Annual Securities Report

Fiscal year	From April 1, 2022
FY2022	to March 31, 2023

(The 86th Term)

OMRON Corporation

FY2022 (April 1, 2022 to March 31, 2023)

Annual Securities Report

1. This document serves as the annual securities report based on the provision of Article 24, paragraph (1) of the Financial Instruments and Exchange Act, and represents the output and printing of the data submitted on June 23, 2023 through the use of the Electronic Data Processing System for Disclosure (EDINET) prescribed in Article 27-30-2 of said Act with a table of contents and page numbers attached.
2. Although attached documents of the annual securities report submitted using the above method is not included, an audit report is attached to the end of this document.

OMRON Corporation

Certain References and Information

This is an English translation of the Annual Securities Report filed with Director of the Kanto Local Finance Bureau pursuant to the Financial Instruments an Exchange Act of Japan on June 23, 2023 and disclosed on OMRON corporation website.

The translation of the Independent Auditor's Report for the original Annual Securities Report is included at the end of this document.

The translation of the Confirmation Letter disclosed on the Electronic Disclosure for Investors' Network ("EDINET") is included at the end of this document.

References in this document to "the Company," "the Reporting Company" refer to OMRON corporation.
And "the Companies," "the Group," "OMRON," "we," "us," "our" and similar terms refer to OMRON corporation and its consolidated subsidiaries.

References in this document to "U.S. dollars" or "$" are to the currency of the United States and references to "yen" or "¥" are to the currency of Japan.

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[Cover]

[Reported Document]	Annual Securities Report
[Clause Serving as Basis]	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
[Recipient]	Director of Kanto Local Finance Bureau
[Submission Date]	June 23, 2023
[Fiscal Year]	FY2023 (April 1, 2022 to March 31, 2023)
[Company Name]	OMRON Corporation
[Name and Title of Representative]	Junta Tsujinaga, President and CEO
[Address of Head Office]	801, Minami Fudondocho, Shiokoji Horikawa Higashi-iru, Shimogyo-ku, Kyoto-shi, Japan
[Telephone No.]	Kyoto: (075) 344-7070
[Name of Administrative Contact]	Toyoharu Tamoi, Executive Officer, Senior General Manager, Global Finance and Accounting HQ
[Nearest Contact Location]	801, Minami Fudondocho, Shiokoji Horikawa Higashi-iru, Shimogyo-ku, Kyoto-shi, Japan
[Telephone No.]	Kyoto: (075) 344-7070
[Name of Administrative Contact]	Toyoharu Tamoi, Executive Officer, Senior General Manager, Global Finance and Accounting HQ
[Location for Public Inspection]	OMRON Corporation Tokyo Office (2-3-13, Konan, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

Part I Company Information

I. Overview of the Company

1. Key Financial Data

(1) Key Financial Data of the Group

(JPY millions, unless otherwise stated)

Fiscal Year	FY2018	FY2019	FY2020	FY2021	FY2022
Settlement Date	March 2019	March 2020	March 2021	March 2022	March 2023
Sales	732,581	677,980	655,529	762,927	876,082
Income before income taxes and equity in loss (earnings) of affiliates from continuing operations	65,912	51,836	65,089	86,714	98,409
Net income from continuing operations attributable to shareholders	54,323	74,895	43,307	61,400	73,861
Comprehensive income	41,559	61,857	94,695	108,105	101,546
Shareholders’ equity	504,212	530,415	606,858	665,227	728,473
Total assets	749,878	758,124	820,379	930,629	998,160
Shareholders’ equity per share (JPY)	2,455.24	2,626.62	3,009.15	3,339.64	3,701.08
Basic net income from continuing operations per share attributable to shareholders (JPY)	260.78	365.26	214.72	305.65	372.19
Diluted net income per share attributable to shareholders (JPY)	–	–	–	–	–
Shareholders’ equity ratio (%)	67.2	70.0	74.0	71.5	73.0
Return on shareholders’ equity (%)	10.8	14.5	7.6	9.7	10.6
Price-earnings ratio (times)	19.9	15.4	40.2	26.9	20.7
Cash flows from operating activities	71,245	89,787	93,831	67,428	53,456
Cash flows from investing activities	(34,957)	28,639	(14,785)	(150,163)	(55,533)
Cash flows from financing activities	(40,783)	(29,430)	(20,352)	(29,603)	(58,757)
Cash and cash equivalents at end of period	103,850	185,533	250,755	155,484	105,279
Employees (persons)	35,090	28,006	28,254	29,020	28,034

Notes: 1. The consolidated financial statements have been prepared in accordance with the accounting standards generally accepted in the United States of America.

2. Due to the transfer of the Automotive Electronic Components business (AEC), the business has been classified under discontinued operations pursuant to Financial Accounting Standards Board (FASB) Codification Topic 205-20: Presentation of Financial Statements - Discontinued Operations, and the figures for FY2019 have been restated using the amounts for continuing operations excluding some discontinued operations.

3. Diluted net income per share attributable to shareholders is not stated because there are no dilutive shares.

(2) Key Financial Data of the Reporting Company

(JPY millions, unless otherwise stated)

Fiscal Year	FY2018	FY2019	FY2020	FY2021	FY2022
Settlement Date	March 2019	March 2020	March 2021	March 2022	March 2023
Sales	324,908	295,651	258,494	310,989	369,498
Ordinary income	49,135	28,122	23,562	42,084	103,108
Net income	45,017	79,376	18,503	23,250	91,106
Common stock	64,100	64,100	64,100	64,100	64,100
Total number of issued shares (Thousand shares)	213,958	206,245	206,245	206,245	206,245
Net assets	259,824	302,811	298,916	277,159	333,265
Total assets	464,405	510,158	537,742	606,482	596,309
Net assets per share (JPY)	1,265.20	1,499.52	1,482.20	1,391.42	1,693.19
Net income per share (JPY)	216.11	387.12	91.74	115.74	459.09
Diluted net income per share (JPY)	–	–	–	–	—
Dividend per share (JPY)	84.00	84.00	84.00	92.00	98.00
(Interim dividend per share included therein) (JPY)	[42.00]	[42.00]	[42.00]	[46.00]	[49.00]
Equity ratio (%)	55.9	59.4	55.6	45.7	55.9
Return on equity (%)	17.39	28.22	6.15	8.07	29.85
Price-earnings ratio (times)	24.0	14.5	94.2	71.0	16.8
Dividend payout ratio (%)	38.9	21.7	91.6	79.5	21.3
Employees (persons)	4,741	4,980	4,829	4,610	4,621
Total shareholder return (%)	84.1	92.6	142.0	136.7	130.2
(Comparison index: TOPIX total return index) (%)	[95.0]	[85.9]	[122.1]	[124.6]	[131.8]
Highest share price (JPY)	6,300	6,870	10,040	12,115	8,164
Lowest share price (JPY)	3,740	4,410	5,330	7,306	6,237

Notes: 1. Diluted net income per share is not stated because there are no dilutive shares.

2. The highest and lowest share prices refer to those of the Prime Market of the Tokyo Stock Exchange since April 4, 2022 and those of the First Section of the Tokyo Stock Exchange before that.

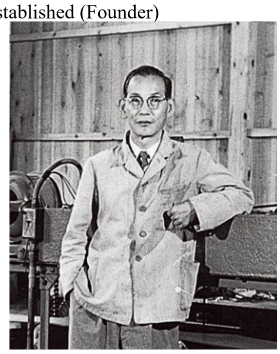
3. Total shareholder return is calculated based on the share price at the end of FY2018 (fiscal year ended March 2018).

4. The “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) has been applied from the beginning of the beginning of FY2021(fiscal year ended March 2022), and the accounting standard has been reflected in the figures for relevant key financial data, etc. from FY2021 onwards.

2. History

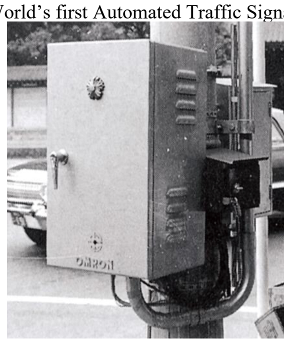
May 1933	Tateisi Electric Manufacturing Co. established by Kazuma Tateishi in Higashinoda, Miyakojima-ku, Osaka. Commenced manufacture of timer for X-ray photography (founded on May 10, 1933).
July 1936	Factory newly established and transferred to Nozato-cho, Nishiyodogawa-ku, Osaka.
June 1945	Factory relocated to Hanazonotsuchido-cho, Ukyo-ku, Kyoto-shi.
May 1948	The Company reorganized into a joint stock company with JPY2 million in common stock. Trade name changed to Tateisi Electronics Co. (founded on May 19, 1948).
January 1955	Sales division and research division made independent, with the establishment of Tateisi Electronics Sales and Tateisi Electronics Laboratories. Proposed the Producer System (a format for independent dedicated factories in a decentralized system), and established Saikyo Electronics Manufacturing as the first step.
January 1959	Established the “OMRON” trademark.
February 1959	Merged with Tateisi Electronics Laboratories.
October 1960	Central R&D Laboratory completed in Nagaoka-cho, Kyoto (currently Nagaokakyo-shi).
April 1962	Listed on the Kyoto Stock Exchange and the Second Section of the Osaka Securities Exchange.
October 1964	Tateisi Electronics Kusatsu Factory and other production subsidiaries merged into Saikyo Electronics Manufacturing.
April 1965	Absorbed Tateisi Electronics Sales and Saikyo Electronics Manufacturing.
August 1965	Listing re-designated onto First Section of Osaka Securities Exchange.
September 1966	Listed on the First Section of the Tokyo Stock Exchange and the First Section of the Nagoya Stock Exchange (delisted on November 9, 2009).
March 1967	Operated world’s first unmanned train station system.
February 1972	Established Omron Taiyo Electric Co., Ltd.
October 1976	Designated as a specified stock on the Osaka Securities Exchange.
March 1985	Established OMRON Kyoto Taiyo Co., Ltd.
April 1986	Completed Ayabe Factory in Ayabe-shi, Kyoto. Established OMRON Management Center of America, INC. as the head of North American operations.
April 1988	Elevated the Tokyo branch officer to the Tokyo headquarters (transition to two-company system).
September 1988	Established a European regional management company (OMRON EUROPE B.V.) in the Netherlands.

1933 Tateisi Electric Manufacturing Co. established (Founder)



1960 World’s first Non-contact Switch

1964 World’s first Automated Traffic Signal



1967 World’s first Unmanned Train Station System

1973 OMRON’s first Blood Pressure Monitor

October 1988	Established an Asia-Pacific regional management company (OMRON ASIA PACIFIC PTE. LTD.) in Singapore.
January 1990	Changed company name to OMRON Corporation.
April 1991	Relocated head office to Shimogyo-ku, Kyoto-shi.
April 1993	Began operation of first wholly-owned production company in China, OMRON Dalian Co., Ltd.
May 1994	Established regional management company in China (OMRON (China) Co., Ltd.)
April 1999	Abolished business unit system and established internal company system.
August 2000	Relocated head officer and headquarters administrative functions to the OMRON Kyoto Center Building (Shimogyo-ku, Kyoto-shi).
April 2002	Changed the regional management company for the Greater China (OMRON (China) Co., Ltd.) to be the Chinese head office for expansion of Chinese business.
June 2002	Began operation of OMRON Electronic Components (Shenzhen) Ltd., a company producing electronic components in China.
April 2003	Integrated management of the Relay Business Division and Omron Kumamoto Co., Ltd. to establish OMRON RELAY & DEVICES Corporation.
May 2003	Opened the Keihanna Open Innovation Center in Soraku-gun, Kyoto (currently Kizugawa-shi) as a hub for global R&D co-creation strategy.
July 2003	Spun off the healthcare business to establish OMRON HEALTHCARE Co., Ltd.
August 2003	Changed unit of shares from 1,000 shares to 100 shares
September 2004	Partnered with Peking University Founder Group Co., Ltd. in the areas of social systems business.
October 2004	Made BITRON INDUSTRIE S.P.A. (currently OMRON AUTOMOTIVE ELECTRONICS ITALY S.R.L.) a subsidiary. Transferred to information devices business for ATMs (automatic teller machines), etc. to Hitachi-Omron Terminal Solutions, Corp. through a joint incorporation-type company split. Established OMRON AMUSEMENT Corporation, a subsidiary in the amusement equipment business.
June 2005	Made Colin Medical Technology Corporation, which has bioinstrumentation technology for medical institutions, a subsidiary.
December 2005	Started operation of OMRON (Guangzhou) Automotive Electronics Co., Ltd., a company producing automotive electronic components in China.
June 2006	Made SCIENTIFIC TECHNOLOGIES INC. (currently OMRON ROBOTICS AND SAFETY TECHNOLOGIES, INC.), which has safety technology, a subsidiary. Started operation of OMRON (Shanghai) Co., Ltd., a global hub for control equipment systems, in China.

August 2006	Made Pioneer Precision Machinery Corp. (currently OMRON PRECISION TECHNOLOGY (HK) LTD.), which has backlight technology for small and medium LCDs, a subsidiary.
March 2007	Accepted the transfer of semiconductor business assets of Yasu Semiconductor Corporation, which has CMOS semiconductor technology.
May 2007	Made Laserfront Technologies Co., Ltd., which has laser microfabrication technology, a subsidiary.
June 2007	Opened OMRON R&D Collaborative Innovation Center (Shanghai), a research center in China.
July 2007	Opened OMRON Keishinkan, an exhibition facility and training facility adjacent to the Kyoto head office.

2007 World’s first Real-color Three-Dimensional Vision sensor

July 2008	Merged with OMRON Semiconductors Co. Ltd. by absorption.
September 2009	Established EMC (Electronic and Mechanical Components Business) (currently DMB (Device & Module Solutions Business)) as a new business segment.
April 2010	Spun off the switch business to establish OMRON SWITCH & DEVICES Corporation.
May 2010	Spun off the automotive electronics business to establish OMRON Automotive Electronics Co. Ltd.
November 2010	Established OMRON Social Solutions Co. Ltd., a subsidiary for the social systems business.
January 2011	Relocated and integrated the business site in Toranomon, Minato-ku and Osaki, Shinagawa-ku to Shinagawa Front Building (Konan, Minato-ku), and commenced operations as the Tokyo Office.
June 2011	Established a joint venture with NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in the home energy saving support service business.
October 2011	Opened the R&D center and head office of OMRON HEALTHCARE Co., Ltd. in Muko-shi, Kyoto.
January 2012	Established a regional headquarters in India (OMRON MANAGEMENT CENTER OF INDIA).
	Made Shanghai Best Electrical Appliance Manufacturing Co., Ltd., a Chinese power latching relay manufacturer, a subsidiary.
April 2012	Established a regional headquarters in Brazil (Omron Management Center of Latin America).
July 2012	Established a joint venture with NTT Docomo, Inc. in the area of health support service business.
March 2013	Held an opening ceremony for the new factory of OMRON (Shanghai) Co., Ltd., an electronic components factory in China.
October 2013	Established a regional headquarters in Vietnam (OMRON VIETNAM CO., LTD).
April 2014	OMRON Iida Co., Ltd. merged into OMRON Automotive Electronics Co. Ltd. by absorption.
July 2014	Established OMRON VENTURES CO., LTD., an investment subsidiary handling corporate venture capital.

2013 Table-Tennis-Playing Robot FORPHEUS

October 2014	Made MMRSV Participantcoes S.A., which controls Brazilian nebulizer production and sales company NS Industria de Aparelhos Medicos LTDA. and two other companies, a subsidiary.
September 2015	Made US motion control equipment manufacturer Delta Tau Data Systems Inc. and the eight companies under its control subsidiaries.
October 2015	Made US industrial robot manufacturer Adept Technology Inc. (currently OMRON ROBOTICS AND SAFETY TECHNOLOGIES, INC.) and the five companies under its control subsidiaries.
December 2016	Transferred all shares of OMRON Colin Co., Ltd., which operates medical equipment and medical systems business, to Fukuda Denshi Co., Ltd.
January 2017	Established a regional headquarters in South Korea (Omron Management Center of Korea).
March 2017	Implemented a capital and business alliance with AliveCor, Inc. in the healthcare area.
July 2017	Made leading industrial camera manufacturer Sentech Co., Ltd. (currently OMRON Sentech Co., Ltd.) and the seven companies under its control subsidiaries.
October 2017	Made US industrial code reader manufacturer Microscan Systems Inc. (currently Omron Microscan Systems, Inc.) and the three companies under its control subsidiaries.
February 2018	Established OMRON SINIC X Corporation, a research company designing the near future.
April 2018	Established OMRON EXPERTLINK Co., Ltd., a new company consolidating the personnel, general administration and financial functions of the domestic OMRON Group.
August 2018	Transferred all shares of OMRON Laserfront Inc., which specializes in manufacturing, sales and after-sale services of laser oscillators, to TOWA Corporation.
February 2019	Transferred 80% of shares of OMRON Nohgata Co., Ltd., which works on the development and entrusted manufacturing service of industrial electronic equipment, to Advantech Co., Ltd.
March 2019	Established a joint venture with iAPPS Pte.Ltd. in the area of health management services.
October 2019	Transferred all shares of OMRON Automotive Electronics Co. Ltd., which works on automotive electronic components, to Nidec Corporation.

2018 World's first Wearable Blood Pressure Monitor

2018 World's first SCARA Robot with predictive maintenance functions

2019 World's first Blood Pressure Monitor + ECG

February 2020	Made AliveCor, Inc. an equity method affiliate.
March 2021	Transferred all shares of Hitachi-Omron Terminal Solutions, Corp., which was an equity method affiliate, to Hitachi, Ltd.
October 2021	Spun off the MEMS business that develops and manufactures pressure sensors and floor sensors to Mitsumi Electric Co., Ltd.
February 2022	Implemented a capital and business alliance with JMDC Inc.
April 2022	Listing moved from the First Section to the Prime Market of the Tokyo Stock Exchange due to a restructuring of the market divisions of the Tokyo Stock Exchange.
June 2022	Partially amended the Articles of Incorporation to include "Practice of Corporate Philosophy.
April 2023	Established OMRON EXPERT ENGINEERING Co.,Ltd. to provide human resource services (temporary staffing, outsourcing, and placement) in the engineering field. Invested in KIRIN TECHNO-SYSTEM CO., Ltd. a manufacturer of comprehensive inspection equipment for the beverage industry. Ltd. and made it a subsidiary as "OMRON KIRIN TECHNO-SYSTEM CO.

2020 World’s first Integrated Controller

3. Description of Business

The Group is made up of the Company, 117 subsidiaries (26 domestic and 91 overseas) and 45 affiliates (40 domestic and 5 overseas) (as of March 31, 2023), and operates businesses centered on the manufacture and sale of electrical machinery and equipment, electronic appliances, precision equipment, medical equipment and other general machinery and equipment, and services incidental to these. The scope of its products is wide ranging, including all areas of industrial control machinery components and system devices, in addition to life and public-related devices and systems.

The main business content of each operating segment, and the principal subsidiaries and affiliates are as follows.
Principal products and services are stated in “V. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements and Notes on Consolidated Financial Statements II-V Segment Information.”

(1) Industrial Automation Business (IAB)

With the vision of “Enriching the Future for People, Industries and the Globe by Innovative-Automation,” the Industrial Automation Business (IAB) has contributed to the development of industry by innovating the manufacturing industry around the world with advanced automation, based on the core technology of “Sensing & Control + Think” that OMRON has cultivated thus far. Setting our unique “innovative-Automation”(Note) value creation concept, our aim is to solve rapidly changing social issues mainly in the manufacturing industry with innovative solutions, based on the widest range of control devices in the industrial market, and create social value that contributes to the realization of happiness for working people along with the sophistication of industry.

Note: “innovative-Automation” is a value creation concept advocated for by OMRON that creates social value by solving issues at manufacturing sites. It promotes the provision of automation for sustainability that realizes coexistence with the global environment and job satisfaction of people while driving innovation in manufacturing. “innovative-Automation” aims to embody the following three concepts: “Autonomation beyond human abilities” that invites people to take on more creative roles and maximizes both on-site productivity and energy efficiency, “Advanced collaboration between people and machines” that maximizes human potential and allows humans and machines to grow and evolve together, and “Digital engineering transformation” that reproduces manufacturing sites and equipment in digital space, accelerates DX at manufacturing sites, and contributes to business process innovation.

(2) Healthcare Business (HCB)

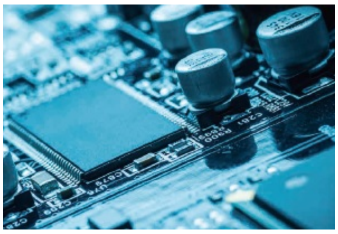
The mission of our Healthcare Business (HCB) is “To help realize healthy and comfortable lives for people around the world.” By living up to this mission, we have developed healthcare products and services with a focus on usability and accuracy of readings. This is intended to allow anyone to take measurements easily and correctly, with accuracy that ensures reliability for medical use. In terms of products, OMRON sells devices that have achieved certification for medical use in various countries, including blood pressure monitors, digital thermometers, and nebulizers (devices that deliver asthma medication through inhalation by patients), in more than 110 countries across the world. In terms of services, OMRON is promoting the provision of telemedicine services from major countries, which is a service where doctors can remotely monitor patients and provide prescription and treatment support.

(3) Social Systems Solution and Service Business (SSB)

The mission of the Social Systems, Solutions and Service Business (SSB) is "Creating a society in which the people of the world live in safety, security, and comfort." We provide a wide range of terminals and systems, including PV inverters, energy storage systems, railway station systems such as automated ticket gates and ticket vending machines, traffic and road management systems, payment systems, and UPS that protect equipment from unexpected power disruption which cause data loss. We also provide total solutions ranging from software development to comprehensive maintenance services to support the social infrastructure.

(4) Device & Module Solutions Business (DMB)

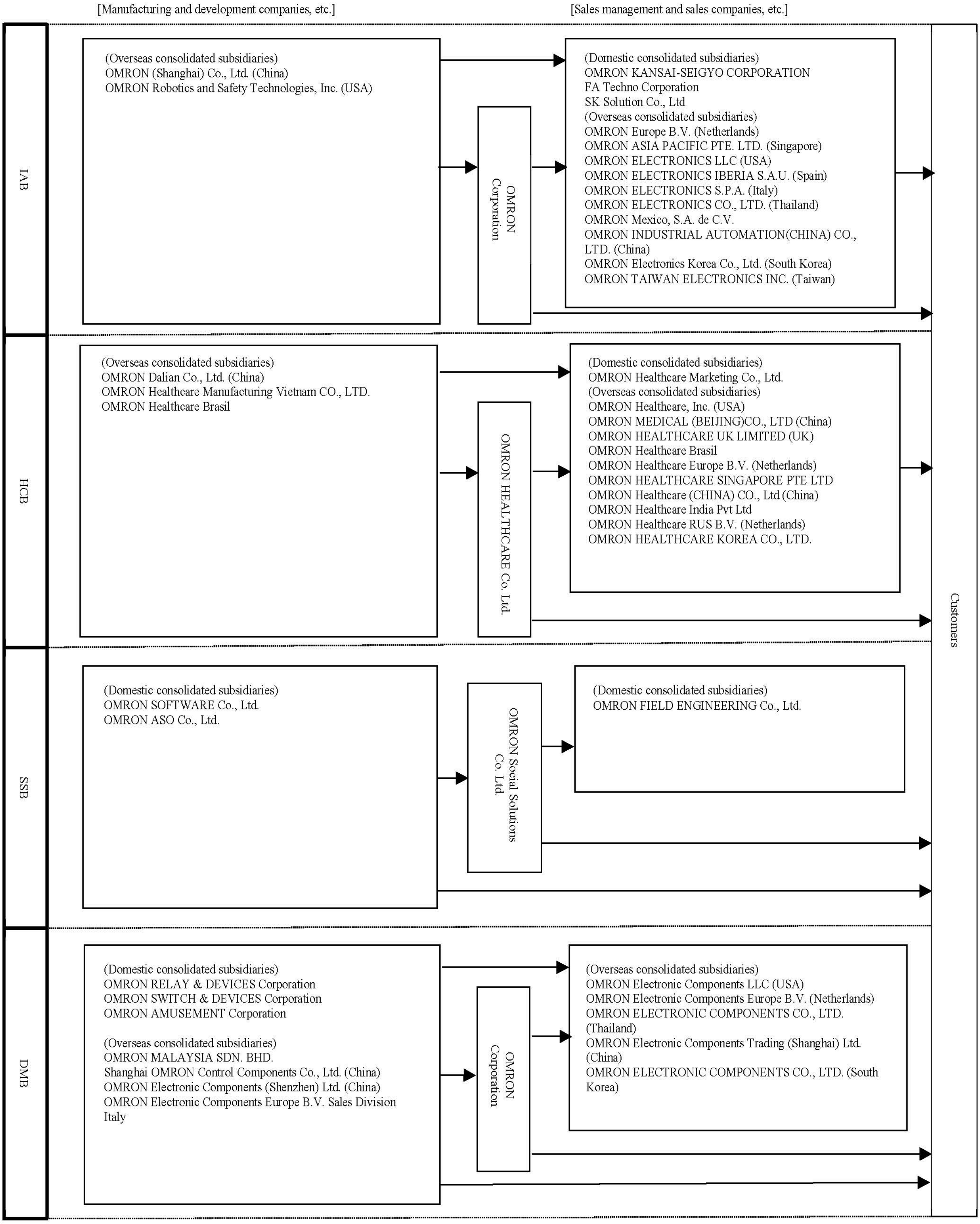
The mission of the Device & Module Solutions Business (DMB): "With our devices and modules, create customer value, and contribute to society." DMB is OMRON's core business unit as a global component supplier of relays, switches, connectors and sensors that act as eyes and ears for wide variety of products playing a vital role in connecting and switching devices, for customers across various industries including home appliances, industrial equipment, mobility and energy infrastructure.



Segment	Principal subsidiaries and affiliates				
	Japan (26 companies)	Americas (13 companies)	Europe (34 companies)	Greater China (18 companies)	Southeast Asia and Others (26 companies)
IAB	OMRON KANSAI-SEIGYO CORPORATION FA Techno Corporation SK Solution Co., Ltd	OMRON ELECTRONICS LLC (USA) OMRON Robotics and Safety Technologies, Inc. (USA) OMRON Mexico, S.A. de C.V	OMRON Europe B.V. (Netherlands) OMRON ELECTRONICS IBERIA S.A.U. (Spain) OMRON ELECTRONICS S.P.A. (Italy)	OMRON (Shanghai) Co., Ltd. (China) OMRON INDUSTRIAL AUTOMATION (CHINA) CO., LTD. (China) OMRON TAIWAN ELECTRONICS INC. (Taiwan)	OMRON ASIA PACIFIC PTE. LTD. (Singapore) OMRON Electronics Korea Co., Ltd. (South Korea) OMRON ELECTRONICS CO., LTD. (Thailand)
HCB	OMRON HEALTHCARE Co., Ltd. OMRON Healthcare Marketing Co., Ltd.	OMRON Healthcare, Inc. (USA) OMRON Healthcare Brasil	OMRON Healthcare Europe B.V. (Netherlands) OMRON HEALTHCARE UK LIMITED (UK) OMRON Healthcare RUS B.V. (Netherlands)	OMRON Dalian Co., Ltd. (China) OMRON Healthcare (CHINA) CO., Ltd (China) OMRON MEDICAL (BEIJING) CO., LTD (China)	OMRON HEALTHCARE KOREA CO., LTD. OMRON HEALTHCARE SINGAPORE PTE LTD OMRON Healthcare India Pvt Ltd OMRON Healthcare Manufacturing Vietnam CO., LTD.
SSB	OMRON Social Solutions Co. Ltd. OMRON SOFTWARE Co., Ltd. OMRON FIELD ENGINEERING Co., Ltd. OMRON ASO Co., Ltd.				
DMB	OMRON RELAY & DEVICES Corporation OMRON SWITCH & DEVICES Corporation OMRON AMUSEMENT Corporation	OMRON Electronic Components LLC (USA)	OMRON Electronic Components Europe B.V. (Netherlands) OMRON AUTOMOTIVE ELECTRONICS ITALY S.R.L.	Shanghai OMRON Control Components Co., Ltd. (China) OMRON Electronic Components (Shenzhen) Ltd. (China) OMRON Electronic Components Trading (Shanghai) Ltd. (China)	OMRON MALAYSIA SDN. BHD. OMRON ELECTRONIC COMPONENTS CO., LTD. (South Korea) OMRON ELECTRONIC COMPONENTS CO., LTD. (Thailand)

(Business Organization Chart)

The major subsidiaries and affiliates in the Group are generally positioned as shown in the diagram below. The arrows in the business organization chart indicate the flow of products and services.



4. Information about the Affiliates

Company name	Address	Common stock (JPY millions)	Principal businesses	Segment (Note 1)	Ownership percentage of voting rights			Relationship		
					Direct (%)	Indirect (%)	Total (%)	Inter-locking officers	Loans	Business transactions, etc.
(Consolidated subsidiaries)										
OMRON SWITCH & DEVICES Corporation (Note 2)	Kurayoshi-shi, Tottori	300	Manufacture of electronic components	DMB	100.0		100.0			Manufacture of OMRON products
OMRON AMUSEMENT Corporation	Ichinomiya-shi, Aichi	300	Manufacture and sale of electronic components	DMB	100.0		100.0			Manufacture and sale of OMRON products
OMRON FIELD ENGINEERING Co., Ltd.	Meguro-ku, Tokyo	360	Electrical equipment maintenance services	SSB		100.0	100.0			Maintenance of OMRON products
OMRON RELAY & DEVICES Corporation (Note 2)	Yamaga-shi, Kumamoto	300	Manufacture of electronic components	DMB	100.0		100.0			Manufacture of OMRON products
OMRON ASO Co., Ltd.	Aso-shi, Kumamoto	200	Manufacture of control equipment	SSB		100.0	100.0		Yes	–
OMRON HEALTHCARE Co., Ltd.	Muko-shi, Kyoto	5,021	Manufacture, development, sale, etc. of health and medical equipment and services	HCB	100.0		100.0			–
OMRON SOFTWARE CO., LTD.	Nakagyo-ku, Kyoto	360	Development of software	SSB		100.0	100.0			―
OMRON Social Solutions Co. Ltd.	Minato-ku, Tokyo	5,000	Manufacture, sale, etc. of systems for railway and road transportation	SSB	100.0		100.0			–
OMRON KANSAI-SEIGYO CORPORATION	Kita-ku, Osaka-shi	310	Sale of control equipment	IAB	100.0		100.0		Yes	Sale of OMRON products
SK Solution Co., Ltd	Hakata-ku, Fukuoka-shi	50	Sale of control equipment	IAB	100.0		100.0		Yes	Sale of OMRON products
FA Techno Corporation	Daito-ku, Tokyo	490	Sale of control equipment	IAB	100.0		100.0			Sale of OMRON products
OMRON EXPERTLINK Co., Ltd.	Shimogyo-ku, Kyoto-shi	90	Personnel, general administration and financial functions of domestic subsidiaries and affiliates	HQ	100.0		100.0			–
OMRON MANAGEMENT CENTER OF AMERICA, INC.	Illinois, USA	USD 6,891,000	Management of subsidiaries and affiliates in North America	HQ	100.0		100.0			–
OMRON ELECTRONICS LLC	Illinois, USA	USD 9,015,000	Sale of control equipment	IAB		100.0	100.0			Sale of OMRON products
OMRON ELETRONICA DO BRASIL LTDA. (Note 2)	Sao Paulo, Brazil	BRL 561,330,000	Sale of control equipment and management of subsidiaries and affiliates in Brazil	HQ	100.0		100.0		Yes	Sale of OMRON products
OMRON ELECTRONIC COMPONENTS LLC	Illinois, USA	USD 3,987,000	Sales management of electronic components business and sales	DMB		100.0	100.0			Sale of OMRON products
OMRON ROBOTICS AND SAFETY TECHNOLOGIES, INC. (Note 2)	California, USA	USD 183,626,000	Development, manufacture, sale and maintenance services of industrial robots and mobile robots	IAB		100.0	100.0			Manufacture, sale, development and maintenance of OMRON products

Company name	Address	Common stock (JPY millions)	Principal businesses	Segment (Note 1)	Ownership percentage of voting rights			Relationship		
					Direct (%)	Indirect (%)	Total (%)	Inter-locking officers	Loans	Business transactions, etc.
OMRON HEALTHCARE, INC.	Illinois, USA	USD 200,000	Sale of health and medical equipment	HCB		100.0	100.0			–
OMRON EUROPE B.V. (Notes 2)	Hoofddorp, Netherlands	EUR 16,883,000	Management of subsidiaries and affiliates in Europe, and management of the industrial automation business in Europe	HQ	100.0		100.0			Sale of OMRON products
OMRON HEALTHCARE EUROPE B.V.	Hoofddorp, Netherlands	EUR 1,000,000	Sale of health and medical equipment, management of health and medical equipment business in Europe	HCB		100.0	100.0			–
OMRON ELECTRONIC COMPONENTS EUROPE B.V.	Hoofddorp, Netherlands	EUR 1,000,000	Sales management of electronic components business and sales	DMB		100.0	100.0			Sale of OMRON products
OMRON ASIA PACIFIC PTE. LTD.	Singapore	USD 23,465,000	Management of subsidiaries and affiliates in Southeast Asia and sale of control equipment	HQ	100.0		100.0			Sale of OMRON products
OMRON ELECTRONICS KOREA CO., LTD.	Seoul, Republic of Korea	KRW 950 million	Sale of control equipment	IAB	100.0		100.0			Sale of OMRON products
PT.OMRON MANUFACTURING OF INDONESIA	Bekasi, Indonesia	USD 12,500,000	Manufacture and sale of electronic components	DMB		90.0	90.0			Manufacture of OMRON products
OMRON (CHINA) CO., LTD. (Notes 2)	Beijing, China	RMB 1,469 million	Management of business in China	HQ	100.0		100.0			–
OMRON DALIAN CO., LTD.	Dalian, China	RMB 157,237,000	Manufacture of health and medical equipment	HCB		100.0	100.0			–
OMRON (SHANGHAI) CO., LTD. (Notes 2)	Shanghai, China	RMB 550,289,000	Manufacture, sale and development of control equipment	IAB		100.0	100.0			Manufacture, sale and development of OMRON products
OMRON INDUSTRIAL AUTOMATION (CHINA) CO., LTD. (Notes 4)	Shanghai, China	RMB 56,067,000	Trading company	IAB		100.0	100.0			Sale of OMRON products
OMRON ELECTRONIC COMPONENTS TRADING (SHANGHAI) LTD.	Shanghai, China	RMB 28,968	Sale of electronic components	DMB		100.0	100.0			Sale of OMRON products
SHANGHAI OMRON CONTROL COMPONENTS CO., LTD.	Shanghai, China	RMB 390,367,000	Manufacture of electronic components	DMB		100.0	100.0			Manufacture of OMRON products
OMRON TAIWAN ELECTRONICS INC.	Taipei, Taiwan	TWD 869,410,000	Sale of control equipment	IAB	100.0		100.0			Sale of OMRON products
OMRON ELECTRONIC COMPONENTS (SHENZHEN) LTD.	Shenzhen, China	RMB 276,560,000	Manufacture of electronic components	DMB		100.0	100.0			Manufacture of OMRON products
OMRON HEALTHCARE (CHINA) CO., LTD.	Dalian, China	RMB 51,374,000	Trading company of health and medical equipment	HCB		100.0	100.0			–
OMRON HONG KONG LIMITED.	Hong Kong, China	USD 13,314,000	Sale of electronic components	DMB	100.0		100.0			Sale of OMRON products
83 other companies										

Company name	Address	Common stock (JPY millions)	Principal businesses	Segment (Note 1)	Ownership percentage of voting rights			Relationship		
					Direct (%)	Indirect (%)	Total (%)	Inter-locking officers	Loans	Business transactions, etc.
(Equity method affiliates)										
JMDC Inc. (Notes 3)	Minato-ku, Tokyo	23,994	Medical statistical data service	HQ	32.5		32.5			Purchase of JMDC Inc. services
AliveCor, Inc.	California, USA	USD 224 million	Provision of support services and products for heart disease diagnosis and treatment	HCB	35.3		35.3			–
43 other companies										

Notes: 1. IAB refers to the Industrial Automation Business, HCB refers to the Healthcare Business, SSB refers to the Social Systems Solution and Service Business, DMB refers to the Device & Module Solutions Business, and Head Office refers to the functions such as Technology and Intellectual Property HQ, and indicate segments based on principle businesses.

2. Specified subsidiary.
3. Submits Annual Securities Reports.
4. Sales of OMRON INDUSTRIAL AUTOMATION (CHINA) CO., LTD. (excluding internal sales between consolidated companies) exceed 10% of consolidated sales.

   Principal profit and loss information, etc.

   (1) Net sales: JPY107,895 million;
   (2) Income before income taxes and equity in loss (earnings) of affiliates: JPY18,552 million;
   (3) Net income: JPY13,647 million;
   (4) Net assets: JPY39,626 million;
   (5) Total assets: JPY53,967 million
5. The subsidiaries and affiliates above do not include companies that are in significant insolvency.

5. Employees

(1) Information about the Consolidated Companies

As of March 31, 2023

Segment	Employees (persons)
Industrial Automation Business	9,938
Healthcare Business	4,486
Social Systems Solution and Service Business	2,819
Device & Module Solutions Business	8,082
Head Office	2,709
Total	28,034

Note: The number of employees is the number of workers (excluding those seconded to the Group from outside the Group, including those who are seconded from the Group to outside the Group).

(2) Information about the Reporting Company

As of March 31, 2023

Employees (persons)	Average age (years old)	Average years of service (years)	Average annual wage (JPY thousands)
4,621	45.5	16.3	8,987

Notes: 1. The number of employees is the number of workers (excluding those seconded from the Company to outside the Company, including those who are seconded from the Company to outside the Company).

2. Average annual wage includes bonuses and nonstandard wages.

As of March 31, 2023

Segment	Employees (persons)
Industrial Automation Business	2,543
Healthcare Business	—
Social Systems Solution and Service Business	—
Device & Module Solutions Business	1,005
Head Office	1,073
Total	4,621

Note: The number of employees is the number of workers (excluding those seconded from the Company to outside the Company, including those who are seconded from the Company to outside the Company).

(3) Labor Union

As of March 31, 2023

Name	Omron Group Trade Unions Association (Japanese Electrical Electronic & Information Union)
Year of formation	April 1978
Union members (persons)	7,254

There are no notable matters between the Company and the labor union.

(4) Employee Diversity Indicators

	Ratio of female employees in management roles (%) (Note 1)	Percentage of male employees taking childcare leave, etc. (%) (Note 2)	Gender wage gap (%) (Note 3) (Note 5)		
			All employees	Employees	Part-time and fixed-term employment
OMRON Corporation	9.3	42.7	68.9	69.2	53.0
OMRON FIELD ENGINEERING Co., Ltd.	5.3	31.6	69.4	76.3	51.2
OMRON HEALTHCARE Co., Ltd.	7.1	46.7	66.0	65.7	58.9
OMRON Social Solutions Co. Ltd.	9.0	46.2	71.2	69.4	75.4
OMRON SOFTWARE Co., Ltd.	5.2	50.0	73.6	73.5	* (Note 4)
OMRON SWITCH & DEVICES Corporation	12.5	0.0	61.3	73.7	66.0
OMRON RELAY & DEVICES Corporation	6.7	16.7	60.9	66.2	63.9
OMRON EXPERTLINK Co., Ltd.	32.7	58.3	65.1	69.7	76.4
OMRON ASO Co., Ltd.	0.0	0.0	–	–	–
OMRON AMUSEMENT Corporation	0.0	100.0	–	–	–
FA Techno Corporation	0.0	50.0	–	–	–
OMRON FIELD ENGINEERING NISHINIHON Co. Ltd.	0.0	0.0	–	–	–

Notes: 1. Calculated in accordance with the stipulations of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015). The figures presented are aggregated for the Reporting Company and domestic subsidiaries with 101 or more full-time employees as of April 20, 2023.

2. Calculated as the ratio of usage of childcare leave in Article 71, paragraph 4-1 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Order of the Ministry of Labor No. 25 of 1991) in accordance with the stipulations of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991). The figures presented are aggregated for the Reporting Company and domestic subsidiaries with 101 or more full-time employees over the period from March 21, 2022 to March 20, 2023. "0.0" indicates cases where none of the eligible employees actually used leave.

3. For the gender wage gap, the figures presented are aggregated for the Reporting Company and domestic subsidiaries with 301 or more full-time employees required to disclose information in accordance with the stipulations of the Act on Promotion of Women's Participation and Advancement in the Workplace (Act No. 64 of 2015) for the period from March 21, 2022 to March 20, 2023. "-" indicates domestic subsidiaries with 300 or fewer employees, which are outside the scope of information disclosure.

4. The asterisk "*" indicates that there are no eligible female employees.

5. The gender wage gap is not the result of differences due to gender in the wage structures or systems, but was mainly due to a low percentage of women in high level positions with high wages. Initiatives to increase the percentage of female managers are described in II. Business Conditions, 2. Sustainability Philosophy and Initiatives (3) Human Capital.

II. Business Conditions

1. Management Policy, Management Environment, and Issues to be Addressed

This section is presented with the structure of (1) Management Policies, (2) Long-term Vision "Shaping the Future 2030" (FY2022-2030), (3) Medium-Term Management Plan SF 1st Stage (FY2022-2024), and (4) SF 1st Stage Management Targets.

Matters discussed here that are not historical fact reflect the judgment of the OMRON Group management at the end of the fiscal year.

"Operating profit" in the text is presented by subtracting "Cost of sales," "Selling, general and administrative expenses" and "Research and development expenses" from "Net sales."

(1) Management Policies

(i) OMRON Principles

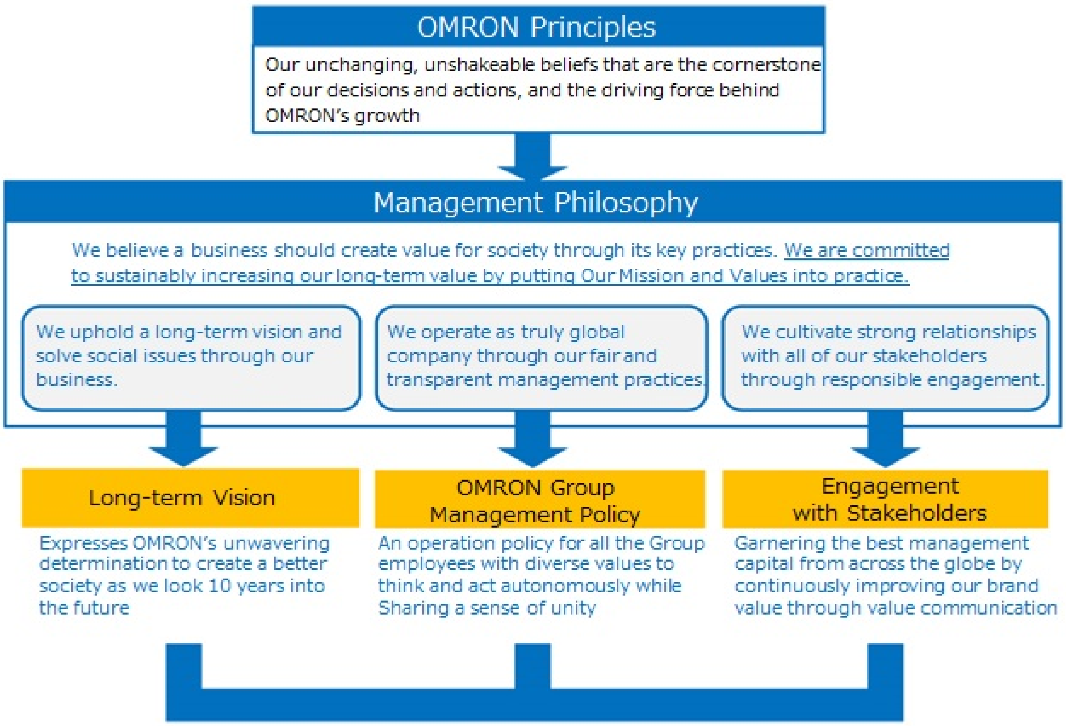
In 1959, Kazuma Tateishi, the Company's founder set forth "To improve lives and contribute to a better society" as "Our Mission" for the OMRON Group. Subsequently, the spirit of "Our Mission" was developed into the corporate principles of the OMRON Group, and has been revised in line with the changing times, while serving as the driver as well as the unifying force for business development leading to countless innovations and contributing to the development of society and the improvement of people's lives. The OMRON Group aims to solve social issues through business by ensuring each employee holds these principles to heart. Therefore, it is important for all employees around the world to take action based on an understanding of our stance towards the corporate principles. The OMRON Group is currently reinforcing efforts to put the corporate principles into practice on a global scale.

Going forward, the OMRON Group will fulfill our social responsibilities by practicing the corporate principles as we aim for sustained improvements in corporate value .

The fundamental core of our approach is that we will continue to practice our corporate principles and strive to contribute to society and enhance corporate value. To clarify that this is the basis of our management, at the 85th Ordinary General Meeting of Shareholders (held on June 23, 2022) we proposed a resolution to state the corporate principles in the Articles of Incorporation. Following the approval of shareholders, the Articles of Incorporation were duly amended.

(ii) Management Structure Based on OMRON Principles

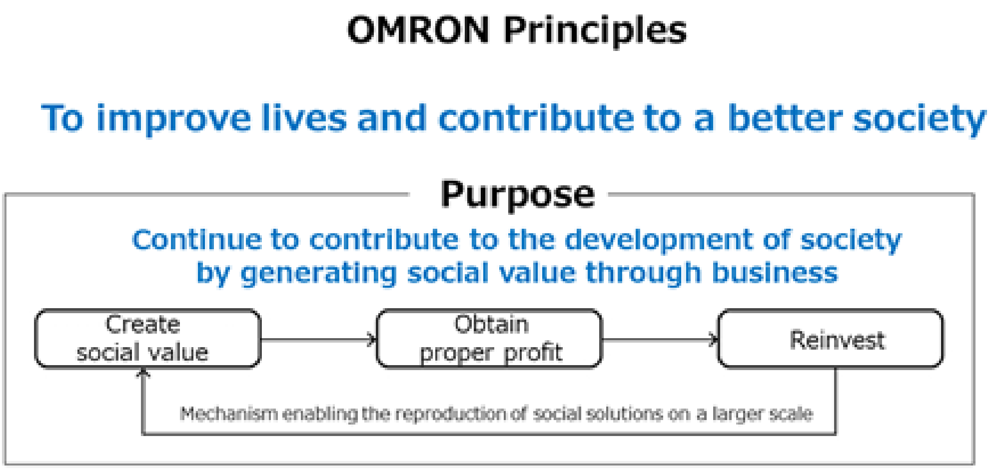
The Management Philosophy of the OMRON Group represents our stance of putting the corporate principles into practice through our business and how we think about management. We have set forth our Management Philosophy to all our stakeholders and are acting in accordance with the 3 specific guidelines: the Long-term Vision, the OMRON Group Management Policy and stakeholder engagement.



Since this "management stance" is aimed at the persistent growth of the Company, we have also included the same content in the OMRON Group's "Sustainability Policy."
(Please see II. Business Conditions, 1. Management Policy, Management Environment, and Issues to be Addressed, (4) SF 1st Stage Management Targets for each sustainability target value, and II. Business Conditions, 4. Management Analysis of Financial Condition, Operating Results and Cash Flows, (1) Status, Analysis and Considerations of Business Environment, Operating Results, etc., (i) Results and Outlook of Operating Results of the OMRON Group for details on initiatives.)

(iii) Purpose of the OMRON Group

The purpose of the OMRON Group is to "continue to contribute to the development of society by generating social value through business." To achieve this, we believe it is important to build a mechanism that can reproduce solutions to social issues on a larger scale through a cycle of creating social value, obtaining proper profit, and reinvesting.



(Reference) Initiatives to instill OMRON Principles

The OMRON Group engages in a variety of activities to instill and promote its corporate philosophy, OMRON Principles, in the workplace.

＜Major initiatives to support the implementation of OMRON Principles＞

- OMRON Principles Dialogue

Top management personally visits each global location to talk with executives and front-line employees around the world about our corporate philosophy. The lecture includes real-life examples of the importance of our corporate philosophy in daily business operations and the experience of the top management themselves in putting OMRON principles into practice as business managers. Afterwards, participants share and promote each other’s examples of OMRON principles in practice, and based on their findings, discuss action plans for future application of our corporate philosophy. In doing so, the OMRON principles dialogues provide an opportunity for executives and front-line employees in each region to accelerate action toward putting our corporate philosophy into practice.

- “VOICE” Employee Engagement Survey

The Group’s management team gathers direct feedback from employees globally through the “VOICE” engagement survey in an effort to practice engagement management, in which management and employees work together to realize an environment where each individual employee working in the OMRON Group can maximize their abilities.

We have conducted the VOICE surveys every two years since 2016, sending approximately 70 questions to our entire global employees to collect responses including free-form text comments. The response rate for this survey (held in September to October 2022) was 91% with 38,000 free-form text comments received. These responses are analyzed in detail to gauge the attractiveness of the Company, and the management team discusses organizational issues derived from the survey results, clearly defines goals, and promotes action.

Based on our VOICE surveys, we are working on specific actions including the launch of a digital transformation (DX) through renewal of our corporate systems, review of the personnel evaluation system based on job type, and identifying issues and training requirements for managers through 360-degree feedback.

- The OMRON Global Award (TOGA)

This program of activities enables our all employees worldwide to share stories of how they put our corporate philosophy into practice through their work. TOGA aims to encourage our employees to set their own goals for solving social issues with the aim of fostering a culture of ongoing aspiration toward putting the OMRON Principles into practice. By sharing and recognizing each other’s efforts to put the corporate philosophy into practice in daily work and in the workplace, we are expanding the circles of empathy and resonance for the practice of OMRON Principles.

Please see the Company’s website for details of TOGA.

https://www.omron.com/global/en/about/corporate/vision/initiative/#

(2) Long-term Vision "Shaping the Future 2030" (FY2022-2030)

OMRON developed a new long-term vision spanning fiscal 2022 to 2030 (Name: "Shaping the Future 2030"; Abbreviated as "SF2030") and started this. As society is entering a transformation period, in this vision, OMRON has established a narrative for our own transformations and new value creation. This will allow us to continue to contribute to society by fulfilling OMRON's purpose and addressing as many social issues as possible. Based on SF2030, we will combine business growth with initiatives for sustainability issues and enhance corporate value.

(i) SF2030 Vision Statement

We Will Continue to Create "Innovation Driven by Social Needs" through Automation to Empower People.

Design the near-future, detect and uncover social needs, and create new value through automation.
We call this process "innovation driven by social needs" and have been contributing to a better society by practicing it since our foundation.
Contributing to creation of a social and economic system capable of sustainable development is OMRON's fundamental purpose.
We will remain true to corporate philosophy management, continuing its practice without change.

Automation in industrial society was the replacement of human work by machines.
What is required in an "autonomous society" is automation that helps people realize their full potential through the optimal combination of replacement, collaboration, and harmonization.
We have defined automation from now on as "automation which empowers people," and will continue to evolve our Sensing & Control + Think technologies to realize this automation.

In the next decade, as existing social issues become more pressing and new ones emerge, we will remain true to our core values and contribute to achievement of carbon neutrality, realization of a digital society, and extension of healthy life expectancies through "automation which empowers people," with the aim of realizing an autonomous society where individual fulfillment is compatible with the society's affluence.

The SF2030 incorporates this desire: "all OMRON employees put our corporate philosophy into practice and work together with stakeholders to create a sustainable society through Sensing and Control + Think technology."

(ii) 2030 Society Envisioned by OMRON

We achieved material affluence through an "industrial society" that pursues efficiency and productivity. However, people's values are shifting from richness in things to richness of heart. For example, the awareness of environmental issues and values related to work have changed dramatically. People are choosing sustainable products and lifestyles. There is also an accelerated shift to focus on work-life balance through work that taps into one's potential. We are currently in a period of transition toward a new social and economic system. The next ten years will be a period of change when old and new values clash, causing social issues as cracks emerge in social and economic systems. OMRON will generate social value by addressing these social issues and continue to contribute to a society that balances society's affluence and individual fulfillment.

(iii) Social Value Created by OMRON

In considering the creation of social value, OMRON chose to focus on issues where the impact on society is large and where OMRON can leverage its strength in automation as well as capitalizing on assets of its customers and businesses. From this perspective, OMRON has identified 3 social issues; achieving carbon neutrality, realizing a digital society and extending healthy life expectancies.

We contribute to the creation of energy systems that balance safety, security, convenience, and the natural world through initiatives that aim for carbon neutrality and address global warming issues.

To realize a digital society, we must create an environment for people to access the information they need regardless of their age or wealth. By realizing a digital society that can benefit all people, OMRON aims to address issues that stem from social gaps and contribute to building creative, flexible manufacturing and infrastructure for a sustainable society where people are released from all constraints.

Also, in an aging society, extending healthy life expectancy is important to not only the individual, but also the happy lives of their families. In addition, it is important from a perspective of reducing medical expenses. OMRON is tackling head-on initiatives to address the issue of an aging society by constructing a healthcare system that allows people to live healthy, prosperous, independent lives by extending healthy life expectancy.

<Social issues addressed by OMRON and social values to be created>

In order to maximize the social impact of addressing these three social issues, we revised the OMRON Group domains in SF2030, and established four domains and social values within each domain. Industrial Automation aims to contribute to the advancement of manufacturing that will support a sustainable society. Healthcare Solutions aims to contribute to the achievement of "Zero Events" for cardiovascular diseases. Social Solutions aims to contribute to the spread and efficient use of renewable energy and the sustainability of the infrastructure supporting a digital society. Device & Module Solutions aims to contribute to the spread of new energy and high-speed communications.

