appropriate business operations while ensuring the proper functioning of a verification system (monitoring system), and to realize the aim for continuous corporate growth.

In line with this basic policy, Omron maintains an executive officer system with clearly segregated management oversight and business execution functions to oversee business activities. Directors other than the president do not concurrently serve as executive officers. In addition, the system of internal companies vests each department's top management with wide-ranging authority with the aim of accelerating decision making and improving operating efficiency. In June 2008, Omron established the Corporate Governance Committee to further enhance management fairness and transparency.

Management and Oversight Structure

Omron has decreased the number of members of its Board of Directors to seven to improve efficiency and support substantive discussion. In addition, the president is the only director that is also directly involved in business execution. The other directors are distanced from day to day business execution and serve to fulfill a management monitoring function. To increase objectivity in management and to strengthen management oversight, the Chairman of the Board of Directors and the CEO are segregated. The Chairman of the Board of Directors serves as a monitor representing stakeholders and does not take part in the execution of business.

Advisory committees (personnel, compensation and president & CEO selection) have been established with the two outside board members chairing the committees to enhance objectivity and transparency for nomination, promotion and compensation of directors/executive officers as well as nomination of the president.

Auditing Functions

The Board of Corporate Auditors, consisting of four auditors (including three outside corporate auditors), monitors governance practices, management conditions, and the daily activities of management and directors. The Group Audit Office, which functions directly under the President & CEO, periodically conducts internal audits of accounting, administration, business risks, and compliance in each headquarters division and in each business company as part of its internal auditing function. The Audit Office also offers specific advice for improving business functions.

Appointment of Outside Directors

To allow the Board of Directors to monitor business practices from a position that represents Omron's shareholders and other stakeholders, outside directors now represent two out of seven board members. In addition, three out of four corporate auditors are external.

Emphasizing the independence of outside directors and external auditors, Omron has specified strict criteria for qualification of candidates, which are even more exacting than the regulations of Japanese Corporate Law. For example, candidates for outside directors and the organizations to which they belong must not have assumed the role of representative or employee of the independent accounting auditor for the Omron Group for five years prior to the nomination, may not be a director of any principal partner, and may not be a principal shareholder of the Omron Group.

Director Compensation

The Compensation Advisory Committee under the Board of Directors determines the compensation structure for directors and corporate auditors. The committee comprises four directors, excluding the chairman, vice chairman, and president. The chairman of the committee, appointed by resolution of the Board of Directors, is an outside director. This is to ensure objectivity and to increase transparency.

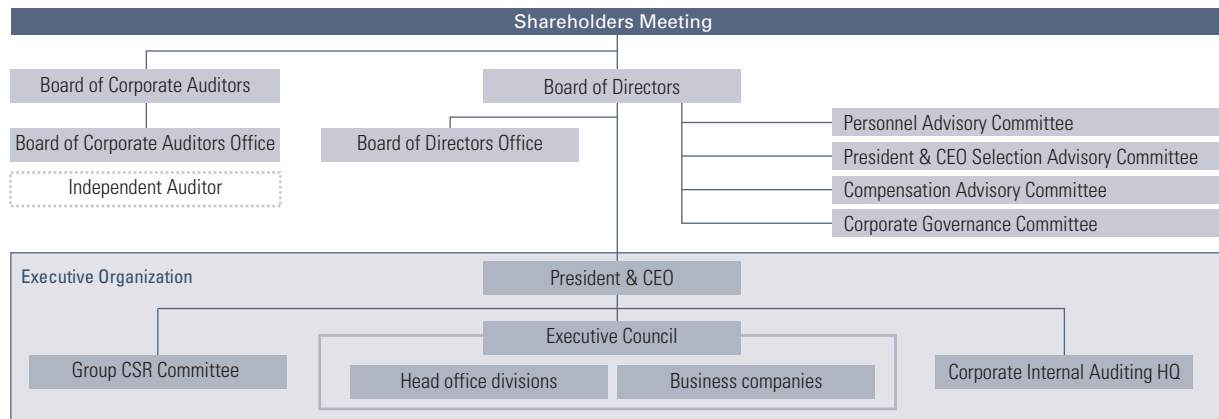
Directors' and Corporate Auditors' Remuneration (FY2008)

	No. of People (Retiring Officers)	Remuneration (Millions of Yen)
Directors	11 (4)	388
Corporate Auditors	5 (1)	80
Total	16 (5)	468
No. of Outside Directors and External Corporate Auditors included in Total	7 (2)	67

- Director compensation consists of basic compensation (monthly salary), bonus, and stock-based compensation*.
- Outside director compensation consists of basic compensation (monthly salary).
- Corporate auditor compensation consists of basic compensation (monthly salary).