<Social values created by four domains>

Domains \ Social Issues	Achievement of carbon neutrality	Realization of a digital society	Extension of healthy life expectancies
Industrial Automation	Contribute to the "advancement of manufacturing that will support a sustainable society"		
Healthcare Solutions			Contribute to the "achievement of 'Zero Events' for cardiovascular diseases"
Social Solutions	Contribute to "the spread and efficient use of renewable energy and the sustainability of the infrastructure supporting a digital society"		
Device & Module Solutions	Contribute to the "spread of new energy and high-speed communications"		

Industrial Automation

Industrial Automation aims to contribute to the advancement of manufacturing that will support a sustainable society. Working with customers, OMRON has created applications that help innovate in manufacturing, eliminate labor shortages and improve productivity in a variety of industries through innovative-Automation. In the future, we will further evolve innovative-Automation and construct manufacturing sites that can support a sustainable future and make workers feel fulfilled in their work through co-existence with the environment. This will be achieved by maximizing productivity and energy efficiency, constructing manufacturing sites that can maximize the potential of people, improving operational processes, and improving the operational efficiency of engineering areas.

Healthcare Solutions

Healthcare Solutions aims to contribute to the achievement of “Zero Events” for cardiovascular diseases. OMRON has helped prevent the incidence of cerebral and cardiovascular events with its creation and distribution of medical-quality home-use devices that can be applied to diagnosis and treatment. Building a new preventive medical system to prevent event occurrences, we aim to bring about a society where everyone can live a healthy life and have access to high quality medical care, wherever they live. Looking toward that society, we will create devices that can measure vital data from daily life, implement remote patient monitoring services that use algorithms that support decision making of doctors in diagnosis and treatment, and develop new preventative medical services.

Social Solutions

Social Solutions aims to contribute to the spread and efficient use of renewable energy and the sustainability of the infrastructure supporting a digital society. OMRON has contributed to the spread of solar power and storage batteries. We will use advanced energy control technology to eliminate instability in power generation and contribute to the further use of renewable energy. In Social Infrastructure, we support operation and maintenance by leveraging extensive knowledge about various devices and operation site at facilities, and a service network that covers all of Japan. We will continue to innovate in operation and maintenance processes with management and services that support the efficient operation of on-site systems.

Device & Module Solutions

Device & Module Solutions aims to contribute to the spread of new energy and high-speed communications. To date, OMRON has leveraged its technology to connect and disconnect electrical current to provide on a broad global basis high performance, high quality relays and switches for customers to incorporate in their devices. With the adoption of lower environmental impact electricity all devices will be converted to direct current (DC). Alongside this change, OMRON will create safety devices that control electrical discharges and detect fault timing in order to prevent fire and electric shocks. With the spread of high-speed communications, we will create high frequency compatible devices that enable “uninterrupted connectivity” to improve noise immunity and mass production using the microfabrication technology it has developed over the years.

(iv) Material Sustainability Issues in SF2030

Under SF2030, OMRON is evolving and promoting integrated initiatives to business growth and sustainability issues. The creation of social and economic value is realized through the aim of "solving social issues through business." In order to achieve this, it is essential to create new businesses by innovation driven by social needs and to develop diverse human resources to support these new businesses. These will also lead to "OMRON's sustainable growth." In addition, decarbonization, reduction of environmental impact, and respect for human rights in the value chain have become essential corporate social responsibilities to promote the "sustainable development of society." By addressing these five key sustainability issues, SF2030 aims to maximize corporate value by creating both social and economic value.

	Material Sustainability Issues under SF2030	SF2030 Targets
1	**Resolving Social Issues through Our Business** Creating social value and driving OMRON's sustainable growth by resolving social issues through our business	The state of contributing to the sustainable development of society by resolving the social issues tackled groupwide, namely, achievement of carbon neutrality, realization of a digital society, and extension of healthy life expectancy from the social change factors focused on in SF2030: an aging population, climate change, and economic disparity among individuals
2	**Maximizing the Capability to Innovate Driven by Social Needs** Evolving business models, endowing OMRON with the competitiveness required for achieving sustainable growth, and expanding new business generation efforts	The state of continuously generating new businesses by demonstrating our capability to innovate driven by social needs in both existing and new business domains, through actions such as evolving essential core technology development and incorporating it into business models
3	**Generating Diverse Talent Taking on the Challenge of Value Creation** Evolving human resources management to bring out the capabilities and skills of OMRON's diverse talent, who will be the source of OMRON's sustainable growth	The state of bringing diverse talent together where everyone can succeed, regardless of nationality, gender, or work style, where OMRON provides opportunities for its diverse talent to grow and evolves its human resources management to maximize their capabilities and skills
4	**Achieving Decarbonization and Lower Environmental Impact** By viewing climate change from the two aspects of opportunities and risks, practicing corporate social responsibility and building further competitive advantage	The state of building further competitive advantage while solving social issues through reducing greenhouse gas (GHG) emissions in the value chain and establishing a resource recycling model ●Scope 1 and 2 (Note 1): 65% cut vs. FY2016 ●Scope 3, Category 11 (Note 2): 18% cut vs. FY2016
5	**Respecting Human Rights in the Value Chain** As part of our corporate social responsibility, exerting our influence for the respect of human rights for workers in the value chain and at OMRON	In line with the UN Guiding Principles on Business and Human Rights, the state of exerting our influence for the respect of human rights for workers not only at OMRON, but also in the value chain, and establishing a culture and system that does not permit or cause human rights violations

Notes: 1 Scope 1 and 2: Greenhouse gases emitted directly or indirectly from the company's own operations.
2 Scope 3 Category 11: Scope 3 corresponds to greenhouse gas emissions from the company's value chain. Of these emissions, Category 11 corresponds to emissions from the use of products and services manufactured or sold, etc.

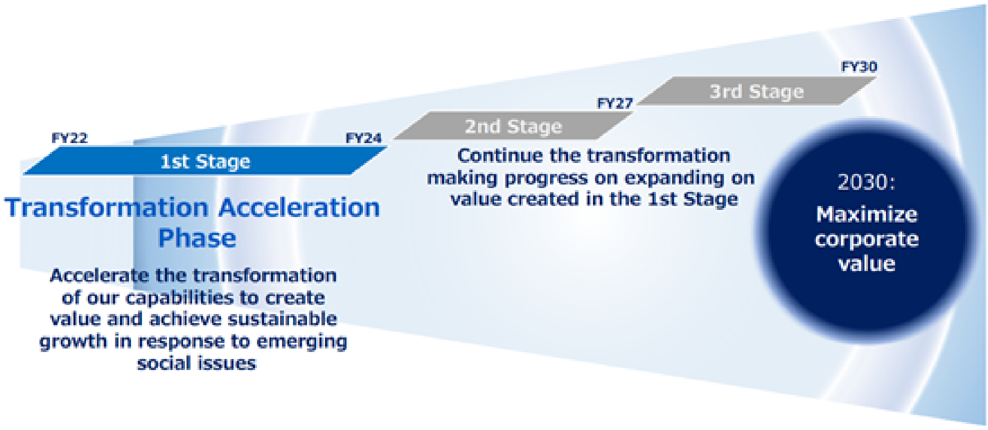
*More details about SF2030 including the "Direction of OMRON's Evolution in SF2030" are available on our website: https://www.omron.com/global/en/sf2030/

*For more information on the Sustainability Key Issue Identification Process, please visit the website: https://sustainability.omron.com/en/omron_csr/sustainability_management/

(3) Medium-Term Management Plan SF 1st Stage (FY2022-2024)

In the medium-term management plan spanning fiscal 2022 to fiscal 2024 (hereinafter “SF 1st Stage”), this three-year period has been positioned as a period of accelerating the transformation of OMRON capabilities to create value in response to social issues and to grow sustainably towards the achievement of the SF2030 vision. We will capture the growth opportunities that emerge from changes in social structures and achieve strong growth by tapping into the resulting competitiveness. At the same time, we will enhance the sustainability of growth by promoting a transformation of organizational capabilities to fit a changing world.

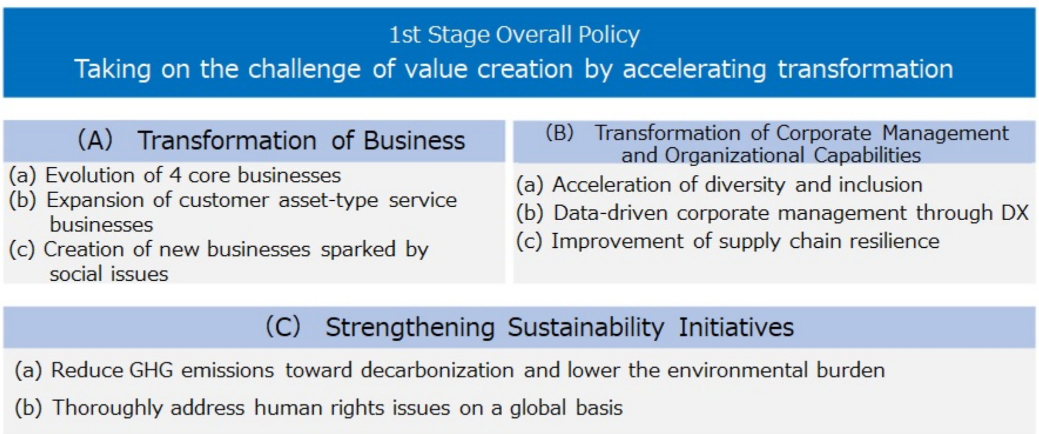
<Positioning of 1st Stage in Long-term Vision SF2030>



(i) SF 1st Stage Policy

The overall policy for the SF 1st Stage is “taking on the challenge of value creation by accelerating transformation.” The Company sets three group strategies to achieve this. One is transformation of business. Specifically, we are taking efforts to evolve four core businesses (Industrial Automation Business, Healthcare Business, Social Systems, Solutions and Service Business, Device & Module Solutions Business), expand customer asset-type service businesses, and create new businesses from the perspective of social issues. To evolve each core business, we will identify the growth area in each, identify core businesses, and achieve new value creation in order to increase sales growth. The second strategy is the transformation of corporate management and organizational capabilities. In order to continue to create value while responding to business environment changes, we are implementing initiatives to accelerate diversity and inclusion, data-driven enterprise operations through DX, and enhancement of supply chain resilience. The third strategy is strengthening initiatives for sustainability. Specifically, we are implementing measures to reduce greenhouse gas emissions for achieving decarbonization and lower environmental impacts and thoroughly address respect for human rights in the value chain.

<SF 1st Stage Overall Policy and Three Group Strategies>



(ii) Three Group Strategies in SF 1st Stage

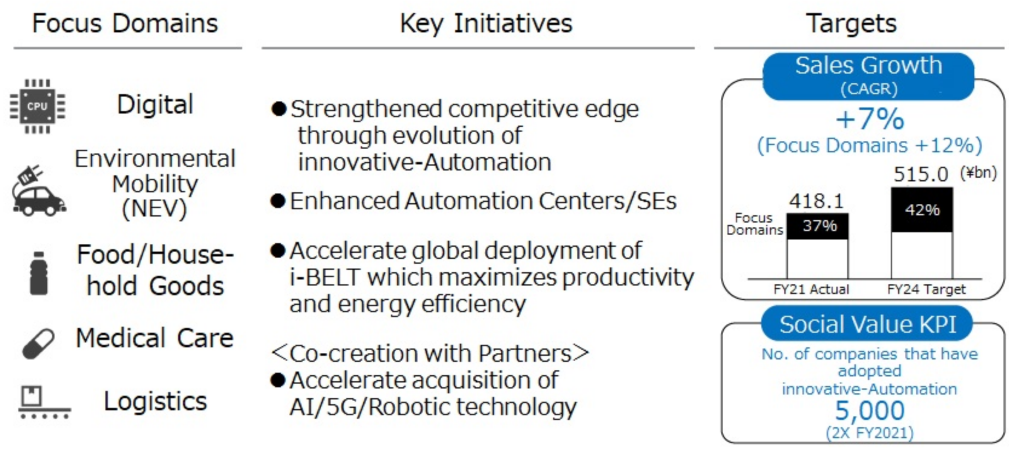
(A) Transformation of Business

(a) Evolution of Four Core Businesses

In the four domains identified in the long-term vision SF2030, we will generate social value by evolving and growing these businesses to address the three social issues. The four core businesses that are responsible for these four domains will redefine their focus domains and evolve their business portfolios. To seize new growth opportunities in each focus business field, we will make full use of assets and capabilities cultivated to date. Moreover, we will create new customer value and build strong intangible assets that will enable us to prevail over competitors in the market and achieve high sales growth.

IAB (Industrial Automation Business)

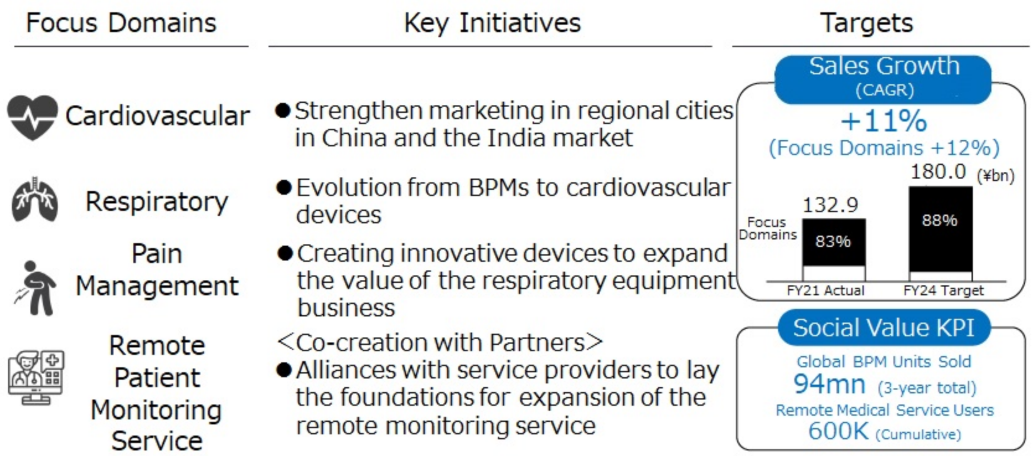
As the world shifts toward a sustainable society, it will identify growth industries as focus domains. The focus domains include Digital, Environmental Mobility, Food and Household Goods, where manufacturing is changing, as well as the Medical Care and Logistics businesses.



Note: Fiscal 2021 sales growth (CAGR) reflects the recategorization of some IAB products into the Device & Module Business.

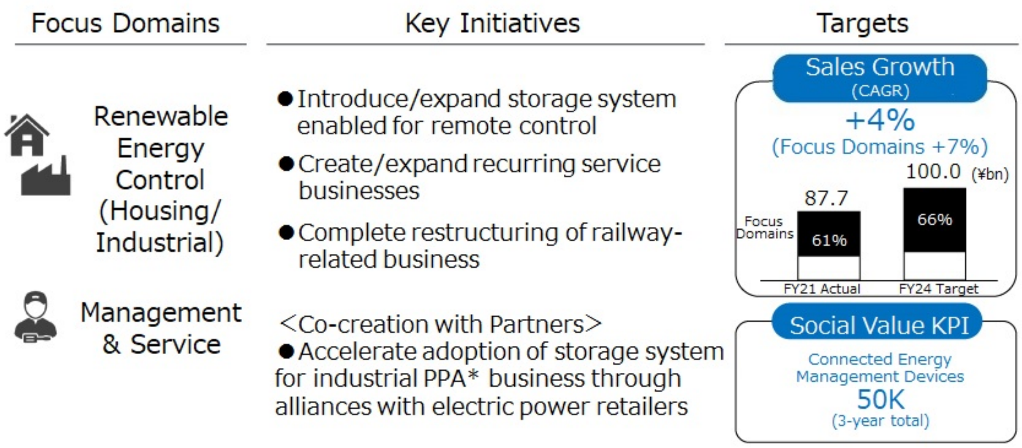
HCB (Healthcare Business)

We set cardiovascular, respiratory, pain management, and remote patient monitoring service as focus domains.



SSB (Social Systems, Solutions and Service Business)

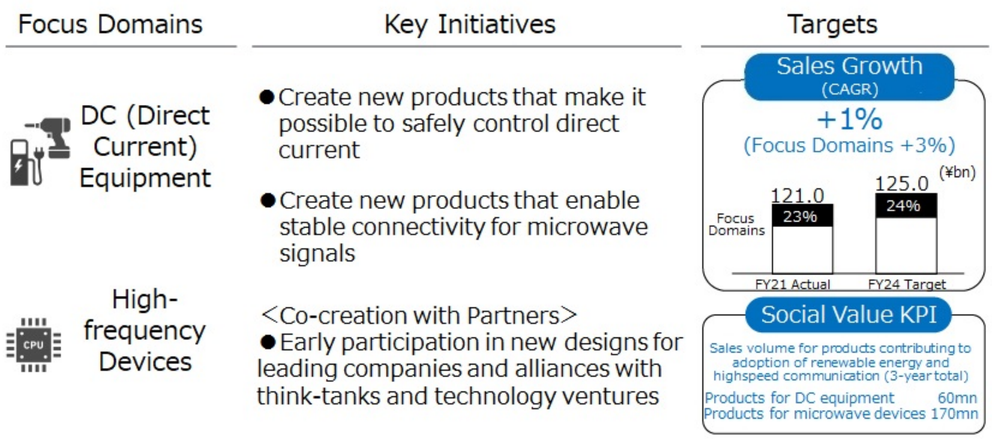
We identify renewable energy control, and management and services, such as maintenance and operational support, as focus domains.



Note: Abbreviation of Power Purchase Agreement.

DMB (Device & Module Solutions Business)

In the Device & Module Solutions Business, we will capture demand for devices driven by a shift to DC in alignment with digitalization of society.



Note: Fiscal 2021 sales growth (CAGR) reflects the recategorization of some IAB products into the Device & Module Business.

We have established focus domains in the four core domains as noted above to drive sales growth. Our targets represent significant sales growth of at least JPY120 billion, an increase of approximately 35% between fiscal 2021 and fiscal 2024 in all focus domains across the OMRON Group. The focus domains, primarily led by the Industrial Automation Business, will drive the growth of the overall OMRON Group.
In order to achieve this growth, we will focus on the Industrial Automation Business, which in particular has the greatest business growth potential of the four core domains. Here, we will proactively invest to develop the foundations for expanding service businesses, hire and strengthen the abilities of applications engineers, and develop products, starting with new applications and robots.

(b) Expansion of Customer Asset-Type Service Businesses

We will expand the value we provide to customers through diverse services that solve core issues of customers by utilizing customer assets (on-site knowledge and data) compiled through the installation of products. We aim to increase the sales mix of services business to 10% and more by fiscal 2024.
For example, OMRON can leverage customer assets such as the cumulative 200,000 corporate customers acquired by IAB through innovative FA applications, OMRON Connect’s monthly active users in HCB, railway operators where OMRON has provided systems and operating services in SSB as well as consulting and after-sales services. This diverse array of services which address fundamental issues for customers will allow OMRON to expand the value we provide to customers.

(c) Creation of New Businesses Sparked by Social Issues

We will identify social issues, enhance the degree of certainty for the creation of new businesses by integrating business concepts, business development, and automation technology development, to create three new businesses by fiscal 2024.

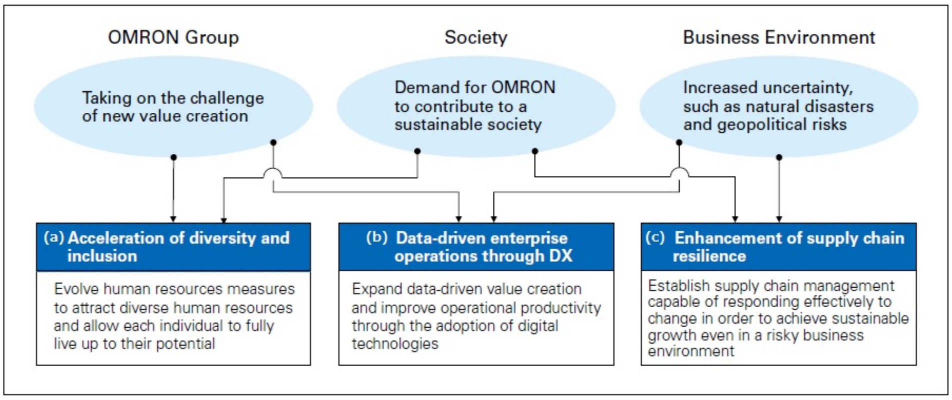
By developing architecture that mutually links business architecture (business model) and technology architecture, and developing businesses that link products, services, and business model development with technology development, each business and the Innovation Promotion Office generate more strategic new businesses.

In particular, at the Innovation Promotion Office, members will design the near future to solve social issues and clarify the requisite strategies in aiming to generate new businesses. We will develop solutions to social needs and contribute to realizing a better society by creating new businesses, transforming the business model, and taking on challenges for new business opportunities in the form of a cross-company innovation platform.

(B) Transformation of Corporate Management and Organizational Capabilities

The second Group strategy, transformation of corporate management and organizational capabilities, aims to evolve corporate management and organizational capabilities in order to continue to create value while responding the changes in the business environment. As such, we have established three areas for transformation from the perspective of a company, society, and business environment.

<Transformation of Corporate Management and Organizational Capabilities>



(a) Acceleration of diversity and inclusion

In the acceleration of diversity and inclusion, we will expand more than triple our cumulative three-year investment in human resources strongly motivated for growth from the current level to JPY6 billion, and expand the defined jobs system, which has already been implemented in management positions, to employees. We will accelerate human resources initiatives, such as a performance-linked equity compensation plan for all global management positions, and further evolve TOGA, a way of sharing examples of addressing social issues and putting into practice the OMRON Principles, as an initiative or system that shares the results of solving social issues.

As a result of promoting these initiatives, OMRON will improve Human Creativity, calculated as added value per unit cost of employee, by 7% in fiscal 2024 compared to fiscal 2021. This indicator is the performance indicator of value creation by each individual's capabilities, and is positioned as an important strategic target.

Details of other diversity and inclusion initiatives are described in II. Business Conditions, 2. Sustainability Philosophy and Initiatives (3) Human Capital.

(b) Data-driven enterprise operations through DX

To increase added value and efficiency of operations under the evolution of corporate management through DX, we will promote digital transformation in four areas: improving business speed through consolidation of value chain information and acquiring cost improvement capabilities, improving corporate value through timely management of business risks and growth drivers, maximizing organizational capabilities through appropriate placement via visualization of all global employees, and balancing between productivity and governance at the level of global excellent companies. In each SF 1st Stage area, we will promote standardization of operational processes and construct an initial model as a foundation for DX.

(c) Enhancement of supply chain resilience

The environment surrounding the supply chain is changing dramatically with heightened geopolitical risks, a prolonged surge of logistics prices, and initiatives for carbon neutrality and respect of human rights, etc. As a result of changes in the business environment, supply chain assumptions to this point are also changing dramatically. We will construct a more resilient supply chain management and further heighten adaptability to changes.

(C) Strengthening Sustainability Initiatives (Strengthening Environmental and Human Rights Initiatives)

The third Group strategy is to strengthen sustainability initiatives. We will place particular focus on reduction of greenhouse gas emissions for decarbonization and lower environmental impacts while thoroughly addressing human rights issues on a global basis.

(Details of our sustainability initiatives are described in "II. Business Conditions, 2 Sustainability Philosophy and Initiatives.")

(a) Achieve decarbonization and lower the environmental burden

In July 2018, OMRON established the OMRON Carbon Zero policy, aiming to eliminate Scope 1 and 2 greenhouse gas emissions by 2050, and has steadily reduced emissions to achieve this goal. In SF 1st Stage, we are promoting the following initiatives.

Major initiatives of the SF 1st Stage

Reduction of greenhouse gas emissions	Scope 1 and 2 Emissions from the company's own operations	For Scope 1 and 2, we are working to achieve a 53% reduction compared to fiscal 2016 during the SF 1st Stage period and to achieve zero Scope 2 carbon emissions for all 76 sites in Japan.
	Scope 3 Category 11 Emissions from the use of products and services manufactured and sold, etc.	For Scope 3, we aim to reduce emissions by 18% in fiscal 2030 compared to fiscal 2016 by continuously conducting energy-saving designs of new products in each business in Scope 3 Category 11, which makes up approximately 80% of our greenhouse gas emissions.
Transition to a circular economy	In order to solve issues of resource depletion and environmental destruction, we will continuously take efforts to transition to a circular economy mainly by "business model transformation," "extending product lifespans," "expanding collection and recycling efforts," "circular material procurement," and maximizing the resource recycling rate.	

(b) Thoroughly addressing human rights issues on a global basis

During the SF 1st Stage period, we will strengthen our efforts to respect human rights in the value chain.

To date, OMRON's sustainability self-assessment of human rights risks targeted production centers and important suppliers. In addition to these, in SF 1st Stage, we will expand our target to cover the entire value chain, strengthen initiatives in accordance with the UNGP on Business and Human Rights based on the OMRON Human Rights Policy, and aim to establish a global system of human rights governance.

Major initiatives of the SF 1st Stage

Implement human rights due diligence in alignment with UNGP	By conducting human rights impact assessment that covers overall value chain, we will identify "extraordinary human rights issues" and establish a cycle for human rights due diligence.
Develop a human rights redress mechanism fitting each country and region	OMRON will establish a human rights redress mechanism adapted to each country and region to ensure appropriate procedures are implemented in the event we confirm instances of either negative impacts or circumstances contributing negatively to human rights.

OMRON believes that ensuring all people in the value chain can work and live without being exposed to human rights risks is the foundation of sustainable business that will lead to a better society. We believe that these initiatives will translate into growth for OMRON.

<(Reference) OMRON Human Rights Policy >

To realize "respecting human rights in the value chain," one of our material sustainability issues, on March 1, 2022 we established the OMRON Human Rights Policy. The UNGP adopted by the United Nations in 2011 make it clear that every business enterprise has a responsibility to respect human rights. Worldwide, the body of human rights-related laws, regulations, and rules for companies is evolving. In recent years, human rights initiatives in accordance with the UNGP have imposed progressively greater mandatory obligations on companies, and fulfillment of those obligations is becoming increasingly important from the perspective of business continuity. OMRON is committed to ensuring that its management practices and actions are always in line with those of the international community and strives to reduce human rights risks throughout its value chain.

See the following website for the OMRON Group Human Rights Policy.
https://sustainability.omron.com/en/social/human-rights/

(4) SF 1st Stage Management Targets

In SF 1st Stage, OMRON will focus on value creation by further elevating the integration of business growth and initiatives for sustainability issues. Accordingly, in addition to financial targets, we have also set non-financial targets as management objectives.

<Medium-Term Management Plan (SF 1st Stage) Financial Targets>

	FY2021 Results	FY2024 Targets
Net Sales	¥762.9 billion	¥930.0 billion
Operating Income	¥89.3 billion	¥120.0 billion
Operating Cash Flow (3-year total)	¥232.7 billion (Excludes impact of transfer of the Automotive Electronics Components Business)	¥250.0 billion
ROIC	9.6%	>10%
ROE	9.7%	>10%
EPS	¥306	>¥400

		FY2021 Results	FY2024 Targets
Industrial Automation Business (IAB)	Net Sales	¥418.1 billion	¥515.0 billion
	Operating Income	¥76.3 billion	¥104.0 billion
	[Operating Income Margin]	[18.2%]	[20.2%]
Healthcare Business (HCB)	Net Sales	¥132.9 billion	¥180.0 billion
	Operating Income	¥18.5 billion	¥28.0 billion
	[Operating Income Margin]	[14.0%]	[15.6%]
Social Systems, Solutions and Service Business (SSB)	Net Sales	¥87.7 billion	¥100.0 billion
	Operating Income	¥6.5 billion	¥10.0 billion
	[Operating Income Margin]	[7.4%]	[10.0%]
Device & Module Solutions Business (DMB)	Net Sales	¥121.0 billion	¥125.0 billion
	Operating Income	¥10.1 billion	¥13.0 billion
	[Operating Income Margin]	[8.3%]	[10.4%]

<Medium-Term Management Plan (SF 1st Stage) Non-financial Targets >

FY2024 Targets
(1) Grow Sustainability Sales (Note 1) +45% vs. FY2021 (reflects contribution to solving 3 social issues)
(2) Raise ratio of women in management positions 18% and more on a global basis
(3) Hire disabled individuals at 28 overseas sites and maintain 3% level achieved in Japan
(4) Reduce Scope 1 and 2 GHG (Note 2) emissions by 53% vs. FY2016
(5) Achieve carbon zero at all 76 domestic locations
(6) Implement human rights due diligence in alignment with the UNGP and develop mechanism for remedying abuses in the value chain
(7) Continue to make solid advances on sustainability initiatives to maintain inclusion in DJSI World
(8) 100% participation by global managers in management training to effectively capitalize on the capabilities of diverse human resources
(9) In all regions, introduce training program covering statistics for the basic knowledge required for DX , data analytics, AI and others
(10) Make full use of digital tools to reduce use of paper
+1 Top management of each region will declare their commitment to contribute to local communities in alignment with OMRON's Sustainability Policy

Notes: 1. Net sales of focus domains related to "achievement of carbon neutrality," "realization of a digital society" and "extension of healthy life expectancies"
2. GHG: Greenhouse gas
3. Each region: The Americas, Europe, Asia, Greater China, South Korea, Japan
4. (8) to (10) in non-financial targets are targets decided by employee vote

The progress of SF 1st Stage management targets (financial and non-financial targets) is described in "II. Business Conditions, 4. Management Analysis of Financial Position, Operating Results and Cash Flows."

(Reference) SF2030 Material Sustainability Issues and Targets for 2024

	Material Sustainability Issues under SF2030	FY2024 Targets
1	**Resolving Social Issues through Our Business** Creating social value and driving OMRON's sustainable growth by resolving social issues through our business	- Realize growth for sustainability sales of +45% vs. FY2021 as a way to impact the contribution to a sustainable society
2	**Maximizing the Capability to Innovate Driven by Social Needs** Evolving business models, endowing OMRON with the competitiveness required for achieving sustainable growth, and expanding new business generation efforts	- Number of new businesses created: 3 businesses or more
3	**Generating Diverse Talent Taking on the Challenge of Value Creation** Evolving human resources management to bring out the capabilities and skills of OMRON's diverse talent, who will be the source of OMRON's sustainable growth	- Human resources development investment: JPY6 billion - Ratio of localized key positions overseas: 80% and more - Global ratio of women in management positions: 18% and more - Hire disabled individuals at 28 overseas sites and maintain 3% level achieved in Japan - VOICE SEI: 70P and more
4	**Achieving Decarbonization and Lower Environmental Impact** By viewing climate change from the two aspects of opportunities and risks, practicing corporate social responsibility and building further competitive advantage	- Scope 1 and 2 (Note 1): -53% vs. FY2016 - Achieve carbon zero at 76 domestic business sites - Scope 3 category 11 (Note 2): Conduct energy-saving design for new products - Transform business model to respond to the transition to circular economy, implement environmentally friendly design, recovery, recycling, and sustainability procurement
5	**Respecting Human Rights in the Value Chain** As part of our corporate social responsibility, exerting our influence for the respect of human rights for workers in the value chain and at OMRON	- Implement human rights due diligence in accordance with UNGP (Note 3) - Establish a human rights redress mechanism in the global value chain

Notes: 1 Scope 1 and 2: Greenhouse gases emitted directly or indirectly from the company's own operations.
2 Scope 3 Category 11: Of greenhouse gas emissions from the company's value chain, emissions from the use of products and services manufactured or sold, etc.
3 UNGP: "UN Guiding Principles on Business and Human Rights" by the United Nations.

The progress for fiscal 2022 is described in "II. Business Conditions, 4. Management Analysis of Financial Position, Operating Results and Cash Flows."

2. Fundamental Policy and Initiatives for Sustainability

Since its founding, OMRON has striven to create solutions to social issues and has consistently promoted management with an emphasis on sustainability, based on the "Our Mission" of "to improve lives and contribute to a better society." For OMRON, sustainability is all about putting the OMRON Principles into practice. It is our fundamental policy that we will always aim to sustainably improve corporate value and strive to contribute to the sustainable development of society from a global perspective. "SF2030" sees a rapid paradigm shift in society as an opportunity for growth and integrates sustainability initiatives into business activities to evolve them into even more proactive efforts.
The below describes each of (1) OMRON's policy and initiatives for sustainability, (2) Responses to climate change, and (3) Initiatives for human capital in the thematic areas of (i) governance, (ii) strategy, (iii) risk management, and (iv) metrics and targets.

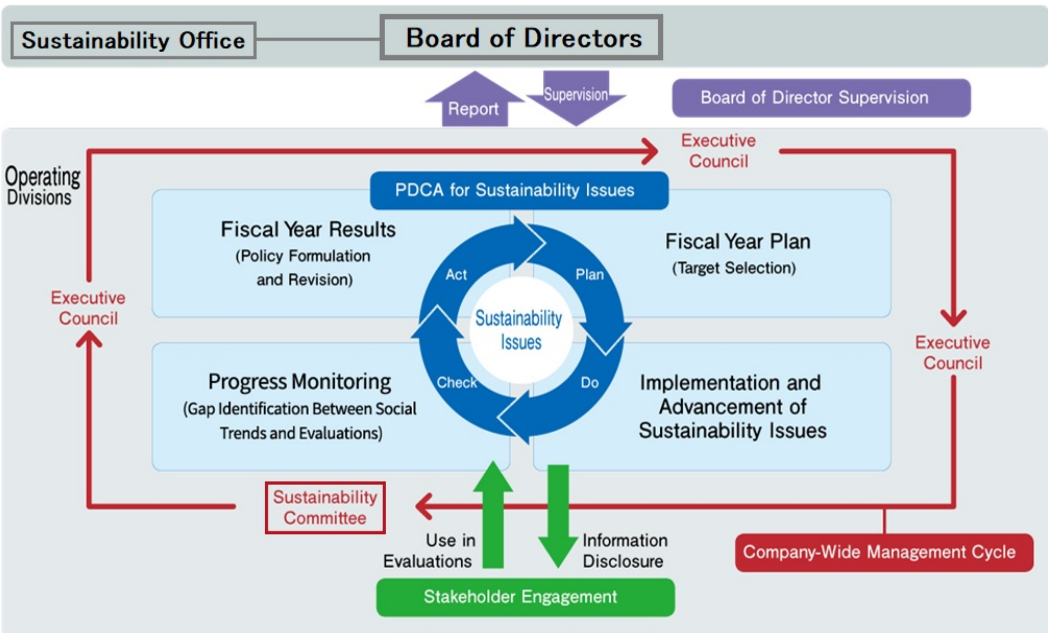
(1) OMRON's Policy and Initiatives for Sustainability

(i) Governance

As a company-wide sustainability promotion structure, we have established the Sustainability Office under the direct supervision of the Board of Directors to manage sustainability issues, as well as the Sustainability Committee in the operating divisions to implement initiatives to address sustainability issues.
Specifically, the Sustainability Committee is responsible for identifying important issues relating to sustainability in the focus domains, the head office functions, and various committees (the Corporate Ethics & Risk Management Committee, the Information Disclosure Executive Committee, and the Group Environment Activity Committee), formulating annual plans and monitoring their progress, and reporting to the Executive Committee.
The activities of these committees are regularly reported to the Board of Directors by the Sustainability Office and the operating divisions. The promotion of initiatives to address material sustainability issues is one of the focus themes of the Board of Directors for fiscal 2022, and has received intensive oversight. Also, a Director in charge of sustainability and an officer with operational responsibility of promoting sustainability have been appointed since fiscal 2023, with the aim of further strengthening governance for the entire Group.

*For more information on discussions about the promotion of the initiatives on material sustainability issues, please see "Results of evaluation of Board of Directors' effectiveness for fiscal 2022" at the below.
https://www.omron.com/global/en/assets/file/about/corporate/governance/chart/20230601_governance_effectiveness_e.pdf

<Management structure for promoting sustainability>



Since fiscal 2017, a sustainability evaluation based on the Dow Jones Sustainability Indices (DJSI) has been incorporated into the evaluation for medium- to long-term performance-linked compensation (stock compensation) for officers. In addition, the score of Sustainable Engagement Index (SEI) in an engagement survey for employees was newly added as a KPI that contributes to OMRON's growth when the officer compensation system was revised in fiscal 2020.

The adoption of third-party sustainability evaluation enhances fairness and transparency, and the disclosure of sustainability policies, targets, KPIs, and progress on the website and others enhances dialogue with stakeholders in order to evolve the initiatives. For details of the officer compensation system, please see “(i) Content of Officer Compensation, etc.” in “(4) Officer Compensation, etc.,” in “4. Corporate Governance, etc.,” in “Part IV. Information about the Reporting Company.”

(ii) Strategy

The purpose of OMRON is to “continue to contribute to the development of society by creating social value through business.” To achieve this, we have identified material sustainability issues that OMRON should focus on, incorporated them into our medium- to long-term strategy, and set specific initiatives and targets to implement them through our business.

“SF2030” aims to maximize corporate value by integrating business and sustainability to create both social and economic values. Details are provided in “1. Management Policy, Management Environment, and Issues to Be Addressed” in “Part II. Business Conditions.”

(iii) Risk Management

Information is provided in “3. Risks of Business, etc.” in “Part II. Business Conditions.”

(iv) Metrics and Targets

Metrics and targets related to sustainability are described below:

Targets for fiscal 2030 and fiscal 2024; “Part II. Business Conditions,” “1. Management Policy, Management Environment, and Issues to Be Addressed”

Progress during fiscal 2022; “Part II. Business Conditions,” “4. Management Analysis of Financial Condition, Operating Results and Cash Flows”

-External evaluations of the initiatives for sustainability issues

OMRON has received wide recognition for the initiatives aimed at solving sustainability issues through business that it has been promoting. OMRON has been included in various global indexes, including DJSI-World, and recognized with multiple awards.

<Third-party evaluations>

	FY2018	FY2019	FY2020	FY2021	FY2022
Dow Jones Sustainability Indices	DJSI-World	DJSI-World	DJSI-World	DJSI-World	DJSI-World
S&P Global Sustainability Award	-	-	Gold Class	Silver Class	Top 5%(Note)
CDP (Climate Change)	B	A-	A-	A-	A
EcoVadis	SILVER	GOLD	PLATINUM	GOLD	PLATINUM

Note: There were changes to the description of rankings of the S&P Global Sustainability Awards in fiscal 2022.

*Please refer to the below for more information on external evaluations.
https://sustainability.omron.com/en/evaluation/

(2) Response to Climate Change

With numerous major disasters occurring around the world due to extreme weather events, we consider climate change to be the most important issue we face. At OMRON, we are committed to the challenge of realizing carbon-neutral societies, which is a social issue, under “SF2030,” our long-term vision launched in fiscal 2022.

Since announcing our endorsement of the Task Force on Climate-related Financial Disclosure (TCFD) recommendations in February 2019, we have disclosed information based on the TCFD framework to strengthen engagement with shareholders, investors, and other stakeholders regarding climate change initiatives.

Disclosure in Line with the Four Thematic Areas Recommended by the TCFD

The TCFD recommends all companies disclose information based on four thematic areas: (i) governance, (ii) strategy, (iii) risk management, and (iv) metric and targets. The OMRON Group discloses climate-related initiatives in line with these four thematic areas of the TCFD recommendations.

(i) Governance

OMRON Environmental Policy

To promote the material sustainability issues under SF2030 of “Addressing social issues through our business” and “achieving decarbonization and lowering environmental impact,” we revised the OMRON Environmental Policy on March 1, 2022, as an important guideline to achieve our goals. After identifying the key environmental issues to be addressed and action guidelines, we work to implement initiatives to achieve decarbonization and reduce environmental impact. Based on this policy, OMRON will implement measures to help solve environmental issues across the entire value chain and enhance corporate value by responding to the expectations of stakeholders.

*Please refer to the below for the OMRON Environmental Policy.

https://sustainability.omron.com/en/environ/management/vision/

Role of the Board of Directors and oversight structure

In the OMRON Corporate Governance Policies, we clearly state that the Board of Directors determines and discloses sustainability policies, material issues, and targets, including efforts to address climate change risks based on the TCFD and other frameworks.

The Executive Council and the Sustainability Committee meet regularly to discuss, decide, manage progress, and monitor climate-change-related risks and business opportunities that are identified through scenario analysis linked with SF2030 and the medium-term management plan for respective businesses in line with the TCFD Proposals, as well as targets and specific measures, considering corrective measures as necessary. The Board of Directors regularly receives reports on the details discussed and decided by the Executive Council, discussing and overseeing matters reported.

The Company used greenhouse gas emission reduction indicators and third-party assessments of sustainability indicators (Dow Jones Sustainability Indices) as part of medium- and long-term performance-linked compensation (stock-based compensation) (Note) for internal directors and executive officers covering fiscal 2021 through 2024.

Note: Please see “4. Corporate Governance, etc.” in “IV. Information about the Reporting Company” for details.

(ii) Strategy

Short-term, medium-term, and long-term climate-related risks, opportunities, and responses

Under SF2030 and our medium-term management plan, we identified “achieving decarbonization and lower environmental impact” as sustainability-related material issues, viewing 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.

To limit the impact of climate change on ecosystems, the OMRON Group engages in measures to reduce greenhouse gas emissions throughout our entire supply chain. We will accomplish this goal through efforts that include the following five measures: (1) Products and services that contribute to carbon neutrality, (2) Evolved business models that combine products and services, (3) Co-creation with our partners, (4) Improved energy efficiency, and (5) Expanded use of renewable energy.

In this context, the OMRON Group analyzed risks and opportunities under two scenarios published by the Intergovernmental Panel on Climate Change (IPCC) and International Energy Agency (IEA): average global temperature rise of 4°C or more; and average global temperatures rise to 2°C or lower as provided in the Paris Agreement (portions to 1.5°C or less). In this way, we reaffirmed that a response from OMRON is necessary to solve the climate change problem. In the field of industrial automation, specifically,

OMRON endeavors to evolve innovative-Automation! to create manufacturing sites that support a sustainable future in coexistence with the global environment and job satisfaction for workers. We aim for automation that increases productivity and energy efficiency in terms of social solutions, we have contributed to the spread of solar power and storage batteries. In the future, we will use advanced energy control technology to eliminate instability in power generation and contribute to the further spread of renewable energy. In the field of device & module solutions, we speed up the development and market introduction of energy-conservation and resource-conservation in the Device & Module Solutions Business products in response to growing interest about improved environmental performance and carbon footprint reductions. The OMRON Group has various other points of contact with society, and we are dedicated to achieving carbon-neutral societies in many social aspects.

Also in fiscal 2022, the OMRON Group became the first manufacturing company in Japan to join EP100 and made a commitment to doubling its energy productivity, which is measured as the percentage of sales per gigawatt hour (GWh), by 2040 compared with 2016 for all production sites of its Industrial Automation Business and Healthcare Business. At the Matsuzaka Factory, a production base for blood pressure monitors and thermometers in Japan, the Industrial Automation Business and Healthcare Business are working together to create a mechanism to double production while reducing energy consumption. We will contribute to decarbonization of the manufacturing industry and society by providing the know-how gained through these initiatives to not only internal areas but also to society.

Enterprise-wide sales targets and progress in contributing to carbon neutrality through business

Our medium-term management plan through 2024 has set a target for enterprise-wide net sales that contribute to carbon neutrality through business (Green Revenue) of JPY 130 billion. In fiscal 2022, the first fiscal year of the plan, we accelerated our efforts for carbon neutrality to achieve net sales of JPY 109.2 billion (105% vs. the plan).

Climate-related risks and opportunities identified by the OMRON Group for each product and service market are as follows:

<Overview and respond to climate change risks and opportunities of the OMRON Group>

Type of Risks and Opportunities			Time Horizon	Overview of Risks and Opportunities	Business and Financial Impact 1.5℃/2℃	Business and Financial Impact 4℃	Response to Risks and Opportunities
Risks	Transition	Government Policy and Regulations	Medium Term	- Increase in business costs for compliance with climate change regulations (introduction of carbon tax, emissions trading, circular economy regulations, etc.)	Small	Small	- Planned energy conservation and use of renewable energy (adopted high-efficiency air-conditioning equipment, expanded renewable energy in-house power generation, purchased J-Credits from social system projects), etc.
		Markets and Technology	Short /Medium Term	- Increased competition in areas related to decarbonization (improved environmental performance of products, reduced carbon footprint, etc.)	Small	Small	- Developing products and services to solve environmental issues (reduced greenhouse gas emissions and compliance with circular economy regulations, etc.)
		Reputation	Short /Medium Term	- Change in reputation among investors due to inability to meet customer needs - Change in reputation among investors due to poor performance caused by inability to anticipate needs for solutions to environmental issues	Small	Small	- Responding aggressively to climate change/circular economy to attract ESG investment, adding value to products, etc.
	Physical	Acute	Short Term	- Suspension of operations at locations or partner factory production facilities due to severe natural disasters (floods, torrential rain, water shortages, etc.), suspension of parts and materials procurement	Small (Note)	Small (Note)	- Build resilience through business continuity plans (BCP) for our own locations - Continuing to expand procurement sources for semiconductors and other components, engaging in design changes to shift to components with less procurement risk; formulate supply chain strategies to increase resilience from a medium- to long-term perspective
Opportunities	Products, Services, and Markets	Industrial Automation Business	Short /Medium Term	- Increased opportunities to provide factory automation equipment in the domains below: <By business domain> - Digital devices: Increased demand for semiconductors to support the spread of environmentally friendly vehicles and Evs - Environmental mobility: Increased demand for EV-related components such as rechargeable batteries and EV vehicles - Foods and daily necessities: Increased demand for environmentally friendly packaging materials (plastic-free packaging, etc.) to achieve decarbonized societies - Expanding needs for decarbonized production processes	Large	Medium	- Leverage innovative-Automation to provide solutions for needs to changing production methods, new capital investment, and improved energy productivity at production sites
		Healthcare Business	Short /Medium Term	- Increased needs for environmental performance due to the growth of ethical consumption	Small	Small	- Capturing consumption demand via enhanced environmental performance (carbon reduction, circular economy, etc.)
		Social Systems, Solutions and Service Business	Short Term	The following trends accelerate the increasing energy management needs in response to decarbonization, and rising electricity prices <Shared/Common> - The expansion of the renewable energy, livestock energy, and energy management markets accelerate the models toward private energy creation, storage, and use - Municipal ordinances and residential solar incentives lead to the expansion of solar power generation systems and the need for PV inverters - The expanding need for bi-directional charging systems and energy supply-demand control systems in response to stronger measures against natural disasters and the soaring cost of energy <By domain> - Households: Increased demand for private power generation and storage battery systems due to preferential measures for solar power roof installations and the need for stronger measures against natural disasters - Business/Industry: Accelerated decarbonization and increased installations of solar power systems and energy demand/supply control systems	Medium	Small	- Expand sales of PV inverters and storage batteries further in the energy management markets that utilize solar and other renewable energy sources - Secure V2X and other new technologies in the energy management market
		Device & Module Solutions Business	Short /Medium Term	Increased opportunities to provide Device & Module Solutions Business components via the following: <Shared/Common> - Increased interest in improving the environmental performance of products and reducing carbon footprints <By domain> - Home appliances: Higher demand for air conditioners with inverters in response to increased demand for air conditioners due to rising average temperatures, needs for strengthening measures to reduce greenhouse gas emissions from air conditioning equipment - Power tools: Advancing shift to electric tools in response to stronger greenhouse gas emissions reduction measures related to product usage Associated increased for DC current interruption - Factory Automation: Increased demand for new products (EVs, next-generation power semiconductors, recycled plastics, alternative foods, etc.) and decarbonization of production processes leading lead to increased demand for new and replacement factory automation equipment	Small	Small	- Accelerated development and sales of electronic components that contribute energy savings in customer products and carbon footprint reduction in the manufacturing process (including customer manufacturing processes) - Leverage demand and design changes for decarbonization as opportunities by capturing market trends in a timely manner

Note: Analysis was performed for physical risks described as risks by using hazard maps and AQUEDUCT for 15 major production sites, mainly in Japan and China. It found that, in the event of a disaster that occurs once every 100 years, two sites would be exposed to the risk. However, the annual impact with the recurrence interval taken into consideration is extremely small under both 1.5/2°C and 4°C scenarios; therefore, the degrees of impact are considered small.

＜Assumptions for TCFD scenarios＞

Assumed period		Period covered by SF2030 (through fiscal 2030)
Adopted Scenarios	4°C Scenario	IPCC/RCP8.5, IEA/STEPS
	1.5/2°C scenario	IPCC/RCP2.6, IEA/SDS (portions of IEA/NZE)
Time Horizon	Short-term	less than 3 years
	Medium-term	3 to 10 years
	Long-term	10 to 30 years
Scenario analysis targets		Existing business

＜Definition of the degree of impact on business and finances (large, medium and small)＞

Impact [Note]	Large	We expect ongoing regulations, policies, etc. on climate change at our customers, markets, etc., to have an impact in the future, resulting in an estimated impact on operating income (single year) of JPY10 billion or more.
	Medium	A movement against climate change is already ongoing among our customers, markets, etc. We expect ongoing impacts to continue. However, we expect responses to change over the medium to long term, depending on whether consumers are accepting and on judgments related to return on investment. As a result, we expect the impact on operating income (single year) to be between JPY3 billion and JPY10 billion.
	Small	A movement against climate change is already ongoing among our customers, markets, etc. However, we expect the medium- to long-term impact to be limited. As a result, we estimate the impact on our operating income (single year) to be less than JPY3 billion.

Note: The degree of impact to a risk is defined as a positive or negative impact to operating income.
The degree of impact described corresponds to the resulting impact when a response to an identified risk/opportunity is made.

(iii) Risk Management

Process to evaluate, identify, and manage risks related to climate change

The OMRON Group conducts scenario analysis for each business to identify transition risks and physical risks due to climate change impacts. We then visualize the timing of emergence and degree of impact on business and finances for each scenario for the identified risks associated with climate change. Based on our assessments, we identified the risks associated with climate change that are important to the OMRON Group, and integrated them as part of business risks into enterprise-wise risk management. Important matters related to the formulation of response measures are reported to the Board of Directors.
In fiscal 2022, we re-evaluated the results of the scenario analysis conducted in fiscal 2021 for our Industrial Automation Business, Healthcare Business and Device & Module Solutions Business, and re-conducted scenario analysis for the Social Systems, Solutions and Service Business. As for physical risks, we reviewed the risk assessment of the major manufacturing sites in each business.

Integration into Enterprise-wide risk management

Given the importance of building a system to manage risks on an Enterprise-wide basis, the OMRON Group has been working on integrated risk management under a common group framework. We identify and assess climate change risk as an important risk for the group. We monitor efforts across the entire value chain by aligning risks with scenario analysis.

(iv) Metrics and Targets

Indicators related to climate change risks and opportunities

The OMRON Group has established indicators for Scope 1, 2, and 3[*1] greenhouse gas emissions and for renewable energy as a percentage of electricity used in its business activities. We use these indicators to manage risks and business opportunities.

Greenhouse Gas Emission Targets and Results (Scope 1, 2, and 3)

The OMRON Group views the creation of sustainable societies in terms of the environment as its commitment to improve lives and contribute to a better society under the OMRON Principles. In July 2018, we established OMRON Carbon Zero, aiming to eliminate Scope 1 and 2 greenhouse gas emissions by 2050.

In March 2022, OMRON evolved efforts to achieve carbon-neutral societies, changing its reduction scenario for Scope 1 and 2 from a 2°C scenario to a more aggressive 1.5°C scenario. We set a new target under Scope 3 Category 11 of an 18% reduction by 2030 (compared with fiscal 2016). These targets have been approved by the SBT Initiative (Note 2).

OMRON will continue to improve energy efficiency toward achieving these targets. By utilizing J-Credits[*3] derived from renewable energy and self-consignment[*4] provided by our own Energy Solutions Business, OMRON aims to achieve carbon zero[*5] for Scope 2 emissions across all domestic facilities by fiscal 2024.

＜Greenhouse Gas Emissions Targets and Results (Scope 1, 2, and 3)＞

(Unit : kt-CO2)

	FY2016 Results (Standard Year)	FY2022 Results		FY2024 Targets	FY2030 Targets	FY2050 Targets
	Emissions	Emissions	Vs. FY2016	Vs. FY2016	Vs. FY2016	
Scope 1 and 2 (Note 6)	250	93 (Note:7)	-62%	-53%	-65%	zero
Scope 3 Category 11	9,102	11,965	+31%	–	-18%	–

Notes: 1. Scope 1 and 2: Greenhouse gases emitted directly or indirectly from the Company's own operations.
Scope 3 Category 11: Scope 3 emissions are greenhouse gas emissions from the Company's own supply chain. Of these emissions, Category 11 is associated with the use of products and services manufactured or sold.
2. Science Based Targets Initiative (SBTi): An international initiative that encourages medium- and long-term greenhouse gas reduction targets based on scientific evidence.
3. J-Credits: A system in which the government certifies environmental value (i.e., the effect of avoiding CO_2 emissions).
4. Self-consignment: A power supply system that allows businesses that have own their own power generation facilities to transmit and supply and use power generated by those facilities to their factories and offices in remote areas via the power grids of general transmission and distribution companies.
5. The system covers greenhouse gas (Scope 2) emissions from the use of electricity by the Company at 13 production sites and 63 non-production sites (headquarters, R&D, and sales).
6. Greenhouse gas emissions (Scope 1 and 2) for fiscal 2022 will be disclosed on the OMRON corporate website. These results will be subject to a limited level of assurance by the third-party assurance firm Bureau Veritas Japan. These limited assurance engagements are in accordance with the International Standards on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information of the International Auditing and Assurance Standards Board (IAASB).
7. In fiscal 2022, reductions in greenhouse gas emissions far exceeded the target due to the impact of Malaysia's decarbonization measures and the lockdown in Shanghai, China, in addition to energy-conservation and energy-creation initiatives that exceeded the plan.

(3) Initiatives related to human capital

(i) Governance

OMRON monitors the acceleration of diversity and inclusion by designating it as one of the focus themes in the Board of Directors' operational policy for fiscal 2022.

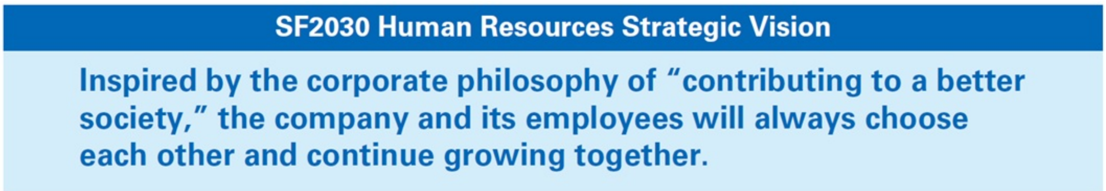
For more information on discussions about the acceleration of diversity and inclusion at the Board of Directors' meetings, please see "Results of evaluation of Board of Directors' effectiveness for fiscal 2022" at the below.
https://www.omron.com/global/en/assets/file/about/corporate/governance/chart/20230601_governance_effectiveness_e.pdf

In addition, recognizing that a human resource strategy is the linchpin to management in the future, OMRON appointed a Chief Human Resources Officer (CHRO) in fiscal 2023 with the primary purpose of further implementing initiatives to "instill the OMRON Principles and promote greater resonance," "develop and promote leaders," and "build a company and foster a corporate climate that are attractive to all employees." Under the leadership of CHRO, OMRON will have the headquarters and businesses work together to further promote its human capital initiatives for value creation under "SF2030."

(ii) Strategy

"SF2030" Human Resource Strategic Vision

Employees are the driving force of OMRON's creation of social value through business, a target under "SF2030." At OMRON, we will build a new relationship between the company and its employees in which they choose each other and grow together. Based on this premise, we will globally implement a human resource strategy to ensure the OMRON Group continues to attract diverse talented people who aspire to resolve social issues through the practice of its corporate philosophy and encourage each individual to seize the initiative and demonstrate his/her abilities.



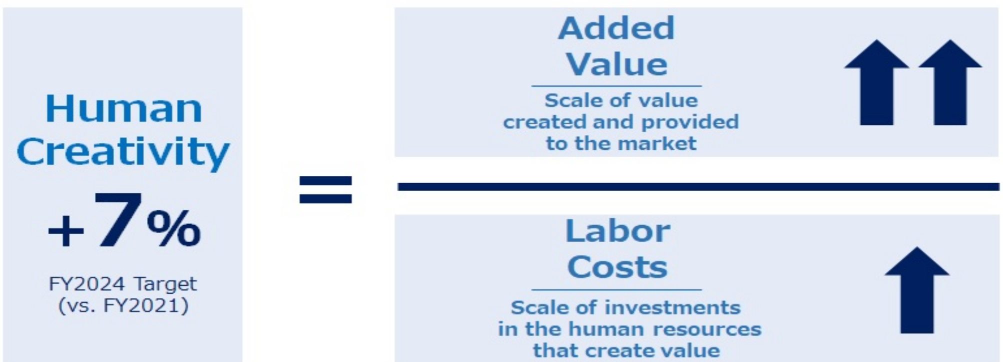
Medium-Term Management Plan (SF 1st Stage) Human Resource Strategy

Under SF 1st Stage, "human creativity" is set as a quantitative indicator to measure how effectively OMRON utilizes its human capital to enhance corporate value. The target is a 7% improvement in human creativity in fiscal 2024 compared with fiscal 2021.

Improve the levels of human creativity

"Human creativity" is the amount of value added, which is sales minus variable costs, divided by labor cost. "Added Value" is the amount of value created and delivered by OMRON to its customers and markets, and "Labor cost" is the aggregate value of human resources who work on value creation. Companies should obtain appropriate added value and use it to expand and reproduce new value. This is indispensable for achieving sustainable growth for a company and its employees. What we want to achieve is value creation. In order to increase "Added Value", the numerator, we will fully make investment in human resources which is the denominator to create more value added more.

＜Concept of Human Creativity＞



Three key elements for elevating human creativity

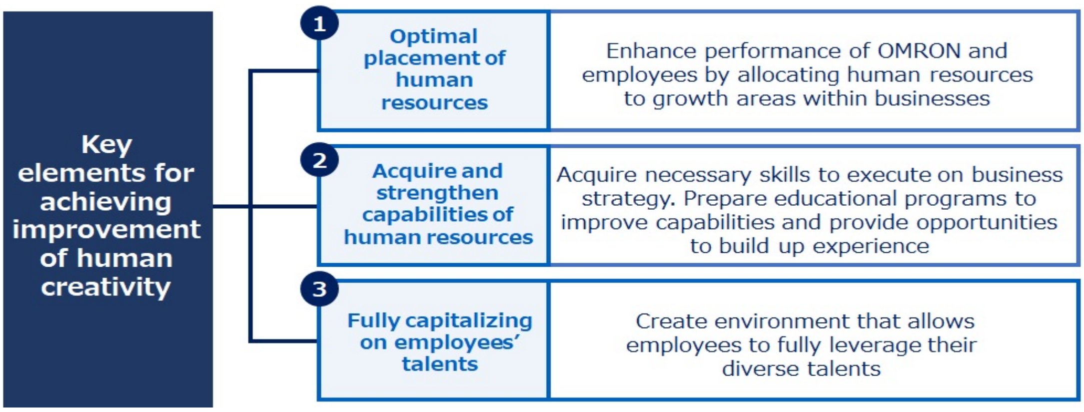
For investment in human resources to improve human creativity, OMRON believes that three factors aligned with the OMRON Group's management goals and business strategies are important.

The first element is the optimum placement of human resources. By assigning the right people in the right places in growth fields of our business, we will improve the performance of our employees and increase added value. Specifically, we develop a future human resource portfolio based on the growth scenario of each business and carry out hiring, development and re-assignment for that portfolio on a continuing basis.

The second element is the acquisition and strengthening of capabilities of human resources. We will prepare human resource development programs to help our employees acquire and strengthen capabilities necessary for executing a plan for value creation (i.e., business strategies) and provide them with various opportunities to gain experience. Specifically, in addition to training programs to acquire skills, we invest in human resource development by providing opportunities for experience outside the company and outside the home country, as well as expanding opportunities for people to express themselves, giving feedback, and engaging in dialogue to encourage our human resources to demonstrate their capabilities.

The third element is the fully capitalization on the talents of our employees. OMRON will create an environment where all employees can fully leverage their diverse personal qualities and abilities. Specifically, to demonstrate good performance, it is important to enhance engagement and motivation in addition to the aforementioned first and second factors. We use an engagement survey "VOICE" to identify management issues based on employee feedback and carry out activities that lead to improvements in the system and working environment. In addition, we have been working to create an environment where people can demonstrate their individuality and abilities more fully through a 360-degree feedback system and one-on-one meetings between a supervisor and a subordinate.

<Three Key elements for Elevating Human Creativity＞



(iii) Risk Management

Information is provided in "(viii) Human Resources and Labor" in "3. Risks of Business, etc." in "Part II. Business Conditions."

(iv) Indicators and Targets

SF 1st Stage sets targets for eight initiatives aimed at increasing human creativity and accelerating diversity and inclusion. The targets and progress for each are as follows.

<Eight initiatives that increase human creativity and accelerate diversity and inclusion as well as their progress>

Evolution of Human Resource Policies	1st Stage Performance Indicators	FY2022 Results
Global hiring of specialist human resources to lead value creation	HR portfolio sufficiency rate	In line with plan
Promote localization of globally important positions	>80%	80% or more
Promote career advancement for women by developing next-generation leaders	Global ratio of women in management 18% or more	16.6% (Note 1)
Implement and expand diverse career, employment status and working styles choices	VOICE SEI 70 points or higher	76 pts.
Invest in individuals keen to grow	HR development investments JPY6 billion (3-year total)	Vs. FY2022 plan: 98%
Establish Job-based HR system with defined roles, responsibilities, and specialties	Complete introduction of job-based HR system	In line with plan
Cultivate a workplace environment that supports personal growth and motivated individuals	Scores of VOICE & 360°FB	Relevant scores exceed plan
Initiatives and programs to share achievements which solve social issues	Evolution of TOGA	TOGA participants 133%
	Introduction of stock-based performance-linked compensation for employees in managerial positions (OMRON Group worldwide)	Rollout of equity linked compensation plan

Notes: 1. This is an aggregated figure for the Company and its consolidated subsidiaries as of April 20, 2023, including OMRON KIRIN TECHNO-SYSTEM CO., LTD., in which investment was completed on April 3, 2023, and OMRON EXPERT ENGINEERING Co., Ltd., which was established on the same date. The ratio of women in management roles at the Company and its consolidated subsidiaries as of March 31 was 16.8%.

2. VOICE is an engagement survey that facilitates dialogue between the management and all employees globally.

3. VOICE SEI is an abbreviation of Sustainable Engagement Index, an index for sustainable engagement as a comprehensive metric to measure the state of an organization.

4. TOGA is an abbreviation of The OMRON Global Awards. (Please refer to “(Reference) Initiatives to instill the OMRON Principles” in “1. Management Policy, Management Environment, and Issues to Be Addressed” in “Part II. Business Conditions” for more details.)

(Reference) Ratio of women in management roles on a global basis

The ratio in each region of Europe, the Americas, Asia and Greater China is already above 20%, and we will continue to work to maintain and improve it. In the future, we will accelerate the development and promotion of female employees, especially in Japan, to achieve the SF 1st Stage goal of 18% or more.

Initiatives to promote further advancement of women

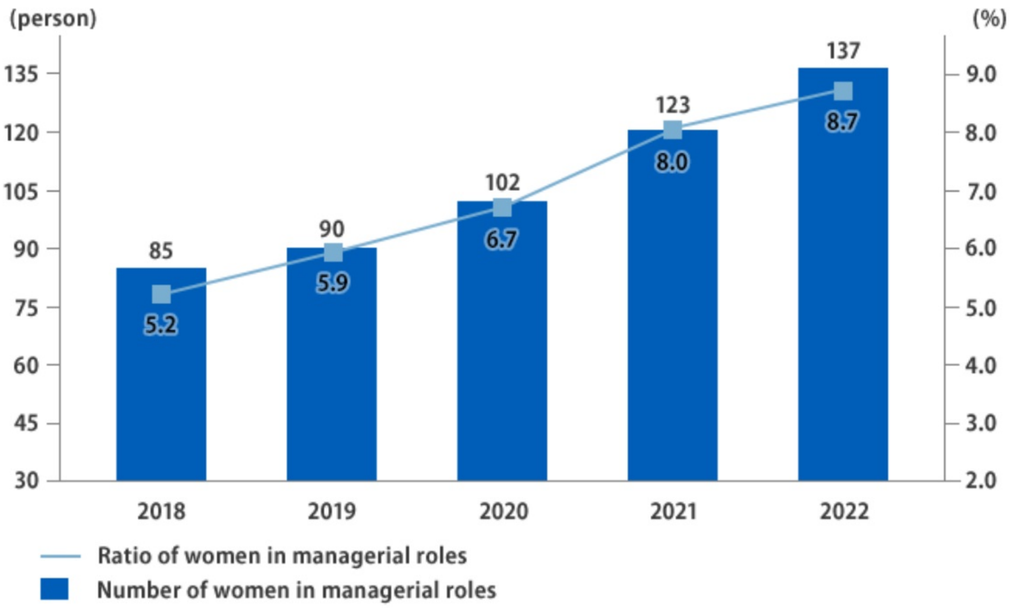
We have been implementing a variety of initiatives to expand the group of female leaders, with gender balance taken into consideration in the selection and development of candidates for global executives as well as leadership training and mentoring programs for women. In addition to initiatives targeting women, we also conduct training on unconscious biases and training for managers to enhance psychological safety in order to foster a climate in which each employee’s individuality, knowledge, and diverse ideas and opinions based on his/her experience can be brought to light and candid opinions aimed at accomplishing results and value creation can be freely discussed regardless of position.

In Japan, too, we are working to develop diverse role models by concurrently implementing the two axes of career support and work-life balance support. As for career support, we are conducting “female leader training” targeting female members, and prompting the realization and expansion of women’s networks and mutual learning through women’s networking events, study sessions and lectures sponsored by each base. With regards to work-life balance support, we are working with our members to improve the environment in which each individual can demonstrate his/her individuality and play an active role, through such measures as publishing a guide for work-life balance support, establishing a consultation desk, and revising the HR system. In order to accelerate these initiatives, we have a mechanism in place that allows us to think about and realize career development over the medium to long term, such as career development interviews to support self-reliant career development through dialogue with supervisors, and an internal job posting and application system. In addition, we have introduced mentoring programs that take advantage of the “diagonal” relationships with people other than direct managers, creating opportunities for mutual growth and networking through findings from a multilateral perspective.

As a result of these initiatives, the number of female leaders in offices in Japan has been on the increase. As of April 2023, there were seven female directors and officers (of which, there was one Outside Director, one Managing Executive Officer, two Executive Officers, and two Presidents and one Director of subsidiaries) at the OMRON Group in Japan. While the number of female managers (in Japan) was 85 in 2018, it has increased to 137 (Note), generating role models of diverse styles and enabling diverse opinions to be reflected in decision-making. We will continue to work to raise awareness among managers and female employees, and to expand opportunities for women to play an active role and promote them.

Note: This is an aggregated figure for the Company and its consolidated subsidiaries as of April 20, 2023, including OMRON KIRIN TECHNO-SYSTEM CO., LTD., in which investment was completed on April 3, 2023, and OMRON EXPERT ENGINEERING Co., Ltd., which was established on the same date.
As of March 31, there were five female officers (of which, there was one Outside Director, one Managing Executive Officer, two Executive Officers, and one President and Director of an subsidiary), and 136 female managers at the Company and its consolidated companies in Japan.

＜Trend in the ratio of women in management roles (for the Group in Japan)＞



Note: Data as of April 20 of the following fiscal year are shown as an aggregated figure for each fiscal year

(Reference) OMRON's Health and Productivity Management

With the belief that the health of individual employees is fundamental to its business in order to solve social issues, OMRON issued "OMRON Health and Productivity Management Declaration" in July 2017, according to which top managers have been promoting health and productivity. We are promoting this initiative along the following three axes:

(i)To foster innovative people and organizations. We endeavor to create environments that encourage a positive attitude in taking on challenges and that make work rewarding and enjoyable.
(ii)To foster states of mental and physical health for employees to enjoy their lives. We encourage employees to lead health-conscious lifestyles and enjoy not only their work, but also their personal hobbies and interests.
(iii)To fill the company with employees who will continue to be active in society, even after they graduate from OMRON. If these employees maintain and improve their health, they will remain active in the future and lead fulfilling lives while contributing to society.

*Please refer to the below for details of our health and productivity management initiatives.
https://sustainability.omron.com/en/social/wellness-management/

3. Risks of Business, etc.

(1) Integrated Risk Management to Support Global Business Activities

The OMRON Group has been undertaking integrated risk management under a common group framework. 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 management and front-line employees work together to solve problems caused by environmental changes that cannot be handled only by front-line employees. We will work to improve the quality of this activity while implementing the PDCA cycle globally.

We consider the development of a system that enables front-line employees to make risk decisions efficiently, effectively and swiftly to also be an important theme in seeking to achieve "SF2030," while following the OMRON Principles and rules.

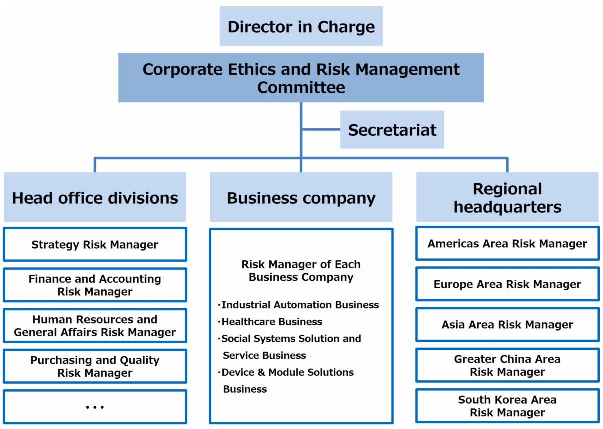
(2) Structure and System for Integrated Risk Management

Under the internal control system, the framework for integrated risk management is summarized in the OMRON Group Rules (OGR) (Note1) for Integrated Risk Management, which clarify the position within Group management. These rules are overseen by the Global Risk Management and Legal headquarters. In addition, approximately 160 risk managers have been appointed at the head office divisions, business companies, overseas regional headquarters, and group companies worldwide to allow management and front-line employees to work together in pursuing global activities.

The three main activities of the Corporate Ethics and Risk Management Committee are as follows:

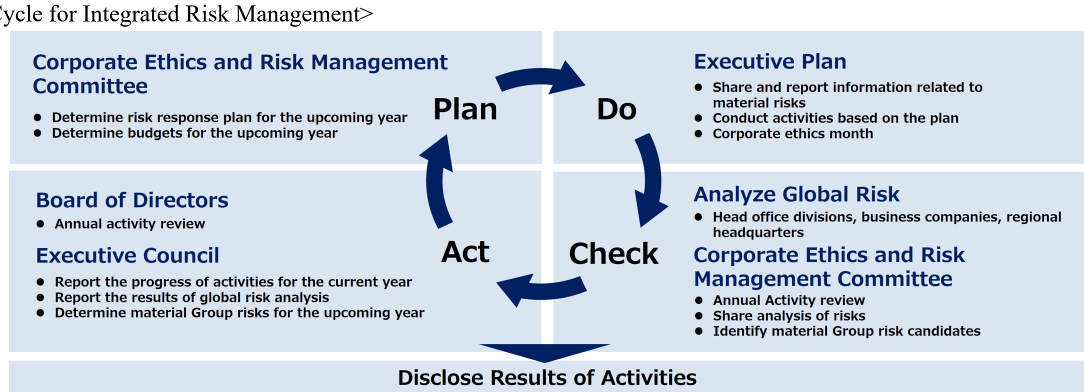
- Report important risk information promptly and share information with related parties (risk information management)
- Analyze risks globally on an annual basis to identify critical risks and take measures in response
- Implement crisis response measures when risks become apparent in a crisis

<Structure of the Corporate Ethics & Risk Management Committee>



The Corporate Ethics and Risk Management Committee, which is comprised of key risk managers, meets four times a year, in principle, to discuss and share important risks that are arising, changes in the environment, and the status of risk measures, while conducting Group-wide risk assessment. In addition, in the event of a crisis, reporting is made promptly to the management and actions are taken through the Emergency Response Headquarters in accordance with the rank of the risk. The status of these risk management activities is reported to the Executive Council and the Board of Directors as needed, and is audited internally by the Internal Audit Division.

<Cycle for Integrated Risk Management>



(Note 1) The OMRON Group has established common rules that represent the foundation of management for the Group to realize fair and transparent management, the OMRON Group Rules (OGR). In addition to risk management, the OGR has been established for major functions such as accounting and funding, human resources, information security and quality assurance. It is reviewed annually to reflect changes in the environment as needed and appropriate.

(3) Addressing Important Group Risks and Analysis Thereof

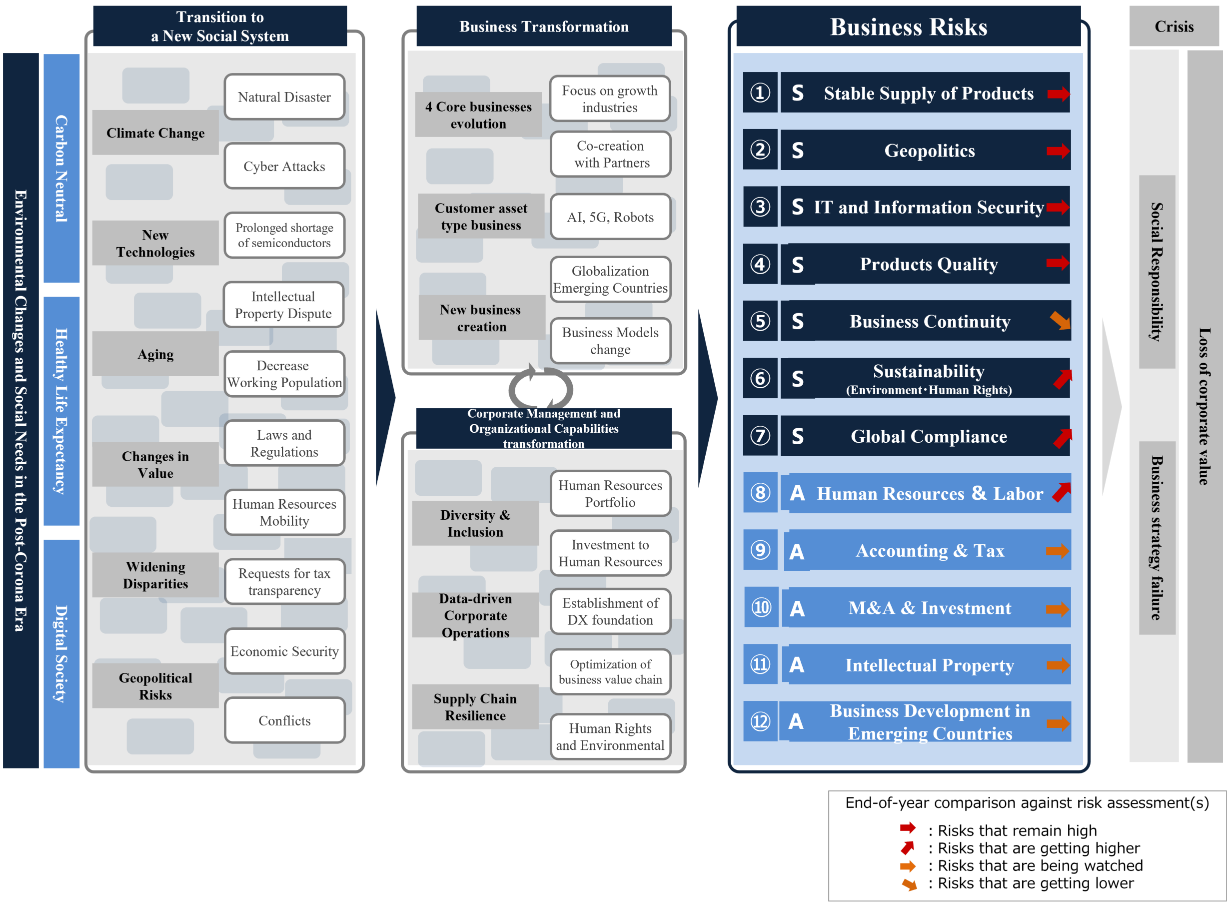
In “SF2030,” the OMRON Group aims to solve social issues that arise in the transition to a new social and economic system. To this end, we are committed to transforming business and transforming corporate management and organizational capability based on the factors that influence social issues. We consider the key factors that must be addressed in the execution of these efforts to be risks.

In operating our group, we have identified the following two significant Group 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. At present, the S and A ranks set by the Group are as follows. If the Group does not take appropriate measures for the significant Group 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 2022>

Themes, risk ranks and our recognition of future trends of significant Group risks based on the OMRON Group’s risk analysis conducted at the end of fiscal 2022 are presented in the table below. 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 not currently foreseeable or considered significant. 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 23, 2023).

<Overview of Businesses and Other Risks>



<Addressing Important Group Risks>

<table>
<tr><th colspan="2">① Stable Supply of Products (S Rank)</th></tr>
<tr><td>Risk Scenario</td><td>Environment
Supply chain disruptions due to container shortages and customs delays, etc. are now coming to end. While there remains uncertainty in the economic environment, consumption and investment are expected to continue to expand due to changes in social and industrial structures. Meanwhile, shortages of materials such as semiconductors are prolonged, resulting in lingering concern about increasing logistics costs. Such changes in the environment will have a material impact on the Group’s long-term vision and business environment, including the below:
- Focus on growth industries such as semiconductor manufacturing equipment, electric vehicles (EVs), and rechargeable batteries
- Strengthening of sales efforts for blood pressure monitors and other items whose demand is increasing globally
Impact
Accurately meeting the growing demand for products will create new social value and present business opportunities. Meanwhile, if the procurement volume of materials does not reach the required volume or logistics lead times are significantly lengthened, product supply may be reduced. This results in the risk that sales may decline and business competitiveness may deteriorate.</td></tr>
<tr><td>Response</td><td>System
The Global Procurement and Quality & Logistics HQ and each business company work to optimize the global business value chain as one of the key initiatives in our management plan.
- Related OGR: Procurement Rules
Initiatives Specifically, we are promoting the following measures:
- Transfer or decentralization of production with local production for local consumption as a basic stance
- Localization and double-tracking of procurement of materials in key products
[Specific example of risk response: Responding to tight demand and supply in materials]
As the demand and supply of materials continued to be tight, we took actions such as shifting to components that are easier to procure, making changes to product designs with the aim of reducing the number of components, and entering into strategic partnerships with external electronics manufacturing services (EMS).</td></tr>
</table>

<table>
<tr><th colspan="2">② Geopolitical Risks (S Rank)</th></tr>
<tr><td>Risk Scenario</td><td>Environment
The global business environment is getting increasingly complex due to the relation between the U.S. and China and the policies of various countries and regions regarding the situation in Russia and Ukraine. In particular, economic security policies, including stable supply of important materials such as semiconductors, promotion of the development of cutting-edge technologies, and restrictions on export and investment, are evolving rapidly, including the formation and use of multilateral frameworks. Political confrontations, human rights issues, and heightened risks of conflicts may lead to further expansion of various measures in the future. Such changes in the environment will have a material impact on the Group’s long-term vision and business environment, including the below:
- 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
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 restrictions on export, 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.</td></tr>
<tr><td>Response</td><td>System
Business response policies are discussed and decided by the Board of Directors, Executive Council and other executive committees. The respective divisions in charge are responsible for ensuring compliance with laws and regulations. With respect to export regulations, for example, our Global Risk Management and Legal HQ implement security trading management globally under a company-wide export control committee.
- Related OGR: Integrated Risk Management Rules, and Export Control Rules
Initiatives Specifically, we are promoting the following measures:
- Exploring and promoting medium- to long-term production, 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
[Specific example of risk response: Situation in Russia and Ukraine]
A company-wide headquarters headed by the President has been set up to deal with the situation. In August 2022, we decided to suspend the Industrial Automation Business and Device & Module Solutions Business in Russia indefinitely after carefully examining the sustainability of the business. As for the Healthcare Business, we continue to supply only medical devices, such as blood pressure monitors and nebulizers.</td></tr>
</table>

③ IT and Information Security (S Rank)

<table>
<tr><td>Risk Scenario</td><td>
Environment
The rapid digitization of socioeconomic activities is transforming business management, including data-based management decisions and the development of new products and services centered on IoT devices. While the infrastructure for data distribution is being developed globally, the risk of cyberattacks is increasing as ever, and 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 below:
- 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 business model that combines goods and services, such as remote patient monitoring services in the Healthcare Business
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.
</td></tr>
<tr><td>Response</td><td>
System
Under the supervision of a supervising director, the Senior General Manager of each head office division controls and manages basic policies and 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 Meeting chaired by the supervising director meets as needed to resolve them. In addition, in light of the recent environment, we have established a system to discuss and decide on priority issues and strategies at the new Information Security Strategy Council, chaired by the President, in order to determine a course of action for promoting them at an even higher management level. Also on the implementation front, we will promote and manage measures through the Information Security Promotion Meeting chaired by the General Manager of Global Business Process and IT Innovation HQ as the supervising director for cybersecurity and participated in by IT managers of the respective divisions globally. 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 a person in charge.
- Related OGR: IT Governance Rules, and Information Security Rules
Initiatives Specifically, we are promoting the following measures:
- Evaluation and strengthening of measures based on NIST-CSF (Note 1), 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
- 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 information regulations
[Specific example of risk response: Development and operation of systems to constantly monitor IT equipment and detect suspicious behavior]
Based on the external assessment of the Company’s information security system, we strengthened measures to detect cyberattacks on a priority basis. We monitor our IT equipment 24 hours a day, 365 days a year globally, and we take prompt action when we detect an attack such as unauthorized access.
</td></tr>
</table>

(Note 1) 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 (S Rank)

<table>
<tr><td>Risk Scenario</td><td>
Environment
Quality is the foundation of social trust in a company. Even highly innovative products and services utilizing new technologies are required to ensure superior safety and accuracy, and new laws and regulations on the use of AI and product security are also being considered and enacted. In addition, there are increasing social demands for ensuring human health and reducing environmental burden, and regulations on the inclusion, recycling and labeling of chemical substances, including per- and polyfluoroalkyl substances (PFAS), are becoming stricter in various countries. Such changes in the external environment will have a material impact on the Group's long-term vision and business environment, including the below:
- 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 i-BELT service to make use of data for manufacturing sites
Impact
Ensuring quality that responds globally to high standards for new technologies and product safety will create new social value and present business opportunities. 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 the product. There is a risk that it may cause a loss to be incurred, sales to decline, or our brand value to be damaged.
</td></tr>
<tr><td>Response</td><td>
System
We have a quality assurance system in place with ultimate responsibility residing with the President and, under the basic quality policy based on the principle of quality first, the Global Procurement and Quality & Logistics HQ is in charge of promoting quality assurance activities. In the event that a serious quality issue arises, prompt and appropriate action is taken under the supervision of the Board of Directors.
- Related OGR: Design and Manufacturing Rules, Quality Assurance Rules, and Product Quality Risk Management Rules
Initiatives Specifically, we are promoting the following measures:
- Acquisition of Quality Management System (QMS) such as ISO 9001 (ISO 13485: Medical equipment industry, IATF 16949: Automotive industry)
- Business Company QMS internal audit
- Developing 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 on-site quality inspections and quality compliance training
[Specific example of risk response: Response in the event of a quality issue]
We have in place and operate a system that promptly and accurately reports risks to the top management in the event that a serious quality issue arises. With respect to the risk of dangerous ignition of storage battery units that occurred in the Social Systems, Solutions and Service Business, we are providing a software update and product replacement free of charge for some of the Company's storage battery units so that customers can use them with peace of mind.
</td></tr>
</table>

⑤ Business Continuity Risk (Natural Disasters and Infectious Diseases) (S Rank)	
Risk Scenario	**Environment** While the emergency situation due to COVID-19 that continued since 2020 has subsided and socioeconomic activities have normalized, there remains a possibility globally that the emergence of new infectious diseases and natural disasters such as floods, torrential rains and huge earthquakes would 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 below: - 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 **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, suspension of production at our own plants, or long-term suspension of parts supply from important suppliers, etc. There is a risk that it may lead to a decrease in sales, or damage to our brand value.
Response	**System** Based on the basic policy of prioritizing personal safety, maintenance of social infrastructure, and full cooperation for reconstruction activities, each business company and head office division has coordinated to devise a business continuity plan for production, purchasing and procurement, logistics, and IT. - Related OGR: Integrated Risk Management Rules, and Procurement Rules **Initiatives** Specifically, we are promoting the following measures: - 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 - 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 [Specific example of risk response: COVID-19] For more information on COVID-19, the Pandemic Response Headquarters, led by our CEO and established in February 2020, had been addressing the pandemic with top priority on ensuring the health and safety of our employees and preventing the spread of infection in regions where we operate. With the Japanese government's decision on the policy in March 2023 (downgrading COVID-19's level), we transitioned to a response equivalent to seasonal influenza.

⑥ Sustainability Issues (Environment and Human Rights) (S Rank)	
Risk Scenario	**Environment** Toward the realization of a sustainable society, companies are being required to take responsibility for environmental and human rights issues not only within their own companies but also across the entire value chains. In addition, demand for disclosure on corporate sustainability initiatives is growing year by year in order to reflect the information in corporate valuation and investment activities, and there is an increasing trend for making third-party assurance on disclosed information regulated by laws. As for the environment, food and water shortages caused by frequent floods and droughts due to global warming 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. With respect to human rights, remedying forced labor, child labor, low or unpaid wages, long working hours, and working environments with inadequate safety and hygiene has become a social issue. Efforts to ensure respect for human rights through legislation are progressing, by making supply chains visualized 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. Actions for sustainability issues are a business license for companies. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the below: - 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 - Global business sites and supply chains, including those in China and Asia - R&D and provision of products and services using AI **Impact** Growing need for products and services that contribute to decarbonization and respect for human rights will create new social value and provide an opportunity to realize business growth. 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, 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.
Response	**System** To address environmental and human rights issues, we carry out activities in accordance with the OMRON Environmental Policy and the OMRON Human Rights Policy established by resolution of the Board of Directors. In terms of the concrete execution system, the Sustainability Office 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, Quality and Logistics HQ, and the Senior General Managers of respective business companies are responsible for measures for the internal domain, suppliers' domain, and business strategy domain, respectively. - Related OGR: Environmental Management Rules, HRM Rules, and Procurement Rules **Initiatives** Specifically, we are promoting the following measures:

	[Environment] - Accelerating reductions in greenhouse gas emissions for which a target is set for each of Scope 1・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 [Human Rights] - Implementing human rights due diligence in alignment with the UN Guiding Principles on Business and Human Rights (UNGP) - Developing a human rights redress mechanism globally - Presenting sustainable procurement guidelines to suppliers and confirming compliance status - Risk assessment using the RBA(Note 1) Assessment Tool - Collecting information on AI and considering policy for use and incorporating into Quality Management System (QMS) rules [Specific example of risk response: Expanding the whistle-blower hotlines as a human rights relief point] During the year under review, as part of the establishment of a human rights redress mechanism, we expanded the global whistle-blower hotlines to include suppliers. The whistle-blower hotlines receive reports of workplace harassment and other human rights issues, and we respond appropriately in accordance with our internal rules.

(Note 1) Responsible Business Alliance. Global CSR alliance focused mainly on the electronics industry.

*Please refer to “(1) OMRON’s Policy and Initiatives for Sustainability” and “(2) Response to Climate Change” in “2. Fundamental Policy and Initiatives for Sustainability” in “Part II. Business Conditions.”

⑦ Global Compliance (S Rank)

<table>
<tr><td rowspan="1">Risk Scenario</td><td>
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. Such changes in the environment will have a material impact on the Group’s long-term vision and business environment, including the below:
- 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
Impact
Expectations for innovation by companies will create new social value and present business opportunities. On the other hand, if the authorities find or determine that a violation of fair trade laws or regulations has occurred, there is a risk that it could result in serious administrative penalties or damage to our brand value.
</td></tr>
<tr><td>Response</td><td>
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 organized a Corporate Ethics & Risk Management Committee to carry out activities.
- Related OGR: Ethical Conduct Rules
Initiatives
Specifically, we are promoting the following measures:
- Regular compliance education through Global Corporate Ethics Month in October of each year, etc.
- Self-assessment of governance at each group company, including measures against the risks of anti-competitive behavior and bribery
- Operating whistle-blower hotlines worldwide
[Examples of responding to specific risks: Compliance education during Global Corporate Ethics Month]
During Corporate Ethics Month in fiscal 2022, in addition to the dissemination of a message from top management and training on cartels as common global activities, the regional headquarters set themes based on the long-term vision and risks pertaining to the region to provide e-learning and hold remote training sessions.
</td></tr>
</table>

⑧ Human Resources and Labor (A Rank)	
Risk Scenario	**Environment** Values regarding a career are diversifying, and human resources are becoming more mobile than ever globally. Competition is also intensifying for human resources with rare skills and experience, such as technical human resources who are equipped with skills in advanced technologies including IT talent. In this environment, it has become more important to implement human capital management so that we are chosen by individuals. 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 business environment, including the below: - R&D in cutting-edge technology fields such as AI and robotics **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 strategy is not sufficiently effective, there is a risk that it could lead to an exodus of employees while impacting the recruitment of new talent. In addition, if the disclosure of information on human capital is inappropriate, it may lead to damage to our brand value due to administrative guidance or a decrease in confidence from investors.
Response	**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 position newly established in fiscal 2023, the Global Human Resources and Administration HQ is taking the lead in implementing measures. - Related OGR: HRM Rules **Initiatives** Specifically, we are promoting the following measures: - Investing in individuals keen to grow - Establishing a Jobs program with defined roles, responsibilities and specialties - Initiatives and programs to share achievements that solve social issues (medium-term performance-linked stock compensation, etc.) - Implementing “TOGA” to instill the OMRON Principles in all employees and promote greater empathy and resonance

*Please refer to “(3) Initiatives for human capital” in “2. Fundamental Policy and Initiatives for Sustainability” in “Part II. Business Conditions” for more detailed information on risks related to human resources and labor.

⑨ Accounting and Tax (A Rank)

<table>
<tr><td rowspan="1">Risk Scenario</td><td>

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, there is growing demand for companies 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 below:
- 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
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 account for new services or businesses appropriately, 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.
</td></tr>
<tr><td>Response</td><td>

System
Pursuant to the basic framework for internal control on financial reporting and the Tax Policy(Note 1) 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.
- Related OGR: Accounting and Finance Rules, Anti-Fraud Rules, and Implementation and Promotion of J-SOX Rules
Initiatives Specifically, we are promoting the following measures:
- 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
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Note 1: Please refer to the below for the Tax Policy
https://sustainability.omron.com/en/governance/tax/

⑩ M&A and Investment (A Rank)

<table>
<tr><td>Risk Scenario</td><td>
Environment
Companies are expected to advance technologies as a means to solve social issues. Companies are expected to accelerate innovation through alliances, M&A, and investments with startups and other 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 below:
- 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
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) is not properly implemented, the anticipated synergies or alliance may not proceed as planned. This results in the risk that a substantial impairment loss may be recognized and material revisions to the plans may need to be made.
</td></tr>
<tr><td>Response</td><td>
System
The policies for and implementation of M&A and investments are discussed and determined by the Board of Directors and other executive committees in accordance with the responsibility authority set forth in the management rules, and each transaction is promoted by a project team comprised of the business company, headquarters units, and outside experts.
- Related OGR: Management Rules
Initiatives Specifically, we are promoting the following measures:
- 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 economic impact by the Board of Directors (at least once a year)
[Specific example of risk response: Evaluation of investee companies]
With respect to JMDC Inc. and AliveCor, Inc., our investee companies, we determine the need for recognizing valuation losses by comprehensively taking into account qualitative and quantitative factors, including an assessment of the business performance and the environment surrounding the investees and a comparison of the valuation based on the discounted cash flow method with the carrying amount.
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⑪ Intellectual Property (A Rank)	
Risk Scenario	**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 below: - 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 **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 competitive edge to be lost. In addition, in the event of a dispute of infringement of patents, 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 payments. There is a risk that it may cause a loss to be incurred, sales to decline, or our brand value to be damaged.
Response	**System** Intellectual property strategies are regularly reported and discussed by the Board of Directors. The Technology & Intellectual Property HQ is responsible for intellectual property activities based on the basic policy. - Related OGR: Intellectual Property Management Rules **Initiatives** Specifically, we are promoting the following measures: - 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

⑫ Business Development in Emerging Countries (A Rank)	
Risk Scenario	**Environment** In emerging markets such as India, consumption is expected to expand due to population growth, and while various industries are growing, social issues are also emerging. On the other hand, in some emerging countries and regions, corruption and other forms of corruption may become social problems due to weak legal governance and unstable political conditions. Such changes in the environment will have a material impact on the Group's long-term vision and business environment, including the below: - Entry into India, which has strong growth potential, in the Healthcare Business, and others **Impact** Accurately capturing the growing demand in emerging countries will create new social value and present business opportunities. On the other hand, in business operations in these countries and regions, there is a possibility of legal and regulatory non-compliance including accounting irregularities due to poor governance and internal management, resulting in serious administrative penalties and damage to our brand value.
Response	**System** Under the OMRON Group's internal control system, the Group has established and operates a governance system for its group companies pursuant to the OGR and others. - Related OGR: Corporate Administration Rules, Accounting and Finance Rules, IT Governance Rules, and Internal Audit Rules, etc. **Initiatives** Specifically, we are promoting the following measures: - Global checks and monitoring by division in charge of each function - Risk management at each regional headquarters to address key risks according to the characteristics of each area - Internal audit and guidance for improvement based on risk-based approach

4. Management Analysis of Financial Condition, Operating Results and Cash Flows

(1) Status, Analysis and Considerations of Business Environment, Operating Results, etc.

(i) Results and Outlook of Operating Results of the OMRON Group

Results for fiscal 2022

The current fiscal year (ended March 31, 2023) is the first year of our medium-term management plan, SF 1st Stage. The business environment changed significantly over the course of the year, including the Shanghai lockdowns, globally expanding inflation, the tight supply of parts and materials, etc.

Under these conditions, sales in the first quarter (April through June) were impacted significantly by the Shanghai lockdowns, mainly in the Industrial Automation Business. However, sales significantly increased year on year due to a recovery in production and the rapid ramp-up of supply capacity in the second quarter and later to respond to heavy order backlogs. While performance was affected by factors including soaring materials prices, as well as a decline in capacity utilization at the main plant of our Industrial Automation Business in the first quarter, gross profit margin was 45% (-0.5 points year on year). This result was the outcome of ongoing company-wide efforts to improve value-added ratios through price optimization and other measures. We continued with active investing to achieve the goals of SF 1st Stage. As a result of the preceding, operating income, income before income taxes, and net income attributable to OMRON shareholders rose significantly compared with the previous fiscal year. In addition, return on invested capital (ROIC) and return on equity (ROE) both exceeded 10%.

Net sales were JPY 876.1 billion (up 14.8% year on year), operating income was JPY 100.7 billion (up 12.7% year on year) and income before taxes was JPY 98.4 billion (up 13.5% year on year), renewing record high results.

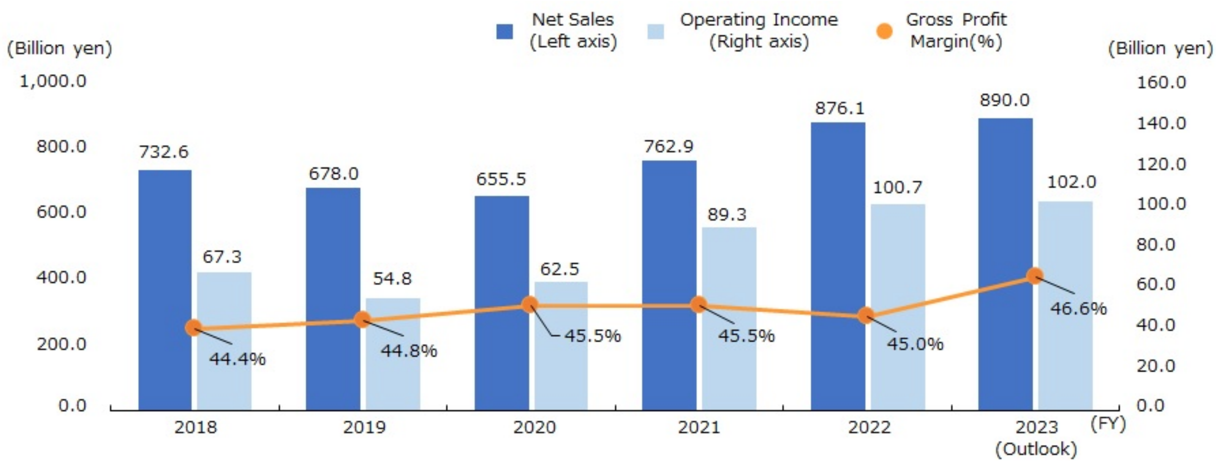
Outlook for fiscal 2023

We expect the business environment over the next fiscal year (ending March 31, 2024) to remain uncertain, mainly in the first half, due to factors that include expanding inflation and rising geopolitical risks. However, we do believe that conditions related to the domains in which our group operates will begin to recover in the second half of the year. At the same time, we expect many business opportunities to emerge for the OMRON Group as social and industrial structures continue to change, as identified in our Long-Term Vision "SF2030." These changes include social issues (achieving carbon neutrality, digitalization of society, extension of health life expectancies) and emerging movements in the restructuring of global supply chains affected by geopolitical risks.

Given this business environment of mixed opportunities and risks, the OMRON Group intends to implement the strategies we described in our SF 1st Stage medium-term management plan. In this way, we will aim to strengthen our earnings structure further and achieve steady growth. In addition, we will engage actively in growth investments, particularly in our Industrial Automation Business and Healthcare Business, seeking to create new value in line with our Long-Term Vision. By pursuing the initiatives described above, we expect to increase sales and profits for a third consecutive fiscal year.

For fiscal 2023, we plan net sales of JPY 890 billion (up 1.6% year on year), operating income of JPY 102 billion (up 1.3% year on year) and gross profit margin of 46.6% (up 1.6 point year on year).

<Net sales, operating income and gross profit margin>



Note: As the Automotive Electronics Components Business (AEC) was classified as a discontinued business in fiscal 2019, net sales and operating income for fiscal 2018 have been reclassified to retroactively reflect only the value of continuing businesses.

Management Policy and Priority Initiatives for Fiscal 2023

We defined our management policy for fiscal year 2023 as a phase of hyper acceleration toward transformation. At OMRON, we pursue the transformation of our businesses, corporate management, and organizational capabilities to adapt to drastically changing social and business environments, as well as to achieve sustainable growth. Fiscal 2023 is the second year of our SF 1st Stage medium-term management plan. During the year, OMRON will continue efforts to strengthen self-driven growth. Even in this uncertain business environment, we will seize on opportunities arising from changes in industrial structures, leveraging these opportunities into sales. Among the three group strategies in SF 1st Stage, we intend to accelerate the transformation of our businesses, and corporate management and organizational capabilities, in particular, pursuing five key initiatives to this end.

Five Key Initiatives for Fiscal 2023

(1) Emphasize social value and economic value to customers and accelerate solutions

The emergence of many social issues and the movement toward global supply chain reorganization create more opportunities to propose OMRON-style co-creation solutions. We will strengthen sales and marketing capabilities in each of our businesses, accelerating investments and taking action as required. In this way, we will increase the quality and quantity of our customer contact points dramatically, leading to sales growth.

(2) Improve human resource management to strengthen employee skills

Employees are key in creating value and delivering strategies. To provide solutions for increasingly sophisticated social issues, we must enhance our own competitiveness by increasing the degree to which every employee can demonstrate his or her abilities. We will provide employees with growth opportunities in each business and function. At the same time, employees will be able to take advantage of job-based systems and career support to reach higher levels of human creativity.

(3) Strengthen our ability to generate cash on a sustainable basis

In a business environment fraught with economic risks, including normalized inflation, unstable supply chains, and financial instability, we must establish an ability to generate cash for investment in future growth. We enhance our ability to generate profits through sales growth, price optimization, and other measures. At the same time, we improve asset turnover through detailed inventory management. In this way, we enhance our ability to generate cash in a sustainable manner.

(4) Optimize the global business value chain

The supply chain disruption triggered by U.S.-China antagonism and other factors remains a risk, and we intend to accelerate actions to optimize supply chains in each business to achieve stable production and supply. Our basic stance is local production for local consumption. In this context, we pursue the transfer and decentralization of production, as well as the localization and multi-track procurement, of parts and materials for critical products.

(5) Build a DX platform

To accelerate data-driven corporate management, we plan to install and effectively use core management systems. In fiscal 2022, we completed a build of the initial concept in Europe. In fiscal 2023, we will complete design, development, and trial implementation to verify the system. In collaboration with Europe, which is leading in this area, we are making steady advancements to adopt the initial concept in Japan as well.

(Reference) Health & Productivity Management Alliance

With people choosing to work longer with the advent of the “era of the 100-year lifespan” in Japan, the industrial community is faced with the challenges of helping their employees promote health, achieving fiscal reform for their health insurance societies, and contributing to the government’s campaign to curb medical expenses. Against this background, promoting “health and productivity management (H&PM)” has become one of the key agenda items for management in practicing “human capital management,” an approach to perceiving employees as company assets, along with corporate productivity enhancement and streamlining of medical expenses. Promoting H&PM can also increase the competitiveness of the Japanese industry as a whole in the global arena. In an effort to address these social issues, eight companies (Ajinomoto Co., Inc., SCSK Corporation, OMRON Corporation, Kirin Holdings Company, Limited, Shimadzu Corporation, JMDC Inc., Nippon Life Insurance Company, and Sumitomo Mitsui Banking Corporation) from different sectors have rallied around the goal of realizing a well-being society and agreed to form the Alliance on March 10, 2023.

The objective of the Alliance is to “design a model for H&PM, co-create solutions to make it work, and implement them in the industrial world.” As a way to achieve the objective, the wisdom of the companies practicing H&PM and those offering solutions will be consolidated. In more concrete terms, the Alliance will make the most of healthcare data to deal with the risks of employees contracting diseases whose aggravation can be predicted, such as cerebrovascular and cardiovascular diseases derived from lifestyle illnesses, and mental health and kidney disorders. Member companies of the Alliance will also take the initiative in utilizing healthcare data to maintain and advance their employees’ well-being and provide feedback, while at the same time installing their products and services for H&PM and endeavoring to develop and demonstrate those within the Alliance. Successful cases will be implemented as a model outside the Alliance as well, with the ultimate goal of implementing such products and services in Japan and overseas in cooperation with universities, research institutions, and government agencies. The Alliance is scheduled to be established at the end of June 2023.

<SF 1st Stage Financial Targets and Progress during Fiscal 2022>

Financial Targets	FY2022 (Plan)	FY2022 (Results)	FY2023 (Plan)	FY2024 (Targets)
Net sales	JPY850.0 billion	JPY876.1 billion	JPY890.0 billion	JPY930.0 billion
Operating income	JPY93.0 billion	JPY100.7 billion	JPY102.0 billion	JPY120.0 billion
Operating C/F (cumulative total from FY 2022)	_(Note)	JPY53.5 billion	_(Note)	JPY250.0 billion
ROIC	at least 10%	10.40%	around 10%	at least 10%
ROE	at least 10%	10.60%	around 10%	at least 10%
EPS	JPY316	JPY372	JPY379	at least JPY400

Note: Operating C/F is to be evaluated at the end of SF 1st Stage, and yearly planned values are not disclosed.

<SF 1st Stage Non-financial Targets and Progress during Fiscal 2022>

Non-financial Targets	FY2022 (Plan)	FY2022 (Results)	FY2023 (Plan)	FY2024 (Targets)
1) Sustainability sales reflecting contribution to solving 3 social issues (Note 1)	+15% (vs. FY2021)	+28% (vs. FY2021)	+43% (vs. FY2021)	+45% (vs. FY2021)
2) Ratio of women in management roles on a global basis	17.4%	16.6% (Note 3)	17.4%	18%
3) Ratio of employment of people with disabilities at overseas bases and in Japan	Overseas: 26 bases Japan: 3%	Overseas: 27 bases Japan: 3.1%	Overseas: 28 bases Japan: 3%	Overseas: 28 bases Japan: 3%
4) Scope 1 and 2 GHG emissions (Note 5)	51% reduction (vs. FY2016)	62% reduction(Note 2) (vs. FY2016)	52% reduction (vs. FY2016)	53% reduction (vs. FY2016)
5) Achieve Carbon Zero at bases in Japan	9 bases	10 bases	38 bases	76 bases
6) Implement human rights due diligence in alignment with UNGP and develop a human rights redress mechanism in the value chain	- Identify human rights issues - Develop and pilot a primary human rights redress mechanism	- Identified human rights issues - Developed and piloted a primary human rights redress mechanism	- Formulate solutions to identified human rights issues - Operate and monitor the human rights redress mechanism	- Implement human rights due diligence in alignment with UNGP - Develop a human rights redress mechanism in the value chain
7) Continue to make solid advances on sustainability initiatives to maintain inclusion in DJSI World	Be included in DJSI World	Included in DJSI World	Be included in DJSI World	Be included in DJSI World
8) Participation by global managers in management training to effectively capitalize on the capabilities of diverse human resources	40%	46%	60%	100%
9) Introduce training program covering the basic knowledge required for DX: statistics, data analytics, AI and others	Create training program and pilot in Europe	Created training program and began piloting in Europe	Begin introducing training program outside of Europe	Introduce training program in all regions
10) Make full use of digital tools to reduce use of paper	40% reduction (vs. FY2019)	44% reduction (vs. FY2019)	46% reduction (vs. FY2019)	50% or higher reduction (vs. FY2019)
+1 Top management of each region (Note 4) to declare and execute their commitment to contribute to local communities in alignment with OMRON's Sustainability Policy	Declare in each region and continue implementing	Declared in each region and continued implementing	Declare in each region and continue implementing	Declare in each region and continue implementing

Notes: 1. Net sales of focus domains related to "achievement of carbon neutrality," "realization of a digital society" and "extension of healthy life expectancies"
2. Figures for fiscal 2022 GHG emissions include the temporary impact of the Shanghai lockdowns, etc.
3. Aggregated figure for the Company and its consolidated subsidiaries as of April 20, 2023, including OMRON KIRIN TECHNO-SYSTEM CO., LTD., in which investment was completed on April 3, 2023.
The ratio of women in management roles at its consolidated subsidiaries as of March 31, 2023, was 16.8%.
4. Regions: Americas, Europe, Asia, Greater China, South Korea, and Japan.
5. GHG: Greenhouse gases
6. Non-financial targets (8) through (10) were determined by employee vote.