* Stock-based compensation is administered following guidelines specifying set remuneration amounts to be paid on a monthly basis and utilized to acquire Company stock (through a director stock ownership plan), which is then held during the individual's tenure.

Corporate Governance Structure



Board of Directors (BOD)
The BOD decides important business matters such as company objectives and management strategies, while overseeing the business practices.

Board of Corporate Auditors
This board verifies the effectiveness of the corporate governance system and its implementation, while also monitoring the day-to-day operations of executives including directors. The board consists of four corporate auditors, three of whom are outside auditors.

Personnel Advisory Committee
This committee, chaired by an outside director, sets election standards for directors, corporate auditors, and executive officers, selects candidates, and evaluates current executives.

Compensation Advisory Committee
Chaired by an outside director, this committee determines the compensation structure for directors, corporate auditors, and executive officers, sets evaluation standards, and evaluates current executives.

Corporate Governance Committee
Chaired by an outside director, this committee discusses measures to continuously enhance corporate governance and increase fairness and transparency in management.

President & CEO Selection Advisory Committee
Chaired by an outside director, this committee dedicated to nomination of the President, this committee deliberates on selection of the new President for the next term and a succession plan in preparation for a contingency.

Executive Council
This council determines and reviews important business operation matters that are within the scope of authority of the President.

Comments by Outside Director



Career Summary

April 1966 Joined Ricoh Company
June 1992 Appointed Director
June 1994 Appointed Managing Director
April 1996 Appointed President and Representative Director
April 2007 Appointed Chairman and Representative Director (current position)
June 2008 Appointed Director of Omron Corporation (current position)

Masamitsu Sakurai

I am honored to be reappointed as an outside director for Omron Corporation.

In this economic crisis, which is said to be the worst in a century, we have reached the point where we will learn exactly how the coordinated worldwide financial policies and fiscal stimulus measures will be able to restore vitality to the global economy. I firmly believe that the world's corporations and industries must act as the engine in this revitalization.

In addition to deciding the current policies and measures, I believe we also must set a medium- and long-term course for the Japanese economy and society. I think it is crucial that we consider the future "make up" of Japan, in other words, what long-term vision we should have for Japan as a nation, and in doing so we must not forget that fundamental structural changes will be needed to realize that vision.

One important area in which the advanced nations of the world are demonstrating their leadership is the establishment of a framework for preventing global warming in accordance with the Post Kyoto Protocol treaty. Japan is taking the initiative to implement changes needed to create a low-carbon society. Realizing a low-carbon society is pivotal for Japan as a nation and for fortifying the global competitiveness of Japanese companies.

Omron is taking an active role by working to reduce the CO₂ emissions from its operations and also through its contribution to the School New Deal Program recently announced by Japan's Ministry of Education, Culture, Sports, Science and Technology to provide technological upgrades to schools in Japan.

I am eager to apply my experience to help guide Omron's management activities as a company working to shape Japan's future as a nation.



Kazuhiko Toyama

Dialogue between the President Sakurai and Mr. Toyama is on page 20.

Internal Controls

Omron conducts two audits to ensure the healthy and effective operation of its organization. The Internal Control Comprehensive Audit is conducted to ensure that the internal controls are functioning effectively in each of the four objective areas of financial report accuracy, legal compliance, operating efficiency, and asset safeguarding. The Management Audit examines the solutions and improvement measures implemented for specific management issues.

The Internal Control Comprehensive Audit includes a self-assessment system of check sheets designed to enable the audited department to deepen understanding of issues identified in the audit and implement more effective improvement activities. In addition, the Company has established a Corporate Auditor Office and placed full-time auditors in each of four regions of business (the United States, Europe, Asia Pacific, and Greater China) to implement the Internal Control Comprehensive Audit at its business sites worldwide.