(Reference) Sustainability Targets and Progress during Fiscal 2022>

	Material Sustainability Issues under SF2030	KPIs	FY2022 Targets	FY2022 Results
1	**Resolving social issues through our business**	Sustainability sales (vs. FY2021)	+15% growth (vs. FY2021)	+28% growth (vs. FY2021)
2	**Maximizing capability to innovate driven by social needs**	New businesses created	32 candidates created	37 candidates created
3	**Generating diverse talent taking on the challenge of value creation**	Investment in human resource development	JPY 1.6 billion	JPY 1.61 billion
		Ratio of local staff in core positions overseas	80%	80%
		Ratio of women in management roles globally	17.4%	16.6% (Note 1)
		Ratio of employment of people with disabilities at overseas bases	Achieve at 26 bases overseas	Achieved at 27 bases overseas
		Ratio of employment of people with disabilities in Japan	3%	3.1%
		VOICE SEI	70P or higher	76P
4	**Achieving de-carbonization and lower environmental impact**	Scope 1 and 2 (Note 2)	51% reduction (vs. FY2016)	62% reduction (vs. FY2016)
		Carbon Zero at bases in Japan	9 bases in Japan	10 bases in Japan
		Scope 3 (Note 3) category 11	1) Complete optimization of calculation methods 2) Determine products subject to emission reductions and formulate action plans for reductions	1) Completed changing the calculation method of the representative formats of IAB, OHQ, and OSS from catalog values to implemented values. 2) Determined products subject to emission reduction for IAB, OHQ, and OSS and completed formulation of action plans
		Environmental contribution	Complete redefinition of environmental contribution	Redefined environmental contribution and set a new direction
5	**Respecting human rights in the value chain**	Human rights due diligence implementation	Identify human rights issues	Identified 7 potential human rights issues that the OMRON Group will prioritize
		Develop mechanism for remedying human rights abuses	Global: Develop a primary human rights redress mechanism	Global: Established supplier hotlines in all regions
			Japan: Establish a pilot human rights redress mechanism using industry mechanisms	Japan: Joined JaCER (Note 4) and began trial operation using industry mechanisms

Notes: 1 Aggregated figure for the Company and its consolidated subsidiaries as of April 20, 2023, including OMRON KIRIN TECHNO-SYSTEM CO., LTD., in which investment was completed on April 3, 2023
The ratio of women in management roles at the Company and its consolidated subsidiaries as of March 31, 2023, was 16.8%.
2. Scope 1 and 2: Greenhouse gases emitted directly or indirectly from the Company's own operations.
3. Scope 3 Category 11: Greenhouse gas emissions from the Company's value chain resulting from the use of manufactured and sold products and services
4. JaCER: Japan Center for Engagement and Remedy on Business and Human Rights
5. Fiscal 2022 results on the following sustainability targets will be published in the Integrated Report issued this fiscal year after receiving limited assurance engagements from a third-party.
-Ratio of local staff in core positions overseas
-Ratio of employees with disabilities in Japan
6. Fiscal 2022 results on the following sustainability targets will be disclosed on the OMRON corporate website. Bureau Veritas Japan is currently conducting third-party limited assurance engagements, and they are expected to be completed in June 2023.
-Greenhouse gas emissions (Scope 1 and 2, and Scope 3, Category 1, 2, 3, 6, 7)
-Environmental contribution
7. These limited assurance engagements are in accordance with the International Standards on Assurance Engagements (ISAE) 3000, Assurance Engagements Other Than Audits or Reviews of Historical Financial Information of the International Auditing and Assurance Standards Board (IAASB).

(ii) Results and Outlook for Each Business Segment

(IAB)

Industrial Automation Business

Sales Composition Ratio (FY2022) **55%**

<Value creation initiatives under "SF2030">

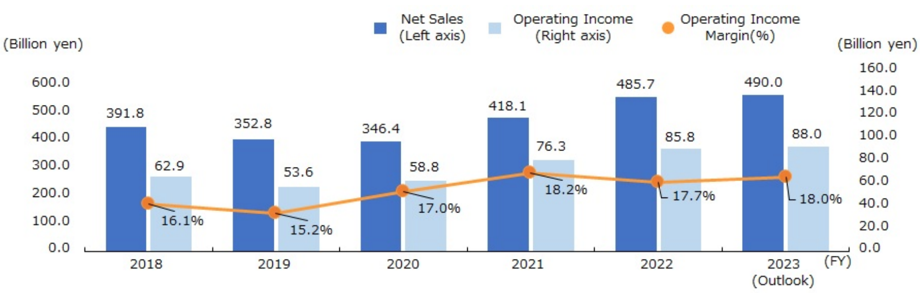
In the Industrial Automation Business, we have established a business vision of "Enriching the Future for People, Industries and the Globe by Innovative-Automation." Through automation, we aim to achieve sustainable industrial development that supports a rich medical, food, and living infrastructure, while ensuring the happiness of workers and protecting the global environment.
In setting the business vision, we envisioned the social changes we would face over the next decade. We forecast an era in which changes take place at a dizzying pace and various social issues are coming to the fore. Against this market backdrop, we have identified two aspects of social issues that we should address: "working people" and "advancement of industries."
By "working people," we mean the changing values espoused particularly by Millennials and Generation Z, the changing mindset of workers as technology evolves, and the changing world of work. By "advancement of industries," we mean not only innovation in manufacturing in secondary industry through cutting-edge technologies that are created one after another, but also major transformation that extends to primary and tertiary industries. The social issue we must address is how best to realize the balance of high engagement of working people and the advancement of industries, which is the strength of the Industrial Automation Business, and to contribute to the protection of the global environment, which is also a social requirement. Our goal is to contribute to the creation of a society with a rich medical, food, and living environment desired by people around the world through sustainable industrial evolution. This is a challenge only possible for us as we have supported "Monozukuri (manufacturing)" at the upstream for many years. Our ideas and insights are shaping the business vision.
To achieve the business vision, we will evolve our unique "innovative-Automation" manufacturing concept, which we proposed in 2016. By offering the industry's broadest lineup of control devices and technologies and solutions and creating a stream of innovation to resolve social issues, we will contribute to the sophistication of manufacturing that supports a sustainable society.

Results for fiscal 2022 and outlook for fiscal 2023

Results for fiscal 2022	
Status of sales	Capital investment demand trends in the manufacturing industry showed an increasing risk of slowdown in the near term. However, demand for semiconductor production equipment, electric vehicles (EVs), rechargeable batteries, etc., on which we focus, remained steady. Under these circumstances, first quarter performance was impacted significantly by a decline in capacity utilization at our main plant due to the Shanghai lockdowns. However, we began efforts in the second quarter to strengthen supply capacity to alleviate the heavy order backlog. At the same time, our solutions business experienced accelerated growth, particularly in our focus industries. As a result, sales significantly increased year on year to JPY 485.7 billion (up 16.2% year on year), marking a new record high.
Status of operating income	Operating income increased significantly to JPY 85.8 billion (up 12.6% year on year), reaching a record high, mainly due to the large increase in sales.

Outlook for fiscal 2023	
Outlook for sales	Although demand for capital investment in the manufacturing industry as a whole remains uncertain due to inflation and other factors, we expect capital investment demand in our focus industries of semiconductor production equipment, electric vehicles (EVs), and rechargeable batteries to remain firm. Under these circumstances, we intend to normalize order backlogs and continue to accelerate the expansion of our solutions business, particularly in our focus industries. Through these initiatives net sales for the next fiscal year are expected to be higher and come to JPY 490 billion (up 0.9% year on year).
Outlook for operating income	We expect operating income for the next fiscal year to increase over the current fiscal year to JPY 88 billion (up 2.5% year on year) through efforts to increase sales and raise productivity.

Net sales, operating income and gross profit margin



Progress in KPIs for social value creation

Social Value KPI (FY2022 Results)

No. of companies that have adopted innovative-Automation

3,717

FY2024 Targets

5,000

(2X vs. FY2021)

Note: As a result of a revision of classification for management operation, from fiscal 2022 a portion of IAB is included in DMB.
As a result, fiscal 2021 is reclassified based on the new classification for management operation.

(HCB)
Healthcare Business

Sales Composition Ratio (FY2022)

16%

<Value creation initiatives under "SF2030">

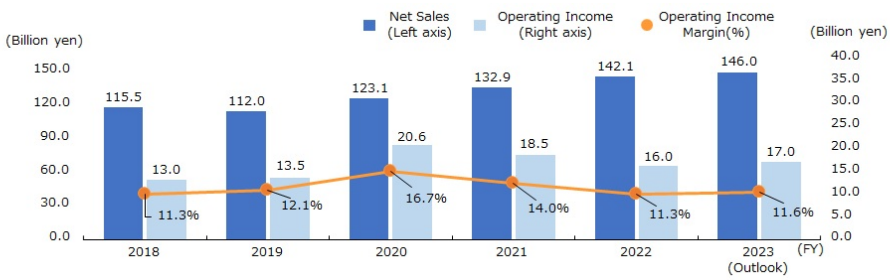
In the Healthcare Business, we have been promoting home blood pressure monitoring believing that measuring blood pressure at home is beneficial to people's health. Nowadays, blood pressure data measured at home is being used in the treatment of hypertension, and home blood pressure monitoring has a positive impact on the blood pressure control of hypertensive patients. However, as the population ages, the number of hypertensive patients is increasing globally, and onsets of cerebral and cardiovascular diseases attributable to hypertension are also on the rise. In addition, the number of patients with respiratory diseases is rising, especially in emerging countries. Chronic pain in the knees, low backs, and shoulders imposes a heavy burden on people in their daily lives, significantly reducing the quality of life (QOL).
Our SF2030 vision, "Going for ZERO, Preventive Care for Health of Society," expresses our strong determination to create a society in which people around the world can live healthy and comfortable lives.
By leveraging the technologies and insights we have cultivated so far, we address three business domains: Cardiovascular, Respiratory, and Pain Management and aim to achieve 3 Zeros within these domains: "Zero cerebrovascular and cardiovascular events," including stroke and heart failure; "Zero aggravation of respiratory diseases," such as asthma and chronic obstructive pulmonary disease (COPD); and "Zero restrictions on daily activities due to chronic pain," regarding the knees and low back pains. In addition, we will introduce Preventive Care to prevent disease and the development of serious illness, thereby offering new value fulfilling the desire of people around the world to "stay healthy."
In 2021, cumulative global sales of home blood pressure monitors exceeded 300 million units. However, looking at the global big picture, the penetration rate of home blood pressure monitor is still low, and the market size is expected to grow from 61 million units in 2020 to 87 million units in 2024. We will be focusing on China and India whose markets are expected to expand further, while strengthening our core business.

Results for fiscal 2022 and outlook for fiscal 2023

Results for fiscal 2022	
Status of sales	Demand, mainly for blood pressure monitors, remained sluggish, affected by declining consumer confidence in response to global inflation. Demand was also impacted by dealer closures and stagnation in our distribution networks due to the Zero-COVID policy in China. Despite these circumstances, we steadily captured needs associated with growing health consciousness globally, improved logistics, etc. rapidly, and enjoyed the positive impact of foreign exchange rates. As a result, sales rose year on year to JPY 142.1 billion (up 7% year on year).
Status of operating income	Despite efforts to curb fixed costs and optimize prices, operating income significantly declined year on year to JPY 16 billion (down 13.6% year on year) due to soaring materials prices and continued investments in future growth.

Outlook for fiscal 2023	
Outlook for sales	As the global growth in patients suffering from chronic diseases is likely to continue over the medium to long term, we expect demand for blood pressure monitors and other products to increase worldwide. This increase will be fueled in part by a recovery in personal consumption in China. By boosting sales through growing online channels in every region and capturing expanding demand in emerging countries accurately, we expect sales in the next fiscal year to increase year on year to JPY 146 billion (up 2.7% year on year).
Outlook for operating income	Despite the continued impact of soaring materials costs, we expect increased sales and ongoing price optimization will lead operating income to grow to JPY 17 billion (up 6.1% year on year) in the next fiscal year.

Net sales, operating income and gross profit margin



Progress in KPIs for social value creation

Social Value KPI (FY2022 Results)

Global BPM Units Sold
22.06mn

Remote Medical Service Users
75K

FY2024 Targets

Global BPM Units Sold
94mn (3-year total)

Remote Medical Service Users
600K (Cumulative)

(SSB) Social Systems, Solution and Service Business

Sales Composition Ratio (FY2022)

12%

<Value creation initiatives under "SF2030">

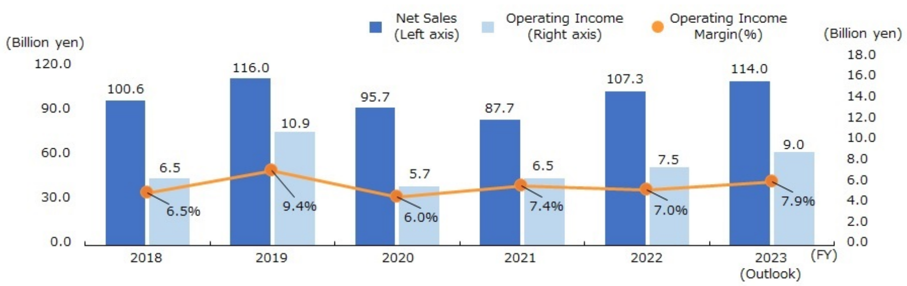
As we head toward the year 2030, new social issues will emerge, posing a threat to the security, safety, and comfort of our daily lives, such as more frequent natural disasters in view of global warming and an insufficient labor force owing to the declining birthrate and population aging. The values of people living in such times will continue to diversify. In addition to responding to our customers' needs, in light of emerging social issues we will consider how social systems should be reset and seek solutions. Together with stakeholders who share our perspectives, we will endeavor to create "next-generation social systems." Our ideas and insights as well as the processes corresponding to them are expressed by the word "Design" in our SF2030 business vision. We are committed to creating "social good" in the form of aspirational lifestyles and a bright future full of smiles.
Under SF2030, the social issues we will address are "achievement of carbon neutrality" and "realization of a digital society." Social issues such as increasing CO_2 emissions, accelerating climate change and lack of labor force due to the accelerating decline in the birthrate and population aging could cause various inconveniences and concerns in our daily life. For companies, management issues are becoming more complex in view of the need for business continuity and decisive action on the environmental front. We need to resolve not only on-site issues by providing existing devices and services but also to work with customers, helping them resolve their management issues. We will contribute to the creation of a future society that is safer, securer, and more comfortable. We will aim to realize next-generation social systems through social automation cultivated in the Social Systems, Solutions and Service Business.

Results for fiscal 2022 and outlook for fiscal 2023

Results for fiscal 2022	
Status of sales	The Energy Solutions Business continued to experience firm demand for renewable energy-related solutions, mainly for captive consumption, due to factors including soaring energy costs. With the recovery in the number of railway users, the Public Transportation System Business saw the beginnings of a recovery in customer investment demand in the second quarter and beyond. As a result, sales significantly increased year on year to JPY 107.3 billion (up 22.3% year on year).
Status of operating income	Despite the foreign exchange impact of foreign currency-denominated purchases, operating income significantly increased year on year to JPY 7.5 billion (up 15.1% year on year) due to higher sales and continued efforts to optimize prices.

Outlook for fiscal 2023	
Outlook for sales	We expect demand for renewable energy-related products in the residential and industrial domains in our Energy Solutions Business to remain firm given soaring energy prices and ongoing subsidies. Our Public Transportation System Business should see capital investment among customers remain strong as the number of rail passengers recovers. By responding quickly to these demands and providing solutions that combine products and services, we expect year-on-year sales to grow over the next fiscal year to JPY 114 billion (up 6.3% year on year).
Outlook for operating income	We expect operating income for the next fiscal year to increase significantly over the current fiscal year to JPY 9 billion (up 20.2% year on year) through efforts to increase sales and raise productivity.

Net sales, operating income and gross profit margin



Note: With the transfer of the environment business to SSB, figures for the Other business segment from fiscal 2020 onward are included in the SSB business segment.
As a result, fiscal 2018 and 2019 results are reclassified based on the new classification for management operation.

Progress in KPIs for social value creation

Social Value KPI (FY2022 Results)

Connected Energy Management Devices

24K

FY2024 Targets

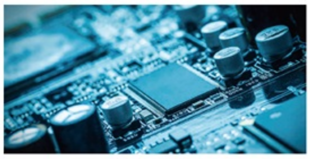
Connected Energy Management Devices

50K

(3-year total)

(DMB) Device & Module Solutions Business

Sales Composition Ratio (FY2022) 16%



<Value creation initiatives under “SF2030”>

The Device & Module Solutions Business will realize three transformations under SF2030. Firstly, we will pursue business transformation. As one of OMRON’s core businesses, the Device & Module Solutions Business aims to address social issues, namely, “achievement of carbon neutrality” and “realization of a digital society.” With this intention, the name of the business company was changed from Electronic and Mechanical Components Company to Device & Module Solutions Company on April 1, 2022, 12 years since the business company’s establishment. By combining our core technologies and diverse functions, we will enhance the value of our products and provide customers with device- and module-based solutions that give them the functions they need while addressing societal challenges. Ever since our foundation, we have been a source of sophisticated, high-quality devices and modules, including relays, switches, connectors, and sensors. And our core “connecting” and “switching” technologies are indispensable for turning equipment on and off the flow of electricity in addition to our sensing technology. Leveraging our expertise, we will create new social value that contributes to the “spread of new energy (Note) and high-speed communication.”
Secondly, we are resetting our focus domains. We will focus on four business fields where the strengths of the Device & Module Solutions Business centering on its core technologies can be brought into full play and where further growth opportunities are expected. Focus domains are DC(direct current) drive equipment, DC infrastructure equipment, high-frequency devices, and remote/VR devices. Regarding DC drive equipment and DC infrastructure equipment, the shift to DC and higher-capacity power supply and the electrification of infrastructure will progress as measures to minimize the environmental burden. In promoting widespread use of these products, the need for safety measures will increase to ensure electric shocks and combustion are prevented. Regarding high-frequency devices and remote/VR devices, the rapid digital shift requires technologies and devices that enable high-speed communication and large data capacity. With our “connecting” and “switching” technologies, we will deliver solutions for these issues.
Thirdly, we will evolve our value proposition model. In addition to the existing value, we will offer new value corresponding to “green, digital, and speed.” We will accelerate value proposition through the creation of devices that contribute to the realization of a decarbonized society, provision of digital value, and concurrent activities in which sales, development, and production work together to respond to changes in society in a flexible and timely manner.

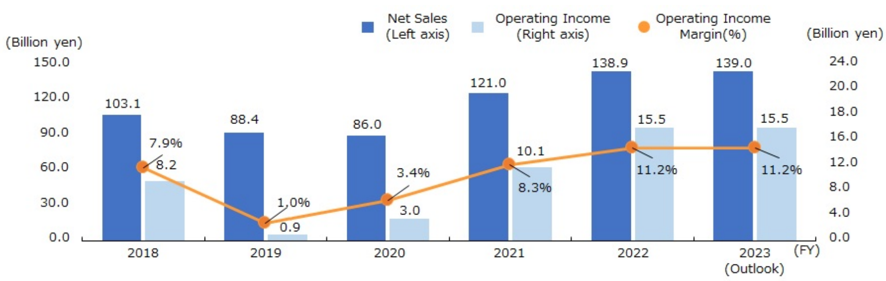
Note: New energy refers to renewable energy and innovative energy sources such as hydrogen and fuel cells.

Results for fiscal 2022 and outlook for fiscal 2023

Results for fiscal 2022	
Status of sales	Although there was a global slowdown in demand for parts for the consumer industry due to global inflation, demand remained strong for products in which the business focuses, including solar batteries, storage batteries, and other energy-related products. Demand remained strong for semiconductor inspection equipment-related products as well. As a result of focus on flexible and timely production, distribution, and sales to meet these demands, sales increased significantly to JPY 138.9 billion (up 14.8% year on year), marking a new record high.
Status of operating income	Despite the impact of soaring raw material prices and other factors, operating income increased significantly from the previous year to JPY 15.5 billion (up 53.7% year on year), marking a new record high. This result was mainly due to a significant increase in sales and price optimizations, as well as restructuring efforts we began in the past.

Outlook for fiscal 2023	
Outlook for sales	We expect consumer-industry demand to be sluggish, particularly over the first half of the fiscal year. At the same time, sales for the next fiscal year are likely to remain flat at JPY 139 billion (up 0.1% year on year), as we accelerate solutions proposals and other efforts to capture demand in solar power generation, storage batteries, and other energy-related industries, which are focuses of our business. We also expect flat sales in the industries related to semiconductor inspection equipment.
Outlook for operating income	Despite the continuing impact of soaring raw materials prices and other factors, we expect operating income for the next fiscal year to remain flat at JPY 15.5 billion (up 0% year on year), owing to continued efforts to optimize prices and improve productivity.

Net sales, operating income and gross profit margin



Note:As a result of a revision of classification for management operation, from fiscal 2022 a portion of IAB is included in DMB.
As a result, fiscal 2021 is reclassified based on the new classification for management operation.

Progress in KPIs for social value creation

Social Value KPI (FY2022 Results)

Sales volume for products contributing To adoption of renewable energy and highspeed communication (3-year total)

Products for DC equipment 10mn
Products for microwave devices 61mn

FY2024 Targets

Sales volume for products contributing to adoption of renewable energy and highspeed communication (3-year total)

Products for DC equipment 60mn
Products for microwave devices 170mn

(2) Status, Analysis and Considerations of Financial Condition and Cash Flows

(i) Financial Condition

Total assets as of the end of the fiscal year amounted to JPY 998.2 billion, a JPY 67.5 billion increase compared with the end of the previous fiscal year. This was mainly due to an increase in notes and accounts receivable-trade stemming from stronger sales and an increase in inventories as we secured components in response to the tight supply of parts and the impact of rapid changes in demand, despite a decrease in cash and cash equivalents. Total liabilities amounted to JPY 266.9 billion, increase by JPY 4.3 billion compared with the end of the previous fiscal year. This result was mainly due to an increase in accounts payable-trade, income taxes payable and lease liabilities, offset in part by a decrease in short-term debt. Net assets increased JPY 63.3 billion compared to the end of the previous fiscal year to JPY 731.2 billion, mainly due to the recording of net income attributable to OMRON shareholders and an increase in foreign currency translation adjustments. These results were offset in part by the acquisition of treasury stock. OMRON Group shareholders' equity ratio was 73%, indicating a strong financial footing. In terms of liquidity, cash on hand as of the end of the fiscal year amounted to JPY 105.3 billion. Further, OMRON has signed commitment line agreements with financial institutions in the amount of JPY 30 billion, ensuring a high level of funds available. To secure funds for future growth and investment, we intend to maintain high ratings from ratings agencies as a long-term issuer, while encouraging good relationships with financial institutions on a global basis. In this way, we believe we will ensure our ability to raise funds.

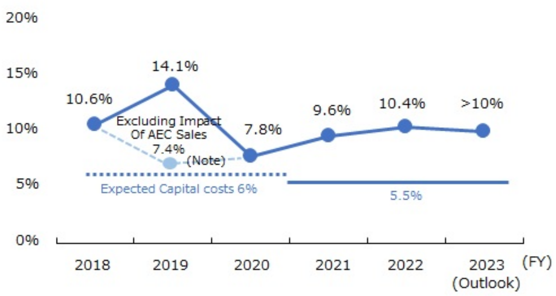
Further, important financial indicators return on equity (ROE) and return on invested capital (ROIC) have remained at levels that exceed the expected capital cost of the OMRON Group. At the end of the current fiscal year, ROE and ROIC exceeded the OMRON Group target of 10%. Meanwhile, the number of months' worth of cash and deposits on hand against monthly sales at the end of the period was 1.4 months, maintaining the level of 1 to 2 months while impacted by temporary borrowings from financial institutions. In order to achieve further enhancement of corporate value, we will reinvest accumulated cash and future generated cash into strengthening existing businesses and capturing new growth opportunities and are aware of the need to accelerate growth. By continuing to allocate management capital appropriately, we will continue to realize corporate value enhancement by increasing our ability to generate future cash flows and improving capital efficiency as we take efforts to meet the expectations of all shareholders.

The OMRON Group has been able to maintain the stability of its share price and the reduction of capital costs through strengthening resilience to change that was executed in the past, reconstructing the business portfolio, and conducting initiatives for sustainability issues. Taking this into consideration, the expected capital cost from fiscal 2021 onward is set at 5.5%. We will continue to take efforts to enhance corporate value by improving ROIC and reducing capital costs.

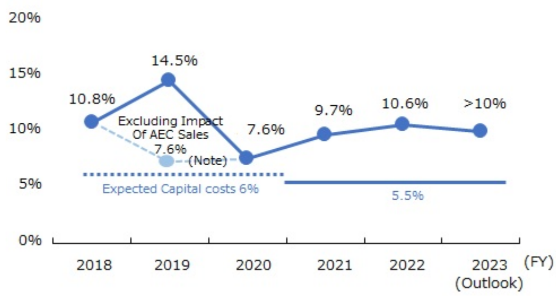
(JPY billions)

	As of March 31, 2022	As of March 31, 2023	Change
Total assets	930.6	998.2	+67.5
Total liabilities	262.7	266.9	+4.3
Shareholders' equity	665.2	728.5	+63.2
Non-controlling interests	2.7	2.8	+0.0
Total net assets	668.0	731.2	+63.3
Total liabilities and net assets	930.6	998.2	+67.5

ROIC

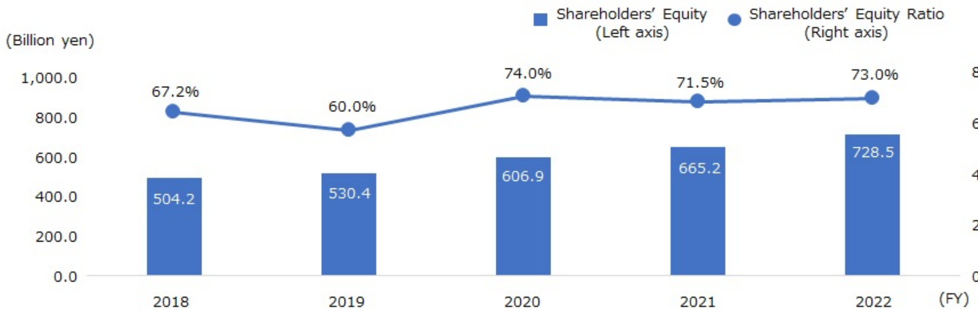


ROE



Note: ROIC and ROE that exclude the impact of the AEC sale are calculated by deducting gains on the sale of AEC from net income.

Shareholders' equity and shareholders' equity ratio



(ii) Status of Cash Flows

Status and policies for cash allocation

The OMRON Group sets the following cash allocation policy and shareholder return policy in the SF 1st Stage.

<Cash allocation policy>

i) Aiming to maximize corporate value through realizing the long-term vision, we prioritize necessary investments to create new value from a medium- and long-term perspective. During SF 1st Stage, priority will be placed on investments in human resources and R&D to solve social issues and innovate driven by social needs; capital investments in production capacity increases and digital transformation (DX); investment in growth initiatives such as M&A&A (merger, acquisition, and alliance); and investment in sustainability initiatives such as decarbonization, reduction of environmental impacts, and respect for human rights in the value chain. On this basis, OMRON will return profits to shareholders in a stable and sustainable manner.

ii) Such investments for value creation and shareholder returns will be, at least in principle, sourced from internal reserves and operating cash flows that are generated continually. We will use appropriate financing facilities when necessary. We will maintain a degree of financial soundness that allows us to seek financing regardless of the current financial situation.

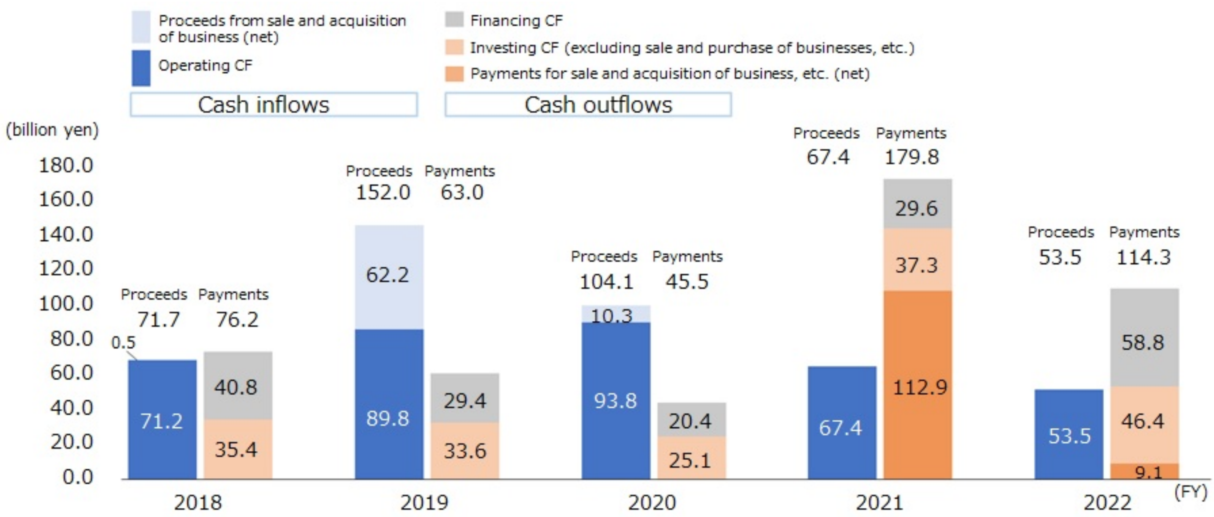
<Shareholder returns policy>

i) With priority being placed on the investment necessary for value creation over the medium and long term, annual dividends will be based on “dividends on equity (DOE) of around 3%.” Taking past dividend payments also into account, we intend to ensure stable and sustainable shareholder returns.

ii) After making the above investments and distributing profit to shareholders, OMRON will distribute retained earnings accumulated over the long term to its shareholders through strategic share buybacks and other measures.

The OMRON Group has set cumulative operating cash flows of JPY 250 billion for the three years from fiscal 2022 to fiscal 2024 as the target for SF 1st Stage. We aim to achieve the increase by strengthening earnings power and efficiently managing working capital. On the other hand, we also made strategic investments, such as capital expenditures and M&A for future growth, primarily in the Industrial Automation Business (IAB) and Healthcare Business (HCB) focus domains. Also, in shareholder returns, we also conduct flexible share buybacks taking into consideration capital efficiency and maintain stable dividends. We will continue to make investments for future growth that generate returns that exceed capital costs in order to enhance corporate value and respond to the expectations of shareholders.

<Changes in cash flows>



Notes: 1. Figures presented exclude impacts of foreign exchange rates.
2. Figures for cash flows from investing activities are presented separate from impacts due to the sale and acquisition of business, etc. Proceeds and payments from the sale and acquisition of business, etc. include “Proceeds from sale of business, net of cash paid,” “Payments for acquisition of business, net of cash received” and “Increase in investment in affiliates” appearing in the consolidated statements of cash flows.

Status of cash flows for fiscal 2022

(Cash flows from operating activities)

In the fiscal year, while net income increased, working capital such as notes and accounts receivable-trade and inventories, etc. increased. As a result of the above and other factors, net cash provided was JPY 53.5 billion (a decrease of JPY 14 billion compared with the previous fiscal year).

(Cash flows from investing activities)

We continued to make investments for future growth aggressively in the current fiscal year. As a result, net cash used was JPY 55.5 billion (a decrease of JPY 94.6 billion compared with the previous fiscal year). Major factors for the difference from the previous fiscal year include capital investment of JPY 112.2 billion in JMDC Inc. with which we entered a capital and business alliance in the medical device data services field in the previous fiscal year.

Further, free cash flows in the fiscal year, which is cash flows from operating activities minus cash flows from investing activities, were a net cash outflow of JPY 2.1 billion (a decrease of net cash outflow of JPY 80.7 billion compared with the previous fiscal year).

(Cash flows from financing activities)

As a result of repayment of borrowings and others in addition to making dividend payments and purchasing treasury stock, net cash used was JPY 58.8 billion (an increase of JPY 29.2 billion compared with the previous fiscal year).

As a result of the above, cash and cash equivalents at the end of the fiscal year were JPY 105.3 billion, down JPY 50.2 billion compared with the end of the previous fiscal year.

(JPY billions)

	Year ended March 31, 2022	Year ended March 31, 2023	Change
Cash flow from operating activities	67.4	53.5	(14.0)
Cash flow from investing activities	(150.2)	(55.5)	+94.6
Free cash flow	(82.7)	(2.1)	+80.7
Cash flow from financing activities	(29.6)	(58.8)	(29.2)

Outlook of fiscal 2023 financial position and cash flows

In the next fiscal year (fiscal 2023), we will continue to proactively conduct capital expenditures and investments for growth to achieve the long-term vision “SF2030.” In particular, we expect to increase capital expenditures by JPY 9 billion for measures such as updating IT systems across the OMRON Group.

In financing activities, we will efficiently allocate capital across the OMRON Group while looking closely at the financial conditions, and conduct flexible procurement and financial operations.

Important financial indicators ROE (Return on Equity) and ROIC (Return on Invested Capital) are expected to improve year on year with the increase in net income attributable to our shareholders, etc.

<Indicators related to financial conditions for fiscal 2023>

	FY2022 (Results)	FY2023 (Outlook)	Change
Return on Equity (ROE)	10.6%	About 10%	-
Return on Invested Capital (ROIC)	10.4%	About 10%	-

<Items related to cash flows for fiscal 2023>

	FY2022 (Results)	FY2023 (Outlook)	Change
Depreciation and amortization	JPY 26.6 billion	JPY 29.0 billion	+JPY 2.4 billion
Capital expenditures (capital investment)	JPY 45.0 billion	JPY 54.0 billion	+JPY 9.0 billion

Note: Capital expenditures represent the amount from the consolidated statement of cash flows

Financing and capital policy

The OMRON Group maintains a basic policy to secure liquidity required for business operation and diverse financing facilities, while enhancing capital efficiency, in order to execute growth investments and achieve stable business operation. As such, we maintain the following capital policy, including financing.

i) To maintain and improve shareholder value, the OMRON Group will implement management practices by taking into consideration the adequate target levels for return on invested capital (ROIC), return on equity (ROE), and earnings per share (EPS). To prepare for rapid fluctuations in economic conditions, we will also set the equity ratio target at a level sufficient for maintaining a corporate credit rating that enables raising of funds without regard to monetary market conditions.

ii) With respect to capital policy that results in a change of control or in significant dilution, the Board of Directors will make a rational decision by fully taking into consideration the effects it would have on the aforementioned ROIC, ROE, and EPS.

iii) If we implement a fund raising program that will result in significant dilution, the use of the funds and its recovery plan will be fully examined and deliberated at a meeting of the Board of Directors before making a resolution, and sufficient explanation will be given to investors and shareholders.

<Rating information>

	Rating	
	Long-term	Short Term
Standard & Poor’s	A	A-1
Rating and Investment Information, Inc.	AA-	a-1+

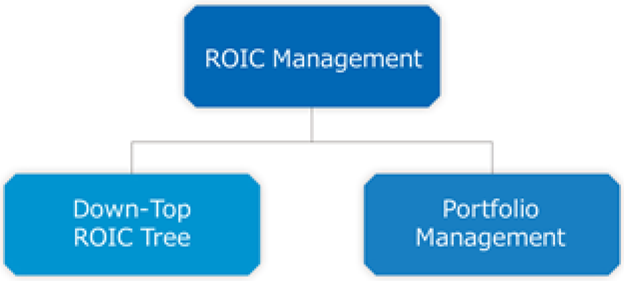
<Corporate bond information>

No outstanding corporate bonds at this time.

(Reference) Initiatives for ROIC Management

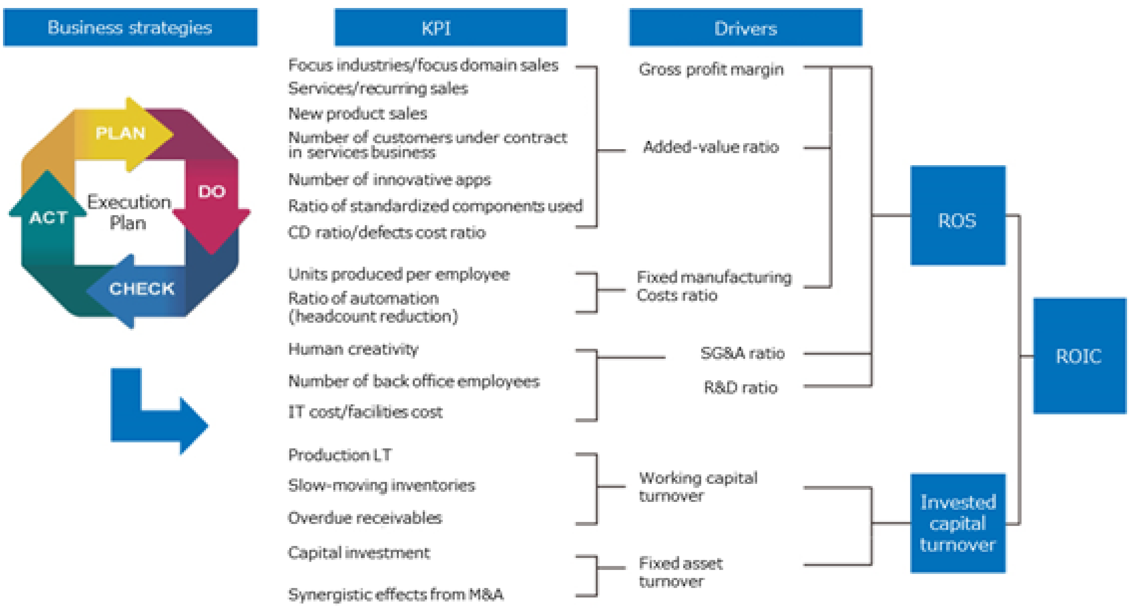
The OMRON Group has established ROIC as an important management indicator. The group as a whole is united in our efforts to have ROIC Management widely embraced throughout the OMRON Group as a way of ensuring that we can continuously improve this indicator. We will continue to promote ROIC Management in the Long-term Vision SF2030 which starts in fiscal 2022: We expect it will allow us to continue to achieve dramatic growth going forward.

For the OMRON Group, which encompasses a number of business divisions with varied characteristics, we believe ROIC is an excellent measure for assessing business performance fairly for each business. Using operating income or operating income margin as an indicator doesn't account for variances due to the nature or scope of a business. ROIC, on the other hand, measures return on invested capital, providing a fair assessment. ROIC is an essential indicator to the OMRON Group in operating our unique business portfolio. ROIC Management of the OMRON Group is comprised of two elements, Down-Top ROIC Tree and Portfolio Management.



<Down-Top ROIC Tree>

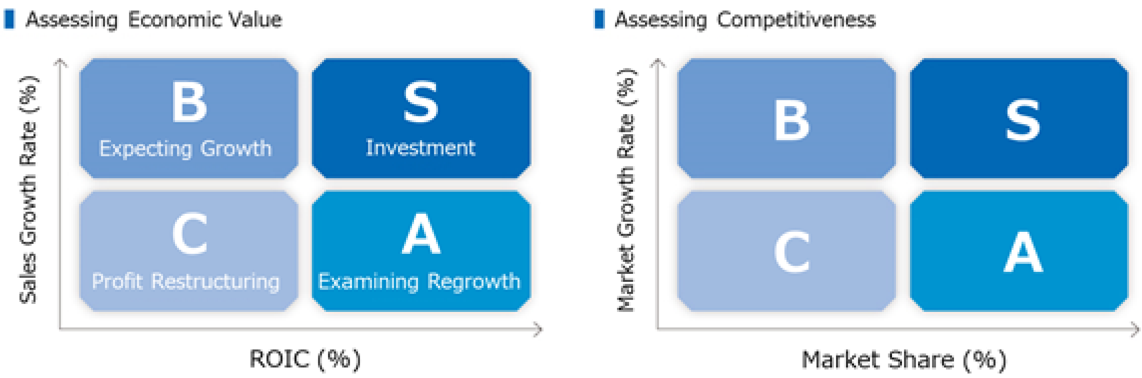
Down-Top ROIC Tree breaks ROIC into key performance indicators for each department, taking business strategies as the starting point, allowing us to improve ROIC at the most basic operating level. Using simple ROS or invested capital turnover as ROIC indicators are ineffective, since they do not relate directly to front-line operations. On-site managers would have trouble thinking of ways to improve ROIC using these indicators. However, we can break ROIC down into automation ratio (headcount reduction) or facilities turnover as KPIs of manufacturing departments. With these indicators, managers can finally see how their goals tie directly to ROIC improvement initiatives. At the OMRON Group, one of our greatest strengths is our unified approach to improving ROIC from the ground level up.



<Portfolio Management>

We break down OMRON into approximately 60 business units, each subject to a portfolio management system that assesses the economic value of the unit according to ROIC and sales growth rate. In this way, management can make proper and timely decisions related to new business entry, growth acceleration, restructuring, or divestiture to drive improvements in the OMRON Group value.

We consider both the economic value and the market competitiveness of a business in allocating limited resources in an optimal manner. This assessment system allows us to identify the growth potential of each business unit, making an optimal allocation of our resources.



(3) Significant Accounting Estimates and Assumptions Used in Estimates

Consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. In the preparation of consolidated financial statements, we use various estimates and assumptions that may impact the amounts of assets and liabilities at the end of the fiscal year, the disclosure of contingent assets and liabilities, and income and expenses during the reporting period. Actual results may differ from these estimates. For impairment of long-term assets, impairment of goodwill and unamortized intangible assets, and recoverability of deferred income tax assets, the Company makes estimates and subjective judgments, taking into account the impact of soaring raw material prices.

Details are described in "V. Financial Information 1. Consolidated Financial Statements, etc. (1) Consolidated Financial Statements, Notes on Consolidated Financial Statements, I Overview of Significant Accounting Policies, F. Accounting Standards." However, the significant impact on management strategy and consolidated financial statements are as follow.

Valuation of goodwill, etc. associated with strategic investments, etc.

The Company is proactively conducting strategic investments as part of an effort to strengthen future business growth.
In HCB, in February 2020, we made a capital investment in AliveCor, Inc., which focuses on support services and products for the diagnosis and treatment of cardiovascular conditions primarily in the U.S., with the objective of collaborating in a business to prevent the progression of serious neuro- and cardiovascular diseases and to support treatment.
Under Long-term Vision SF2030, we believe it will be important to shift the profit structure to reflect a shift toward data-driven value creation. Reflecting this, we engaged in a capital and business alliance with a medical data services company, JMDC Inc., taking a stake in February 2022

The Company has developed a system to manage the investment process and reports to the Board of Directors once a year on the progress of acquired business and future plans based on the status of recouping investments on previous acquisitions and the result of goodwill impairment tests.

(i) Valuation of Goodwill

For valuation of goodwill, goodwill is not amortized, but instead tested for impairment at least once a year or when an indication of impairment is identified.

For impairment tests, fair value of the reporting unit is calculated using the discounted cash flow method and evaluated by comparing with the corresponding carrying amount. Fair value is calculated by discounting the estimated future cash flows based on the business plan that has been approved by management to the present value using a discount rate calculated based on the weighted average cost of capital. The business plan is formulated using assumptions such as macroeconomic conditions, market growth rates, profit margins, and equipment plans. The cash flows after the forecast period in the business plan are calculated based on the assumption that they grow permanently at the inflation rate of the country where each business is located.

Weighted average cost of capital is calculated using various estimates, such as the risk-free rate, risk premium reflecting the economic and market conditions in the country where the business is located, inflation rates, liabilities costs, selection of comparable companies, and judgment on whether or not to apply premium or discount rates applicable to comparable companies. The discount rate used for the impairment test in the fiscal year is within the range of 7.4% to 10.9%.

For the impairment test for this fiscal year, as the fair values exceeded the carrying amounts, impairment losses on goodwill were not recognized.

(ii) Evaluation of Investments in Affiliates

Investments in and advances to affiliates recorded on the consolidated balance sheet as of March 31, 2023 included JPY9,835 million of equity-method investments for AliveCor, Inc. in the Healthcare Business. The amount exceeded the Company’s proportionate share in the underlying net assets of AliveCor, Inc. by JPY8,199 million, mainly due to equity method goodwill recognized when applying equity method.

The Company evaluates the fair value of investments in affiliates based on the excess earning power of the affiliates. If the decrease in value is other than a temporary decline, a loss in value of an investment is recognized for the excess of the carrying amount of the equity over the proportional fair value of the affiliate. Because AliveCor, Inc. is a start-up company, the fair value was calculated based on the same method as evaluating goodwill, considering uncertainties on the achievement of the future business plan and the importance as the goodwill equivalent amount. As a result of the calculation, loss on valuation is not necessary as the fair value exceeded the carrying amount of the investment. Upon calculating fair value for the fiscal year, we used the discount rate within the range of 11.7% to 20.0% according to the evaluation of feasibility of achievement of the business plan by each period.

Also, investments in and advances to affiliates include JPY121,918 million of our equity investment in JMDC Inc. and JPY101,427 million in excess of the Company’s share of net assets which is mainly the balance of the goodwill equivalent under the equity method.

The Company concluded that no other-than-temporary decline in value has occurred and that a valuation loss is not required to be recorded based on a comprehensive consideration of qualitative and quantitative factors, including an analysis of market price trends, an evaluation of the period and extent to which the value of the company’s assets has fallen below its book value based on stock market quotes, an evaluation of the investee’s performance and surrounding environment, and a comparison of the value of the Company’s assets based on the discounted cash flow method with its book value. The discount rates used in the valuation using the discounted cash flow method for the current year range from 7.0% to 8.0%.

(4) Production, Ordering, and Sales Results

The sales results by segment in the fiscal year are described in "(1) Status, Analysis and Considerations of Business Environment, Operating Results, etc." Production and sales items of the OMRON Group are wide-ranging and diverse. Even the same type of products may not have the same capacity, structure, shape, etc. There are also many products that do not adopt the made-to-order production method. As such, we do not provide amounts for production and orders by segment.

(5) Factors That Have a Significant Impact on Operating Results

Factors that have a significant impact on operating results are described in "II. Business Conditions, 3. Risks of Business, etc."

5. Important Agreements, etc. in Business

Nothing to report.

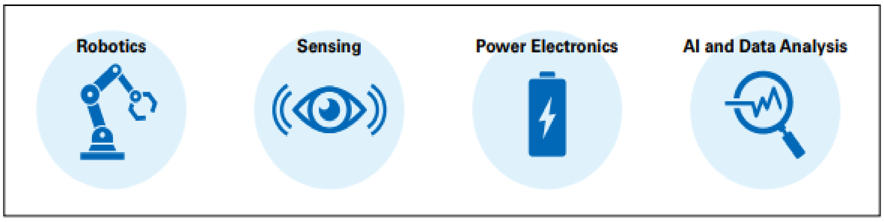
6. R&D Activities

The OMRON Group sets the technology strategy from a medium- to long-term perspective for the objective of strengthening technology and developing human resources in conducting R&D. The Technology & Intellectual Property H.Q., the Company's corporate research institute, is responsible for foundational technology development based on the company-wide perspective focused on a technology strategy for our core strength of "Sensing & Control + Think" technology, which continues to evolve. Additionally, each business division conducts applied technology development and product development. R&D expenses are allocated to focus on our business domains, the Industrial Automation Business, Healthcare Business, Social Systems, Solutions and Service Business, and Device & Module Solutions Business, to strengthen product development and manufacturing technology.

(1) R&D Initiatives of the OMRON Group

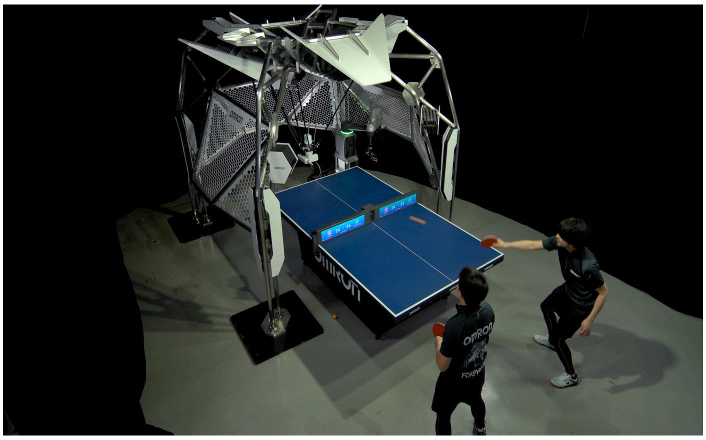
As initiatives in fiscal 2022, we worked to ensure ongoing advancement of Robotics, Sensing, Power Electronics, and AI& Data Analysis technology as focus fields of our proprietary core technologies.

<Technology fields of focus>



In the field of Robotics, we established "ROBOBASE," an experimental environment space dedicated to robot development, at the Keihanna Technology Innovation Center which is the R&D base of the Technology & Intellectual Property HQ to focus on the development of a novel robot technology that closely assists humans.

<Symbolizing Harmony Between Humans and Machines: 7th Generation FORPHEUS, Table Tennis Robot>



FORPHEUS is a robot that embodies in an easy-to-understand way the "harmony between humans and machines" through which machines bring out human capabilities and creativity, leveraging OMRON's core technology of "Sensing & Control + Think." The 7th generation, which we have been working on since fiscal 2021, is equipped with functions to enhance the performance of a doubles team by utilizing OMRON's core technology such as cutting-edge AI and robotics.

For information on OMRON's core technologies including FORPHEUS, please refer to the below.
https://www.omron.com/global/en/technology/

In Power Electronics, as a rapid expansion of the use of electric vehicles is expected in the future, the Technology & Intellectual Property H.Q. and the development division of the Social Systems, Solutions and Service Business collaborated to develop elemental technologies for a V2X system that allows electric vehicles to be regarded as high-capacity battery storage systems and to be used at homes and in facilities in the event of a natural disaster. The system with the smallest size and lightest weight in Japan could connect to existing photovoltaic power generators and battery systems, and offer a high degree of freedom, enabling

installation even in small areas where it was previously difficult to install.
Further, in Robotics and AI & Data Analysis, there are research themes of “AI-equipped robots that are in harmony with people to create and cross-over knowledge” for which Yoshitaka Ushiku of OMRON SINIC X Corporation, a research subsidiary that belongs to the Technology & Intellectual Property HQ, serves as the project manager. The theme was adopted as a project for “Goal 3: Realization of AI robots that autonomously learn, adapt to their environment, evolve in intelligence and act alongside human beings, by 2050.” under the Moonshot Research & Development Program, which is promoted by the Cabinet Office and funds challenging research projects that work to resolve difficult and high-impact social issues.
The total amount of expenses related to the Group R&D was JPY 44.277 billion in the previous fiscal year and JPY 50.182 billion in the fiscal year under review. R&D expenses include JPY 6.484 billion for technology development expenses for the Technology & Intellectual Property H.Q.
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(2) Intellectual Property Initiatives
Intellectual property is becoming ever more important as a factor of our non-financial values, in the context of our ongoing efforts to create new value. The Intellectual Property Center under the Technology & Intellectual Property HQ, which plays a central role in the OMRON Group, sets its mission and vision so that we use intellectual property to continue creating new value leading to sustainable growth, to engage in its daily activities.

<OMRON Intellectual Property Center Mission and Vision >

OMRON Intellectual Property Center Mission	OMRON Intellectual Property Center Vision
We deliver unique value for people around the world by leveraging our core assets of intellectual property.	**We bring the IP specialists together from diverse fields and continue to create innovation.**
We develop and deepen appealing ideas. We deliver peace of mind and confidence to customers. We enhance our presence to our competitors offensively and defensively.	We defy stereotypes. We create a new paradigm of connections. We strive to increase the trust from the management team.

We have intellectual property strategies regularly reported and discussed as the agenda of the Board of Directors’ meetings, and the Intellectual Property Center, under the supervision of the CTO, plays a leading role to engage in intellectual property activities across the Company. In addition to formulating and implementing intellectual property strategies in company-wide technology development at the corporate level and the creation of new businesses, the Intellectual Property Center appoints a person responsible for promoting intellectual property activities in each business unit to formulate, implement and supervise intellectual property strategies linked to business strategies. During fiscal 2022, we continued with our efforts to materialize a value creation story (business model) that is linked with the use of intellectual property and intangible assets to realize our long-term vision, and the direction of enterprise-wise intellectual property strategies of combining “monopolistic exclusive type” and “sharing and inclusion type” in an optimal balance to execute ambidextrous intellectual property activities was reported to the Board of Directors. The Board of Directors had active discussions on the evolution of intellectual property activities in that they are now more directly linked to business models than in the past, the fact that they are timely initiatives to promote a shift to service-based businesses under the long-term vision, wider use of intellectual property internally, the importance of developing specialist human resources with knowledge and business sense of intellectual property assets, and other matters.
We have ambidextrous intellectual property activities combining “monopolistic exclusive type” and “sharing and inclusion type” in an optimal balance to. And here, in addition to obtaining rights for our company’s unique technology and strengthening the exercise of rights to utilize that technology, we draw up multiple scenarios to realize our near-future design as “intellectual property architecture” and file applications in advance for innovation driven by social needs. In doing so, we are strengthening IP initiatives to deliver unique OMRON value. In addition, the Company provides internal training to enhance all engineers’ skills related to patents on a continuing basis. By utilizing the system to reward excellent inventions and recognize contributions for intellectual property, the Company raises the motivation of engineers in relation to intellectual property activities and aims to enhance company-wide intellectual property activities for business growth. Furthermore, as the scope of inventors is expanding due to a shift in the business environment from a product perspective to a service perspective, we are promoting the creation of inventions for service businesses that solve customer and social issues not only for engineers, but also for staff in other departments than development including planning departments.

In fiscal 2022, we received the Invention Award at the 2022 National Invention Awards sponsored by the Japan Institute of Invention and Innovation for inventing a software error countermeasure that enhances the reliability of manufacturing equipment, etc. By preventing accidental errors in semiconductor devices such as microprocessors and memory, which form the core of digital devices, the invention has created a new technology that will improve the reliability of systems at manufacturing sites and, in the future, digital devices such as EVs, autonomous driving, and medical devices, thereby supporting the safety and security of people.

In order to proactively utilize intellectual property in management and business, we developed and executed intellectual property strategies that link business and R&D, and enhanced the patent creation abilities in terms of both quality and quantity. As a result of these activities, we were selected for seven consecutive years from fiscal 2017 for the Clarivate Top 100 Global Innovators, a selection of the top 100 innovative global companies and institutions that have been constantly delivering superior innovation performance based on an analysis of intellectual property trends by Clarivate Analytics.

Segment Name	Current fiscal year (From April 1, 2022, to March 31, 2023)
	Amount (JPY millions)
Industrial Automation Business	27,028
Healthcare Business	7,905
Social Systems, Solutions and Service Business	3,503
Device & Module Solutions Business	5,262
Eliminations & Corporate	6,484
Total	50,182

(i) Industrial Automation Business

As society’s expectations for social materiality practices continue to accelerate, we have established three manufacturing concepts to concurrently solve both “social” and “economic” issues as below. (i) “Autonomation beyond people,” which frees people from hard labor and integrates it with energy control, (ii) “advanced collaboration between people and machines,” through which machines work close to people to bring out their potential, and people and machines grow together, and (iii) “digital engineering innovation,” through which products and human knowledge on the ground which underpin the aforementioned two concepts, and data are connected and refined into valuable forms.

Based on these three concepts, we have been working on value creation from the customers’ perspective and communicating values to global customers in five industry domains: digital devices, environmental mobility, food and household products, healthcare, and logistics. We are also working to create and provide solutions, as we shift from the conventional “product” perspective that starts with OMRON, to a “service” perspective to gain a more holistic view of customer issues. “Solutions” systematically organize functional modules, software, applications and services, starting with a variety of cutting-edge core technologies and OMRON’s wide range of FA products, to enhance value creation so that they can be offered in a way fit for customers and processes in each industry. We have also strengthened initiatives to actively apply for and utilize patents for new technologies, and received various awards.

(ii) Healthcare Business

In this segment, the Marketing Division and the R&D Division work together to realize personalized medical care, understand and create true user needs, and further speed up development. For everyone to live healthy and fulfilling lives, the R&D division aims to create new products that can provide new value in the three business areas: the cardiovascular business, which aims to reduce the incidence of neuro- and cardiovascular diseases to zero; the respiratory business, which aims to reduce the progression of serious asthma and COPD patients to zero; the pain management business, which aims to reduce daily activity constraints due to chronic pain to zero.

As a major development theme in the fiscal year, the cardiovascular business works to develop new blood pressure monitors (BPMs) that can flag declining heart function using blood pressure, pulse, pulse wave, and ECG monitors with the aim of helping to detect and treat diseases early, as well as developing and improving systems for remote medical services.

The respiratory business works with partners to develop equipment that measures symptoms and signs of exacerbation for patients with asthma and chronic obstructive pulmonary disease (COPD). The pain management business works to develop low-frequency therapy equipment that include new pain-easing technology.

(iii) Social Systems, Solutions and Service Business

This segment works to develop products that respond to customer needs in a wide range of terminals and systems, including PV inverters, storage batteries, railway station systems such as automated ticket gates and ticket vending machines, traffic and road management systems, payment systems, and UPS that protect networks.

The Energy Solutions Business continues to work to create products that respond to consumer needs for household electricity and technology development, such as improving efficiency and making products more compact and lightweight, primarily for battery systems and solar power generation power conditioners, in order to respond to the rising interest in renewable energy.

The Railway Station Service Systems Business and the Public Transportation Management Systems Business work to develop sensor systems that detect the movement of people and vehicles and incorporate AI and IoT technologies as a product that contributes to the safety, comfort, and security of users in public areas, such as railway stations and roads.

This business is also strengthening data science technological capabilities as demand rises for technology that enhances labor productivity in social infrastructure in response to the decline in the labor force, a major social issue in recent years.

(iv) Device & Module Solutions Business

This segment works to develop electro-mechanical components (mainly relays, switches and connectors) and sensing components, using imaging software technology such as facial recognition, optical technology, etc. It also works to develop new products that respond to customer needs based on strengths in high-performance functionality through modularization. In relay technology, we launched a high-voltage direct current relay that achieves on/off control of the DC current that flows during charging and discharging of a power storage system and a safety shutdown function in a single relay. We achieved this by using arc shutdown technology and three-dimensional arc simulation technology in collaboration between industry and academia. We also reduced the size of the product by analyzing the safety shutdown process of high-voltage direct current and reflecting the analysis results in the structural design. The need for power storage systems is increasing in order to achieve carbon neutrality and enhance disaster resilience, and home-use storage batteries are becoming increasingly high-capacity for the purpose of self-consumption of electricity generated by photovoltaic power generation systems. Ensuring the safety of products and making them more compact have been a challenge to achieve this. We will take advantage of arc control technology and CAE evaluation and analysis technology to not only increase the capacity of relays but also achieve higher safety and size reduction, thereby promoting the spread of renewable energy and contributing to the realization of a decarbonized society.

III. Status of Facilities

1. Overview of Capital Investments, etc.

The Group has selectively and actively strengthened production facilities aimed at future growth, invested in business sites and made the necessary capital investment in IT infrastructure renewal, etc. As a result, capital expenditure was JPY45.074 billion (up 31.8% year on year).

Capital expenditure by division was as follows.

Segment	Amount (JPY millions)	Year-on-year change (%)
Industrial Automation Business	9,298	31.9
Healthcare Business	6,587	51.3
Social Systems Solution and Service Business	3,395	21.6
Device & Module Solutions Business	9,581	57.6
Eliminations and Others	16,213	16.3
Total	45,074	31.8

Note: "Eliminations and Others" includes the head office divisions and subsidiaries that do not belong to the above segments.

2. Status of Major Facilities

The major facilities in the Group are as follows. Note that the carrying amount is shown as listed on the financial statements of the Reporting Company and subsidiaries.

(1) Reporting Company

As of March 31, 2023

Name of business site (Principal location)	Segment	Facility details	Carrying amount (JPY millions)					Emp-loyees (per-sons)
			Land (thousand m^2)	Buildings	Machinery, equipment and vehicles	Other	Total	
Kusatsu Factory (Kusatsu-shi, Shiga)	Industrial Automation Business Device & Module Solutions Business	Production of control equipment and R&D facilities Electronic component R&D facilities	2,817 (69)	4,289	1,757	1,537	10,400	989
Ayabe Factory (Ayabe-shi, Kyoto)	Industrial Automation Business	Production of control equipment	1,417 (163)	1,488	824	286	4,015	213
Yasu Factory (Yasu-shi, Shiga)	Device & Module Solutions Business	Production of electronic component and R&D facilities	807 (24)	7,594	395	241	9,037	31
Kyoto Office (Head Office) (Shimogyo-ku, Kyoto-shi)	Head Office	Facilities for companywide management operations	—	1,298	121	901	2,320	1,197
Keihanna Open Innovation Center (Kizugawa-shi, Kyoto)	Head Office	Facilities related to development, patents and technical information on new technologies and new products	3,789 (72)	3,267	269	246	7,571	268
Katsura Factory (Muko-shi, Kyoto)	Head Office	Facilities for companywide management operations	—	3,237	—	149	3,386	89

Notes: 1. Other in the carrying amount is the total of tools, furniture and fixtures, and construction in progress.

2. Land within the carrying amount is the amount revaluated by application of the “Act on Revaluation of Land” (Act No. 34 of March 31, 1998) and the “Partial Amendment to the Act on Revaluation of Land” (Act No. 94 of June 29, 2001).

3. The area of land in the carrying amount shown in parentheses is the portion owned by the Company.

4. Segment titles state principal operating segments.

5. Employee are the number of workers.

6. In addition to the above table, the details of principal leased facilities from other than consolidated companies are as follows.

Name of business site (Address)	Segment	Facility details	Lease period	Annual lease fee (JPY millions)
Kyoto Office (Head Office) (Shimogyo-ku, Kyoto-shi)	Head Office	Buildings	Until March 2025	1,080
Tokyo Office (Minato-ku, Tokyo)	Head Office	Buildings	Until December 2030	1,209

(2) Domestic Subsidiaries

As of March 31, 2023

Company name	Name of business site (Principal location)	Segment	Facility details	Carrying amount (JPY millions)					Employees (persons)
				Land (thousand m^2)	Buildings	Machinery, equipment and vehicles	Other	Total	
OMRON RELAY & DEVICES Corporation	(Yamaga-shi, Kumamoto)	Device & Module Solutions Business	Electronic component production facilities	1,046 (222)	1,403	952	521	3,922	442
OMRON HEALTHCARE Co., Ltd.	(Muko-shi, Kyoto)	Healthcare Business	Health equipment R&D and sales and management facilities, and production facilities	2,194 (34)	4,151	819	309	7,473	666
OMRON ASO Co., Ltd.	(Aso-shi, Kumamoto)	Social Systems Solution and Service Business	Manufacture, sale and development of energy generation and energy saving equipment	218 (60)	442	514	157	1,331	234

Notes: 1. Other in the carrying amount is the total of dies and construction in progress.
2. The area of land in the carrying amount shown in parentheses is the portion owned by the Company.
3. Segment titles state principal operating segments.
4. Employee are the number of workers.

(3) Overseas Subsidiaries

As of March 31, 2023

Company name	Name of business site (Principal location)	Segment	Facility details	Carrying amount (JPY millions)					Employees (persons)
				Land (thousand m^2)	Buildings	Machinery, equipment and vehicles	Other	Total	
OMRON (SHANGHAI) CO., LTD.	(Shanghai, China)	Industrial Automation Business	Control equipment production facilities	– [54]	2,185	2,865	1,366	6,416	1,463
OMRON ELECTRONIC COMPONENTS (SHENZHEN) LTD.	(Shenzhen, China)	Device & Module Solutions Business	Electronic component production facilities	– [124]	1,585	13,596	2,083	17,264	3,138
OMRON DALIAN CO., LTD.	(Dalian, China)	Healthcare Business	Health equipment production facilities	– [57]	5,961	895	424	7,280	1,477

Notes: 1. Other in the carrying amount is the total of dies and construction in progress.
2. The area of land in the carrying amount shown in parentheses is the portion owned by the Company.
3. Segment titles state principal operating segments.
4. Employee are the number of workers.

3. Plans for Installation, Retirement, etc. of Facilities

The principal plans for facilities as of March 31,2023 are as follows.

(1) New Facilities

The Group's capital investments are planned with comprehensive consideration of economic conditions, demand trends and investment efficiency, etc. for the purpose of enhancing future competitiveness.

The amount of capital investment scheduled for the coming fiscal year is JPY53,700 million, and the Company plans to allocate the funds to its own funds.

(2) Retirement of Material Facilities

Nothing to report.

IV. Information about the Reporting Company

1. Company's Shares, etc.

(1) Total Number of Shares, etc.

(i) Total Number of Shares

Class	Total number of authorized shares
Common shares	487,000,000
Total	487,000,000

(ii) Issued Shares

Class	Number of issued shares as of the end of the fiscal year (March 31, 2023)	Number of current issues as of the submission date (June 23, 2023)	Listing financial instruments and exchange, or name of registerable financial or commercial trade collaboration organization	Content
Common shares	206,244,872	206,244,872	Tokyo Stock Exchange Prime Market Frankfurt Stock Exchange (Listed in the form of depositary receipts on the Frankfurt Stock Exchange)	These are shares with full voting rights and are standard shares of the Company with no restrictions on rights. Number of shares per unit: 100
Total	206,244,872	206,244,872	–	–

(2) Status of Share Options

(i) Stock Option Plans

Not applicable.

(ii) Rights Plans

Not applicable.

(iii) Status of Other Share Options

Not applicable.

(3) Status of Corporate Bond Certificates, etc. with Share Options Subject to Exercise Value Change

Not applicable.

(4) Total Number of Issued Shares, Common Stock, etc.

Date	Change in total number of issued shares (Thousand shares)	Balance of total number of issued shares (Thousand shares)	Change in common stock (JPY millions)	Balance of common stock (JPY millions)	Changes in legal capital surplus (JPY millions)	Balance of legal capital surplus (JPY millions)
November 29, 2019 (Note)	(7,713)	206,245	–	64,100	–	88,771

Note: Decrease due to cancellation of treasury shares.

(5) Status of Shareholders

As of March 31, 2023

Classification	Status of shares (number of shares per unit: 100)								Status of shares below unit
	National government and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign corporations, etc.		Individuals and others	Total	
					Not individuals	Individuals			
Number of shareholders (persons)	1	84	37	326	814	29	24,830	26,121	—
Number of shares held (units)	10	904,557	59,128	96,380	708,063	72	292,174	2,060,384	206,472
Percentage of shares held (%)	0.00	43.90	2.87	4.68	34.37	0.00	14.18	100.00	—

Notes: 1. Of the balance of 8,817,484 treasury shares on the shareholder registry as of March 31, 2023, 88,174 units are included in the “Individuals and others” column and 84 shares are included in “Status of shares below unit.”

2. The “Other corporations” column above includes 2 units of shares in the name of Japan Securities Depository Center, Incorporated.

(6) Major Shareholders

As of March 31, 2023

Name	Address	Number of shares held (Thousand shares)	Percentage of shares held to the total number of shares issued (excluding treasury shares) (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	45,690	23.14
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12 Harumi, Chuo-ku, Tokyo	17,459	8.84
The Bank of Kyoto, Ltd. (Standing proxy: Custody Bank of Japan, Ltd.)	700 Yakushimae-cho, Karasuma-dori, Matsubara-Agaru, Shimogyo-ku, Kyoto-shi, Kyoto (1-8-12 Harumi, Chuo-ku, Tokyo)	7,069	3.58
MUFG Bank, Ltd.	2-7-1 Marunouchi, Chiyoda-ku, Tokyo	5,143	2.60
MOXLEY AND CO LLC (Standing proxy: MUFG Bank, Ltd.)	4 NEW YORK PLAZA, 13TH FLOOR, NEW YORK, NY 10004 U.S.A. (Transaction Services Division, 2-7-1 Marunouchi, Chiyoda-ku, Tokyo)	4,050	2.05
Nippon Life Insurance Company (Standing proxy: The Master Trust Bank of Japan, Ltd.)	Within Securities Operations Department, 1-6-6 Marunouchi, Chiyoda-ku, Tokyo (2-11-3 Hamamatsucho, Minato-ku, Tokyo)	3,640	1.84
OMRON Employee Stockholding Association	801, Minami Fudondocho, Shiokoji Horikawa Higashi-iru, Shimogyo-ku, Kyoto-shi, Japan	3,564	1.80
STATE STREET BANK WEST CLIENT - TREATY 505234 (Standing proxy: Settlement & Clearing Services Department, Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A (Shinagawa Intercity Tower A, 2-15-1 Konan, Minato-ku, Tokyo)	3,473	1.75
JP Morgan Securities Japan Co., LTD	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo	2,636	1.33
Tateishi Science and Technology Foundation	11, Minami Fudondocho, aburanokoji Shiokoji Sagaru, Shimogyo-ku, Kyoto-shi, Japan	2,625	1.32
Total	–	95,349	48.25

Notes: 1. The Company holds 8,817,000 treasury shares (4.27% of total number of issued shares), but has been excluded from the above major shareholders.

2. On May 21, 2020, Sumitomo Mitsui Trust Bank, Limited filed an amendment to the major shareholding status report, which is open to public, stating that its two group companies held 14,731 thousand shares of the Company (representing 7.14% of the total number of shares issued) as of May 15, 2020. However, the Company has not been able to confirm the number of shares substantially possessed by the two group companies, and therefore they are not included in the above list of major shareholders.

3. On July 20, 2020, Nomura Securities Co., Ltd. filed an amendment to the major shareholding status report, which is open to public, stating that its one group company held 16,272 thousand shares of the Company (representing 7.89% of the total number of shares issued) as of July 15, 2020. However, the Company has not been able to confirm the number of shares substantially possessed by the group company, and therefore it is not included in the above list of major shareholders

4. On March 22, 2022, BlackRock Japan Co., Ltd. filed an amendment to the major shareholding status report, which is open to public, stating that its 12 group companies held 16,217 thousand shares of the Company (representing 7.86% of the total number of shares issued) as of March 15, 2022. However, the Company has not been able to confirm the number of shares substantially possessed by the 12 group companies, and therefore they are not included in the above list of major shareholders.

5. On December 19, 2022, Mitsubishi UFJ Financial Group, Inc. filed an amendment to the major shareholding status report, which is open to public, stating that its three group companies held 15,792 thousand shares of the Company (representing 7.66% of the total number of shares issued) as of December 12, 2022. However, the Company has not been able to confirm the number of shares substantially possessed by the three group companies, and therefore, they are not included in the above list of major shareholders.

(7) Status of Voting Rights

(i) Issued Shares

As of March 31, 2023

Classification	Number of shares	Number of voting rights	Content
Non-voting shares	–	–	–
Shares with restricted voting rights (treasury shares, etc.)	–	–	–
Shares with restricted voting rights (other)	–	–	–
Shares with full voting rights (treasury shares, etc.)	Common shares 8,817,400	–	Standard shares of the Company with no restrictions on rights
Shares with full voting rights (other)	Common shares 197,221,000	1,972,210	Same as above
Shares less than one unit	Common shares 206,472	—	Same as above
Total number of issued shares	206,244,872	—	–
Voting rights of all shareholders	–	1,972,210	–

Notes: 1. "Number of shares" and "Number of voting rights" under "Shares with full voting rights (other)" include 200 shares and 2 voting rights in the name of Japan Securities Depository Center, Incorporated.
2. "Number of shares" and "Number of voting rights" under "Shares with full voting rights (other)" include 600,200 shares and 6,002 units of the Company's shares held in the BIP Trust and ESOP Trust.

(ii) Treasury Shares, etc.

As of March 31, 2023

Name of owner	Address of owner	Number of shares held in own name	Number of shares held in other party's name	Total number of shares held	Percentage of number of shares held to total number of issued shares (%)
(Treasury shares) OMRON Corporation	801, Minami Fudondocho, Shiokoji Horikawa Higashi-iru, Shimogyo-ku, Kyoto-shi, Japan	8,817,400	—	8,817,400	4.27
Total	–	8,817,400	—	8,817,400	4.27

(8) Details of Officer and Employee Share Ownership Plans

(i) Performance-Linked Share Compensation Plan for Directors, etc.

At the Board of Directors meeting held on May 14, 2021, the Company resolved to continue and partially amend the performance-linked employee share compensation plan (hereinafter referred to as the "Plan") for the Company's Directors excluding Outside Directors, the Company's Executive Officers, and the Company's subsidiaries' Directors with the status of an Executive Officer of the Company (hereinafter collectively referred to as "Directors, etc."), and passed a proposal to partially amend the Plan at the 84th Ordinary General Meeting of Shareholders held in June 2021.

With the aim of realizing the medium-term management plan, the Company will continue the Plan as an incentive plan for Directors, etc. as a way of clarifying the link between the remuneration, etc. of Directors, etc. and the value of its shares. The objective of the incentive plan is to heighten the motivation of Directors, etc. to both achieve the medium-term management plan's performance targets and contribute to the continuous enhancement of corporate value (value of the shares) through the ownership of shares.

The Plan for the Company's Directors and the Company's subsidiaries' Directors with the status of the Company's Executive Officers (hereinafter collectively referred to as "eligible Directors") uses the framework of an officer remuneration BIP (Board Incentive Plan) trust (hereinafter referred to as "BIP Trust"). Furthermore, the Plan for the Company's Executive Officers (excluding those eligible for the BIP Trust; hereinafter referred to as "eligible Executive Officers") uses the framework of a share granting ESOP (Employee Stock Ownership Plan) trust (hereinafter referred to as "ESOP Trust").

1. BIP Trust

1) Outline of the plan

The BIP Trust is established as an executive incentive program similar to performance share and restricted stock plans in the U.S. and Europe. It is designed for the granting and payment (hereinafter referred to as "granting, etc.") of the Company's shares acquired by the BIP Trust and cash in the amount of the converted value of such shares (hereinafter referred to as "the Company's shares, etc.") to Directors according to executive position and their degree of achievement of performance targets. The Company has established the BIP Trust with eligible Directors who satisfy beneficiary requirements as beneficiaries covering the fiscal years under the Company's medium-term management plan. Note that two BIP Trusts have been established according to the persons eligible under each plan (hereinafter BIP Trust I and BIP Trust II are referred to as "the Trust").

BIP Trust I: Directors of the Company

BIP Trust II: Directors of the Company's subsidiaries with the status of an Executive Officer of the Company

The Trust is a share remuneration program granting the Company's shares, etc. as executive remuneration according to the position of the eligible Director and the level of achievement of performance targets in medium-term management plan. The Trust is made up of a "performance-linked component" that grants the Company's shares, etc. after the end of the medium-term management plan, and a "non-performance-linked component" that grants the Company's shares after stepping down as an eligible Director. The purpose of the "performance-linked component" is to motivate eligible Directors to achieve the Company's medium-term management plan and strengthen the linkage between medium- to long-term performance and director remuneration, and the purpose of "non-performance-linked component" is the strengthening of shared interests through holding of shares by eligible Directors. The respective percentages of the "performance-linked component" and the "non-performance-linked component" are 60% and 40%.

2) Details of the trust agreement

・Type of trust	Money held in trust other than a money trust for specific individual management (third-party-benefit trust)
・Purpose of trust	Providing incentives for eligible Directors
・Settlor	OMRON Corporation
・Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
・Beneficiaries	Eligible Directors who satisfy the requirements for beneficiaries
・Trust administrator	Third party with no interest in the Company (Certified Public Accountant)
・Trust agreement date	August 1, 2017
・Trust period	August 1, 2017 to August 31, 2025
・Plan starting date	August 1, 2017
・Voting	No voting

・Class of shares acquired	The Company’s common shares
・Amount of trust	BIP I: JPY920 million (including trust remuneration and trust expenses) BIP II: JPY30 million (including trust remuneration and trust expenses)
・Timing of acquisition of shares	August 2021
・Method of acquisition of shares	Acquisition from stock market
・Holder of vested right	OMRON Corporation
・Residual assets	Residual assets that can be received by OMRON, which is the holder of vested rights are within the scope of the provision for trust expenses after deducting the share acquisition expenses from the trust money.

3) Total upper limit of shares that can be acquired by eligible Directors

BIP Trust I: 600,000 shares
BIP Trust II: 200,000 shares

4) Scope of beneficiaries

BIP Trust I: The Company’s Directors who satisfy beneficiary requirements
BIP Trust II: Directors of the Company’s subsidiaries with the status of an Executive Officer of the Company who satisfy beneficiary requirements

2. ESOP Trust

1) Outline of the plan

The ESOP Trust is used as an employee incentive program using a trust fund based on Employee Stock Ownership Plans in the United States of America. The Company has established the ESOP Trust with eligible Executive Officers who satisfy beneficiary requirements as beneficiaries covering the fiscal years under the Company’s medium-term management plan. The ESOP Trust acquires the number of shares expected to be granted to eligible Executive Officers pursuant to the share granting regulations specified in advance from the stock market. The ESOP Trust then grants the Company’s shares according to the position of the eligible Executive Officer and the level of achievement of the performance targets under the medium-term management plan pursuant to the share granting regulations. Like BIP Trust I and II, the ESOP Trust is made up of a “performance-linked component” that grants the Company’s shares, etc. after the end of the medium-term management plan, and a “non-performance-linked component” that grants these after stepping down as an eligible Executive Officer. The purpose of the “performance-linked component” is to motivate eligible Executive Officers to achieve the Company’s medium-term management plan and strengthen the linkage between medium- to long-term performance and economic interest. The purpose of “non-performance-linked component” is the strengthening of shared interests through holding of shares by eligible Executive Officers. The respective percentages of the “performance-linked component” and the “non-performance-linked component” are 60% and 40%.

2) Details of the trust agreement

・Type of trust	Money held in trust other than a money trust for specific individual management (third-party-benefit trust)
・Purpose of trust	Providing incentives for eligible Executive Officers
・Settlor	OMRON Corporation
・Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
・Beneficiaries	Eligible Executive Officers who satisfy the requirements for beneficiaries
・Trust administrator	Third party with no interest in the Company (Certified Public Accountant)
・Trust agreement date	August 1, 2017
・Trust period	August 1, 2017 to August 31, 2025
・Plan starting date	August 1, 2017
・Voting	No voting
・Class of shares acquired	The Company’s common shares
・Amount of trust	JPY360 million (including trust remuneration and trust expenses)
・Timing of acquisition of shares	August 2021
・Method of acquisition of shares	Acquisition from stock market
・Holder of vested right	OMRON Corporation

・Residual assets — Residual assets that can be received by OMRON, which is the holder of vested rights are within the scope of the provision for trust expenses after deducting the share acquisition expenses from the trust money.

3) Scope of beneficiaries

Eligible Executive Officers who satisfy the requirements for beneficiaries

(ii) Share Granting Plan for Employees

1. Granting shares through Employee Stockholding Association

At the Board of Directors meeting held on March 1, 2022, the Company resolved to grant shares to employees of the Company and the Company's domestic subsidiaries (hereinafter referred to as "the Company's subsidiaries") through the Employee Stockholding Association (hereinafter referred to as the "Plan").
The Plan grants common shares issued by the Company (hereinafter referred to as "the Company's shares") as special incentives to members of the stockholding association (hereinafter referred to as "members") to increase sensitivity to corporate value and raise awareness of corporate value among employees of the Company and the Company's domestic subsidiaries at the start of the long-term vision "SF2030" announced on March 1, 2022, and to encourage further membership of the OMRON Employee Stockholding Association (hereinafter referred to as "Stockholding Association").
The Plan grants special incentives to members using the method of third-party allotment of the disposal of treasury shares to the Stockholding Association through the contribution of the special incentives.

1) Outline of disposition

・Disposition date	May 17, 2022
・Class and number of shares disposed of	99,430 of the Company's common shares
・Disposition price	JPY7,760 per share
・Total value of disposition	JPY771,576,800
・Method of disposition	By third-party allotment
(Allottee)	(OMRON Employee Stockholding Association: 99,430 shares) (A uniform grant of ten shares will be granted to each of the 9,943 employees of the Company and the Company's subsidiaries who are subject to the Scheme.)

2) Scope of beneficiaries

Employees of the Company and the Company's subsidiaries as of April 1, 2022, who are members of the Stockholding Association as of May 17, 2022 and consent to the Scheme

2. Medium-term Incentive Plan using restricted stock for the Employee Stockholding Association

At the Board of Directors meeting held on March 1, 2022, the Company resolved to introduce a Medium-term Incentive Plan (hereinafter referred to as the "Plan") using restricted stock for the Employee Stockholding Association for manager-level employees of the Company and the Company's domestic subsidiaries.

This Plan is based on the Long-term Vision SF2030 announced on March 1, 2022. To realize the "Maximization of corporate value (financial and non-financial value)," the aim is to bring management and employees together to work as one to enhance corporate value and to allow all to share in the results. As one of the initiatives for this, the Company has created an opportunity for manager-level employees of the Company and the Company's domestic subsidiaries who are members of the Stockholding Association and consent to the Plan (hereinafter referred to as "eligible employees") to obtain restricted stock (the Company's common shares) issued or disposed of by the Company through the Stockholding Association for the purpose of supporting eligible employees to accumulate assets as well as heighten the desire of eligible employees to independently contribute to the continuous growth of corporate value.

Under the Plan, eligible employees are paid monetary claims as a special incentive for granting restricted stock (hereinafter referred to as "Special Incentive"), and the eligible employees contribute the Special Incentive to the Stockholding Association. Also, the Stockholding Association receives the issuance or disposal of the Company's common shares as restricted stock by using the Special Incentive contributed by eligible employees to make a contribution in kind to the Company.

1) Outline of disposition

・Disposition date	May 31, 2022
・Class and number of shares disposed of	104,781 of the Company's common shares
・Disposition price	JPY7,760 per share
・Total value of disposition	JPY813,100,560
・Method of disposition	By third-party allotment
(Allottee)	(OMRON Employee Stockholding Association: 104,781 shares)

2) Scope of beneficiaries

Manager-level employees of the Company and the Company's domestic subsidiaries as of April 1, 2022, who are members of the Stockholding Association as of May 31, 2022 and consent to the Plan

3. Stockholding Association Stimulation Plan using restricted stock for the Employee Stockholding Association

At the Board of Directors meeting held on March 1, 2022, the Company resolved to introduce a Stockholding Association Stimulation Plan (hereinafter referred to as the "Plan") using restricted stock for the Employee Stockholding Association for general-level employees of the Company and the Company's domestic subsidiaries.

This Plan is based on the Long-term Vision SF2030 announced on March 1, 2022. To realize the "Maximization of corporate value (financial and non-financial value)," the aim is to bring management and employees together to work as one to enhance corporate value and to allow all to share in the results. As one of the initiatives for this, the Company has created an opportunity for employees of the Company and the Company's domestic subsidiaries who are members of the Stockholding Association and consent to the Plan (hereinafter referred to as "eligible employees") to obtain restricted stock (the Company's common shares) issued or disposed of by the Company through the Stockholding Association for the purpose of supporting eligible employees to accumulate assets as well as heighten awareness of the importance of improving the Company's corporate value and encouraging participation in the Stockholding Association.

Under the Plan, eligible employees are paid monetary claims as a special incentive for granting restricted stock (hereinafter referred to as "Special Incentive"), and the eligible employees contribute the Special Incentive to the Stockholding Association. Also, the Stockholding Association receives the issuance or disposal of the Company's common shares as restricted stock by using the Special Incentive contributed by eligible employees to make a contribution in kind to the Company.

1) Outline of disposition

・Disposition date	May 31, 2022
・Class and number of shares disposed of	299,819 of the Company's common shares
・Disposition price	JPY7,760 per share
・Total value of disposition	JPY2,326,595,440
・Method of disposition	By third-party allotment
(Allottee)	(OMRON Employee Stockholding Association: 299,819 shares)

2) Scope of beneficiaries

General-level employees of the Company and the Company's domestic subsidiaries as of April 1, 2022, who are members of the Stockholding Association as of May 31, 2022 and consent to the Plan

4. Medium-term Incentive Plan using restricted stock for the Employee Stockholding Association

At the Board of Directors meeting held on March 1, 2022, the Company resolved to introduce a Medium-term Incentive Plan (hereinafter referred to as the "Plan") using restricted stock for the Employee Stockholding Association for manager-level employees of the Company and the Company's domestic subsidiaries.

This Plan is based on the Long-term Vision SF2030 announced on March 1, 2022. To realize the "Maximization of corporate value (financial and non-financial value)," the aim is to bring management and employees together to work as one to enhance corporate value and to allow all to share in the results. As one of the initiatives for this, the Company has created an opportunity for manager-level employees of the Company and the Company's domestic subsidiaries who are members of the Stockholding Association and consent to the Plan (hereinafter referred to as "eligible employees") to obtain restricted stock (the Company's common shares) issued or disposed of by the Company through the Stockholding Association for the purpose of supporting eligible employees to accumulate assets as well as heighten the desire of eligible employees to independently contribute to the continuous growth of corporate value.

In addition, at the Board of Directors meeting held on February 28, 2023, the Company resolved to introduce the Plan for manager-level employees of the Company's subsidiaries who have consented to the Plan and fulfilled the Company's prescribed requirements, and who joined their company, or were promoted, or returned from overseas duties between April 2, 2022 and April 3, 2023.

Under the Plan, eligible employees are paid monetary claims as a special incentive for granting restricted stock (hereinafter referred to as "Special Incentive"), and the eligible employees contribute the Special Incentive to the Stockholding Association. Also, the Stockholding Association receives the issuance or disposal of the Company's common shares as restricted stock by using the Special Incentive contributed by eligible employees to make a contribution in kind to the Company.

1) Outline of disposition

・Disposition date	May 31, 2023
・Class and number of shares disposed of	5,496 of the Company's common shares
・Disposition price	JPY7,213 per share
・Total value of disposition	JPY39,642,648
・Method of disposition	By third-party allotment
(Allottee)	(OMRON Employee Stockholding Association: 5,496 shares)

2) Scope of beneficiaries

Manager-level employees of the Company and the Company's domestic subsidiaries as of April 3, 2023, who fall into one of the categories of (1) having joined their company between April 2, 2022 and April 3, 2023, or (2) having been promoted to management on March 21, 2023, or (3) having returned from overseas between April 21, 2022 and March 21, 2023, and who have consented to the Plan and are members of the Stockholding Association as of May 31, 2023.

5. Stockholding Association Stimulation Plan using restricted stock for the Employee Stockholding Association

At the Board of Directors meeting held on March 1, 2022, the Company resolved to introduce a Stockholding Association Stimulation Plan (hereinafter referred to as the "Plan") using restricted stock for the Employee Stockholding Association for general-level employees of the Company and the Company's domestic subsidiaries.

This Plan is based on the Long-term Vision SF2030 announced on March 1, 2022. To realize the "Maximization of corporate value (financial and non-financial value)," the aim is to bring management and employees together to work as one to enhance corporate value and to allow all to share in the results. As one of the initiatives for this, the Company has created an opportunity for employees of the Company and the Company's domestic subsidiaries who are members of the Stockholding Association and consent to the Plan (hereinafter referred to as "eligible employees") to obtain restricted stock (the Company's common shares) issued or disposed of by the Company through the Stockholding Association for the purpose of supporting eligible employees to accumulate assets as well as heighten awareness of the importance of improving the Company's corporate value and encouraging participation in the Stockholding Association.

In addition, at the Board of Directors meeting held on February 28, 2023, the Company resolved to introduce the Plan for general-level employees of the Company's subsidiaries who have consented to the Plan and fulfilled the Company's prescribed requirements, and who joined their company or returned from overseas duties between April 2, 2022 and April 3, 2023.

Under the Plan, eligible employees are paid monetary claims as a special incentive for granting restricted stock (hereinafter referred to as "Special Incentive"), and the eligible employees contribute the Special Incentive to the Stockholding Association. Also, the Stockholding Association receives the issuance or disposal of the Company's common shares as restricted stock by using the Special Incentive contributed by eligible employees to make a contribution in kind to the Company.

1) Outline of disposition

・Disposition date	May 31, 2023
・Class and number of shares disposed of	9,000 of the Company's common shares
・Disposition price	JPY7,213 per share
・Total value of disposition	JPY64,917,000
・Method of disposition	By third-party allotment
(Allottee)	(OMRON Employee Stockholding Association: 9,000 shares)

2) Scope of beneficiaries

General-level employees of the Company and the Company's domestic subsidiaries as of April 3, 2023, who fall into one of the categories of (1) having joined their company between April 2, 2022 and April 3, 2023, or (2) having returned from overseas between April 21, 2022 and March 21, 2023, and who have consented to the Plan and are members of the Stockholding Association as of May 31, 2023.

6. Medium-term Incentive Plan using Share Granting ESOP Trust

At the Board of Directors meeting held on February 28, 2023, the Company resolved to introduce a medium term incentive plan (hereinafter, "the Plan") using a share granting ESOP Trust for manager-level employees of overseas subsidiaries of the Company.

The Plan is based on the Long-term Vision SF2030 announced on March 1, 2022. To realize the "Maximization of corporate value (financial and non-financial value)," the aim is to bring management and employees together to work as one to enhance corporate value and to allow all to share in the results. As one of these initiatives, the Company has created an opportunity for manager-level employees of the Company's overseas subsidiaries (hereinafter referred to as "eligible employees") to obtain stock via the Plan (the Company's common shares) for the purpose of heightening the desire of eligible employees to achieve the targets of the medium-term management plan, encouraging eligible employees to own shares of the Company, and heightening the desire of eligible employees to independently contribute to the continuous growth of the OMRON Group's corporate value.

The Plan uses the framework of a share granting ESOP (Employee Stock Ownership Plan) trust (hereinafter referred to as "ESOP Trust"). The ESOP Trust is used as an employee incentive program using a trust fund based on Employee Stock Ownership Plans in the United States of America.

1) Details of the Trust Agreement

・Type of trust	Money held in trust other than a money trust for specific individual management (third-party-benefit trust)
・Purpose of trust	Providing incentives for eligible employees
・Settlor	OMRON Corporation
・Trustee	Mitsubishi UFJ Trust and Banking Corporation (Joint trustee: The Master Trust Bank of Japan, Ltd.)
・Trust administrator	Third party with no interest in the Company (Certified Public Accountant)
・Trust agreement date	May 26, 2023
・Trust period	May 26, 2023 to August 31, 2025
・Plan starting date	May 26, 2023
・Voting	No voting
・Class of shares acquired	The Company’s common shares
・Amount of trust	JPY50 million (including trust remuneration and trust expenses)
・Timing of acquisition of shares	May 31, 2023
・Method of acquisition of shares	Disposal of treasury shares by third-party allotment
・Holder of vested right	OMRON Corporation
・Residual assets	Residual assets that can be received by OMRON, which is the holder of vested rights are within the scope of the provision for trust expenses after deducting the share acquisition expenses from the trust money.

2) Scope of beneficiaries

Eligible managers of overseas subsidiaries of the Company who satisfy beneficiary requirements

2. Acquisition and Disposal of Treasury Shares

[Class of shares, etc.] Acquisition of common shares pursuant to Article 155-3 of the Companies Act and acquisition of common shares pursuant to Article 155-7 of the Companies Act

(1) Status of Acquisition by Resolution of the General Meeting of Shareholders

Not applicable.

(2) Status of Acquisition by Resolution of the Board of Directors Meeting

Acquisition pursuant to Article 155-3 of the Companies Act

Status of Acquisition Based on the Board of Directors' Resolution on October 28, 2021

Classification	Number of shares	Total value (JPY)
Status of resolution of the Board of Directors meeting (October 28, 2021) (Acquisition period: October 29, 2021 to April 28, 2022)	3,300,000	30,000,000,000
Treasury shares acquired in previous fiscal year	2,630,300	29,998,505,500
Treasury shares acquired in current fiscal year	—	—
Total number and total value of shares remaining under the resolution	669,700	1,494,500
Percentage not exercised as of March 31, 2023 (%)	20.3	0.0
Treasury shares acquired during the acquisition period	—	—
Percentage not exercised as of the submission date (%)	20.3	0.0

Status of Acquisition Based on the Board of Directors' Resolution on July 26, 2022

Classification	Number of shares	Total value (JPY)
Status of resolution of the Board of Directors meeting (July 26, 2022) (Acquisition period: July 27, 2022 ,to March 31, 2023)	3,300,000	20,000,000,000
Treasury shares acquired in previous fiscal year	—	—
Treasury shares acquired in current fiscal year	2,864,800	19,999,151,986
Total number and total value of shares remaining under the resolution	435,200	848,014
Percentage not exercised as of March 31, 2023 (%)	13.2	0.0
Treasury shares acquired during the acquisition period	—	—
Percentage not exercised as of the submission date (%)	13.2	0.0

(3) Content of Those Not Based on a Resolution of the General Meeting of Shareholders or a Resolution of the Board of Directors Meeting

Acquisition pursuant to Article 155-7 of the Companies Act

Classification	Number of shares	Total value (JPY)
Treasury shares acquired in current fiscal year	9,596	14,018,360
Treasury shares acquired during the acquisition period	2,700	3,698,646

Note: 1.The treasury shares acquired during the acquisition period do not include treasury shares acquired due to the purchase of shares of less than one unit from June 1, 2023 until the submission date of the Annual Securities Report.

2.The treasury shares acquired do not include the company's shares purchased by the Executive Compensation ESOP Trust.

(4) Status of Disposition and Status of Holding of Acquired Treasury Shares

Classification	Fiscal year ended March 31, 2023		Acquisition period	
	Number of shares	Total value of disposition (JPY)	Number of shares	Total value of disposition (JPY)
Acquired treasury shares subject to solicitation to subscribe	504,030	3,911,272,800	14,496	104,559,648
Acquired treasury shares subject to cancellation	—	—	—	—
Acquired treasury shares subject to transfer due to merger, share exchange, share delivery or company split	—	—	—	—
Other (sale due to demand for cash-out of shares less than one unit)	95	632,517	—	—
Number of treasury shares held	8,817,484	—	8,799,784	—

Notes: 1. The number of treasury shares disposed of and the number of treasury shares held during the acquisition period do not include treasury shares disposed of or held due to the purchase or sale of shares less than one unit from June 1, 2023 until the submission date of the Annual Securities Report.

2. The number of treasury shares disposed of and the number of treasury shares held do not include the shares held by the BIP Trust and the ESOP Trust.

3. Dividend Policy

The Company seeks approval of the General Meeting of Shareholders for decisions on dividends of surplus, etc. except for interim dividends resolved by the Board of Directors meeting pursuant to the provisions of the articles of incorporation.
The Company applies the following basic policy to profit distribution including returns to shareholders.

Cash Allocation Policy

(1) Priority is given to investment for the creation of value from a medium- to long-term perspective with the aim of maximizing corporate value through the realization of the long-term vision “SF2030.” The FY2022-2024 medium-term management plan (SF 1st Stage) places priority on investments in human resources and R&D for the resolution of social issues and the creation of social needs, capital investment for purposes such as increasing production and DX, and growth investment such as M&A&A (merger, acquisition and alliance), in addition to investment in sustainability initiatives such as decarbonization, reducing environmental impact, and respect for human rights in the value chain. We will provide stable and continuous shareholder returns based on this.

(2) The sources for funds for these investments in value creation and shareholder returns are basically internal reserves and continuously generated operating cash flows. In addition, appropriate fund-raising methods are employed as needed. We will continue to endeavor to maintain a sound financial position to enable fund raising regardless of the financial landscape.

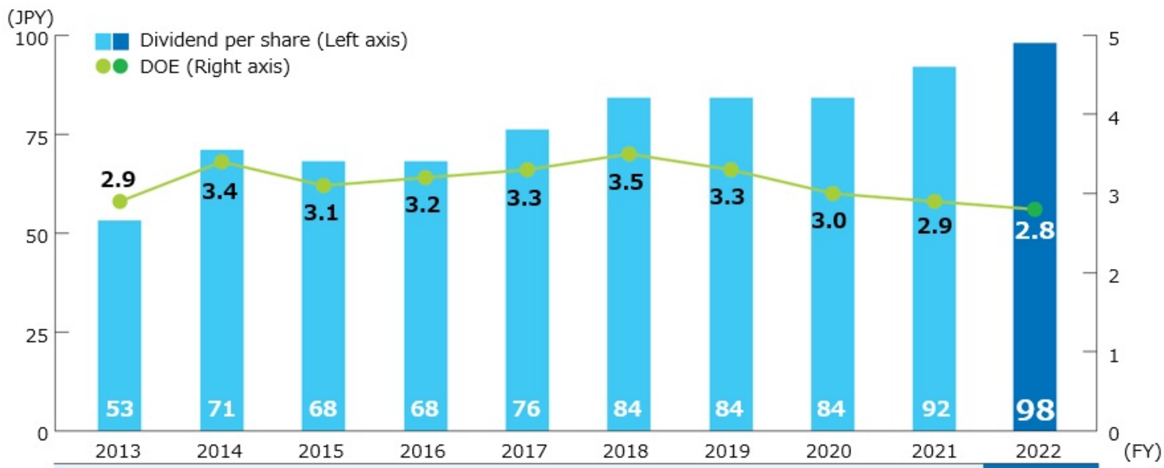
Shareholder Returns Policy

(1) Annual dividends are based on the standard of a dividend on equity ratio (DOE) of around 3% with priority on investment required for value creation from a medium- to long-term perspective. Based on this, we will endeavor to provide stable, continuous shareholder returns in light of past dividends.

(2) After implementing the above investments and profit distribution, we will use surplus retained in the long term to take steps such as share buybacks to provide returns to shareholders.

Based on the earnings performance, after considering the DOE standard* and past dividend levels, the year-end dividend for the fiscal year ended March 31, 2023 was set at JPY49, reflecting OMRON’s approach to maintain a stable and sustainable dividend level. Combined with the interim dividend of JPY49 implemented on December 2, 2022, the total annual dividend is JPY98.
By applying the DOE standard in line with the above policy, we intend to pay JPY104 as the annual dividend for the next fiscal year. The interim dividend and year-end dividend for the next fiscal year are to be determined.

＜Shareholder returns＞



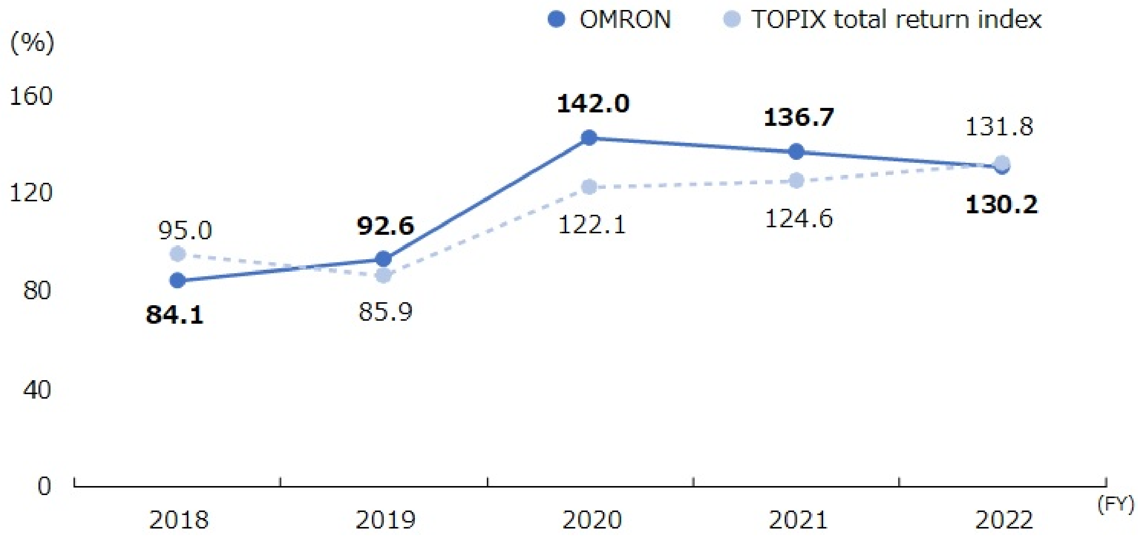
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Dividend payout ratio	25.3%	25.0%	31.1%	31.6%	25.6%	32.2%	23.0%	39.1%	30.1%	26.3%
Total amount of share buybacks	–	JPY15.0b	JPY15.0b	–	JPY14.3b	JPY25.7b	JPY18.6b	JPY1.4b	JPY30.0b	JPY20.0b
Total Payout Ratio	25.3%	49.1%	62.7%	31.6%	48.2%	79.5%	47.7%	42.6%	79.0%	53.4%

Notes: 1. The Company basically pays two dividends per year as an interim dividend and a year-end dividend.
2. The organization for determining the dividends of surplus is the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.
3. The Company has specified in its articles of incorporation that “An interim dividend with September 30 as the reference date may be paid every year by resolution of the Board of Directors.”
4. The formula for calculating the Total Payout Ratio is as follows
Total Payout Ratio = (cash dividends paid + amount of treasury stock repurchased) / net income (loss) attributable to shareholders of the Company (not including the purchase of odd-lot shares).

5. The dividends of surplus for the fiscal year ended March 31, 2023 are as follows.

Resolution date	Total amount of dividends (JPY millions)	Dividend per share (JPY)
October 26, 2022 Resolution of the Board of Directors	9,778	49.00
June 22, 2023 Resolution of the Ordinary General Meeting of Shareholders	9,674	49.00

<Total shareholder Return (TSR) trends>



Note: TSR is calculated based on stock prices as of the end of fiscal 2017.

4. Corporate Governance, etc.

(1) Outline of Corporate Governance

(i) Basic Stance for Corporate Governance of the Company

At the OMRON Group, corporate governance is defined as the system of processes and practices based on the Omron Principles and the Omron Management Philosophy. The system is intended to ensure transparency and fairness in business and speed up management decisions and practices. This is done by connecting the entire process from oversight and supervision all the way to business execution in order to boost the OMRON Group's competitive edge. OMRON's corporate governance also involves building such a system and maintaining its proper function. The ultimate objective is to achieve sustainable enhancement of corporate value by earning the support of all stakeholders.

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 enhancement of its corporate governance.

See the following URL for the OMRON Corporate Governance Policies

URL: https://www.omron.com/global/en/about/corporate/governance/policy/

<OMRON Principles>

See "II. Business Conditions 1. Management Policy, Management Environment, and Issues to be Addressed" for details on the OMRON Principles and the OMRON Management Philosophy.

(ii)Corporate Governance System

<Outline of Corporate Governance System>

The Company has chosen to adopt the organizational structure of "Company with an Audit & Supervisory Board" as stipulated by the Companies Act. To enhance the functions of the Board of Directors, four advisory committees are in place, namely the CEO Selection Advisory Committee, the Personnel Advisory Committee, the Compensation Advisory Committee, and the Corporate Governance Committee. By incorporating the best aspects of the governance system of a "Company with Committees (Nomination, etc.)" as well, the OMRON Group has established and adopted a hybrid type governance structure.

The Board of Directors consists of eight Directors and ensures fairness and transparency of management by exercising oversight functions over the overall management through the election of Directors, Audit & Supervisory Board Members and Executive Officers; the determination of compensation for Directors and Executive Officers; and making important operational decisions. Furthermore, in order to strengthen oversight functions, at the Company, management oversight and business execution are kept separate, and a majority of the Board of Directors shall consist of Directors who are not involved with business execution, and one third shall consist of Outside Directors. The Chairman of the Board who does not have representative authority serves as Chair of the Board of Directors and performs supervision as the representative of stakeholders without performing execution. Outside Directors do not have dedicated staff, but the staff of the Board of Directors Office and the Global Strategy HQ respond as needed.

The Audit & Supervisory Board consists of four Audit & Supervisory Board Members, and efforts are being made to establish a system for ensuring the effectiveness of supervision by each Audit & Supervisory Board Member. Audit & Supervisory Board Members conduct audits on legality and appropriateness of Directors' duties, and the fulfillment of the Board of Directors' oversight obligations. Outside Audit & Supervisory Board Members do not have dedicated staff, but the staff of the Audit & Supervisory Board Office respond as needed.

The CEO Selection Advisory Committee, the Personnel Advisory Committee and the Compensation Advisory Committee are chaired by an Outside Director, and the majority of each committee should be composed of Outside Directors. The chair and members of the Corporate Governance Committee are Outside Directors and Outside Audit & Supervisory Board Members. The President and CEO does not sit on any of the committees.

The CEO Selection Advisory Committee is dedicated to selection of the CEO and deliberates about candidates for the CEO for the succeeding fiscal year, contingency succession planning to take over the position in emergency situations, and the succession plan. The Personnel Advisory Committee sets criteria and policies for the selection of personnel for Directors, Audit & Supervisory Board Members, and Executive Officers, and deliberates about the candidates. The Compensation Advisory Committee sets compensation policies for Directors and Executive Officers and deliberates about compensation levels and amounts. The Corporate Governance Committee discusses measures to continuously enhance corporate governance and to increase management transparency and fairness.

<Reasons for OMRON's Selection of its Current Corporate Governance System>

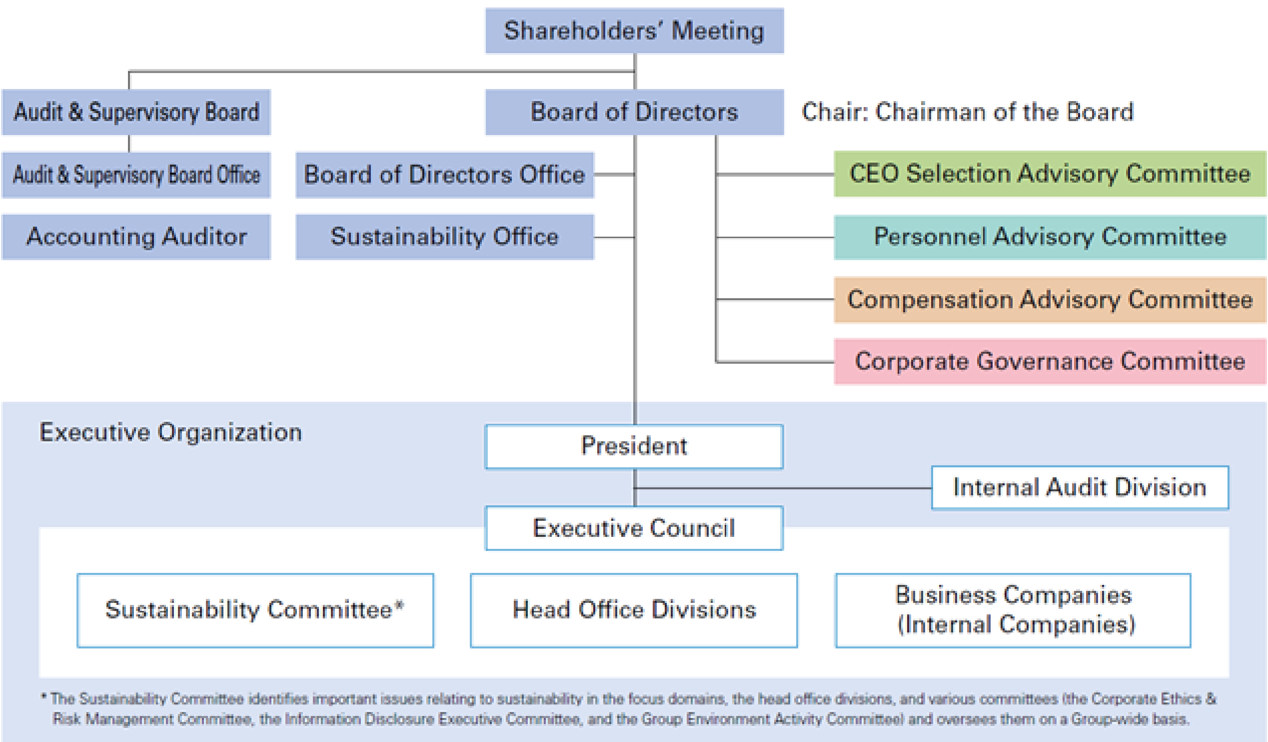
The Company has chosen to adopt the organizational structure of a "Company with Audit & Supervisory Board."
The Board of Directors strives toward sustained improvements in the OMRON's Group corporate value by exercising oversight functions over the overall management through the election of Directors, Audit & Supervisory Board Members and Executive Officers; the determination of compensation for Directors and Executive Officers; and making important operational decisions.