Award of Excellence received at the 2009 Integrity Award Grand Prize

In recognition of the broad coverage and high level of integrity and transparency of its internal control system, Omron was awarded the Award of Excellence at the 2009 Integrity Award Grand Prize ceremony held by the Integrity Award Council. The Company was particularly commended for its longstanding management commitment to systematizing and practicing CSR.



Compliance and Risk Management

Note: Please see Business and Other Risks on page 58 for further details.

Basic Policies

Omron continually seeks to strengthen its compliance system and maintain a risk management framework to support fair and appropriate business operations through proper administration and control of risk in every aspect of its management and business and to ensure steady corporate growth and preservation of management resources.

Global Promotion of Compliance Activities

The Omron Group has established a corporate ethics promotion system designed not only for domestic affiliated companies but for affiliates outside Japan as well under the Group CSR Committee, which oversees CSR implementation and activities. In fiscal 2008, the Company appointed corporate ethics officers in the Greater China and Asia Pacific regions. We plan to keep appointing corporate ethics promotion officers in our operating regions around the world and conduct training on legal and other issues, as we seek to realize comprehensive compliance coverage for the entire Omron Group. We have also designated each October as Corporate Ethics Month in Japan and are inviting external ethics experts to conduct executive training and providing on-the-job training for all employees.



Upgrading Whistle Blower Hotline

Omron maintains a whistle blower hotline that protects the privacy and anonymity of employees and encourages early discovery of legal violations and employee transgressions of the CSR Practice Guidelines to support immediate communication to management and early correction. In Japan and North America, a whistle blower hotline is in place inside and outside of the company for Omron Group executives, full-time employees and temporary staff as well as their families. In fiscal 2008, a direct access newly became available through the electronic bulletin board on Intranets in Japan, in addition to conventional telephone and email accesses.

In fiscal 2008, a total of 24 hotline contacts were made in Japan and 8 in North America. The greatest number of contacts in Japan sought advice regarding labor standards compliance and respect for individuality and diversity, which numbered 10. During the fiscal 2008 Corporate Ethics Month, the Company provided power harassment recognition training and conducted discussions centered on the theme of human rights at worksite training sessions targeting all employees.

Fortifying Information Security Management

Omron is continually upgrading its information security management system to protect against leaks and ensure the appropriate handling of confidential information supplied from business associates, personal information and its own company information. In fiscal 2007, the Company launched the Information Security Management Committee to establish management controls and promote employee education on information security issues.

In fiscal 2008, Omron continued education for all Group employees in Japan, while also reviewing and reinforcing individual information management rules.

This resulted in full-establishment of a PDCA cycle in Japan to support review of information management status under the promotion system. In the future, Omron will strive to improve and disseminate regulations and verify whether information security is also maintained properly in regions outside Japan.

Crisis Management

Omron has established Basic Crisis Management Guidelines designed to minimize the impact of events that, when they arise or as they are occurring, have the potential to significantly impair management resources and business continuity or that can damage social trust (value) in the Company. Based on these guidelines, the Company has specified a separate set of Basic Disaster Countermeasures for natural disasters, such as earthquakes, storms, and floods, and incidents of explosions, fire, or other calamity.

In fiscal 2008, the Company commenced a comprehensive review of its crisis management policies centered on countermeasures for a worldwide outbreak of a new influenza virus. Following the recommendations in the Japanese government action plan and health guidelines, the Company is revising its countermeasures, policies, and actions plan (such as business continuity planning, infection control measures) to ensure maximum effectiveness.

BASIC POLICIES STIPULATED IN OMRON'S CRISIS MANAGEMENT RULES

1. Place human life and personal safety at the top of the list of priorities.
2. Give high priority to legal/regulatory compliance and respect for social rules.
3. Minimize the negative impact of crises on customers and society.
4. Curtail the negative impact of crises on Omron's business and strive to ensure smooth continuation and quick restoration of business operations.
5. Take necessary measures in a sincere and consistent manner.
6. Disclose information appropriately and remain accountable.