The Audit & Supervisory Board and the Audit & Supervisory Board Members work to secure the integrity of the OMRON Group and the sustained improvement of corporate value by conducting audits on legality and appropriateness of Directors' duties, and the fulfillment of the Board of Directors' oversight obligations. In addition, each Audit & Supervisory Board Member can exercise his/her authority on his/her own as a single-person organ in which the power of final decision-making is given to one person. This allows them to play a crucial role in strengthening internal controls.

Furthermore, to enhance the oversight functions of the Board of Directors, four voluntary advisory committees are attached to the Board of Directors. The CEO Selection Advisory Committee, the Personnel Advisory Committee and the Compensation Advisory Committee are chaired by an Outside Director, and the majority of each committee should be composed of Outside Directors. The CEO Selection Advisory Committee, in particular, is dedicated to the deliberation and nomination of candidates for CEO, which is the top-priority matter in management oversight. In addition, the Corporate Governance Committee, established for the purpose of enhancing corporate governance, is also chaired by an Outside Director, and exclusively comprises Outside Directors and Outside Audit & Supervisory Board Members. Through these unique initiatives, the Company has established and adopted a system that enhances the transparency and objectivity of management's decision-making process.

By incorporating the best aspects of the corporate governance system of a so-called "Company with Committees (Nomination, etc.)" in this way, we have created the kind of hybrid corporate governance structure that we feel is most appropriate for OMRON as a Company with Audit & Supervisory Board.

＜Omron's Corporate Governance Structure＞



(iii)Board of Directors

1)Policy regarding Composition of the Board of Directors

In order to strengthen the supervision function of the Board of Directors, at the Company, management oversight and business execution are kept separate, and a majority of the Board of Directors shall consist of Directors who are not involved with business execution. In addition, at least one-third of the Board of Directors shall consist of Outside Directors. Regarding Outside Directors and Outside Audit & Supervisory Board Members, from the perspective of ensuring their independence, they are elected in accordance with the Company's "Independence Requirements for Outside Executives." Based on the above, regarding Directors and Audit & Supervisory Board Members who make up the members of the Board of Directors, the Company shall select human resources who possess experience, specialized knowledge and insights necessary for the realization of the management vision, thereby ensuring sufficient diversity in the Board of Directors.

2)Policy regarding Appointment of Directors and Audit & Supervisory Board Members

・Directors, Audit & Supervisory Board Members, and Executive Officers are composed of human resources with the experience, specialized knowledge and insight necessary for the realization of the management vision.

・The Personnel Advisory Committee seeks to diversify Directors, Audit & Supervisory Board Members, and Executive Officers (experience, specialized knowledge, insight, gender, internationality, age, etc.) in order to respond swiftly to global growth, enhanced competitiveness, and significant changes in the business environment.

・The experience, specialized knowledge, and insight necessary for the realization of the management vision related to Directors and Audit & Supervisory Board Members is presented in the skill matrix.

[Criteria for Appointment of Outside Directors]

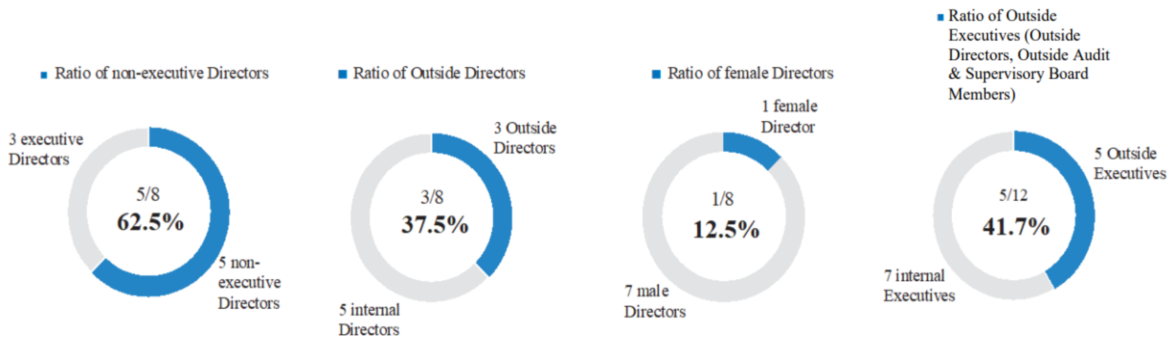
・Outside Directors are deeply involved in the CEO Selection Advisory Committee, which specializes in matters such as the appointment of the President, which is the top-priority matter in management oversight. In order to establish a highly transparent and objective system for appointing a President and CEO, Outside Directors must have management experience or equivalent experience.

[Criteria for Appointment of Outside Audit & Supervisory Board Members]

・Audit & Supervisory Board Members must possess the necessary insight, high ethical standards, fairness, and integrity as an Audit & Supervisory Board Member, as well as specialized knowledge in law, finance, accounting, management, or other areas.

3)Composition of the Board of Directors

・The composition of the Board of Directors for fiscal 2023 is as follows.



4)Main Areas of Expertise and Specialization of Directors and Audit & Supervisory Board Members (Skill Matrix)

・Areas of expertise and specialization (skills) required for Directors and Audit & Supervisory Board Members for the realization of the long-term vision "SF2030" are as follows.

Areas of expertise and specialization (skills)	Definitions of skills
Corporate Management	Experience as Chairman/President or equivalent experience (experience as Representative Director, etc.)
Sustainability, ESG	Possesses business, management experience, and specialized knowledge related to sustainability and ESG
New business creation, innovation	Possesses business, management experience, and specialized knowledge related to new business and innovation
Technology, production, quality	Possesses business, management experience, and specialized knowledge related to technology, production, and quality
DX, IT	Possesses business, management experience, and specialized knowledge related to DX and IT
Human resource development, diversity, human resource management	Possesses business, management experience, and specialized knowledge related human resource development, diversity, and human resource management
Financial accounting	Qualified as a CPA, CFO experience, business experience in financial institutions and accounting departments, and listed company management experience
Legal affairs, compliance, internal control	Qualified as an attorney, experience as an auditor, work experience in legal and internal audit departments
Global experience	Global experience, overseas business experience

*Aiming for 3 years of experience or more

・The skill matrix of Directors and Audit & Supervisory Board Members for fiscal 2023 is as follows.

Position and name		Corporate management	Sustainability ESG	New business creation innovation	Technology production quality	DX IT	Human resource development, diversity, human resource management	Financial accounting	Legal affairs, compliance, internal control	Global experience	Background and Qualifications
Chairman of the Board	Yoshihito Yamada	●	●					●		●	
Representative Director, President and CEO	Junta Tsujinaga	●			●	●				●	
Representative Director, Executive Officer and Executive Vice President, CTO	Kiichiro Miyata	●		●	●	●				●	
Director, Senior Managing Executive Officer, CHRO	Masahiko Tomita		●				●			●	
Director	Shizuto Yukumoto					●				●	
Outside Director	Takehiro Kamigama	●	●	●	●	●		●		●	Manufacturing industry
Outside Director	Izumi Kobayashi	●	●	●			●	●		●	Finance and international organization
Outside Director	Yoshihisa Suzuki	●	●	●	●	●		●		●	General trading company
Audit & Supervisory Board Member	Shuji Tamaki								●	●	International lawyer
Audit & Supervisory Board Member	Toshio Hosoi			●		●					
Outside Audit & Supervisory Board Member	Hideyo Uchiyama	●	●					●	●	●	Certified Public Accountant
Outside Audit & Supervisory Board Member	Tadashi Kunihiro	●	●						●	●	Lawyer

5)Activities of the Board of Directors in Fiscal 2022

During fiscal 2022, the Board of Directors was operated under the following Board of Directors Operation Policy and focus themes, and fully exercised its oversight functions by discussing, for each theme, issues that arose and the ideal direction to take, among other matters.

<Board of Directors Operation Policy for Fiscal 2022>

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

<Focus Themes>

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

< Points of oversight >

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

2) Response to risks in the era of uncertainty

< Points of oversight >

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

3) Checking the progress of establishing a companywide IT system

< Point of oversight >

・Monitoring companywide IT system construction with third-party evaluation in mind

For details of discussions conducted on each focus theme, please refer to the Results of evaluation of the Board of Directors' effectiveness for fiscal 2022 below.

https://www.omron.com/jp/ja/assets/img/sustainability/governance/corporate_governance/chart/20230601_governance_effectiveness_j.pdf

In addition, the Board of Directors Operation Policy for Fiscal 2023 and focus themes were determined after discussion of the based on the Results of the evaluation of the effectiveness of the Board of Directors in fiscal 2022. In fiscal 2023, the Board of Directors will be operated in accordance with the following Board of Directors Operation Policy and focus themes.

＜Board of Directors Operational Policy for Fiscal 2023＞

The Board of Directors will exercise its oversight functions from a medium- to long-term perspective as we move forward to achieving the OMRON Group's long-term vision, SF2030, and the medium-term management plan, SF 1st Stage, under the new business execution system. This will be done by recognizing the link between the following three focus themes and issues subject to oversight.

<Focus Themes>

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

< Points of oversight >

・ Operational status of the new business execution system
・ Progress of global human resources strategy implementation
・ Autonomous growth and business model transformation
・ Future business strategy in alliance with JMDC

2) Response to risks in the era of uncertainty

< Points of oversight >

・ Response to global geopolitical risks including changes in markets
・ Enhancement of cybersecurity

3) Construction of the Corporate IT System

< Point of oversight >

・ Progress of Enterprise Resources Planning (ERP) system deployment in Europe and Japan

<Reference: Overview of initiatives towards improving the Board of Directors' effectiveness>

The Company ensures transparency and fairness in business management, speeds up management decisions and practices, and strives to boost the OMRON Group's competitive edge. The ultimate objective is to achieve sustained enhancement of corporate value. To this end, the Company reinforces the supervisory functions of the Board of Directors through initiatives for improving its effectiveness. Such initiatives are undertaken in a cycle of a. evaluation of the Board of Directors' effectiveness and b. determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans.

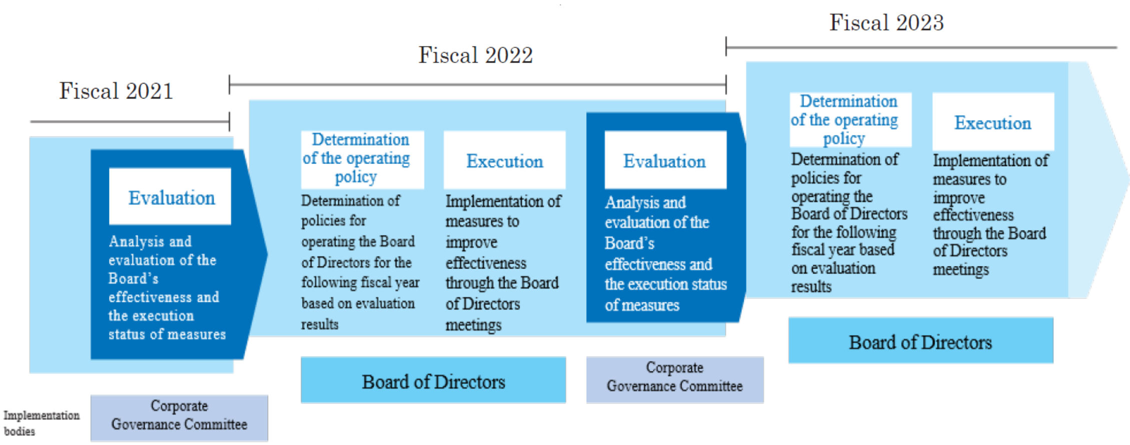
a. Evaluation of the Board of Directors' effectiveness

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

b. Determination of the policy for the operation and focus themes of the Board of Directors and formulation and implementation of annual plans

Based on the evaluation results by the Corporate Governance Committee in a. and the business environment, etc., the Board of Directors determines the policy for the operation and focus themes of the Board of Directors for the next fiscal year. The Board of Directors formulates and implements annual plans based on this operation policy. The Company continues to improve the Board of Directors' effectiveness by implementing a. and b. above on a yearly basis. The Corporate Governance Committee has evaluated these initiatives to be the Company's unique, optimal activities that are both objective and effective. The Board of Directors recognizes the Company's initiatives as being more effective than evaluations by third parties.

<Initiatives towards improving the Board of Directors' effectiveness>



<Attendance at the Board of Directors Meetings During Fiscal 2022>

Position	Name	Attendance
Chairman of the Board	Fumio Tateishi	100% (14/14 times)
Representative Director	Yoshihito Yamada	100% (14/14 times)
Representative Director	Kiichiro Miyata	100% (14/14 times)
Director	Koji Nitto	100% (14/14 times)
Director	Satoshi Ando	100% (14/14 times)
Outside Director	Takehiro Kamigama	100% (14/14 times)
Outside Director	Izumi Kobayashi	100% (14/14 times)
Outside Director	Yoshihisa Suzuki	100% (11/11 times)
Audit & Supervisory Board Member	Shuji Tamaki	100% (14/14 times)
Audit & Supervisory Board Member	Kiyoshi Yoshikawa	93% (13/14 times)
Outside Audit & Supervisory Board Member	Hideyo Uchiyama	100% (14/14 times)
Outside Audit & Supervisory Board Member	Tadashi Kunihiro	100% (14/14 times)
Outside Director	Eizo Kobayashi	100% (3/3 times)

Note: Mr. Eizo Kobayashi retired as Director, and Mr. Yoshihisa Suzuki was newly appointed as Director on June 23, 2022.

(iv)Audit & Supervisory Board

Activities of the Audit & Supervisory Board are as described in "IV. Information about the Reporting Company 4. Corporate Governance, etc. (3) Status of Auditing."

(v)Advisory Committees, etc.

1)Advisory Committee Members in Fiscal 2023

Title	Name	CEO Selection Advisory Committee	Personnel Advisory Committee	Compensation Advisory Committee	Corporate Governance Committee
Chairman of the Board	Yoshihito Yamada	□			
Representative Director	Junta Tsujinaga				
Representative Director	Kiichiro Miyata			□	
Director	Masahiko Tomita		□		
Director	Shizuto Yukumoto	○	○	○	
Outside Director	Takehiro Kamigama ◆	◎	□	□	◎
Outside Director	Izumi Kobayashi ◆	□	◎	□	○
Outside Director	Yoshihisa Suzuki ◆	□	□	◎	□
Audit & Supervisory Board Member	Shuji Tamaki				
Audit & Supervisory Board Member	Toshio Hosoi				
Outside Audit & Supervisory Board Member	Hideyo Uchiyama ◆				□
Outside Audit & Supervisory Board Member	Tadashi Kunihiro ◆				□

◎ Chairperson ○ Vice-Chairperson □ Committee Member ◆ Independent under Tokyo Stock Exchange rules

2)Activities of the Advisory Committees in Fiscal 2022

Activities of the Advisory Committees in Fiscal 2022 are as follows.

CEO Selection Advisory Committee	
Members	Five members (three Outside Directors and two internal Directors)
Chairman	Outside Director
Committee composition	•The majority shall be Outside Directors •The two internal Directors shall be non-executive Directors (the President and CEO is not a member of the committee)
Number of meetings held	3 times
Attendance	100%
Matters deliberated and matters reported	•Narrowing down of candidates based on engagement surveys, 360-degree evaluations, and third-party evaluation results •Using contact opportunities to ascertain the character of candidates (conducted on a separate occasion from the committee meetings) •Determination of candidates for President and CEO •Determination of a successor in the event of a crisis in fiscal 2023

Personnel Advisory Committee	
Members	Five members (three Outside Directors and two internal Directors)
Chairman	Outside Director
Committee composition	•The majority shall be Outside Directors •The Chairman of the Board of Directors and the President and CEO are not members of the committee
Number of meetings held	7 times
Attendance	100%
Matters deliberated and matters reported	•Determination of criteria for appointing Directors, Audit & Supervisory Board Members, and Executive Officers •Determination of Director candidates, Audit & Supervisory Board Member candidates, and Executive Officer personnel •Reporting on succession planning for management executives •Reporting on the list of candidates for Outside Director and Outside Audit & Supervisory Board Member •Determination of the members of each Advisory Committee

Compensation Advisory Committee	
Members	Five members (three Outside Directors and two internal Directors)
Chairman	Outside Director
Committee composition	•The majority shall be Outside Directors •The Chairman of the Board of Directors and the President and CEO are not members of the committee
Number of meetings held	5 times
Attendance	96%
Matters deliberated and matters reported	•Determination of compensation policy and compensation structure for Directors •Reporting on the compensation policy and compensation structure for Executive Officers •Determination of compensation levels and tables for Directors and Executive Officers •Determination of compensation for foreign Executive Officers •Determination of evaluation criteria and payment amounts for Director bonuses and stock compensation •Reporting on the evaluation criteria and payment amounts for Executive Officer bonuses and stock compensation

Corporate Governance Committee	
Members	Five members (three Outside Directors and two Outside Audit & Supervisory Board Members)
Chairman	Outside Director
Committee composition	Composed of Outside Directors and Outside Audit & Supervisory Board Members
Number of meetings held	2 times
Attendance	100%
Matters deliberated	•Evaluation of the Board of Directors' effectiveness for fiscal 2022

(vi) Status of Establishment of Internal Control Systems

The Company has established an internal control system, and takes precise action by constantly clarifying a variety of internal and external risks that may impede sustained enhancement of corporate value. As an internal auditing function, the Global Internal Auditing Headquarters directly reporting to the President periodically conducts internal audits of the accounting, operations, business risks, compliance, etc. of each head office division and each business company, and provides specific advice aimed at monitoring and operational improvements.

A diagram of system for monitoring business execution and management, and the status of establishment of the internal control system is shown in Omron Corporate Governance Policies.

(vii) Status of Compliance and Risk Management Initiatives

The OMRON Group has promoted integrated compliance and risk management activities through the Corporate Ethics & Risk Management Committee. The OMRON Group has reinforced its capabilities to respond to change through a department directly under the President that promotes and thoroughly enforces such activities.

a. Compliance

The OMRON Group has familiarized its officers and employees with the OMRON Group Rules, which are the common management basis for the Group, and conducted the necessary trainings. In particular, the month of October was designated Corporate Ethics Month, and various initiatives have been implemented including sending messages from the President to the officers and employees in Japan and overseas, offering compliance training for such things as cartel prevention and bribery prevention, and familiarizing officers and employees with the whistle-blower system. Whistle-blower hotlines have been established and are in operation at the major bases in Japan and overseas. Additionally, the Information Disclosure Executive Committee convened regular meetings in order to ensure the accuracy, timeliness and completeness of disclosures, while trainings were held for the prevention of insider trading. Furthermore, the internal audit department conducted operational audits on the divisions of the OMRON Group on a risk basis.

During the fiscal year under review, regarding the OMRON Group Rules, the Company responded to changes in the environment by adding human rights management in labor, such as risk assessments for human rights issues, and by establishing information security rules unique to Greater China in response to China’s information-related laws and regulations. In addition, regarding the whistle-blower system, the Company established a system for accepting consultations from suppliers as part of the human rights remedy mechanism.

b. Risk management

Based on the OMRON Group Rules of Integrated Risk Management, we identify risks related to the Group from a global perspective every year, perform analysis, and designate critical risks to the Group which are presented to the Executive Council. Each quarter, the Corporate Ethics & Risk Management Committee checks the progress of measures to address risks and promotes systematic initiatives. Furthermore, Group companies inside and outside Japan appoint Risk Managers, and this global network is used to share information on regular risks, promptly take action such as discussing responses, and the front line and management combine forces to take measures to respond to internal and external environmental changes.

During the fiscal year under review, the OMRON Group continued to work to implement COVID-19 countermeasures, and continued the provision of products and services while prioritizing the securing of employees’ health and safety. Furthermore, the Group took measures to prepare for the indefinite suspension of the Industrial Automation Business and the Device & Module Solutions Business in Russia and, regarding the rapidly changing geopolitical risks, strove to strengthen the system of monitoring trends in individual countries.

(viii)Outline of Agreements Limiting Liability

In order to enable Outside Directors and Outside Audit & Supervisory Board Members to fulfill their expected roles, the Company has established provisions in the articles of incorporation on agreements limiting liability with Outside Directors and Outside Audit & Supervisory Board Members. The outline of the content of the agreements limiting liability concluded with all Outside Directors and Outside Audit & Supervisory Board Members pursuant to the provisions of the articles of incorporation are as follows.

a. Agreements limiting liability of Outside Directors

Outside Directors are liable for compensation of damages up to the higher of JPY10 million or the minimum lability amount specified in Article 425-1 of the Companies Act for liability under Article 423-1 of the Companies Act if performing duties in good faith and without gross negligence.

b. Agreements limiting liability of Outside Audit & Supervisory Board Members

Outside Audit & Supervisory Board Members are liable for compensation of damages up to the higher of JPY10 million or the minimum lability amount specified in Article 425-1 of the Companies Act for liability under Article 423-1 of the Companies Act if performing duties in good faith and without gross negligence.

(ix)Outline of Indemnity Agreements

In order to enable Directors and Audit & Supervisory Board Members to fulfill their expected roles, the Company has concluded indemnity agreements with Mr. Yoshihito Yamada, Mr. Junta Tsujinaga, Mr. Kiichiro Miyata, Mr. Masahiko Tomita, Mr. Shizuto Yukumoto, Mr. Takehiro Kamigama, Ms. Izumi Kobayashi, Mr. Yoshihisa Suzuki, Mr. Shuji Tamaki, Mr. Toshio Hosoi, Mr. Hideyo Uchiyama and Mr. Tadashi Kunihiro indemnifying the expenses under Article 430-2, paragraph 1, item 1 and losses under item 2 of the same paragraph within the scope specified by laws and regulations. However, there are certain exemptions such as not indemnifying losses arising as a result of an act performed with the knowledge that it is an illegal act.

(x)Outline of Directors and Officers Liability Insurance Contracts

The Company has concluded a Directors and Officers Liability Insurance Contracts pursuant to Article 430-3, paragraph 1 insuring all Directors, Audit & Supervisory Board Members and Executive Officers of the Company and subsidiaries; the Company pays all insurance premiums. The insurance policy covers compensation for damages and litigation expenses borne by the insured in cases where the insured is subject to a claim for compensation for damages from a shareholder or a third party. As a measure to ensure the appropriate execution of duties of the insured is not impaired, compensation for damages arising as a result of an intentional or criminal act by the insured is excluded from insurance claims.

(xi)Number of Directors, etc.

The Company has specified the number of Directors in the articles of incorporation. Furthermore, the quorum for appointment resolutions has been lowered in the articles of incorporation for the appointment of Directors. The content of the articles of incorporation is as follows.

a. Number of Directors

The number of Directors of the Company shall be ten (10) or less.

b. Method of election of Directors

・The directors of the Company shall be elected at a General Meeting of Shareholders.

・A resolution electing directors shall be adopted by a majority of votes of the shareholders present at a General Meeting of Shareholders at which shareholders representing not less than one-third of the voting rights of shareholders entitled to exercise voting rights are present.

・A resolution to elect directors of the Company shall not be made by cumulative voting.

(xii)Organ Determining Acquisition of Treasury Shares

The Company stipulates in the articles of incorporation that it may acquire treasury shares through market transactions and the like pursuant to the provisions of Article 165, paragraph 2 of the Companies Act, in order to enable the flexible execution of management according to changes in economic conditions.

(xiii)Organ Determining Interim Dividends

The Company stipulates in the articles of incorporation that interim dividends may be paid by resolution of the Board of Directors with September 30 as the reference date pursuant to the provision of Article 454, paragraph 5 of the Companies Act to flexibly return profits to shareholders.

(xiv) Requirements for Special Resolutions of the General Meeting of Shareholders

In order to be able to flexibly pass special resolutions, the Company stipulates in its articles of incorporation that resolutions of the General Meeting of Shareholders specified in Article 309, paragraph 2 of the Companies Act shall be passed with one-third or more of the votes of shareholders eligible to vote present and two-thirds or more of those votes cast in favor.

(2) Officers

(i) List of Officers

11 male, 1 female (8.3% of officers are female)

Position	Name	Date of birth	Career summary		Term of office	Number of shares of the Company owned (thousands of shares) (Note 7)
Chairman of the Board	Yoshihito Yamada	November 30, 1961	April 1984 June 2008 March 2010 June 2010 June 2011 June 2013 June 2023	Joined the Company Appointed Executive Officer, and President and CEO of OMRON HEALTHCARE Co., Ltd. Appointed Senior General Manager of Corporate Strategic Planning H.Q. Appointed Managing Executive Officer Appointed Representative Director and President Appointed CEO Appointed Chairman of the Board (to present)	(Note 5)	55
Representative Director, President and CEO	Junta Tsujinaga	April 5, 1966	April 1989 March 2016 April 2017 April 2019 March 2021 April 2023 June 2023	Joined the Company Appointed Senior General Manager of Product Business Division HQ, Industrial Automation Company Appointed Executive Officer Appointed Managing Executive Officer Appointed Company President of Industrial Automation Company Appointed President and CEO (to present) Appointed Representative Director (to present)	(Note 5)	5
Representative Director, Executive Officer and Executive Vice President, CTO	Kiichiro Miyata	July 24, 1960	April 1985 March 2010 June 2010 June 2012 April 2015 April 2017 June 2017 March 2018 April 2023	Joined Tateisi Institute of Life Science, Inc. (currently OMRON HEALTHCARE, Co., Ltd) Appointed President and CEO of OMRON HEALTHCARE Co., Ltd. (Retired in March 2015) Appointed Executive Officer of the Company Appointed Managing Executive Officer Appointed Chief Technology Officer (CTO) (to present) Appointed Senior General Manager of Technology & Intellectual Property H.Q. Appointed Senior Managing Director Appointed Representative Director (to present) Appointed Senior General Manager of Innovation Exploring Initiative HQ Appointed Executive Officer and Executive Vice President (to present)	(Note 5)	24
Director, Senior Managing Executive Officer, CHRO and Senior General Manager of Global Human Resources and Administration HQ	Masahiko Tomita	August 20, 1966	April 1989 March 2012 April 2014 March 2017 April 2019 April 2023 June 2023	Joined the Company Appointed General Manager of Corporate Planning Department, Global Strategy HQ Appointed Executive Officer Appointed Senior General Manager of Global Human Resources and Administration HQ (to present) Appointed Managing Executive Officer Appointed Senior Managing Executive Officer and CHRO (to present) Appointed Director (to present)	(Note 5)	12

Position	Name	Date of birth	Career summary		Term of office	Number of shares of the Company owned (thousands of shares) (Note 7)
Director	Shizuto Yukumoto	December 25, 1961	April 1985 April 2009 June 2010 March 2012 March 2014 April 2014 February 2017 June 2023	Joined the Company Appointed President & CEO of OMRON EUROPE B.V. Appointed Executive Officer Appointed Senior General Manager of Environmental Solutions Business HQ Appointed Senior General Manager of Environmental Business HQ Appointed Managing Executive Officer Appointed Company President of Electronic and Mechanical Components Company (currently Device & Module Solutions Company) Appointed Director (to present)	(Note 5)	15
Outside Director	Takehiro Kamigama	January 12, 1958	April 1981 June 2002 June 2003 June 2004 June 2006 June 2016 June 2017 June 2018 July 2021	Joined TDK Corporation Appointed Corporate Officer of TDK Corporation Appointed Senior Vice President of TDK Corporation Appointed Director & Executive Vice President of TDK Corporation Appointed President & Representative Director of TDK Corporation Appointed Chairman & Representative Director of TDK Corporation Appointed Outside Director of the Company (to present) Appointed Mission Executive of TDK Corporation Appointed Chief Consultant, Contemporary Amperex Technology Japan KK (to present)	(Note 5)	—
Outside Director	Izumi Kobayashi	January 18, 1959	April 1981 June 1985 December 2001 November 2008 April 2015 June 2016 June 2020	Joined Mitsubishi Chemical Industries Limited (currently Mitsubishi Chemical Corporation) Joined Merrill Lynch Futures Japan Inc. Appointed President and Representative Director of Merrill Lynch Japan Securities Co., Ltd. Appointed Executive Vice President of Multilateral Investment Guarantee Agency, The World Bank Group Appointed Vice Chairperson of Japan Association of Corporate Executives Appointed Governor of Japan Broadcasting Corporation Appointed Outside Director of the Company (to present)	(Note 5)	1

Position	Name	Date of birth	Career summary		Term of office	Number of shares of the Company owned (thousands of shares) (Note 7)
Outside Director	Yoshihisa Suzuki	June 21, 1955	April 1979	Joined ITOCHU Corporation	(Note 5)	1
			June 2003	Appointed Executive Officer of ITOCHU Corporation		
			April 2006	Appointed Managing Executive Officer of ITOCHU Corporation		
			April 2007	Appointed President (CEO) of ITOCHU International Inc.		
			June 2012	Appointed Representative Director, President & CEO of JAMCO CORPORATION		
			June 2016	Appointed Representative Director and Senior Managing Executive Officer of ITOCHU Corporation		
			April 2018	Appointed President & Chief Operating Officer of ITOCHU Corporation		
			April 2020	Appointed President & Chief Operating Officer and CDO・CIO of ITOCHU Corporation		
			April 2021	Appointed Member of the Board and Vice Chairman of ITOCHU Corporation		
			April 2022	Appointed Vice Chairman of ITOCHU Corporation		
			June 2022	Appointed Outside Director of the Company (to present)		
			April 2023	Appointed Senior Vice Representative for External Affairs, ITOCHU Corporation (to present)		

Position	Name	Date of birth	Career summary	Term of office	Number of shares of the Company owned (thousands of shares) (Note 7)
Audit & Supervisory Board Member	Shuji Tamaki	December 3, 1961	April 1985 Joined the Company March 2008 Appointed General Manager of the Legal Center, Management Resources Innovation HQ March 2015 Appointed Senior General Manager of Global Risk Management and Legal HQ April 2015 Appointed Executive Officer June 2021 Appointed Audit & Supervisory Board Member (to present)	(Note 4)	8
Audit & Supervisory Board Member	Toshio Hosoi	December 25, 1961	April 1984 Joined the Company April 2011 Appointed Managing Director and Senior General Manager of Solutions Business HQ of OMRON SOCIAL SOLUTIONS Co., Ltd. June 2011 Appointed Executive Officer of the Company March 2015 Appointed President and CEO of OMRON SOCIAL SOLUTIONS Co., Ltd. April 2015 Appointed Managing Executive Officer June 2023 Appointed Audit & Supervisory Board Member (to present)	(Note 6)	15
Outside Audit & Supervisory Board Member	Hideyo Uchiyama	March 30, 1953	November 1975 Joined Arthur Young & Company December 1979 Joined Asahi & Co. (now KPMG AZSA LLC) March 1980 Registered as Certified Public Accountant July 1999 Appointed Representative Partner, KPMG AZSA LLC May 2002 Appointed Board Member, KPMG AZSA LLC June 2006 Appointed Executive Board Member, KPMG AZSA LLC June 2010 Appointed Managing Partner, KPMG AZSA LLC, Chairman, KPMG Japan September 2011 Appointed Chairman, KPMG Asia Pacific October 2013 Appointed CEO, KPMG Japan September 2015 Appointed Executive Advisor, ASAHI Tax Corporation (to present) June 2016 Appointed Outside Audit & Supervisory Board Member of the Company	(Note 3)	1
Outside Audit & Supervisory Board Member	Tadashi Kunihiro	November 29. 1955	April 1986 Registered as attorney with the Daini Tokyo Bar Association Joined Nasu & Iguchi Law Office January 1994 Established Kunihiro Law Office (Curently T. Kunihiro & Co., Attorneys-at-Law) June 2017 Appointed Outside Audit & Supervisory Board Member of the Company (to present)	(Note 4)	2
Total					139

Notes: 1. Directors Takehiro Kamigama, Izumi Kobayashi and Yoshihisa Suzuki are Outside Directors.

2. Audit & Supervisory Board Members Hideyo Uchiyama and Tadashi Kunihiro are Outside Audit & Supervisory Board Members.

3. The term of office is from the time of the conclusion of the 83rd Ordinary General Meeting of Shareholders until the time of the conclusion of the 87th Ordinary General Meeting of Shareholders.

4. The term of office is from the time of the conclusion of the 84th Ordinary General Meeting of Shareholders until the time of the conclusion of the 88th Ordinary General Meeting of Shareholders.

5. The term of office is from the time of the conclusion of the 86th Ordinary General Meeting of Shareholders until the time of the conclusion of the 87th Ordinary General Meeting of Shareholders.
6. The term of office is from the time of the conclusion of the 86th Ordinary General Meeting of Shareholders until the time of the conclusion of the 90th Ordinary General Meeting of Shareholders.
7. The above numbers of shares held include the effective number of shares held in the name of the OMRON Officers' Stock Ownership Plan.
   The effective number of shares owned as of May 31, 2023 is shown because the number of shares acquired by the OMRON Officers' Stock Ownership Plan for June 2023 cannot be confirmed as of the submission date (June 23, 2023).
8. The Company elects one Alternate Audit & Supervisory Board Member as prescribed in Article 329, paragraph (3) of the Companies Act in case of a vacancy in the number of Audit & Supervisory Board Members prescribed by law. The career summary of the Alternate Audit & Supervisory Board Member is as follows.

Name	Date of birth	Career summary		Number of shares of the Company owned (thousands of shares)
Toru Watanabe	February 2, 1966	April 1993	Registered as attorney with the Osaka Bar Association Joined Kitahama Partners (currently Kitahama Partners - Foreign Law Joint Enterprise)	–
		January 1998	Appointed Partner of Kitahama Partners (to present)	
		January 2020	Appointed Representative Partner of Kitahama Partners (to present)	

(ii) Outside Officers

Outside Directors comprise one-third or more of the Board of Directors to strengthen oversight functions.

The Company currently has three Outside Directors and two Outside Audit & Supervisory Board Members.

1. Personal Relationships, Capital Relationships and Business Relationships Outside Directors and Audit & Supervisory Board Members Have with the Company

Mr. Yoshihisa Suzuki is the Senior Vice Representative for External Affairs of ITOCHU Corporation. Although the OMRON Group and the ITOCHU Group have business relationships such as the sale of products, the percentage of the value of transactions was less than 1% of consolidated net sales for both the OMRON Group and the ITOCHU Group, and, as such, there are no issues with his independence. There are no other notable relationships between companies where Outside Executives hold significant concurrent positions and the Company.

The Outside Executives of the Company satisfy the "Independence Requirements for Outside Executives" (Note) specified by the Company, and all Outside Executives have been registered as Independent Officers because there is no risk of the occurrence of a conflict of interests with general shareholders.

Note: The Company's "Independence Requirements for Outside Executives" are stated in "3. OMRON's Independence Requirements for Outside Directors and Audit & Supervisory Board Members and Approach to the State of Election"

2. Functions and Roles of Outside Directors and Audit & Supervisory Board Members in OMRON's Corporate Governance

Functions and Roles of Independent Outside Directors

・ Independent Outside Directors perform the function of supervising execution, advisory functions and the function of supervising conflicts of interest based on their independent positions, in addition to reflecting the opinions of stakeholders in the Board of Directors.

・ Independent Outside Directors exchange opinions on the Company's management with the Audit & Supervisory Board.

・ Independent Outside Directors demand information to the Company as needed to fulfill their roles.

Functions and Roles of Independent Outside Audit & Supervisory Board Member

・ Independent Outside Audit & Supervisory Board Members provide appropriate opinions to the President and the Board of Directors based on their independent positions.

・ Independent Outside Audit & Supervisory Board Members endeavor to actively establish an auditing environment including exercising their auditing authority pursuant to laws and regulations.

3. OMRON's Independence Requirements for Outside Directors and Audit & Supervisory Board Members and Approach to the State of Election

Independence Requirements for Outside Directors and Audit & Supervisory Board Members

In addition to the requirements of Japan's Companies Act, the Company has formulated its own "Independence Requirements for Outside Executives" and as we select all Outside Executives using these requirements as our standard, we judge them to be sufficiently independent, and register all of our Outside Executives as Independent Officers. When determining that all Outside Executives are Independent Officers, we consult with our Corporate Governance Committee (which is composed of Outside Executives) and confirm that the "Independence Requirements for Outside Executives" are appropriate as independence criteria for Outside Executives before they are resolved by the Board of Directors.

"Independence Requirements for Outside Executives" (Revised on December 25, 2014)

In selecting new Outside Executive nominees, the Company has set the following independence requirements to define relations between the OMRON Group and the nominees as well as companies or organizations to which they belong. Outside Executives shall maintain the following independence requirements after appointment as well, and if there is an appointment to a principal position, independence shall be reviewed based on these independence requirements by the Personnel Advisory Committee.

a. Nominees for Outside Executives shall not be Directors (excluding Outside Directors), Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members, Executive Officers or employees of the OMRON Group (see Note) and they shall not have been Directors (excluding Outside Directors), Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members), Executive Officers or employees of the OMRON Group in the past.

b. They shall not have been large shareholders of the OMRON Group (*), or Directors, Audit & Supervisory Board Members, Executive Officers or employees of a company in which the OMRON Group is a large shareholder in any of the past five fiscal years.

(*) A large shareholder refers to a company, etc. with a shareholding ratio exceeding 10% of total voting rights.

c. They shall not be Directors, Audit & Supervisory Board Members, Executive Officers or employees at significant transaction partners (*) of the OMRON Group.

(*) A significant transaction partner refers to a company whose payments or received transaction amount in business with the OMRON Group in the previous fiscal year and the past three fiscal years represent more than 2% of the consolidated net sales of the Group or the transaction partner (including its parent company and significant subsidiaries).

d. They shall not be Directors, Audit & Supervisory Board Members, Executive Officers or employees of a corporation, organization, etc. receiving large donations (*) from the OMRON Group.

(*) Large donations refer to donations of JPY 10 million per year or donations that represent more than 2% of the consolidated net sales or total income of the donation recipient, whichever amount is larger, based on the average for the past three fiscal years.

e. Companies or organizations to which the nominee belongs must not have appointed designated Directors, Audit & Supervisory Board Members, or Executive Officers to the OMRON Group or vice versa.

f. They shall not have been representative partners, staff members, partners or employees at the Accounting Auditors serving the OMRON Group in any of the past five fiscal years.

g. They shall not be legal specialists, certified public accountants, consultants, etc., that receive large amounts of money (*) or other assets from the OMRON Group besides compensation of Directors or Audit & Supervisory Board Members.

(*) Large amounts of money refer to JPY 10 million per year in the cases of an individual or an amount that represents more than 2% of the consolidated net sales in the case of an organization based on the average for the past three fiscal years.

h. They shall not be a spouse, family member within the second degree of relationship, family member that lives in the same residence, or a dependent of any of the following parties.
   (1) Directors, Audit & Supervisory Board Members, Executive Officers or principal employees (*) of the OMRON Group
   (2) Parties that were Directors, Audit & Supervisory Board Members, Executive Officers or principal employees of the OMRON Group in any of the past five fiscal years
   (3) Parties that are restricted from appointment based on items 2. through 7. above
   (*) Principal employees refer to employees at the Senior General Manager level or above.

i. In addition, there shall be nothing questionable regarding the independence in performing duties as an Outside Executive.

Note: The above term ‘OMRON Group’ means OMRON Corporation and its subsidiaries.

Status of Election and Reasons for Election of Outside Directors and Audit & Supervisory Board Members (Independent)

	Name	Reasons for election
Outside Director	Takehiro Kamigama	Having served in management positions at a global company, Outside Director Takehiro Kamigama has a considerable track record of management achievements and superior insight into innovation, technology, DX and IT, and appropriately supervises corporate management as an Outside Director with an aim of realizing the long-term vision “SF2030” and the medium-term management plan “SF 1st Stage.” In addition, Mr. Kamigama shares his experience and insight as management expert, and actively comments as Chairman of the CEO Selection Advisory Committee, Compensation Advisory Committee, and Corporate Governance Committee, and as a member of the Personnel Advisory Committee to contribute to increasing transparency and fairness in the management of the Company. Based on these factors, the Company expects that he will be a suitable person for supervising management for sustained improvements in corporate value and has therefore selected him as an Outside Director.
Outside Director	Izumi Kobayashi	Outside Director Izumi Kobayashi has abundant experience and international insight cultivated through her service as a representative for private financial institutions and an international development financial institution. Furthermore, she has expertise in sustainability, ESG and diversity, and appropriately supervises corporate management as an Outside Director with an aim of realizing the long-term vision “SF2030” and the medium-term management plan “SF 1st Stage.” In addition, Ms. Kobayashi shares her experience and insight as management expert, and actively comments as Chairman of the Personnel Advisory Committee, as Vice Chairman of the Corporate Governance Committee, and as a member of the CEO Selection Advisory Committee and Compensation Advisory Committee to contribute to increasing transparency and fairness in the management of the Company. Based on these factors, the Company expects that she will be a suitable person for supervising management for sustained improvements in corporate value and has therefore selected her as an Outside Director.
Outside Director	Yoshihisa Suzuki	Having served in management positions at a global general trading company, Outside Director Yoshihisa Suzuki has a considerable track record of international management achievements and superior insight into innovation, technology, DX and IT, and appropriately supervises corporate management as an Outside Director with an aim of realizing the long-term vision “SF2030” and the medium-term management plan “SF 1st Stage.” In addition, Mr. Suzuki shares his experience and insight as management expert, and actively comments as a member of the CEO Selection Advisory Committee, Personnel Advisory Committee, Compensation Advisory Committee, and Corporate Governance Committee to contribute to increasing transparency and fairness in the management of the Company. Based on these factors, the Company expects that he will be a suitable person for supervising management for sustained improvements in corporate value and has therefore selected him as an Outside Director.
Outside Audit & Supervisory Board Member	Hideyo Uchiyama	Outside Audit & Supervisory Board Member Hideyo Uchiyama has many years of working experience as a certified public accountant in an auditing firm and considerable knowledge regarding finance and accounting. Furthermore, as a top executive of an auditing firm and a corporate manager of a global consulting firm, he has abundant experience and superior insight. As an Outside Audit & Supervisory Board Member, he attends Board of Directors meetings and other important meetings, at which he proactively comments from the standpoint of audit on legality and appropriateness, and he duly fulfills his role of auditing the performance of duties by Directors. In addition, Mr. Uchiyama actively comments as a member of Corporate Governance Committee to contribute to increasing transparency and fairness in the Company’s management. Based on these accomplishments and considerable amount of experience, the Company believes that he is a suitable person for an Audit & Supervisory Board Member and therefore selected him as an Outside Audit & Supervisory Board Member.

	Name	Reasons for election
Outside Audit & Supervisory Board Member	Tadashi Kunihiro	Outside Audit & Supervisory Board Member Tadashi Kunihiro is an attorney principally specializing in corporate governance, compliance and the Companies Act. He is an expert in corporate crisis management and has been appointed to important positions including advisory roles in the Cabinet Office and the Consumer Affairs Agency. As an Outside Audit & Supervisory Board Member, he attends Board of Directors meetings and other important meetings, at which he proactively comments from the standpoint of audit on legality and appropriateness, and he duly fulfills his role of auditing the performance of duties by Directors. In addition, Mr. Kunihiro actively comments as a member of Corporate Governance Committee to contribute to increasing transparency and fairness in the Company's management. Based on these accomplishments and considerable amount of experience, the Company believes that he is a suitable person for an Audit & Supervisory Board Member and has therefore selected him as an Outside Audit & Supervisory Board Member.

(iii) Mutual Coordination between Supervision and Audits by Outside Directors and Audit & Supervisory Board Members and Internal Audits, Audits by Audit & Supervisory Board Members and Audits by the Accounting Auditor, and the Relationship with Internal Audit Divisions

As mentioned above, Outside Directors attend monthly meetings of the Board of Directors, are present at committee meetings, and supervise management, in addition to entering into annual dialogues with the Audit & Supervisory Board in order to exchange opinions on the Company's management.

The situation with regard to Outside Audit & Supervisory Board Members is as described in "IV. Information about the Reporting Company 4. Corporate Governance, etc. (3) Status of Auditing."

(3) Status of Auditing

(i)Status of Auditing by Audit & Supervisory Board Members

1. Organization and Personnel

The Audit & Supervisory Board of the Company consists of two Audit & Supervisory Board Members and two Outside Audit & Supervisory Board Members.

Audit & Supervisory Board Members are selected from candidates with appropriate experience and abilities, as well as the necessary experience in areas related to finance, accounting, and legal affairs. One criterion is that there be at least one person with considerable knowledge of finance and accounting in particular.

The Audit & Supervisory Board Office is staffed by employees with the necessary knowledge and abilities to assist the Audit & Supervisory Board Members in the performance of their duties. Personnel matters related to Audit & Supervisory Board Office staff require the consent of the Audit & Supervisory Board Members.

Composition of the Audit & Supervisory Board in fiscal 2022

Name	Position	Appointed	Expert Knowledge
Shuji Tamaki	Audit & Supervisory Board Member	2021	Legal affairs, compliance, internal control, risk management
Kiyoshi Yoshikawa	Audit & Supervisory Board Member	2019	Global quality management and creation of production system
Hideyo Uchiyama	Outside Audit & Supervisory Board Member	2016	Finance and accounting, global consulting firm management
Tadashi Kunihiro	Outside Audit & Supervisory Board Member	2017	Corporate governance, internal control, corporate risk management, etc.

Notes: 1. Mr. Shuji Tamaki is the chair of the Audit & Supervisory Board.

2. The term of office of Mr. Kiyoshi Yoshikawa expired at the close of the Ordinary General Meeting of Shareholders held on June 22, 2023, and the Company requested that Mr. Toshio Hosoi be elected Audit & Supervisory Board Member at said Ordinary General Meeting of Shareholders. Mr. Hosoi has been involved in the Company's Social Systems, Solutions and Service Business for many years, through which experience he has gained considerable knowledge of new business creation, innovation, DX, and IT.

3. The career summaries of Audit & Supervisory Board Members as of the submission date of the Annual Securities Report are shown in the "IV. Information about the Reporting Company 4. Corporate Governance, etc. (2) Officers (i) List of Officers" item.

2. Operations of the Audit & Supervisory Board

The Audit & Supervisory Board formulates resolutions, deliberates, reports on and discusses important matters related to audits pursuant to the provisions of laws and regulations, the articles of incorporation and the Audit & Supervisory Board Regulations based on the contents stated in "3. Activities of Audit & Supervisory Board Members" below. The Audit & Supervisory Board conducted the following operations in the fiscal year ended March 31, 2023.

<table>
<tr><td>Frequency</td><td colspan="4">In addition to holding monthly meetings ahead of the Board of Directors meetings, meetings were held as necessary.</td></tr>
<tr><td>Number of meetings held</td><td colspan="4">13 times</td></tr>
<tr><td rowspan="5">Attendance</td><td rowspan="2">Position</td><td rowspan="2">Name</td><td colspan="2">Attendance in the fiscal year ended March 31, 2023</td></tr>
<tr><td>Audit & Supervisory Board</td><td>Board of Directors</td></tr>
<tr><td>Audit & Supervisory Board Member</td><td>Shuji Tamaki</td><td>100% (13/13)</td><td>100% (14/14)</td></tr>
<tr><td>Audit & Supervisory Board Member</td><td>Kiyoshi Yoshikawa</td><td>100% (13/13)</td><td>93% (13/14)</td></tr>
<tr><td>Outside Audit & Supervisory</td><td>Hideyo Uchiyama</td><td>100% (13/13)</td><td>100% (14/14)</td></tr>
</table>

	Board Member			
	Outside Audit & Supervisory Board Member	Tadashi Kunihiro	100% (13/13)	100% (14/14)
Main matters discussed	Resolutions: 15 (audit implementation report, audit policy and plan, Audit & Supervisory Board's audit report, evaluation and selection of Accounting Auditor, consent for audit compensation of Accounting Auditor, etc.) Matters deliberated: 7 (evaluation of effectiveness of Audit & Supervisory Board, interim report on audits in progress by Audit & Supervisory Board, disclosure in Business Report, etc.) Discussions: 1 (distribution of compensation for Audit & Supervisory Board Members) Reports: 33 (status of performance of duties by Audit & Supervisory Board Members (monthly), report on important matters of the Executive Council*, report from Head of Global Internal Auditing Headquarters (monthly), Securities Report, etc.)			

(*Executive Council: management meeting chaired by the President and attended by Executive Officers)

The Audit & Supervisory Board has intensified compliance audits* and risk-based/internal control audits*, and has actively included areas of management issues* in the scope of audits. In terms of activities, the four Audit & Supervisory Board Members emphasized free and open discussion. (During the fiscal year under review, discussions during and after meetings of the Audit & Supervisory Board came to a total of 32.2 hours, and an average of 2.47 hours.)
Details are described below in "6. Evaluation of Effectiveness of the Audit & Supervisory Board."
*The Company's Audit & Supervisory Board calls compliance audits Audit 1.0, risk-based/internal control audits Audit 2.0, and management issue audits Audit 3.0.

3. Activities of Audit & Supervisory Board Members

In the fiscal year under review, the Audit & Supervisory Board Members determined the following audit policy and focus audit items, and took action accordingly.

Basic audit policy	In addition to broadly requiring society to base its judgments based on *San Gen Shugi* (principle of three realities: real site, real objects, reality), an effort is made to share issues with audited divisions and contribute to the resolution of problems. To involved in auditing shall quickly unearth issues with management, and provide guidance on solutions by leveraging the robust independence of Outside Audit & Supervisory Board Members and the outstanding information-gathering abilities of the Audit & Supervisory Board Members.
Focus audit items	Progress of the long-term vision and medium-term management plan Response to heightened geopolitical risks Checking the progress of establishing a companywide IT system Global Group governance Transformation of corporate culture (autonomous organizational management to increase business speed, and enabling diverse human resources to live up to their potential) Progress of alliance with JMDC Inc.

Details of the main activities in the fiscal year under review are as follows.
During the fiscal year under review, a particular feature was the use of dialogue between Directors, the heads of business companies, and the heads of the main headquarters divisions to focus on free discussion without determining items in advance, and made every effort to achieve bidirectional exchanges of opinion to understand management issues.

(■ Attendance based on role ○ Attendance as observer △ Voluntary attendance)

	Main activities	Frequency	Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
(i)	Attendance at Board of Directors meetings	14 times	■	■
(ii)	Exchanged opinions with Directors	10 times	■	■
(iii)	Attendance at the Corporate Governance Committee	2 times		■
(iv)	Attendance at all important meetings of the Company, including Executive Council meetings, business strategy meetings, and budget meetings	25 times	○	△
(v)	Dialogue with heads of business companies and heads of the main headquarters divisions	24 times	■	■
(vi)	Visits to domestic business locations	5 companies	■	△
(vii)	Discussion and sharing of information with Global Internal Auditing Headquarters	19 times	■	■
(viii)	Discussion and sharing information with Accounting Auditor	14 times	■	△
(ix)	Liaison meetings with Audit & Supervisory Board Members of domestic subsidiaries and affiliates	2 times	■	

During the fiscal year under review, the four Audit & Supervisory Board Members went through repeated discussions to define the role and behavior required of Audit & Supervisory Board Members in the form of the new OMRON Audit & Supervisory Board Principles of Conduct.

<OMRON Audit & Supervisory Board Principles of Conduct>
Audit & Supervisory Board Members shall maintain high ethical standards while maintaining humility, and strive at all times to improve themselves in order to be a trusted presence.

1. Audit & Supervisory Board Members shall not restrict themselves to determining compliance and finding deficiencies (Audit 1.0), but shall proactively give their opinion on risk-based/internal control audits (Audit 2.0), as well as advice on management issues (Audit 3.0) and thus contribute to enhancements in corporate value.
2. Audit & Supervisory Board Members shall emphasize listening, dialogue, and empathy, as follows.
   (1) Ask questions with an inquiring mind, and engage in free and open discussion.
   (2) Actively express opinions that at times may be critical and at other times may require persistence.
   (3) Work to achieve objective, fair, and impartial discussions and opinions based on data.
3. Audit & Supervisory Board Members shall have the backbone to “rock the boat” by questioning conventional wisdom within the Company from various angles and from the perspective of stakeholders.
   (1) Look beneath the surface to discern issues and the true causes of events
   (2) Have an inquiring mind based on a healthy skepticism rather than affirming the current situation
   (3) Assume that every event has two sides (light and shadow)
4. Encourage behavioral changes in management to facilitate rapid and bold decision-making that is forward-looking, highly transparent, and fair.

4. Status of Coordination with Global Internal Auditing Headquarters

At the Company, Global Internal Auditing Headquarters verifies the status of establishment and operation of internal controls in the Omron Group from the perspectives of “effectiveness and efficiency of operations,” “reliability of financial reporting,” “compliance with laws and regulations related to business activities” and “preservation of assets,” and also evaluates the appropriateness and effectiveness of risk management, and provides advice and suggestions aimed at improvement. The Audit & Supervisory Board invites the head of the Global Audit Office to monthly meetings of the Audit & Supervisory Board, and confirms the status of operational audits and internal control audits throughout the entire Group, and exchanges opinions.

During the fiscal year under review, Audit & Supervisory Board Members intensified discussions on progress on autonomous internal control systems and the enhancement of internal audits in accordance with the global group governance initiative, which is a focus audit item for the Audit & Supervisory Board. In addition to receiving reports on the status of internal control systems in each region from the internal auditors of regional management companies, (China, Asia Pacific, America), group audit liaison meetings were held twice a year with the staff of Global Internal Auditing Headquarters, who have been appointed as Audit & Supervisory Board Members of 26 domestic subsidiaries and affiliates. As well as receiving reports from the Audit & Supervisory Board Members of domestic subsidiaries and affiliates on the status of management and on issues, etc., efforts were made to implement further enhancements and efficiency improvements in audit operations by the Audit & Supervisory Board Members of domestic subsidiaries and affiliates.

Next fiscal year and beyond, the Audit & Supervisory Board will strengthen its links with Global Internal Auditing Headquarters, a process that will include offering opinions on the approach to internal auditing, and continue to support the evolution of Global Internal Auditing Headquarters.

5. Status of Coordination with the Accounting Auditor

In addition to quarterly reviews, the Audit & Supervisory Board arranges regular meetings with the Accounting Auditor with the aim of sharing information, such as the status of audits of the internal control system pertaining to financial reporting. With regard to scrutiny of key audit matters (KAM), the content of reports from the Accounting Auditor was reviewed on each receipt, becoming the subject of multifaceted discussions.

Three-way audit meetings were held between the Accounting Auditor, Global Internal Auditing Headquarters, and Audit & Supervisory Board Members, with an emphasis on coordination through discussion. We are strengthening our systems for sharing information to open the way to more effective and efficient audit activities.

The principal matters audited and considered in the audit of financial statements for the fiscal year ended March 31, 2023 were as follows.

Principal matters audited and considered	Month												Also attend-ing	
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Finance and Accounting Manager	Internal Audit Manager
Basic audit policy and audit schedule	■						■		■				○	○
Quarterly review topics	■			■			■						○	○
Consideration of priority audit areas and KAM	■			■			■		■	■	■	■	○	○
Status of J-SOX audits and internal controls				■			■		■	■	■	■	○	○
Matters related to the execution of duties of the Accounting Auditor	■			■			■				■		○	○
Audit Report by Accounting Auditor											■	■		
Three-way audit meeting							■			■				○
Issues and findings in Group companies						■								○
Independence of the Auditor (including revised IESBA items)	■						■	■	■		■	■	○	
Estimate of Accounting Auditor compensation	■								■			■	○	○

6. Evaluation of Effectiveness of the Audit & Supervisory Board

The Audit & Supervisory Board conducts audits while continuously discussing how audit activities should exist in order to earn the trust of stakeholders and achieve sustainable improvement in corporate value. The Audit & Supervisory Board has contributed to the improvement of the corporate governance function while engaging in free and open discussions with the Board of Directors.

In terms of audit activities, the Audit & Supervisory Board intensified compliance audits and risk-based/internal control audits, and also actively included areas of management issues in the scope of audits, evaluating the effectiveness of these activities from a more multifaceted and objective perspectives.

Regarding the method of evaluation, in addition to the usual self-evaluation by Audit & Supervisory Board Members using an anonymous questionnaire, the degree of contribution to corporate value by the Audit & Supervisory Board was also included in the self-evaluation. In doing this, data comparisons with other companies' Audit & Supervisory Boards and surveys by Directors were referenced.

Audit & Supervisory Board's effectiveness evaluation results and issues for the fiscal year ended March 31, 2023 were as follows.

The Audit & Supervisory Board emphasized the collection and analysis of objective data obtained from audit activities, and based on this, Audit & Supervisory Board Members held open and in-depth discussions, and proactively provided feedback to the Board of Directors regarding management issues that were identified.

Directors have expressed their expectations for the activities and further evolution of the Audit & Supervisory Board, but, particularly regarding medium- to long-term management issues, further discussion between the Audit & Supervisory Board and the Board of Directors, as well as narrowing down and digging deeper, have been recognized as issues.

In addition to checking a wide range of on-site conditions, cooperation between the Audit & Supervisory Board and Global Internal Auditing Headquarters will be strengthened, including by making suggestions on how internal audits should be conducted. By doing so, on-site management issues will be clarified and reflected in discussions with the Board of Directors.

The results of this evaluation will be used to drive the evolution of Audit & Supervisory Board initiatives, thus contributing further to enhancements in corporate value of the Company.

(ii) Status of Internal Auditing

The Company's internal audit functions are handled by the head office Global Internal Auditing Headquarters (with a staff of 26 as of the submission date) under the guidance of the President, supervising Internal Audit offices established in regional management companies in North America, Europe, Greater China and Asia-Pacific manage overseas locations, and periodically implementing internal audits on accounting, operations and compliance from a risk management perspective. Internal audits are implemented at the departmental level, and the results are reported to the President and to the Audit & Supervisory Board on a monthly basis, with an annual summary report being submitted to the Board of Directors.

With regard to mutual coordination between internal audits, audits by Audit & Supervisory Board Members, and accounting audits, the head of the Global Internal Auditing Headquarters attends monthly meetings of the Audit & Supervisory Board to report audit results and exchange opinions on strengthening internal audits, and regular meetings with the Accounting Auditor are held to share information on each other's activities. The Global Internal Auditing Headquarters also coordinates on a regular basis with internal control divisions such as legal, accounting, and finance, sharing information on risk assessments and other matters, as appropriate.

The Global Internal Auditing Headquarters also lists countermeasures, monitoring, and other activities in relation to the "significant Group risks" drawn up by the Corporate Ethics & Risk Management Committee, visualizing residual risks for the Company as a whole, and conducting theme audits centered on the status of governance by the head office for the material risks selected from the list.

The Global Internal Auditing Headquarters is also moving forward with initiatives aimed at strengthening internal control, such as using computer-assisted audit techniques to identify anomalous values in accounting data across the Group at a global level with inquiries being made to the relevant companies and self-checks required.

Members of the Global Internal Auditing Headquarters are appointed as Audit & Supervisory Board Members of domestic subsidiaries, offering advice and opinions in relation to governance and the internal control system by conducting financial auditing, attending meetings of the Board of Directors, and participating in various other meetings.

Management candidates are seconded from divisions to the Global Internal Auditing Headquarters, and through audit activities they acquire a management perspective and sensitivity to risk in the expectation that they will make further contributions in future in their original divisions after these assignments end. This development program is implemented on an ongoing basis.

(iii) Status of Accounting Audit

1. Name of Audit Firm
   Deloitte Touche Tohmatsu LLC

   The Company has asked Deloitte Touche Tohmatsu LLC to perform accounting audits pursuant to the Companies Act and accounting audits pursuant to the Financial Instruments and Exchange Act, but there are no special interests between the Company and the audit firm or the engagement partners of the audit firm engaged in the audit. Furthermore, steps are taken to ensure engagement partners of the audit firm are not involved in the Company's accounting audits for more than a specific period. The Company has concluded an audit agreement with the audit firm for auditing under the Companies Act and auditing under the Financial Instruments and Exchange Act, and pays compensation pursuant to this.

2. Continuous Audit Period
   55 years

3. Names of Certified Public Accountants Engaged in Operations
   Designated Limited Liability Partners, Engagement Partners: Yoshio Sato, Takeshi Kawazoi, Kenjiro Ikehata

4. Composition of Assistants Involved in Audit Activities
   35 certified public accountants, 13 persons who have passed the certified public accountant examination, and 25 others

5. Policy and Reason for Selection of the Audit Firm
   The current Accounting Auditor was selected because it was determined that it has the expertise, independence and internal management systems required as the Accounting Auditor of the Company, and also a system enabling an integrated audit of the Company's global activities.

   The Audit & Supervisory Board determines the content of proposals on the dismissal or refusal of reappointment of the Accounting Auditor that are submitted to the General Meeting of Shareholders as necessary such as when the execution of duties of the Accounting Auditor is impeded. Furthermore, the Audit & Supervisory Board may dismiss the Accounting Auditor with the consent of all Audit & Supervisory Board Members if it is found that the Accounting Auditor falls under any of the items of Article 340, paragraph (1) of the Companies Act.

6. Evaluation of the Audit Firm by Audit & Supervisory Board Members and the Audit & Supervisory Board
   The Audit & Supervisory Board monitors the independence and appropriateness of the Accounting Auditor's audits, while receiving reports of audit plans and results, and working closely to exchange information and opinions. Once a year, the Audit & Supervisory Board specifies evaluation items for the Accounting Auditor, and performs a comprehensive evaluation by referring to the evaluations of the Internal Audit Division and the Accounting Division.

(iv) Content of Audit Fees, etc.

1. Audit fees for Certified Public Accountant, etc.

(JPY millions)

Classification	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
Reporting company	210	15	254	57
Consolidated subsidiaries	56	–	57	–
Total	266	15	311	57

The content of non-auditing services in the Reporting Company is primarily advisory services related to financial reporting. To ensure the independence of the Accounting Auditor, certain restrictions are placed on compensation for non-auditing services pursuant to the Company's own provisions.

2. Audit fees for the Same Network as the Certified Public Accountant, etc. (Deloitte Touche Tohmatsu and Its Member Firms) (Excluding 1.)

(JPY millions)

Classification	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit services	Fees for non-audit services	Fees for audit services	Fees for non-audit services
Reporting company	–	6	–	–
Consolidated subsidiaries	392	2	448	12
Total	392	8	448	12

The content of non-auditing services in the Reporting Company is primarily internal training services. The content of non-auditing services in consolidated subsidiaries is primarily tax-related services. To ensure the independence of the Accounting Auditor, certain restrictions are placed on compensation for non-auditing services pursuant to the Company's own provisions.

3. Content of Other Significant Audit Fees
Not applicable.

4. Policy for Determining Audit Fees
The Company's audit fees for the certified public accountant, etc. for audits is negotiated with the certified public accountant, etc. for audits based on the content of the audit such as the audit team, on-site audit content, number of audit days, etc. included in the annual audit plan, and determined with the consent of the Audit & Supervisory Board in accordance with the provisions of Article 399 of the Companies Act.

5. Reason for the Audit & Supervisory Board Consenting to the Compensation etc. for the Accounting Auditor
As a result of confirming and deliberating on the accounting audit plan for the fiscal year under review explained by the Accounting Auditor and relevant internal divisions, audit performance of the previous fiscal year, the status of execution of auditing by the Accounting Auditor and the grounds for calculation of compensation estimates, the Audit & Supervisory Board determined them to be appropriate, and consented to the amount of compensation, etc. of the Accounting Auditor.

(4) Officer Compensation

(i) Content of Officer Compensation.

The content of officer compensation, etc. for the fiscal year ended March 31, 2023 is as follows.

a. Total amount of compensation by officer type, total amount by type of compensation, and number of eligible officers

Officer type	Total amount of compensation, etc. (JPY millions)	Total amount by type of compensation (JPY millions)			Number of eligible officers
		Base salary	Short-term performance-linked compensation (bonuses)	Medium-to-long-term, performance-linked compensation (stock compensation)	
Directors (Excluding Outside Directors)	791 [245]	305	241	245 [245]	5
Audit & Supervisory Board Members (Excluding Audit & Supervisory Board Members (Independent))	70	70	–	–	2
Outside Directors	50	50	–	–	4
Audit & Supervisory Board Members (Independent)	32	32	–	–	2

Notes:

1. Base salary

   The maximum limit of the aggregate base salary of Directors was set at JPY35 million per month (by resolution of the 63rd Ordinary General Meeting of Shareholders held on June 27, 2000; the said resolution pertained to seven (7) Directors). The amounts of base salaries for Directors are determined by resolution of the Board of Directors based on discussions by and recommendations from the Compensation Advisory Committee. The maximum limit of the aggregate base salary of Audit & Supervisory Board Members was set at JPY11 million per month (by resolution of the 81st Ordinary General Meeting of Shareholders held on June 19, 2018; the said resolution pertained to four (4) Audit & Supervisory Board Members). The amount of base salary for Audit & Supervisory Board Members is determined by discussions among Audit & Supervisory Board Members.

2. Bonuses

   The maximum limit of Directors' bonuses was set at JPY600 million per year (by resolution of the 81st Ordinary General Meeting of Shareholders held on June 19, 2018; the said resolution pertained to five (5) Directors). The amount of bonus for each Director is calculated based on the targets and actual results of operating income, net income from continuing operations attributable to shareholders, and ROIC for the 86th term (fiscal year ended March 31, 2023), and determined by resolution of the Board of Directors based on discussions by and recommendations from the Compensation Advisory Committee. See the table below for the targets and actual results for each indicator.

	Target	Actual result
Operating income (JPY billions)	93.0	100.7
Net income from continuing operations attributable to shareholders (JPY billions)	63.0	73.9
Return on invested capital (ROIC) (%)	10.0	10.4

3. Stock compensation

The 80th Ordinary General Meeting of Shareholders held on June 22, 2017 made a resolution to introduce stock compensation. Based on the resolution, the maximum limit of money to be contributed by the Company is JPY2.4 billion, and the maximum limit of the number of the Company's shares to be granted and delivered as sales proceeds ("grant(ing), etc.") is 600,000 shares during the four fiscal years covered by the medium-term management plan. The said resolution pertained to five (5) Directors. Regarding stock compensation, the Company shall award points to Directors calculated according to a prescribed formula, and the trust shall grant, etc. the Company's shares corresponding to the points awarded during a certain period to the Directors, but the expenses of stock compensation, as indicated above, are associated with the points granted during the fiscal year under review. The amount of stock compensation for each Director is calculated based on the financial targets evaluation (EPS, ROE) from fiscal 2021 to fiscal 2024, the sustainability evaluation (reduction of greenhouse gas emissions, score of Sustainable Engagement Index (SEI) in engagement survey and Dow Jones Sustainability Indices) targets and achievements, as well as the corporate value evaluation (relative TSR), and determined by resolution of the Board of Directors based on discussions by and recommendations from the Compensation Advisory Committee. See the table below for the targets for each indicator. The actual results for the performance indicators for stock compensation are not shown because they will be finalized after the end of the final year of the current medium-term management plan.

	Evaluation weight	Performance indicator	Target
Financial targets evaluation	60%	Basic net income from continuing operations per share attributable to shareholders (EPS)	JPY400
		Net income attributable to shareholders on shareholders' equity (ROE)	10%
Corporate value evaluation	20%	Relative TSR (Note 1)	100%
Sustainability evaluation	20%	Reduction of greenhouse gas emissions (Scope 1 and 2)	Down 53% from FY2016
		Engagement survey (Note 2) Sustainable Engagement Index (SEI) (Note 3) score	70 points
		Dow Jones Sustainability Indices	DJSI World

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

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

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

b. Total amount of compensation, etc. for persons whose total compensation, etc. is JPY100 million or more

(JPY millions)

Name (Officer type)	Total amount of compensation, etc.	Company	Total amount by type of compensation		
			Base salary	Short-term performance-linked compensation (bonuses)	Medium-to-long-term, performance linked compensation (stock compensation)
Fumio Tateishi (Director)	171 [55]	Omron Corporation	78	38	55 [55]
Yoshihito Yamada (Director)	273 [87]	Omron Corporation	83	103	87 [87]
Kiichiro Miyata (Director)	139 [40]	Omron Corporation	57	42	40 [40]
Koji Nitto (Director)	132 [38]	Omron Corporation	54	40	38 [38]

Notes: 1. The amounts of medium-to-long-term, performance-linked stock compensation are the amounts of expenses recorded for points granted in the fiscal year ended March 31, 2023.

2. Amounts of compensation, etc. in brackets are non-monetary compensation, etc.

(ii) Policy on Determination of Amounts of Compensation of Officers or the Method of Calculation Thereof

The Company has a Compensation Advisory Committee to increase objectivity and transparency with respect to the compensation of Directors. The Compensation Advisory Committee is composed of members the majority of whom are Outside Directors, and is chaired by an Outside Director. The Company determines the Compensation Policy for Directors by resolution of the Board of Directors based on discussions by and recommendations from the Compensation Advisory Committee. The amount of compensation for each Director is determined by resolution of the Board of Directors, within the scope of the aggregate amount of compensation, etc. for Directors set by resolution of the General Meeting of Shareholders, in light of discussions by and recommendations from the Compensation Advisory Committee based on the above policy. In addition, the amount of compensation for each Audit & Supervisory Board Member is determined by discussions among Audit & Supervisory Board Members, based on the Compensation Policy for Audit & Supervisory Board Members, which has been set forth through discussions among Audit & Supervisory Board Members, within the scope of the aggregate amount of compensation, etc. for Audit & Supervisory Board Members set by resolution of the General Meeting of Shareholders. The Company’s Compensation Policy for Directors, Overview of Compensation Structure for Directors, and Compensation Policy for Audit & Supervisory Board Members is as follows.

Compensation Policy for Directors

1) Basic policy

・The Company shall provide compensation sufficient to recruit as directors exceptional people who are capable of putting the OMRON Principles into practice.

・The compensation structure shall be sufficient to motivate directors to contribute to sustainable enhancement of corporate value.

・The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.

2) Structure of Compensation

- Compensation for directors shall consist of a base salary, which is fixed compensation, and performance-linked compensation, which varies depending on the Company's performance.
- The compensation composition ratio of performance-linked compensation to base salary shall be determined according to each Director's role and responsibility.
- Compensation for outside directors shall consist of a base salary only, reflecting their roles and the need for maintaining independence.

3) Base salary

- The amount of base salary, paid monthly, shall be determined according to the person's role while taking into account the salary levels of other companies, as surveyed by a specialized outside organization.

4) Performance-linked compensation

- As short-term performance-linked compensation, the Company shall provide bonuses linked to yearly performance indicators, and to the degree of achievement of performance targets. Bonuses shall be paid as a lump sum after the conclusion of the fiscal year.
- As medium- to long-term performance-linked compensation, the Company shall grant stock compensation linked to the degree of achievement of the goals of the medium-term management plan, and to the improvement in corporate value (value of stock).
- The performance-linked component of stock compensation shall be paid after the medium-term management plan concludes, while the non-performance-linked component shall be paid after the Director retires.
- The Company shall determine the target amounts for short-term performance-linked compensation and medium- to long-term performance-linked compensation based on the target pay mix specified according to each director's role and responsibility.

5) Compensation governance

- The compensation composition, compensation composition ratio, level of the base salary, as well as performance indicators and evaluation methods of performance-linked compensation shall be determined based on the deliberations and recommendations of the Compensation Advisory Committee.
- The amount of each Director's compensation shall be determined by a resolution of the Board of Directors based on the deliberations and recommendations of the Compensation Advisory Committee.

Overview of Compensation Structure for Directors

(1) Compensation composition ratio

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

Base salary : Short-term performance-linked compensation (bonuses) : Medium-to-long-term, performance-linked compensation (stock compensation) = 1 : 1 : 1.5*

* Referring to President and CEO, the ratio is based on the assumption that the performance targets are set as 100% for each performance-linked compensation

(2) Base salary

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

(3) Short-term performance-linked compensation (bonuses)

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

Base amount for each position × Performance score (Operating income 50%, net income 50%) × ROIC score = Short-term performance-linked compensation (bonuses)

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

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

Base amount for each position × (Financial targets evaluation: 60% + Corporate value evaluation: 20% + Sustainability evaluation: 20%) = Performance-linked portion

Note: Information on targets and indicators regarding financial, corporate value, and sustainability evaluations is available in (i) Content of Officer Compensation, etc.; a. Total amount of compensation by officer type, total amount by type of compensation, and number of eligible officers; Note 3. Stock compensation.

(5) Performance indicators of performance-linked compensation

・The performance indicators for short-term performance-linked compensation (bonuses) were set from the short-term management plan's indicators for financial targets towards the realization of the short-term management plan based on "SF 1st Stage" (fiscal 2022 to fiscal 2024).

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

Compensation Policy for Audit & Supervisory Board Members

1) Basic policy

・Compensation shall be sufficient to recruit exceptional people who are capable of performing the duties of Audit & Supervisory Board Members entrusted by shareholders.

・The compensation structure shall maintain a high level of transparency, fairness, and rationality to ensure accountability to shareholders and other stakeholders.

2) Structure of compensation

・Compensation for Audit & Supervisory Board Members shall consist of a base salary only, reflecting their roles and the need for maintaining independence.

3) Base salary

・The amount of a base salary, paid monthly, shall be determined by taking into account the salary levels of other companies, as surveyed by a specialized outside organization.

4) Governance of compensation

・The amount of compensation for each Audit & Supervisory Board Member shall be determined through discussions by Audit & Supervisory Board Members.

(5) Status of Shareholdings

(i) Standard and Approach for the Classification of Investment Shares

The Company does not hold shares for pure investment purposes and all shares are classified as equity investments for purposes other than pure investment. “Pure investment” means that the sole purpose is to earn profit from fluctuations in the value of stocks or dividends related to stocks. All other shares are regarded as being held for purposes other than pure investment.

(ii) Investment Shares Held for Any Purpose Other Than Pure Investment

1. Method of examining shareholding policies and the rationale of shareholdings, and details related to verifying the appropriateness of holdings of specific shares by the Board of Directors
   The Company will only hold shares for the purpose of further collaboration to create social value, thereby sustainably enhancing the Company’s corporate value.
   Moreover, specific investment shares that are held for purposes other than pure investment shall be examined from a medium- to long-term perspective regarding their purpose and the rationale for holding them. The Board of Directors will annually review the appropriateness of holding these shares. In verifying the appropriateness of holding the shares, the Company will consider the status of collaboration with the investee company, the impact on the business, the ROE of the investee company, and the contribution of transactions to Company profits. Upon review, the Company will proceed with the sale of shares for which the purpose and rationale of holding them is weak, while considering the impact on the business and the market.

2. Number of issues and the amount recorded on the balance sheet

	Number of issues (issues)	Total amount recorded on the balance sheet (JPY millions)
Unlisted shares	40	2,059
Shares other than unlisted shares	6	25,327

(Issues whose number of shares increased in the current fiscal year)

	Number of issues (issues)	Total amount of acquisition value related to increase in number of shares (JPY millions)	Reason for increase in number of shares
Unlisted shares	–	–	Not applicable
Shares other than unlisted shares	1	59	To strengthen business relationship

(Issues whose number of shares decreased in the current fiscal year)

	Number of issues (issues)	Total amount of sale value related to decrease in number of shares (JPY millions)
Unlisted shares	–	–
Shares other than unlisted shares	1	3

3. Information on the number and balance sheet figures of specific investment shares and deemed shares held for each issue

Issue	Fiscal year ended March 31, 2023 Number of shares Amount recorded on the balance sheet (JPY millions)	Fiscal year ended March 31, 2022 Number of shares Amount recorded on the balance sheet (JPY millions)	Purpose of holding, quantitative effect of holding and reasons for increase in number of shares	Holding of the Company's shares
Toyota Motor Corporation	8,090,035 15,209	8,090,035 17,980	・Primarily held for the purpose of collaborating to enhance social value in the industrial automation business. ・Quantitative effect of holding (Note 3)	No
Daikin Industries, Ltd.	236,200 5,587	236,200 5,293	・Primarily held for the purpose of collaborating to enhance social value in the device & module solutions business. ・Quantitative effect of holding (Note 3)	Yes
Suzuden Corporation	1,297,610 3,396	1,329,710 2,915	・Held for the purpose of expanding the value provided to customers as a major distributor of the industrial automation business. ・Quantitative effect of holding (Note 3)	Yes
Sun-Wa Technos Corporation	355,080 690	355,080 479	・Held for the purpose of expanding the value provided to customers as a major distributor of the industrial automation business. ・Quantitative effect of holding (Note 3)	Yes
MEIJI ELECTRIC INDUSTRIES CO., LTD.	320,000 387	320,000 330	・Held for the purpose of expanding the value provided to customers as a major distributor of the industrial automation business. ・Quantitative effect of holding (Note 3)	Yes
Mental Health Technologies Co., Ltd.	49,200 58	– –	・Held with the objective of co-creating solutions, in the healthcare data business, for the area of mental health care. ・Quantitative effect of holding (Note 3) ・Acquired with the objective of co-creating solutions, in the healthcare data business, for the area of mental health care.	No

Deemed Shares Held

Issue	Fiscal year ended March 31, 2023 Number of shares Amount recorded on the balance sheet (JPY millions)	Fiscal year ended March 31, 2022 Number of shares Amount recorded on the balance sheet (JPY millions)	Purpose of holding, quantitative effect of holding and reasons for increase in number of shares	Holding of the Company's shares
Murata Manufacturing Co., Ltd.	1,313,055 10,557	1,313,055 10,658	・The Company contributed shares to a retirement benefit trust and has the right to direct the exercise of voting rights. ・Quantitative effect of holding (Note 4)	Yes
The Bank of Kyoto, Ltd.	1,528,092 9,551	1,528,092 8,175	・The Company contributed shares to a retirement benefit trust and has the right to direct the exercise of voting rights. ・Quantitative effect of holding (Note 4)	Yes
ROHM Co., Ltd.	468,000 5,134	468,000 4,488	・The Company contributed shares to a retirement benefit trust and has the right to direct the exercise of voting rights. ・Quantitative effect of holding (Note 4)	Yes
SCREEN Holdings Co., Ltd.	255,867 2,981	255,867 3,163	・The Company contributed shares to a retirement benefit trust and has the right to direct the exercise of voting rights. ・Quantitative effect of holding (Note 4)	Yes
Mitsubishi UFJ Financial Group, Inc.	3,349,000 2,840	3,349,000 2,546	・The Company contributed shares to a retirement benefit trust and has the right to direct the exercise of voting rights. ・Quantitative effect of holding (Note 4)	Yes
Konica Minolta, Inc.	621,000 353	621,000 320	・The Company contributed shares to a retirement benefit trust and has the right to direct the exercise of voting rights. ・Quantitative effect of holding (Note 4)	No
Sumitomo Mitsui Financial Group, Inc.	68,600 363	68,600 268	・The Company contributed shares to a retirement benefit trust and has the right to direct the exercise of voting rights. ・Quantitative effect of holding (Note 4)	Yes

Notes: 1. When calculating the largest equity holdings in value terms as recorded on the balance sheet, specific investment shares and deemed shares are not included.
2. As the total number of specific investment shares and deemed shares is less than 60 issues, all holdings are shown here.
3. For reasons pertaining to business, the quantitative effects of the holding of specific investment shares is not given. However, the rationale behind the holdings has been reviewed according to the method described in "1." above, and it has been determined to be sufficient.
4. For reasons pertaining to business, the quantitative effects of the deemed shares held is not given. However, the rationale behind the holdings has been reviewed in a similar manner to that of specific investment shares, and it has been determined to be sufficient.

(iii) Investment Shares Owned for Pure Investment Purposes

Not applicable.

V. Financial Information

1. Methods for Preparation of Consolidated and Non-consolidated Financial Statements

(i) The Company's consolidated financial statements are prepared under the Regulations Concerning the Terminology, Forms and Preparation Method of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "Consolidated Financial Statement Regulations") and paragraph (3) of the Supplementary Provisions (Cabinet Office Ordinance No. 11 of 2002), as well as accounting principles generally accepted in the United States of America.

(ii) The Company's non-consolidated financial statements are prepared under the "Regulations Concerning Terminology, Forms and Preparation Method of Financial Statements" (Ministerial Ordinance No. 59 of the Ministry of Finance of 1963; hereinafter referred to as "Financial Statements Regulations").
In addition, the Company falls under the category that requires it to submit special financial statements. As such, it prepares financial statements in accordance with the provisions of Article 127 of the Financial Statements Regulations.

2. Audit Certification

Under the provision of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Law, the Company received an audit of consolidated financial statements for the consolidated fiscal year (from April 1, 2022 to March 31, 2023) and the non-consolidated financial statements for the fiscal year (from April 1, 2022 to March 31, 2023) by Deloitte Touche Tohmatsu LLC.

3. Special Efforts to Ensure the Appropriateness of Consolidated Financial Statements

The Company makes special efforts to ensure the appropriateness of its consolidated financial statements. To be specific, in order to gain a proper understanding of accounting standards and maintain a system to ensure the appropriateness of consolidated financial statements, the Company has joined the Financial Accounting Standards Foundation and attends trainings provided by the Accounting Standards Board of Japan.

1. Consolidated Financial Statements, etc.

(1) Consolidated Financial Statements

(i) Consolidated Balance Sheets

ASSETS	Note Number	2022 (JPY millions)	%	2023 (JPY millions)	%
CURRENT ASSETS:					
Cash and cash equivalents	(Note I-F)	155,484		105,279	
Notes and accounts receivable – trade	(Note II-A, E)	151,820		180,074	
Allowance for doubtful receivables	(Note I-F)	(798)		(869)	
Inventories	(Note I-F, II-B)	141,935		173,926	
Assets held for sale	(Note II-X)	363		2	
Other current assets	(Note II-A, R, S, T)	34,101		28,480	
Total current assets		482,905	51.9	486,892	48.8
PROPERTY, PLANT, AND EQUIPMENT:	(Note I-B,F, II-F, H)	122,098	13.1	129,585	13.0
INVESTMENTS AND OTHER ASSETS:					
Right-of-use assets under operating leases	(Note I-F, II-J)	39,746		47,501	
Goodwill	(Note I-B,F, II-G,T)	39,718		43,125	
Investments in and advances to affiliates	(Note I-,D, II-D)	124,691		134,557	
Investment securities	(Note I-B,F, II-C,T)	43,757		46,123	
Leasehold deposits		7,815		8,094	
Prepaid pension costs	(Note I-B,F, II-K)	14,391		29,103	
Deferred income taxes	(Note I-F, II-N)	18,116		23,513	
Other assets	(Note I-B,F, II-G,H,T)	37,392		49,667	
Total investments and other assets		325,626	35.0	381,683	38.2
TOTAL		930,629	100.0	998,160	100.0

LIABILITIES AND NET ASSETS	Note Number	JPY millions 2022	%	2023	%
CURRENT LIABILITIES:					
Notes and accounts payable – trade		86,827		92,855	
Short–term borrowings	(Note II-I)	20,000		213	
Accrued expenses		48,365		50,246	
Income taxes payable		5,657		10,560	
Short–term operating lease liabilities	(Note I-F, II-J)	11,549		11,871	
Other current liabilities	(Note I-B,F, II-A,K,N,R,S,T,U)	39,274		44,275	
Total current liabilities		211,672	22.7	210,020	21.0
DEFERRED INCOME TAXES	(Note I-F, II-N)	2,177	0.2	2,052	0.2
TERMINATION AND RETIREMENT BENEFITS	(Note I-B,F, II-K)	8,194	0.9	9,348	0.9
LONG–TERM OPERATING LEASE LIABILITIES	(Note I-F, II-J)	28,567	3.1	33,284	3.3
OTHER LONG–TERM LIABILITIES	(Note II-A, U)	12,048	1.3	12,229	1.3
Total liabilities		262,658	28.2	266,933	26.7
NET ASSETS:	(Note I-B, F, II-L)				
Common stock, no par value: authorized, 487,000,000 shares in 2022 and 2023; issued, 206,244,872 shares in 2022 and 2023		64,100	6.9	64,100	6.4
Capital surplus		100,652	10.8	98,506	9.9
Legal reserve		24,503	2.6	24,729	2.5
Retained earnings		517,566	55.6	571,807	57.3
Accumulated other comprehensive income (loss)	(Note I-,F, II-Q)	13,013	1.4	39,947	4.0
Treasury stock, at cost, 7,053,647 shares and 9,417,692 shares in 2022 and 2023, respectively (Note)	(Note I-C)	(54,607)	(5.8)	(70,616)	(7.1)
Total		665,227	71.5	728,473	73.0
Noncontrolling interests		2,744	0.3	2,754	0.3
Total net assets		667,971	71.8	731,227	73.3
TOTAL		930,629	100.0	998,160	100.0

Note: The number of treasury stocks includes 606,434 shares and 600,208 shares of the Company's shares held as BIP Trust or an ESOP Trust for the end of March 31, 2022 and 2023, respectively.

(ii) Consolidated Statements of Income

	Note Number	JPY millions 2022	%	2023	%
NET SALES	(Note I-,F, II-A)	762,927	100.0	876,082	100.0
COSTS AND EXPENSES:	(Note II-J, O)				
Cost of sales		416,100		482,199	
Selling, general and administrative expenses	(Note I-F)	213,234		243,015	
Research and development expenses		44,277		50,182	
Other expenses, net	(Note II-C, G, H, M, X)	2,602		2,277	
Total		676,213	88.6	777,673	88.8
INCOME BEFORE INCOME TAXES AND EQUITY IN LOSS (EARNINGS) OF AFFILIATES		86,714	11.4	98,409	11.2
INCOME TAXES	(Note I-F, II-N)	23,046	3.1	24,943	2.8
EQUITY IN LOSS (EARNINGS) OF AFFILIATES	(Note I-D, II-D)	1,624	0.2	(1,079)	(0.1)
NET INCOME		62,044	8.1	74,545	8.5
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		644	0.1	684	0.1
NET INCOME ATTRIBUTABLE TO OMRON CORPORATION SHAREHOLDERS		61,400	8.0	73,861	8.4

		JPY 2022	2023
PER SHARE DATA:	(Note II-P)		
Basic:			
Net income attributable to OMRON Corporation shareholders		305.65	372.19
Diluted:			
Net income attributable to OMRON Corporation shareholders		–	–

(iii) Consolidated Statements of Comprehensive Income

	Note Number	JPY millions 2022	JPY millions 2023
NET INCOME		62,044	74,545
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX:	(Note II-Q)		
Foreign currency translation adjustments:			
Foreign currency translation adjustments arising during the year		40,078	17,840
Reclassification adjustment for the portion realized in net income		2,029	(337)
Net unrealized gain		42,107	17,503
Pension liability adjustments:			
Pension liability adjustments arising during the year		1,625	6,094
Reclassification adjustment for the portion realized in net income		3,012	2,610
Net unrealized gain		4,637	8,704
Net gains (losses) on derivative instruments:			
Unrealized holding gains (losses) arising during the year		(1,066)	(523)
Reclassification adjustment for the portion realized in net income		383	1,317
Net unrealized gain (loss)		(683)	794
OTHER COMPREHENSIVE INCOME (LOSS)		46,061	27,001
COMPREHENSIVE INCOME		108,105	101,546
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		747	751
COMPREHENSIVE INCOME ATTRIBUTABLE TO OMRON CORPORATION SHAREHOLDERS	(Note I-F)	107,358	100,795

(iv) Consolidated Statements of Shareholders' Equity

JPY millions

	Number of Common Stock Issued	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings	Accumulated Other Compre-hensive Income (Loss)	Treasury Stock	Total	Noncon-trolling Interests	Total Net Assets
BALANCE, MARCH 31, 2021	206,244,872	64,100	101,403	22,931	476,185	(32,945)	(24,816)	606,858	2,500	609,358
Net income					61,400			61,400	644	62,044
Cash dividends paid to OMRON Corporation shareholders (Notes:1)					(18,447)			(18,447)		(18,447)
Cash dividends paid to noncontrolling interests								–	(503)	(503)
Share-based compensation (Notes:2)			(751)				1,639	888		888
Transfer to legal reserve				1,572	(1,572)			–		–
Other comprehensive income (loss)						45,958		45,958	103	46,061
Acquisition of treasury stock and other							(31,430)	(31,430)		(31,430)
BALANCE, MARCH 31, 2022	206,244,872	64,100	100,652	24,503	517,566	13,013	(54,607)	665,227	2,744	667,971
Net income					73,861			73,861	684	74,545
Cash dividends paid to OMRON Corporation shareholders (Notes:1)					(19,394)			(19,394)		(19,394)
Cash dividends paid to noncontrolling interests								–	(741)	(741)
Share-based compensation			(2,140)				4,003	1,863		1,863
Transfer to legal reserve				226	(226)			–		–
Other comprehensive income (loss)						26,934		26,934	67	27,001
Acquisition of treasury stock and other			(6)				(20,012)	(20,018)		(20,018)
BALANCE, MARCH 31, 2023	206,244,872	64,100	98,506	24,729	571,807	39,947	(70,616)	728,473	2,754	731,227

Notes: 1. Cash dividends per share was JPY 92 and JPY 98 for the years ended March 31, 2022 and 2023, respectively.

2. JPY 19 million of increase in capital surplus due to changes in stock-based compensation estimates was included.

(v) Consolidated Statements of Cash Flows

	JPY millions	
	2022	2023
OPERATING ACTIVITIES:		
Net income	62,044	74,545
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	23,367	26,587
Share-based compensation expense	864	1,863
Net loss on sales and disposals of property, plant, and equipment	901	45
Impairment losses on long–lived assets	410	1,768
Loss on impairment of goodwill	3,384	—
Loss (gain) related to sale of business	1,116	(922)
Net loss (gain) on valuation of investment securities	(5,447)	2,099
Termination and retirement benefits and prepaid pension costs	(662)	(574)
Deferred income taxes	4,632	(9,421)
Equity in loss(earnings) of affiliates	1,624	(1,079)
Changes in assets and liabilities:		
Increase in notes and accounts receivable – trade	(9,074)	(23,581)
Increase in inventories	(30,427)	(29,004)
Increase in other assets	(3,178)	(2,331)
Increase in notes and accounts payable – trade	13,293	4,667
Increase in income taxes payable	1,749	4,758
Increase in accrued expenses and other current liabilities	2,316	5,179
Other, net	516	(1,143)
Total adjustments	5,384	(21,089)
Net cash provided by operating activities	67,428	53,456
INVESTING ACTIVITIES:		
Proceeds from sale or maturities of investment securities	921	84
Purchase of investment securities	(5,386)	(2,860)
Capital expenditures	(33,357)	(45,018)
Increase in leasehold deposits, net	(140)	(299)
Proceeds from sales of property, plant, and equipment	748	1,614
Increase in investment in and loans to affiliates, net	(112,444)	(9,976)
Proceeds from (payments for) sales of businesses, net of cash paid	(505)	922
Other, net	0	0
Net cash used in investing activities	(150,163)	(55,533)
FINANCING ACTIVITIES:		
Net borrowings (repayments) of short–term debt	20,000	(19,787)
Dividends paid by OMRON Corporation	(17,754)	(18,912)
Dividends paid to noncontrolling interests	(504)	(741)
Acquisition of treasury stock	(31,430)	(20,013)
Sale of treasury stock	0	772
Other, net	85	(76)
Net cash used in financing activities	(29,603)	(58,757)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	17,067	10,629
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(95,271)	(50,205)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	250,755	155,484
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	155,484	105,279
ADDITIONAL CASH FLOWS INFORMATION FROM OPERATING ACTIVITIES		
Interest expense payable	223	302
Taxes payable for current fiscal period	17,156	28,476
ADDITIONAL NON-CASH FLOW INFORMATION FROM INVESTMENT AND FINANCING ACTIVITIES		
Liabilities related to capital expenditures	1,513	1,570

Notes on Consolidated Financial Statements

I Overview of Significant Accounting Policies

A Nature of Operations and Preparation Standards for Consolidated Financial Statements

1 Nature of Operations

The Company is a multinational manufacturer of automation components, equipment and systems with advanced computer, communications, and control technologies. The Company conducts business in more than 130 countries around the world and strategically manages its worldwide operations through five regional management centers in the United States, the Netherlands, China, Singapore and South Korea.

Products, classified by type and market, are organized into operating segments as described below.

Industrial Automation Business (IAB) manufactures and sells programmable controllers, motion controllers, sensing devices, industrial camera/code reader devices, inspection systems, safety devices and industrial robots. With the vision of “Enriching the Future for People, Industries and the Globe by Innovative-Automation,” IAB has contributed to the development of industry by innovating the manufacturing industry around the world with advanced automation based on the core technology of “Sensing & Control + Think” that OMRON has cultivated thus far. Setting our unique “innovative-Automation” value creation concept, our aim is to solve rapidly changing social issues mainly in the manufacturing industry with innovative solutions based on the widest range of control devices in the industrial market, and create social value that contributes to the realization of happiness for working people along with the sophistication of industry.

Healthcare Business (HCB) products such as Digital blood pressure monitors, nebulizers, low-frequency therapy equipment, ECGs, oxygen generators, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, massagers, blood glucose monitors, vascular screening devices and visceral fat monitors. The mission of HCB is “To help realize healthy and comfortable lives for people around the world.” By living up to this mission, we have developed healthcare products and services with a focus on usability and accuracy of readings. This is intended to allow anyone to take measurements easily and correctly, with accuracy that ensures reliability for medical use. The Company has achieved certification for medical use for a variety of devices in various countries, including blood pressure monitors, digital thermometers, and nebulizers (devices that deliver asthma medication through inhalation by patients). Moreover, the Company also provides services that are compatible with each country’s/region’s social infrastructures and healthcare system, which varies from country to country. These products and services are now available in more than 110 countries across the world. In terms of services, the Company is promoting the provision of remote patient monitoring services from major countries, which is a service where doctors can remotely monitor patients and provide prescription and treatment support.

Social Systems Solution and Service Business (SSB) provides products such as energy solutions, railway station service systems, traffic and road management systems, card payment services, security and safety solutions, IoT (power protection, data protection) solutions and related maintenance business. The mission of the SSB is “Creating a society in which the people of the world live in safety, security, and comfort.” We provide a wide range of terminals and systems, including PV inverters, storage batteries, railway station systems such as automated ticket gates and ticket vending machines, traffic and road management systems, payment systems, and UPS that protect equipment from unexpected power disruption which cause data loss. We also provide total solutions ranging from software development to comprehensive maintenance services to support the social infrastructure.

Device & Module Solutions Business (DMB) manufactures and sells relays, switches, connectors, amusement components and units, general sensors, face recognition software, image sensing component and MEMS sensors. The mission of DMB: “With our devices and modules, create customer value, and contribute to society.” DMB is the Company’s core business unit as a global component supplier of relays, switches, connectors and sensors that act as eyes and ears for wide variety of products playing a vital role in switching and connecting devices, for customers across various industries including factory automation, mobility, energy management, healthcare and commercial consumer equipment.

2 Basis of Consolidated Financial Statements

Based upon requirements for depositary receipts issued in Europe, the Company’s consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

The company conducted capital increases through public offerings at market value on February 7, 1970 in Europe, and on October 13, 1973 in Hong Kong. On March 30, 1978, the Company submitted to the Minister of Finance an “Application for Approval in Accordance with Regulation 86 of the Consolidated Financial Statement Regulations” on the grounds that the Company had prepared its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America from the consolidated fiscal year ended March 31, 1967, in line with deposit agreements of the time. The Company received approval pursuant to Ministry Certification No. 496 dated March 31, 1978 to prepare consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. As such, the Company’s consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America since the consolidated fiscal year ended March 31, 1978.

The Company is not registered with the US Securities and Exchange Commission.

B Significant differences between Financial Statements are prepared in accordance with the accounting standards generally accepted in the US and that in Japan

1 Investments

The Company adopt “Accounting Standard for Financial Instruments” to the valuation of securities in the financial statement. The Company conform with the Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standard Codification (ASC) No. 321: Investments - Equity Securities in the consolidated financial statements. The impact on income before income taxes and equity in loss (earnings) of affiliates was JPY5,179 million gain and JPY1,492 million loss for the year ended March 31, 2022 and 2023, respectively.

2 Termination and retirement benefits

The Company apply the “Accounting Standards for Retirement Benefits” in the financial statement. The Company record compensation in accordance with the provisions of FASB ASC 715: “Compensation - Retirement Benefits” in the consolidated financial statements. The impact on income before income taxes and equity in loss (earnings) of affiliates was JPY1,157 million loss and JPY3,262 million loss for the year ended March 31, 2022 and 2023, respectively.

3 Liabilities of compensated absences

The Company accrue personnel costs for employees’ unused paid vacation in accordance with FASB ASC 710-10-25: “Compensation - Compensated Absence.” in the consolidated financial statements. The impact on income before income taxes and equity in loss (earnings) of affiliates was JPY607 million loss and JPY291 million loss for the year ended March 31, 2022 and 2023, respectively.

4 Goodwill and other intangible assets

Goodwill and intangible assets with indefinite useful lives are tested for impairment at least once a year in place of amortization, as recorded in the Company’s consolidated financial statements, in accordance with FASB ASC 350: “Intangible Assets - Goodwill and Others.” In accordance with Japan’s consolidated financial statements principles and Consolidated Financial Statement Regulations, given a goodwill amortization period of five years, the impact on income before income taxes and equity in loss (earnings) of affiliates was JPY931 million loss and JPY1,585 million gain for the year ended March 31, 2022 and 2023, respectively.

5 Long-lived assets

The Company conform with the “Act on Revaluation of Land” (Act No. 34 of March 31, 1998) and the “Partial Amendment to the Act on Revaluation of Land” (Act No. 94 of June 29, 2001). Regarding the impairment of fixed assets in the financial statements, the Company conform with the “Accounting Standard for Impairment of Fixed Assets” (Opinion Regarding Accounting Standard for Impairment of Fixed Assets (Accounting Standards Board of Japan, August 9, 2002)) and the “Guidelines for the Application of Accounting Standards Pertaining to the Impairment of Fixed Assets” (Accounting Standards Board of Japan, Guidance No. 6, October 31, 2003) in the financial statements. The Company’s consolidated financial statements have been prepared in accordance with FASB ASC 360: “Tangible Fixed Assets.” If events or changes in circumstances occur that threaten to prevent the recovery of the carrying amount of long-lived assets and certain identifiable intangible assets, a review for impairment shall be conducted. If the Company determines that an impairment has occurred, the amount by which the carrying amount exceeds the fair value shall be recognized as an impairment. The impact on income before income taxes and equity in loss (earnings) of affiliates was a JPY1 million gain and not applicable for the fiscal year ended March 31, 2022 and 2023, respectively.

6 Stock compensation

The Company conform with the “Practical Handling of Transactions Where Company Shares are Issued to Employees, Etc., Through a Trust” (Practical Solutions Report No. 30 of December 25, 2013, revised March 26, 2015) in the financial statements.

The Company apply the provisions of FASB ASC 718: “Compensation - Stock Compensation” in the consolidated financial statements. The impact on income before income taxes and equity in loss (earnings) of affiliates was JPY126 million loss and JPY141 million gain for the year ended March 31, 2022 and 2023, respectively.

7 Shareholders' equity per share

Shareholders' equity per share is required to be disclosed under Japan's Consolidated Financial Statement Regulations, although not required by generally accepted accounting standards in the United States of America. It amounted to JPY3,339.64 and JPY3,701.08 as of March 31, 2022 and 2023, respectively.

8 Unrecognized tax benefits

Pursuant to FASB ASC 740: "Corporate Tax," the Company recognize that the impact of tax benefits greater than 50% are likely to be disallowed and subject to a tax audit in the consolidated financial statements. Further, the Company recognizes interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income.

C Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries (collectively, the "Companies"). All significant intercompany accounts and transactions have been eliminated in consolidation.

Investments in which the Companies do not exert control but have a 20% to 50% interest (affiliates) are accounted for using the equity method.

The consolidated financial statements include all of the Company's subsidiaries.

Subsidiaries	March 31, 2022	OMRON HEALTHCARE Co., Ltd., OMRON EUROPE B.V. and others.	Total:119 companies
	March 31, 2023	OMRON HEALTHCARE Co., Ltd., OMRON EUROPE B.V. and others.	Total:117 companies

The Companies have introduced a performance based share compensation plan using structures called a BIP Trust and an ESOP Trust starting from the fiscal year ended March 31, 2018. The Companies acquired the Company's shares from the stock market and grant the Company's shares and cash in the amount of the converted value of such shares to the members of the Board of Directors and Executive Officers according to their executive position and degree of achievement of performance targets.

The Companies have both the power to direct the activities that most significantly impact the trusts' economic performance through the establishment of their plans. The Companies have the potential obligation since the Companies may entrust additional money to the trusts for use in acquisition of additional shares of the Company. As a result, the Companies are considered to be the primary beneficiaries of the trusts and therefore consolidate the trusts as variable interest entities; however, the trusts are not included in the number of the Company's subsidiaries.

The carrying amounts of assets and net assets of the trusts which are included in the consolidated balance sheet as of March 31, 2022 and 2023 were JPY66 million and JPY113 million of cash and cash equivalents and JPY3,921 million and JPY3,880 million of treasury stock, respectively.

The names of major consolidated subsidiaries, their main business activities, and ownership percentages of voting rights are listed in "4. Information about the Affiliates" in "Part I Overview of the Company."

D Application of Equity Method

Investments in the Company’s all affiliates and limited partnerships, etc. in which the Company holds a 3% or more equity are accounted for using the equity method.

Equity method affiliates	March 31, 2022	JMDC Inc, AliveCor, Inc. and others.	Total:36 companies
	March 31, 2023	JMDC Inc, AliveCor, Inc. and others.	Total:45 companies

The names of major affiliates that are accounted for using the equity method, their main business activities, and ownership percentages of voting rights are listed in “4. Information about the Affiliates” in “I Overview of the Company.”

The excess of the cost of an investment over the amount of underlying equity of the fair value of the net assets including contingent liabilities on the acquisition date of the affiliates is recorded as equity method goodwill and intangible assets, and is included in the carrying amount of investment.

As for investments in affiliates, the Company comprehensively takes into account qualitative factors including progress of business plans and the business environment, and quantitative factors such as comparison between the value of the investments calculated using the discounted cash flow method based on the excess earning power of the affiliates or from the market price in the stock market and the carrying amount. If there is a loss in value that is other than temporary, a loss in value of an investment is recognized for the excess of the carrying amount of the equity over the proportional fair value of the affiliates.

The value of the Company's investments in affiliates using the discounted cash flow method is by discounting the estimated future cash flow based on the business plans that have been approved by management to the present value using a discount rate calculated based on the weighted-average cost of capital. The business plans are formulated using assumptions such as macroeconomic conditions, market growth rates, profit margins, and equipment plans. The cash flows after the forecast period in the business plan are calculated based on the growth rate estimated within the range of the long-term average growth rate of the market to which the investee belongs.

If the main assumptions used to calculate the amount recorded in the consolidated balance sheet for the year ended March 31, 2023 deviate significantly from the situation as of March 31, 2023, and the carrying amount of the investment in the affiliate exceeds its valuation using the discounted cash flow method or if a decline in market prices that was judged to be temporary becomes other than temporary, the situation may have a significant impact on the amount of investment in affiliates.

E Differing Fiscal Year-Ends

There are 23 and 14 subsidiaries as of March 31, 2022 and 2023, respectively, which have different fiscal year-ends from that of the Company.

All subsidiaries used the March 31 year-end financial statements for the purpose of the Company’s consolidation as of March 31, 2023. No subsidiary was consolidated based on its respective year end.

The March 31 year-end financial statements were used by 22 subsidiaries as of March 31, 2022, for the purpose of the Company’s consolidation. One subsidiary was consolidated based on its respective year end as the effects due to the differing fiscal year-ends did not have a material effect on the Company’s consolidated financial statements.

F Accounting Standards

1 Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgments are made with respect to impairment of long-lived assets, goodwill and non-amortizable intangible assets, investments in affiliates, and the recoverability of deferred tax assets, taking into account the impact of rising raw material prices.

In making estimates, we considered the impact of the estimated economic implications will continue to have a certain impact for current fiscal year the end of March 31, 2023, and after next fiscal year. For more information about these balances as of current fiscal year, see Consolidated Financial Statements and Related Notes to Consolidated Financial statements.

2 Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with original maturities of three months or less, including time deposits, commercial paper, securities purchased with resale agreements and money market instruments.

3 Allowance for Doubtful Receivables

An allowance for doubtful receivables is established in amounts considered to be appropriate based primarily upon the Companies' past credit loss experience and an evaluation of potential losses within the outstanding receivables.

4 Investments

The Companies measure equity securities that have readily determinable fair value at fair values with changes recognized in "Other expenses, net" in the income statement. Equity securities without readily determinable fair values are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer or at other reasonable methods with changes recognized in "Other expenses, net". Realized gains and losses are determined by the average cost method.

5 Inventories

Domestic inventories are mainly stated at the lower of cost, determined by the first-in, first-out method, or net realizable value. Overseas inventories are mainly stated at the lower of cost, determined by the moving-average method, or net realizable value.

6 Property, Plant, and Equipment

Property, plant, and equipment are stated at cost. Depreciation of property, plant, and equipment is computed principally by the straight-line method based upon the estimated useful lives of the assets. The estimated useful lives primarily range from 3 to 50 years for buildings and from 2 to 15 years for machinery and equipment. Depreciation expense was JPY16,578 million and JPY 18,751 million for the years ended March 31, 2022 and 2023, respectively.

7 Goodwill and Other Intangible Assets

The Companies account for goodwill and other intangible assets in accordance with the FASB ASC 350, “Intangibles - Goodwill and Other,” which requires that goodwill is not to be amortized, but instead tested for impairment annually during the fourth quarter of the fiscal year and between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at the reporting unit level. Reporting units are operating segments or one level below the operating segments. The Companies calculate the fair value by discounting the estimated future cash flow based on a business plan that has been approved by the management to the present value using a discount rate calculated based on the weighted-average cost of capital. The business plans are formulated using assumptions such as macroeconomic conditions, market growth rates, profit margins, and capital expenditures plan. Cash flows after the forecast period in the business plan are calculated based on the growth rate estimated within the range of the long-term average growth rate of the market to which the reporting unit belongs. If the main assumptions used to calculate the fair value for the year ended March 31, 2023 deviate significantly from the situation as of March 31, 2023, and the carrying amount of a reporting unit exceeds its fair value, the situation may have a significant impact on the amount of goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill is not considered to be impaired. If the carrying amount of a reporting unit exceeds its fair value, a loss on impairment of goodwill is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. Intangible assets with finite lives are amortized over their respective estimated useful lives.

8 Long-Lived Assets

Property, plant, and equipment, right-of-use and intangible assets which are amortized (“long-lived assets”) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset might be unrecoverable. Long-lived Assets are reviewed for impairment for each asset group. An asset group is the unit of accounting for a long-lived asset or assets to be held and used, which represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. The recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be potentially impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. The Companies use present values of the expected future cash flows which is based on forecasts of the respective assets or observable market prices to estimate the fair value of these assets. Estimates of future cash flows are based on the remaining useful life of the primary asset of the group. Assets to be disposed of other than by sale are considered held and used until disposed. Assets to be disposed of by sale are reported at the lower of the carrying amount or fair value, less selling costs.

9 Leases

The Companies have various operating and finance leases for right of land, buildings, warehouses, corporate housings, and cars. Right-of-use assets and lease liabilities are recognized at the start of the lease contracts.

The Companies determine if a contract is, or contains, a lease at the inception of each contract. The Companies determine the contract is, or contains a lease if the identified asset exists and having the right to control the use of asset. Some of the contracts include options to extend or to terminate the lease. The Companies take such options into account to determine the lease term when it is reasonably certain that it will exercise these options. The Companies’ lease arrangements do not contain material residual value guarantees or material restrictive covenants. As the rate implicit in the majority of the Companies’ leases cannot be determined, the Companies use their incremental borrowing rate based on the information available at commencement to determine the present values of lease payments. The Companies have lease contracts with lease and non-lease components, which are accounted for separately. The Companies allocate the consideration in the lease contract to the lease and non-lease components based upon the estimated standalone prices. The Companies elect not to recognize right-of-use assets and lease liabilities for short-term leases of which the lease term is 12 months or less. Lease expense for lease payments are recognized on a straight-line basis over the term of the lease. The Companies do not have any material finance lease agreements for the year ended March 31, 2022 and the year ended March 31, 2023.

10 Termination and Retirement Benefits

Termination and retirement benefits are accounted for and are disclosed in accordance with ASC 715, “Compensation - Retirement Benefits,” based on the fiscal year end fair value of plan assets and the projected benefit obligations of employees. The provision for termination and retirement benefits includes amounts for directors and corporate auditors of subsidiaries.

11 Revenue Recognition

Revenue from contracts with customers is recognized when, or as, control of promised goods or services transfers to customers in an amount that reflects the consideration to which the Companies expects to be entitled in exchange for transferring these goods or services by applying the following five steps model:

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation
The transaction price is the amount of consideration in a contract to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, less any discounts, rebates or other similar items. The Companies consider all the information (historical, current, and forecast) that is reasonably available to estimate the amount of variable consideration.

As a practical expedient which is provided in ASC 606, "Revenue recognition," the Companies do not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less.

12 Advertising Costs

Advertising costs are charged as incurred and included in "Selling, general and administrative expenses." Advertising expense was JPY10,055 million, and JPY11,102 million for the years ended March 31, 2022, and 2023 respectively.

13 Shipping and Handling Charges

Shipping and handling charges are included in "Selling, general and administrative expenses." Shipping and handling charges were JPY12,073 million, and JPY16,691 million for the years ended March 31, 2022, and 2023 respectively.

14 Income Taxes

Deferred income taxes reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and their financial reporting amounts, operating loss carryforwards, and tax credit carryforwards. Carrying amounts of deferred tax assets require a reduction by a valuation allowance if, based on available evidence, it is more likely than not that such assets will not be realized prior to expiration. Accordingly, the need to establish a valuation allowance for deferred tax assets is assessed periodically with appropriate consideration given to all positive and negative evidence related to the realization of the deferred tax assets. Management's judgments related to this assessment consider, among other matters, the nature, frequency and severity of current and cumulative losses on an individual tax jurisdiction basis, forecasts of future profitability, excess of appreciated asset value over the tax basis of net assets, the duration of statutory carryforward periods, the future availability of net operating loss carryforwards and tax credits carryforwards. The Companies believe that it is highly likely that the currently recorded deferred tax assets will be recovered based on past taxable income levels and forecasts of future taxable income during the deductible period of deferred tax assets. However, if factors that affect the forecast of taxable income change, such as market trends and exchange fluctuations surrounding the Companies, and the uncertainty of the forecast of taxable income increases, it might affect the recoverability of estimates of deferred tax assets. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Companies apply the guidance ASC 740, "Accounting for Uncertainty in Income Taxes." In evaluating the tax benefits based on available information at the reporting date, the Company records a tax benefit using a more likely than not threshold.

Effective on April 1 2022, the Company and certain domestic subsidiaries shifted to Japanese Group Relief System established by the "Act for Partial Amendment of the Income Tax Act (Act No. 8 of 2020), etc.", from consolidated taxation system as permitted by Japanese tax regulations. The impact of the shifting was not material to the Companies.

15 Product Warranties

A liability for estimated warranty-related costs is included in “Other current liabilities.” The liability is established using historical information, including the nature, frequency, and average cost of past warranty claims.

16 Derivatives

Derivative instruments and hedging activities are accounted for in accordance with ASC 815, “Derivatives and Hedging.” This standard establishes accounting and reporting standards for derivative instruments and for hedging activities and requires that an entity recognize all derivatives as either assets or liabilities in the consolidated balance sheets and measure those instruments at fair value.

For forward exchange contracts and commodity swap contracts, on the date the derivative contract is entered into, the Companies designate the derivative as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). The Companies formally document all relationships between hedging instruments and hedged items, as well as their risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash flow hedges to specific assets and liabilities in the consolidated balance sheet or to specific firm commitments or forecasted transactions. Based on the Companies’ policy, all forward exchange contracts and commodity swap contracts entered into must be highly effective in offsetting changes in cash flows of hedged items.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a cash flow hedge are recorded in “Other comprehensive income (loss)” until earnings are affected by the variability in cash flows of the designated hedged item. These amounts are transferred to the same profit or loss category as the hedged item in the period in which it is recognized as revenue or expense.

17 Cash Dividends

Cash dividends are reflected in the consolidated financial statements at proposed amounts in the year to which they are applicable, even though payment is not approved by shareholders until the annual general meeting of shareholders held early in the following fiscal year. Corresponding dividends payable are included in other current liabilities in the consolidated balance sheets.

18 Share-Based Compensation

The Companies apply ASC 718, “Compensation - Stock Compensation,” and measure stock-based compensation costs based on the fair value at the grant date and recognize the costs over the vesting period.

19 Translation of Financial Statement Items of the Company’s Subsidiaries Located Outside of Japan into Japanese yen

Financial statements of the Company’s subsidiaries located outside of Japan are translated in accordance with ASC 830, “Foreign Currency Matters.” Assets and liabilities of the subsidiaries are translated into Japanese yen at the rate of exchange in effect at the balance sheet date. Income and expense items are translated at the average exchange rates prevailing during the year. Gains and losses resulting from translation of financial statements are reported in accumulated other comprehensive income (loss) as foreign currency translation adjustments.

20 Comprehensive Income

The Companies apply ASC 220, “Comprehensive Income.” Comprehensive income is composed of net income attributable to shareholders, changes in foreign currency translation adjustments, changes in pension liability adjustments and changes in net gains (losses) on derivative instruments and disclosed within the consolidated statements of comprehensive income.

G New Accounting Standards

Recently adopted accounting guidance

The Companies adopted Accounting Standards Update ("ASU") 2021-10, Government Assistance (ASC 832) Disclosures by Business Entities about Government Assistance. The amendments in this Update require the following annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy:

1. Information about the nature of the transactions and the related accounting policy used to account for the transactions
2. The line items on the balance sheet and income statement that are affected by the transactions, and the amounts applicable to each financial statement line item
3. Significant terms and conditions of the transactions, including commitments and contingencies.

The impact of the adoption of this guidance was not material to the Companies.

II Descriptions and Breakdowns of Major Accounts

A REVENUE

1. Disaggregation of Revenue

The following table presents the Companies' revenues disaggregated by geographical region and operating segment for the years ended March 31, 2022 and 2023.

2022 (JPY millions)

Segments	IAB	HCB	SSB	DMB	Total	Eliminations and Others	Consolidated
Sales:							
Sales to external customers	418,107	132,857	87,692	120,972	759,628	3,299	762,927
Intersegment sales	6,483	160	10,779	42,824	60,246	(60,246)	–
Total	424,590	133,017	98,471	163,796	819,874	(56,947)	762,927
Major regional market (external customers):							
Japan	135,105	27,841	87,226	36,425	286,597	3,299	289,896
Americas	38,224	22,651	–	17,421	78,296	–	78,296
Europe	81,157	23,012	–	16,254	120,423	–	120,423
Greater China	117,104	43,346	96	35,805	196,351	–	196,351
Southern Asia and Others	46,487	15,542	–	14,895	76,924	–	76,924
Direct Exports	30	465	370	172	1,037	0	1,037
Total	418,107	132,857	87,692	120,972	759,628	3,299	762,927

Note: Due to a revision of business management classifications, certain business of the IAB is included in the DMB business segment for disclosure since the year ended March 31, 2023. Accordingly, the Company reclassified results for the fiscal year ended March 31, 2022 under this new categorization for presentation herein.

2023 (JPY millions)

Segments	IAB	HCB	SSB	DMB	Total	Eliminations and Others	Consolidated
Sales:							
Sales to external customers	485,738	142,132	107,273	138,854	873,997	2,085	876,082
Intersegment sales	6,822	294	13,804	48,451	69,371	(69,371)	—
Total	492,560	142,426	121,077	187,305	943,368	(67,286)	876,082
Major regional market (external customers):							
Japan	148,129	26,670	107,198	42,457	324,454	2,085	326,539
Americas	51,596	28,521	—	24,182	104,299	—	104,299
Europe	97,841	23,824	—	18,472	140,137	—	140,137
Greater China	129,740	44,727	13	37,048	211,528	—	211,528
Southern Asia and Others	58,387	17,814	—	16,673	92,874	—	92,874
Direct Exports	45	576	62	22	705	0	705
Total	485,738	142,132	107,273	138,854	873,997	2,085	876,082

Note: Major countries or regions belonging to segments other than Japan are as follows:

(1) Americas: ……… The United States of America, Canada, Brazil

(2) Europe: ………… The Netherlands, Great Britain, Germany, France, Italy, Spain

(3) Greater China: … China, Hong Kong, Taiwan

(4) Southeast Asia and Others: Singapore, South Korea, India, Australia

(5) Direct Exports: … Direct delivery exports

2. Sufficient Information to Enable Users to Understand the Relationship of Disaggregated Revenue

In IAB, HCB and DMB, the Companies recognize revenue from domestic sales of goods when goods are delivered at customer's sites, unless stated otherwise in a contract. The revenue from export sales for such businesses is recognized when the transfer of the risk of loss to customer is complete based on the trade terms and conditions such as incoterms.

In the provision of products and services involving installation and on-site adjustment work, the Companies identifies the delivery of the products and the installation and on-site adjustment work of these products as a single performance obligation, which is deemed to be satisfied at the time when the Companies completed installation and on-site adjustment work of the products. Accordingly, revenues are recognized at the time when the performance obligation is satisfied.

In addition, the Companies provide for an estimate of rebates for customers based on the quantities sold to promote the sales of its products. As the amount of the rebate is included in variable consideration and can be reasonably estimated, it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Therefore, the estimate of variable consideration is not constrained. The product of the Company or subsidiaries does not include any right of return.

In SSB, performance obligations are deemed to be satisfied largely at the time when inspection is performed by customers. Accordingly, revenues are recognized at the time when the performance obligation is satisfied. In some transactions, performance obligations are deemed to be satisfied at the time when products reach the customer. Accordingly, revenues are recognized at the time when the performance obligation is satisfied.

In addition, certain trades include long-term service for which revenue is recognized over a certain period. Consideration for such service rendered is received in approximately three months. There are some contracts where the Companies receive an advance payment for future products or services from a customer, in which case a contract liability is recorded in other current liabilities or other long-term liabilities. Contract assets are the Companies' right, excluding any amounts presented as a receivable, to consideration in exchange for goods that the Companies have transferred to a customer based on contracts in which performance obligations are satisfied over time and are recorded as other current assets.

Promised consideration for transactions is largely received within three months after the satisfaction of performance obligations. No significant financing component is included in the amount of consideration.

3. Information Relevant to Understanding Revenue Figures for the Current and Subsequent Consolidated Fiscal Years

(1) Contract Balances

The beginning and the ending balances of contract assets and contract liabilities for the fiscal year ended March 31, 2022 were as follows:

(JPY millions)

	Notes and Accounts Receivable	Contract Assets	Contract Liabilities		
		Other Current Assets	Other Current Liabilities	Other Long-Term Liabilities	Total
Balance at beginning of year	135,161	–	3,019	8,930	11,949
Balance at ending of year	151,820	647	2,312	8,836	11,148

For the year ended March 31, 2022, revenue of JPY2,594 million was recognized from contract liabilities at the beginning of the year.

The beginning and the ending balances of contract assets and contract liabilities for the fiscal year ended March 31, 2023 were as follows:

(JPY millions)

	Notes and Accounts Receivable	Contract Assets	Contract Liabilities		
		Other Current Assets	Other Current Assets	Other Long-Term Liabilities	Total
Balance at beginning of year	151,820	647	2,312	8,836	11,148
Balance at ending of year	180,074	403	3,917	8,506	12,423

For the year ended March 31, 2023, revenue of JPY2,295 million was recognized from contract liabilities at the beginning of the year.

(2) Transaction Price Allocated to Remaining Performance Obligations

As of March 31, 2023, the aggregate amount of the transaction price allocated to the remaining performance obligation was JPY10,310 million and are mainly relevant to SSB. These are mainly expected to be recognized as revenue within 1 to 15 years and approximately 70% of the balance is expected to be satisfied within five years and approximately 30% of the balance is expected to be satisfied after five years but no more than ten years. We have not disclosed information about transaction price allocated to remaining performance obligations that have original expected durations of one year or less.

B INVENTORIES

Inventories at March 31, 2022 and 2023 consisted of:

(JPY millions)

	2022	2023
Finished products	68,296	86,125
Work in process	18,385	17,614
Materials and supplies	55,254	70,187
Total	141,935	173,926

C INVESTMENTS

The unrealized holding gains or losses and realized gains or losses on equity securities for the years ended March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022	2023
Net losses (gains) recognized during the period on equity securities	(5,447)	2,099
Net gains realized during the period on equity securities sold during the period	(34)	(81)
Unrealized losses (gains) recognized during the period on equity securities held at March 31	(5,413)	2,180

A part of equity securities without readily determinable fair values are accounted for at cost, minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

The Companies recorded impairment loss of JPY71 million based on unobservable inputs obtained from issuer, and a gain of JPY1,208 million as other adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer during the year ended March 31, 2022. The losses (gains) are included in the table above. The aggregate amount of these investments was JPY7,282 million at March 31, 2022.

The Companies recorded impairment loss of JPY1,080 million based on unobservable inputs obtained from issuer, and a gain of JPY507 million and a loss of JPY17 million as other adjustments resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer during the year ended March 31, 2023. The losses (gains) are included in the table above. The aggregate amount of these investments was JPY8,202 million at March 31, 2023.

D INVESTMENTS IN AFFILIATES

The summarized combined financial information that is based on information provided by the equity investees including information for significant equity affiliates is shown below:

Balance Sheets (JPY millions)

Classification	2022	2023
Current assets	44,875	61,556
Noncurrent assets	45,886	71,706
Current liabilities	18,987	24,638
Noncurrent liabilities and noncontrolling interests	29,584	32,010
Percentage of ownership in equity investees	29%-50%	28%-50%

Statements of Income (JPY millions)

Classification	2022	2023
Net revenues	31,752	62,623
Operating income (loss)	(3,124)	722
Net income (loss) attributable to controlling interests	(4,218)	(2,188)
Percentage of ownership in equity investees	29%-50%	28%-50%

Investments in and advances to affiliates recorded on the consolidated balance sheet as of March 31, 2022 included equity method investments for AliveCor, Inc. in the Healthcare Business of JPY9,642 million. The amount of the equity method investments exceeded its proportionate share in the underlying net assets of AliveCor, Inc. by JPY8,172 million and the excess is mainly related to equity method goodwill recognized when starting to apply equity method.

Investments in and advances to affiliates recorded on consolidated balance sheet as of March 31, 2022 also included investment in JMDC Inc. of JPY112,214 million. The amount of the investments exceeded its proportionate share in the underlying net assets of JMDC Inc. by JPY101,926 million.

JMDC Inc. is listed on stock exchanges. Its investment in carrying amount and quoted market value amount to JPY112,214 million and JPY126,034 million as of March 31, 2022.

Investments in and advances to affiliates recorded on the consolidated balance sheet as of March 31, 2023 included the equity method investments for AliveCor, Inc. in the Healthcare Business of JPY9,835 million, and the equity method investments for JMDC Inc of JPY121,918 million.

The equity method investments for AliveCor, Inc. in the Healthcare Business of JPY9,835 million exceeded its proportionate share in the underlying net assets of AliveCor, Inc. by JPY8,199 million and the amount is primarily related to the balance of equity-method goodwill.

As a result of comprehensively taking into account qualitative factors and quantitative factors, no loss in value that is other than temporary occurred, and the Company has judged that it is not necessary to record a valuation loss. This consideration includes assessment of the investee’s operating results and the environment surrounding it as well as comparison between the value amount calculated using the discounted cash flow method and the carrying amount.

In addition, the equity method investments for JMDC Inc. of JPY121,918 million exceeded its proportionate share in the underlying net assets of JMDC Inc. by JPY101,427 million and the amount is primarily related to the balance of equity-method goodwill.

As a result of comprehensively taking into account qualitative factors and quantitative factors, no loss in value that is other than temporary occurred, and the Company has judged that it is not necessary to record a valuation loss. This consideration includes analysis of changes in the investee’s market price, assessment of the length of the time and the extent to which the quoted market value was less than the carrying amount, and assessment of the investee’s operating results and the environment surrounding it as well as comparison between the value amount calculated using the discounted cash flow method and the carrying amount and valuation based on market prices.

JMDC Inc. is listed on stock exchanges. Its investment in carrying amount and quoted market value amount to JPY121,918 million and JPY93,088 million as of March 31, 2023.

E NOTES AND ACCOUNTS RECEIVABLE

The Companies have entered into different types of transactions with affiliates through the ordinary course of business. There are no significant amount of accounts receivable with affiliates resulting from these transactions for the year ended March 31, 2022 and the year ended March 31, 2023.

F PROPERTY, PLANT, AND EQUIPMENT

Property, Plant, and Equipment at March 31, 2022 and 2023 consisted of:

(JPY millions)

	2022	2023
Land	20,926	20,238
Buildings	130,863	136,492
Machinery and equipment	174,184	183,578
Construction in progress	4,748	6,363
Total acquisition cost	330,721	346,671
Accumulated depreciation	(208,623)	(217,086)
Total	122,098	129,585

G GOODWILL AND OTHER INTANGIBLE ASSETS

The components of acquired intangible assets, excluding goodwill, at March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022		2023	
	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Intangible assets subject to amortization:				
Software	73,615	59,238	81,745	64,536
Customer-related asset	6,250	1,896	5,799	1,875
Technology-based asset	7,086	3,523	7,357	4,372
Other	4,257	858	2,628	1,191
Total	91,208	65,515	97,529	71,974

Intangible assets subject to amortization acquired during the fiscal year ended March 31, 2023 mainly consist of Software amounted to JPY8,978 million. There were no material Intangible assets subject to amortization acquired other than Software. The weighted-average amortization period for Software acquired during the fiscal year ended March 31, 2023 is approximately 6 years.

Aggregation of amortization expense related to intangible assets was JPY6,789 million and JPY7,836million, for the years ended March 31, 2022 and 2023, respectively. Estimated amortization expenses for the next five years ending March 31 are as follows:

Years Ending March 31	JPY millions
2024	6,532
2025	5,246
2026	4,182
2027	3,184
2028	2,397

Intangible assets not subject to amortization recognized as of March 31, 2023 mainly consist of Software in progress amounted to JPY19,530 million.

The carrying amounts of goodwill in each segment at March 31, 2022, and changes in their carrying amounts for the year ended March 31, 2022 were as follows:

(JPY millions)

	IAB	HCB	SSB	DMB	Eliminations and Others	Total
Balance at beginning of year:						
Goodwill	39,677	5,121	–	433	1,475	46,706
Accumulated impairment losses	(5,739)	–	–	(332)	(1,475)	(7,546)
Total	33,938	5,121	–	101	–	39,160
Impairment	–	(3,384)	–	–	–	(3,384)
Foreign currency translation adjustments and other	3,521	407	–	14	–	3,942
Balance at end of year:						
Goodwill	43,198	5,528	–	447	1,475	50,648
Accumulated impairment losses	(5,739)	(3,384)	–	(332)	(1,475)	(10,930)
Total	37,459	2,144	–	115	–	39,718

The carrying amounts of goodwill in each segment at March 31, 2023, and changes in their carrying amounts for the year ended March 31, 2023 were as follows:

(JPY millions)

	IAB	HCB	SSB	DMB	Eliminations and Others	Total
Balance at beginning of year:						
Goodwill	43,198	5,528	–	447	1,475	50,648
Accumulated impairment losses	(5,739)	(3,384)	–	(332)	(1,475)	(10,930)
Total	37,459	2,144	–	115	–	39,718
Foreign currency translation adjustments and other	3,307	105	–	(5)	–	3,407
Balance at end of year:						
Goodwill	46,505	5,633	–	442	1,475	54,055
Accumulated impairment losses	(5,739)	(3,384)	–	(332)	(1,475)	(10,930)
Total	40,766	2,249	–	110	–	43,125

The Companies records goodwill and other intangible assets in accordance with ASC 350, “Intangibles - Goodwill and Other.”

In regard to goodwill of NS Indústria de Aparelhos Médicos LTDA. (currently Omron Healthcare Brasil Indústria e Comércio de Produtos Médicos LTDA.), a Brazilian manufacturer included in the Healthcare Business, the Company remeasured the fair value of the goodwill as of December 31, 2021, based on future business plans in light of changes in the business environment in Brazil. As a result, the Company recognized an impairment loss (JPY3,384 million) for the fiscal year ended March 31, 2022. The method of determining the fair value of reporting unit is disclosed within Note II-T. FAIR VALUE MEASUREMENTS to the consolidated financial statements. These impairment losses are included in “Other expenses, net” within the consolidated statements of income.

No impairment losses were recognized for the fiscal year ended March 31, 2023. The fair value of the reporting unit was estimated by using the present value of expected future cash flows method.

H IMPAIRMENT LOSSES ON LONG-LIVED ASSETS

The Companies recognized impairment losses of JPY410 million on long-lived assets for the fiscal year ended March 31, 2022, due to decreasing profitability in some manufacturing equipment of the semiconductor-related business and other under Eliminations and Others. The fair values were estimated using the present value of expected future cash flows.

The Companies recognized impairment losses on long-lived assets for the fiscal year ended March 31, 2023. Of these, JPY944 million was due to decreasing profitability of certain business assets in the Healthcare Business and JPY824 million was due to decreasing profitability in some idle real estates of the Industrial Automation Business. The fair values were estimated using the present value of expected future cash flows.

These impairment losses are included in “Other expenses, net” within the consolidated statements of income.

I SHORT-TERM BORROWINGS

The amounts of short-term borrowings on March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022	2023
Short-term borrowings (Weighted-average interest rate)	20,000 (0.13%)	213 (8.05%)

J LEASES

Leases

Supplemental income statement information for the fiscal years ended March 31, 2022 and 2023 is as follows:

Lease costs are included in cost of goods sold or selling, general and administrative expense in the consolidated statement of income.

(JPY millions)

	2022	2023
Finance lease cost: Amortization of right-of-use assets	1,597	484
Operating lease cost	11,516	12,571
Short-term lease cost	986	969
Other lease cost	1,070	1,092
Total lease cost	15,169	15,116

Operating Lease Cash Flow

Supplemental cash flow information for the fiscal years ended March 31, 2022 and 2023 is as follows:

(JPY millions)

	2022	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	11,491	13,180
Noncash activity - Right-of-use assets obtained in exchange for operating lease liabilities:		
Operating leases	11,794	18,732

Maturity Analysis

The following is a schedule by year of the future minimum lease payments under operating leases at March 31, 2023:

(JPY millions)

	2023
2024	12,035
2025	9,274
2026	7,141
2027	4,940
2028	3,193
Thereafter	10,141
Total future minimum lease payments	46,724
Less imputed interest	(1,569)
Total lease liabilities	45,155

Remaining Lease Term and Discount Rate

The following is remaining lease term and discount rate under operating leases at March 31, 2022 and 2023:

	2022	2023
Weighted-average remaining lease term – operating leases	68 months	71 months
Weighted-average discount rate – operating leases	1.0%	1.4%

K TERMINATION AND RETIREMENT BENEFITS

In the first quarter of March 31, 2020, the Company and certain domestic subsidiaries decided to switch from the defined benefit pension plan and lump-sum payment plan (the “Plans”) to the defined contribution pension plan (the “DC”) for future service rendered on or after July 1, 2019. The Company also decided to amend the Plans and switch certain parts of the Plans for service rendered prior to June 30, 2019 to the DC over a period required by the regulation.

The Companies recognized the decrease in PBO from the payment to the DC as a result of the switch to the DC was included in “Settlements,” and the difference between the PBO decrease and the payment to the DC was included in “Settlements loss”.

The Company and its domestic subsidiaries had sponsored termination and retirement benefit plans which cover substantially all domestic employees (the “funded contributory termination and retirement plan in Japan”) until the switch to the DC was decided. Benefits had been based on a point-based benefits system, under which benefits are calculated mainly based on accumulated points awarded to employees each year according to their job classification and performance. If termination is involuntary, employees are usually entitled to greater payments than in the case of voluntary termination.

The Company and its domestic subsidiaries fund a portion of the obligation under these plans. The general funding policy is to contribute amounts computed in accordance with actuarial methods acceptable under Japanese tax law.

1. Funded contributory termination and retirement plan in Japan

(1) Obligations and Funded Status

The reconciliation of beginning and ending balances of the benefit obligations and the fair value of the plan assets at March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022	2023
Change in benefit obligation:		
Benefit obligation at beginning of year	197,713	183,331
Interest cost	1,205	1,357
Actuarial loss (gain)	(1,693)	(6,466)
Benefits paid	(9,309)	(9,030)
Settlements	(2,892)	(3,142)
Divestitures	(1,693)	—
Benefit obligation at end of year	183,331	166,050
Change in plan assets:		
Fair value of plan assets at beginning of year	163,666	160,132
Actual return on plan assets	6,690	(1,384)
Contributions from assets in retirement benefit trust	390	409
Benefits paid	(7,251)	(7,771)
Settlements	(1,982)	(2,359)
Divestitures	(1,381)	—
Fair value of plan assets at end of year	160,132	149,027
Fair value of assets in retirement benefit trust at beginning of year	40,783	37,590
Actual return on assets in retirement benefit trust	(2,803)	2,997
Contributions to plan assets	(390)	(409)
Fair value of assets in retirement benefit trust at end of year	37,590	40,178
Status at end of year	14,391	23,155

Amounts recognized in the consolidated balance sheets at March 31, 2022 and 2023, consisted of:

(JPY millions)

	2022	2023
Prepaid pension costs	14,391	28,966
Other current liability	—	(562)
Termination and retirement benefit	—	(5,249)
Total	14,391	23,155

Amounts recognized in accumulated other comprehensive income (loss) at March 31, 2022 and 2023, before tax, consisted of:

(JPY millions)

	2022	2023
Net actuarial loss	54,096	41,460
Prior service benefit	(14,264)	(13,845)
Total	39,832	27,615

The accumulated benefit obligation at March 31, 2022 and 2023 was as follows:

(JPY millions)

	2022	2023
Accumulated benefit obligation	183,331	166,050

The accumulated benefit obligation and fair value of plan assets for plans with accumulated benefit obligations in excess of plan assets, and the projected benefit obligation and fair value of plan assets for plans with projected benefit obligations in excess of plan assets at March 31, 2022 and 2023 was as follows:

(JPY millions)

	2022	2023
Plans with accumulated benefit obligations in excess of plan assets		
Accumulated benefit obligations	—	(6,902)
Fair value of plan assets	—	1,091
Plans with projected benefit obligations in excess of plan assets		
Projected benefit obligations	—	(6,902)
Fair value of plan assets	—	1,091

(2) Components of Net Periodic Benefit Cost

The cost recorded for the contributory termination and retirement benefit plans for the years ended March 31, 2022 and 2023 included the following components:

(JPY millions)

	2022	2023
Interest cost on projected benefit obligation	1,205	1,357
Expected return on plan assets	(3,497)	(3,373)
Amortization	3,666	3,529
Settlements loss	1,373	1,156
Net periodic benefit cost	2,747	2,669

In accordance with ASC 715, “Compensation - Retirement Benefits,” the unrecognized prior service benefit occurred in the fiscal year ended March 31, 2020 is amortized on a straight-line basis over the average remaining life expectancy years of 37 years. The unrecognized actuarial gains and losses are amortized on a straight-line basis of 15 years, within the average remaining life expectancy years, that exceed 10% of the larger of the projected benefit obligation or plan assets.

The estimated net actuarial loss and prior service benefit that will be amortized from accumulated other comprehensive income (loss) into net periodic benefit cost for the year ending March 31, 2024 are summarized as follows:

(JPY millions)

	2024
Net actuarial loss	2,113
Prior service benefit	(420)

(3) Measurement Date

The Company and some of its domestic subsidiaries which cover the majority of the projected benefit obligation and plan assets of the termination and retirement benefits use March 31 as the measurement date.

(4) Assumptions

Weighted-average assumptions used to determine the benefit obligations at March 31, 2022 and 2023 were as follows:

	2022	2023
Discount rate	0.74%	1.12%

Weighted-average assumptions used to determine termination and retirement benefit costs for the years ended March 31, 2022 and 2023 were as follows:

	2022	2023
Discount rate	0.63%	0.74%
Expected long-term rate of return on plan assets	2.20%	2.20%

The expected return on plan assets is determined by estimating the future rate of return on each category of plan assets considering actual historical returns and current economic trends and conditions.

Since the Company and certain domestic subsidiaries decided to switch from the existing the Plans to the DC for future service rendered on or after July 1, 2019, compensation increase rate is no longer required.

(5) Plan Assets

The Company's investment policies are designed to ensure that adequate plan assets are available to provide future payments of pension benefits to eligible participants. Taking into account the expected long-term rate of return on plan assets, the Company formulates a model portfolio composed of the optimal combination of equity, debt securities, life insurance general account assets, and other assets in order to yield a total return that will match the expected return on a mid-term to long-term basis.

The Company evaluates the gap between long-term expected return and actual return of invested plan assets to determine if such differences necessitate a revision in the formulation of the model portfolio. In the event that the Company determines the need for a revision of the model portfolio to accomplish the expected long-term rate of return on plan assets, the Company revises the model portfolio to the extent necessary.

The target allocation of plan assets is 20.0% equity securities, 46.0% debt securities and life insurance general account assets, and 34.0% other. The plan assets include joint trusts which invest in equity, debt securities, and other assets.

Equity securities are mainly composed of stocks that are listed on various securities exchanges. The Company has investigated the business condition of investee companies and appropriately diversified the equity investments by type of industry, brand, and other relevant factors. Debt securities are primarily composed of government bonds, public debt instruments, and corporate bonds. The Company has investigated the quality of the debt issued, including credit rating, interest rate, and repayment dates and appropriately diversified the debt investments. For investments in life insurance general account assets, contracts with the insurance companies include a guaranteed interest and return of capital. Other assets are mainly joint trusts composed of alternative and appropriately diversified.

The fair values of the Company's pension plan assets by asset category as of March 31, 2022 were as follows:

(JPY millions)

	Amount of Fair Value Measurements (Notes:3)			
	Level 1	Level 2	Level 3	Total
Equity securities (Notes:1)	31,662	–	–	31,662
Life insurance general account assets	–	29,387	–	29,387
Other assets (Notes:2)	5,884	44	–	5,928
Investments measured at NAV (Notes:3)	–	–	–	130,745
Total	37,546	29,431	–	197,722

(Notes) 1. Equity securities are domestic stocks that by retirement benefit trusts hold. No common stock of the Company is included in Domestic stocks.

2. Other assets are mainly cash deposits hold by retirement benefit trusts.

3. Investments measured at NAV are joint trusts. Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.
Equity securities included in joint trusts invest in listed equity securities at a ratio of 30% Japanese companies and 70% foreign companies for the fiscal year ended March 31, 2022.
Debt securities included in joint trusts invested at a ratio of approximately 30% in domestic bonds and 70% in foreign bonds for the fiscal year ended March 31, 2022.

Level 1 assets are composed principally of cash in bank and equity securities which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets are composed principally of life insurance general account assets. Life insurance general account assets are valued based on the sum of original value and return.

The fair values of the Company’s pension plan assets by asset category as of March 31, 2023 were as follows:

(JPY millions)

	Amount of Fair Value Measurements (Notes:3)			
	Level 1	Level 2	Level 3	Total
Equity securities (Notes:1)	34,025	–	–	34,025
Life insurance general account assets	–	29,042	–	29,042
Other assets (Notes:2)	6,067	86	–	6,153
Investments measured at NAV (Notes:3)	–	–	–	119,985
Total	40,092	29,128	–	189,205

(Notes) 1. Equity securities are domestic stocks that retirement benefit trusts hold. No common stock of the Company is included in Domestic stocks.

2. Other assets are mainly cash deposits hold by retirement benefit trusts.

3. Investments measured at NAV are joint trusts. Certain assets evaluated by net asset value per share (or its equivalent) are not categorized in the fair value hierarchy. Total amounts in the above table are presented to reconcile the amounts in the fair value hierarchy to the amounts stated on the consolidated balance sheets.
Equity securities included in joint trusts invest in listed equity securities at a ratio of 30% Japanese companies and 70% foreign companies for the fiscal year ended March 31, 2023.
Debt securities included in joint trusts invested at a ratio of approximately 40% in domestic bonds and 60% in foreign bonds for the fiscal year ended March 31, 2023.

Level 1 assets are composed principally of cash in bank and equity securities which are valued using unadjusted quoted market prices in active markets with sufficient volume and frequency of transactions.

Level 2 assets are composed principally of life insurance general account assets. Life insurance general account assets are valued based on the sum of original value and return.

(6) Cash Flows

Contributions

The Companies do not expect to contribute to their domestic termination and retirement benefit plans in the year ending March 31, 2024.

Benefit payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	JPY millions
2024	9,688
2025	9,832
2026	9,314
2027	10,160
2028	9,223
2029 – 2032	35,133

2. Termination plans excluding the funded contributory termination and retirement plan in Japan

The aggregate liability for the termination plans, excluding the funded contributory termination and retirement plan in Japan, as of March 31, 2022 and 2023 was JPY 8,194 million and JPY 4,099 million, respectively. The aggregate net periodic benefit cost for such plans for the fiscal years ended March 31, 2022 and 2023 was JPY 257 million and JPY 262 million, respectively.

The termination plans excluding the funded contributory termination and retirement plan in Japan, include the termination and retirement benefit plans in European subsidiaries and the Companies' other termination and retirement benefit plans. Certain employees of European subsidiaries are covered by a defined benefit pension plan. The projected benefit obligation for the plan and related fair value of plan assets in European subsidiaries were JPY 10,413 million and JPY 9,801 million, respectively, at March 31, 2022, and JPY 8,342 million and JPY 7,901 million, respectively, at March 31, 2023. The projected benefit obligation and related fair value of the Companies' other termination and retirement benefit plans, which provide lump-sum termination payment at the employee's termination, were not material at March 31, 2022 and 2023. Other termination and retirement benefit plans primarily provide lump-sum retirement benefits upon employee retirement.

3. Defined contribution plans

The defined contribution expenses for the years ended March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022	2023
Defined contribution expenses	8,076	8,635

L EQUITY

The Companies Act requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock, while the remaining net proceeds are required to be presented as additional paid-in capital, which is included in capital surplus. The Companies Act permits Japanese companies, upon approval of the board of directors, to issue shares to existing shareholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within equity.

The Companies Act also requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the board of directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, such as: (1) having a board of directors; (2) having independent auditors; (3) having a Board of Corporate Auditors; and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the board of directors may declare dividends (except for dividends in kind) if the Company has prescribed so in its articles of incorporation. The Company meets all the above criteria.

The Companies Act permits companies to distribute dividends in kind (noncash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution of the board of directors if it is stipulated by the articles of incorporation of the Company. Under the Companies Act, certain limitations are imposed on the amount of capital surplus and retained earnings available for dividends. The Companies Act also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than JPY3 million. Such amount available for dividends under the Companies Act was JPY149,355 million at March 31, 2023, based on the amount recorded in the Company's general books of account.

M OTHER EXPENSES , NET

Other expenses, net, for the years ended March 31, 2022 and 2023 consisted of the following:

(JPY millions)

	2022	2023
Net loss on sales and disposals of property, plant, and equipment	901	45
Impairment losses on long-lived assets	410	1,768
Loss on impairment of goodwill	3,384	—
Net loss (gain) on valuation of investment securities	(5,447)	2,099
Loss (gain) related to sale of business	1,116	(922)
Interest income, net	(827)	(1,162)
Foreign exchange loss, net	194	1,057
Foreign exchange losses (gain) due to liquidation of foreign investments	2,029	(337)
Dividend income	(769)	(861)
Net periodic benefit costs	2,747	2,669
Subsidy income (Note)	(710)	(1,550)
Compensation income	(410)	(676)
Other, net	(16)	147
Total	2,602	2,277

Note: The JPY1,550 million in subsidy income for the year ended March 31, 2023 was subsidy income received by the Company's Chinese subsidiary from the government. The subsidy income was mainly received as cash in accordance with the provisions of China's 14th Five-Year Plan and a JPY1,046 million was recorded in "Other expenses, net" in a lump sum when received. In the Company's consolidated financial statements, the subsidy income received from the government is mainly recorded as income, except for subsidy income related to non-current asset investment.

N INCOME TAXES

The provision for income taxes for the years ended March 31, 2022 and 2023 consisted of the following:

(JPY millions)

	2022	2023
Current income tax expense	18,594	34,401
Deferred income tax expenses, exclusive of the following	3,104	(11,832)
Change in the valuation allowance	1,348	2,374
Total	23,046	24,943

The Company and its domestic subsidiaries are subject to a number of taxes based on income. The statutory effective tax rate is 30.5% for the fiscal years ended March 31, 2022 and 2023. The effective income tax rates of the Companies differ from the normal Japanese statutory effective tax rates for the years ended March 31, 2022 and 2023, as follows:

(%)

	2022	2023
Japanese statutory effective tax rates	30.5	30.5
Reason for increase (decrease)		
Increase in taxes resulting from permanently nondeductible items	1.3	0.7
Tax credit for research and development expenses	(3.4)	(4.5)
Losses of subsidiaries for which no tax benefit was provided	1.4	0.5
Difference in subsidiaries’ tax rates	(4.2)	(4.9)
Change in the valuation allowance	0.2	1.9
Taxes on undistributed earnings	3.2	1.7
Temporary difference in investments to subsidiaries	0.5	–
Unrecognized tax benefits	(2.1)	(0.1)
Other, net	(0.8)	(0.7)
Effective income tax rates	26.6	25.1

The approximate effect of temporary differences and tax credit and loss carryforwards that gave rise to deferred tax balances at March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022		2023	
	Deferred Tax Assets	Deferred Tax Liabilities	Deferred Tax Assets	Deferred Tax Liabilities
Inventory valuation	6,302	–	8,971	–
Accrued bonuses and compensated absences	7,204	–	7,387	–
Termination and retirement benefits	3,659	–	274	–
Marketable securities	–	7,185	–	5,460
Property, plant, and equipment	205	–	2,711	2,868
Taxes on undistributed earnings	–	10,323	–	5,740
Unearned revenue	2,589	–	2,758	–
Research and development tax credit	1,693	–	3,995	–
Other temporary differences	8,437	866	8,638	48
Net operating loss carryforwards	6,868	–	5,501	–
Total	36,957	18,374	40,235	14,116
Valuation allowance	(2,645)	–	(4,658)	–
Total	34,312	18,374	35,577	14,116

The total valuation allowance decreased by JPY456 million in 2022 and increased by JPY2,013 million in 2023.

Research and development tax credit will expire by 2043, except for those that can be carried forward indefinitely.

As of March 31, 2023, the Companies had net operating loss carryforwards for corporate income taxes JPY27,547 million in domestic subsidiaries which will expire by 2029 and JPY16,526 million in overseas which will expire by 2031, except for those that can be carried forward indefinitely.

The Company has not provided deferred tax liabilities on unremitted earnings of certain foreign subsidiaries to the extent that they are believed to be indefinitely reinvested. The Company has not recognized deferred tax liabilities of JPY10,630 million and JPY11,700 million for portions of unremitted earnings of the foreign subsidiaries of JPY74,149 million and JPY72,065 million at March 31, 2022 and 2023, respectively. Dividends received from domestic subsidiaries are expected to be substantially free of tax.

A reconciliation of beginning and ending amounts of unrecognized tax benefits was as follows:

(JPY millions)

	2022	2023
Balance at beginning of year	1,584	393
Additions based on tax positions related to the current year	159	60
Additions based on tax positions related to the prior year	234	18
Subtractions based on tax positions related to the prior year	(1,584)	(195)
Balance at end of year	393	276

The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was JPY393 million and JPY276 million for the years ended March 31, 2022 and 2023, respectively.

Based on the information available as of March 31, 2023, a change to the unrecognized tax benefits within the next 12 months will not have a material effect on the Companies' financial condition and operating results.

The Companies recognize interest and penalties accrued related to unrecognized tax benefits in income taxes in the consolidated statements of income.

The Companies file income tax returns in Japan and foreign jurisdictions. With few exceptions, tax examinations in Japan and in foreign countries for years on or prior to March 31, 2022 and 2007, respectively, have been completed.

O SHARE-BASED PAYMENTS

(1)Share-based payment plan for the board of directors and executive officers

The Companies introduced a performance share plan (hereinafter the “Plan”) for the members of the board of directors and executive officers in the fiscal year ended March 31, 2018.

The Plan is consisted of two structures, a BIP Trust and an ESOP Trust. The BIP Trust is established for an executive incentive program similar to the performance share and restricted stock plans in the U.S. and Europe. It is designed to grant the Company’s shares acquired by the BIP Trust and cash in the amount of the converted value of such shares to directors and executive officers according to executive position and their degree of achievement of performance targets. The ESOP Trust is used for an employee incentive program using a trust fund based on the Employee Stock Ownership Plan in the U.S. The shares held by the BIP Trust and the ESOP Trust are accounted for as treasury stock.

Vesting conditions are subject to individuals holding the position of directors and executive officers and meeting other specific requirements. The rights of granted points (1 point = 1 share) will be awarded to directors and executive officers on the last day of each fiscal year during the term of a new medium-term management plan according to their positions and the degree of achievement of performance targets. The number of performance-linked points due to directors and executive officers will be awarded after the term of the Plan, and non-performance-linked points will be awarded over a specified period each year during the term of the Plan. Directors and executive officers will receive the Company’s shares and cash, which are awarded based on their points upon completion of certain settlement procedures.

The following table summarizes the unvested points activity in 2022 and 2023:

	2022		2023	
	Number of Points	Weighted-Average Grant-Date Fair Value (JPY)	Number of Points	Weighted-Average Grant-Date Fair Value (JPY)
Outstanding at beginning of year	461,759	5,090	56,014	9,865
Granted	56,014	9,865	69,018	7,820
Vested	(465,481)	5,090	—	—
Change in accounting estimate	3,722	5,090	—	—
Outstanding at ending of year	56,014	9,865	125,032	8,736

Note: The Weighted-Average Grant-Date Fair Value is calculated by using the market value of the Company’s shares with adjustment considering expected dividend.

Share-based payment expense recognized in the consolidated statement of income was JPY553 million, JPY540 million for the fiscal years ended March 31, 2022 and 2023, respectively.

(2) Share-based payment plan for employees

(i) Share-based payment plan through the Employee Stockholding Association

The Company resolved in the fiscal year ended March 31, 2022 to introduce the plan, and grants its shares to employees of the Company and the Company's domestic subsidiaries.

The plan is to grant special incentives to members of the Employee Stockholding Association in order to increase sensitivity to corporate value and raise awareness of corporate value among employees of the Company and the Company's subsidiaries and to encourage further membership of the Employee Stockholding Association, and dispose treasury shares to the Employee Stockholding Association through the contribution of the special incentives using the method of third-party allotment. The fair value of the share-based payment on the plan is determined based on the market value of the Company's shares.

Share-based payment expense recognized in the consolidated statement of income was JPY247 million and JPY524 million for the fiscal years ended March 31, 2022 and 2023, respectively.

(ii) Restricted stock plan through the Employee Stockholding Association

The Company resolved in the fiscal year ended March 31, 2022 to introduce the plan, and has introduced a restricted stock plan for employees of the Company and the Company's domestic subsidiaries.

Based on the new long-term vision "SF2030," this plan is to pay monetary claims as a special incentive for granting restricted stock (hereinafter referred to as "Special Incentive") to employees of the Company and the Company's subsidiaries who consent to the plan (hereinafter referred to as "eligible employees") in order to realize the "Maximization of corporate value (financial and non-financial value)," with the aim to bring management and employees together to work as one to enhance corporate value and to allow all to share in the results. The eligible employees contribute the Special Incentive to the Employee Stockholding Association, and the Employee Stockholding Association receives the issuance or disposal of the Company's common shares as restricted stock by using the Special Incentive contributed by eligible employees to make a contribution the Company.

On the condition that eligible employees would remained a member of the Employee Stockholding Association during the transfer restriction period, their restriction on transfer is lifted on the business day following the day when the transfer restriction period expires, for all the allotted shares in the number corresponding to the share of restricted stock held by eligible employees, according to the level of achievement of the Company's performance targets and changes of their employee category. In the case where certain events occur, the Company acquires the allotted shares without compensation.

Changes in the number of shares of restricted stock and weighted-average grant-date fair value are as follows.

	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Number of shares	Weighted-average grant-date fair value (JPY)	Number of shares	Weighted-average grant-date fair value (JPY)
Outstanding at beginning of the fiscal year	–	–	–	–
Granted	–	–	404,600	7,760
Vested	–	–	(111,164)	7,760
Acquired by the Company	–	–	(7,329)	7,760
Outstanding at ending of the fiscal year	–	–	286,107	7,760

Note: The weighted-average grant-date fair value is calculated based on the market value of the Company's shares.

Share-based payment expense recognized in the consolidated statement of income was JPY863 million for the fiscal years ended March 31, 2023. There are JPY2,220 million in unrecognized compensation costs at the fiscal year ended March 31, 2023, which will be recognized over a weighted-average period of 2.2 years.

P PER SHARE DATA

The Company calculates its net income per share in accordance with ASC 260, “Earnings Per Share.”
The Company introduced a Medium-term Incentive Plan using restricted stock for the Employee Stockholding Association for manager-level employees of the Company and domestic subsidiaries of the Company. In addition, the Company introduced a Stockholding Association Stimulation Plan using restricted stock for the Employee Stockholding Association for general-level employees of the Company and domestic subsidiaries of the Company. Among the shares related to these plans, the shares that are not yet vested are distinguished from common shares as participation certificates. The common shares and participation certificates have equal rights with respect to net income attributable to shareholders.

The numerators and denominators of the computations for net income attributable to shareholders per share are each shown below.
The diluted net income attributable to shareholders and the diluted average number of issued shares during the period were not stated since there were no potentially dilutive securities as of March 31, 2022 and 2023.

Numerator

(JPY millions)

	2022	2023
Net income attributable to shareholders	61,400	73,861
Net income attributable to participating securities	–	134
Net income attributable to common shareholders	61,400	73,727

Denominator

	2022	2023
Weighted-average common shares outstanding	200,882,669	198,447,778
Weighted-average participation securities outstanding	–	360,730
Weighted-average common shares outstanding	200,882,669	198,087,048

Note: The Company’s shares held through the BIP Trust and the ESOP Trust are included in the number of treasury stock shares to be deducted in calculation of the weighted-average shares for the earnings per share computation (630,111 shares and 600,208 shares as of March 31, 2022 and 2023, respectively.).

Q OTHER COMPREHENSIVE INCOME (LOSS)

Tax effects allocated to each component of other comprehensive income (loss), including other comprehensive income (loss) attributable to noncontrolling interests and reclassification adjustments for the years ended March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022			2023		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Foreign currency translation adjustments:						
Beginning balance	(8,030)	(66)	(8,096)	33,854	54	33,908
Foreign currency translation adjustments arising during the year	39,958	120	40,078	18,712	(872)	17,840
Reclassification adjustment for the portion realized in net income	2,029	–	2,029	(337)	―	(337)
Net unrealized gain (loss)	41,987	120	42,107	18,375	(872)	17,503
Less: Other comprehensive income (loss) attributable to noncontrolling interests	103	–	103	67	―	67
Ending balance	33,854	54	33,908	52,162	(818)	51,344
Pension liability adjustments:						
Beginning balance	(47,613)	23,046	(24,567)	(40,960)	21,030	(19,930)
Pension liability adjustments arising during the year	2,320	(695)	1,625	8,763	(2,669)	6,094
Reclassification adjustment for the portion realized in net income	4,333	(1,321)	3,012	3,756	(1,146)	2,610
Net unrealized gain (loss)	6,653	(2,016)	4,637	12,519	(3,815)	8,704
Ending balance	(40,960)	21,030	(19,930)	(28,441)	17,215	(11,226)
Net gains (losses) on derivative instruments:						
Beginning balance	(389)	107	(282)	(1,372)	407	(965)
Unrealized holding gains (losses) arising during the year	(1,533)	467	(1,066)	(753)	230	(523)
Reclassification adjustment for the portion realized in net income	550	(167)	383	1,895	(578)	1,317
Net unrealized gain (loss)	(983)	300	(683)	1,142	(348)	794
Ending balance	(1,372)	407	(965)	(230)	59	(171)
Other comprehensive income (loss):						
Beginning balance	(56,032)	23,087	(32,945)	(8,478)	21,491	13,013
Unrealized holding gains (losses) arising during the year	40,745	(108)	40,637	26,722	(3,311)	23,411
Reclassification adjustment for the portion realized in net income	6,912	(1,488)	5,424	5,314	(1,724)	3,590
Net unrealized gain (loss)	47,657	(1,596)	46,061	32,036	(5,035)	27,001
Less: Other comprehensive income (loss) attributable to noncontrolling interests	103	–	103	67	―	67
Ending balance	(8,478)	21,491	13,013	23,491	16,456	39,947

The reclassification adjustment related to foreign currency translation adjustments for the portion realized in net income is included in “Other expenses, net” and “Equity in loss (earnings) of affiliates”. The reclassification adjustment related to pension liability adjustments for the portion realized in net income is included in “Other expenses, net”. The reclassification adjustment related to net gains (losses) on derivative instruments for the portion realized in net income is included in “Cost of sales” and “Other expenses, net”. The tax effect is included in “Income taxes”.

R FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value of Financial Instruments

The carrying amounts and estimated fair values as of March 31, 2022 and 2023 of the Companies' financial instruments were as follows:

(JPY millions)

	2022		2023	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(Derivatives)				
Forward exchange contracts:				
Other current assets	10,012	10,012	3,953	3,953
Other current liabilities	(3,287)	(3,287)	(1,176)	(1,176)
Commodity swap contracts:				
Other current assets	10	10	49	49

The following methods and assumptions were used to estimate the fair values of each class of financial instrument for which it is practicable to estimate its value.
The definitions of Level 1, Level 2, and Level 3, which are hierarchical classifications of fair value, are described in Note II-T. FAIR VALUE MEASUREMENTS.

Derivatives

The fair value of derivatives generally reflects the estimated amounts that the Companies would receive or pay to terminate the contracts at the reporting date, thereby taking into account the current unrealized gains or losses on open contracts. Dealer quotes are available for most of the Companies' derivatives. For the rest of the Companies' derivatives, valuation models are applied to estimate fair value.

The Companies do not use derivatives for trading purposes.

In addition, information on the fair value of derivative transactions by level is described in Note II-T. FAIR VALUE MEASUREMENTS.

Nonderivatives

(1) Cash and cash equivalents, notes and accounts receivable, leasehold deposits, notes and accounts payable, short-term borrowings, short-term operating lease liabilities, and long-term operating lease liabilities:
The carrying amounts approximate fair value. Cash and cash equivalents are classified as Level 1, while others are classified as Level 2.

(2) Investment securities:

Equity securities that have readily determinable fair values are valued using quoted market prices in active markets. Equity securities without readily determinable fair values are valued with adjustments for observable changes in prices or impairments, or using other reasonable methods. (See Note II-T. about equity securities measured at fair value on a recurring basis.)

S DERIVATIVES AND HEDGING ACTIVITIES

The Companies enter into forward exchange contracts to hedge changes in foreign currency exchange rates (primarily the U.S. dollar, the Euro, and the Chinese yuan). The Companies enter into commodity swap contracts to hedge changes in prices of commodities, including copper and silver used in the manufacturing of various products. The Companies do not use derivatives for trading purposes. The Companies are exposed to credit risk in the event of nonperformance by counterparties to derivatives, but the Company considers the exposure to such risk to be minimal since the counterparties maintain good credit ratings.

Changes in the fair value of forward exchange contracts and commodity swap contracts designated and qualifying as cash flow hedges are reported in accumulated “Other comprehensive income (loss)”. Gains and losses on forward exchange contracts are subsequently reclassified into “Other expenses, net”, and gains and losses on commodity swap contracts are subsequently reclassified into “Cost of sales”, in the same period as and when the hedged items affect earnings. Substantially all of the accumulated “Other comprehensive income (loss)” in relation to derivatives at March 31, 2023 is expected to be reclassified into earnings within 12 months.

The notional amounts of outstanding contracts to forward exchange and commodity swap at March 31, 2022 and 2023 were as follows:

(JPY millions)

	2022	2023
Forward exchange contracts	202,122	158,029
Commodity swap contracts	151	1,075

The fair values of derivatives at March 31, 2022 and 2023 were as follows:

Derivatives designated as hedges

Assets

(JPY millions)

	Account	2022	2023
Forward exchange contracts	Other current assets	10,012	3,953
Commodity swap contracts	Other current assets	10	49

Liabilities

(JPY millions)

	Account	2022	2023
Forward exchange contracts	Other current liabilities	(3,287)	(1,176)

The effects on the consolidated statements of income for the year ended March 31, 2022 were as follows:

Derivatives designated as hedges

Cash flow hedge

(JPY millions)

	Unrealized Gain (Losses) in Other Comprehensive Income (Loss) (Hedge Effective Portion)	Transfer from Other Comprehensive Income (Loss) to Profit and Loss (Hedge Effective Portion)
Forward exchange contracts	(1,057)	372
Commodity swap contracts	(9)	11

The amount of hedge effectiveness was immaterial.

The effects on the consolidated statements of income for the year ended March 31, 2023 were as follows:

Derivatives designated as hedges

Cash flow hedge

(JPY millions)

	Unrealized Gain (Losses) in Other Comprehensive Income (Loss) (Hedge Effective Portion)	Transfer from Other Comprehensive Income (Loss) to Profit and Loss (Hedge Effective Portion)
Forward exchange contracts	(535)	1,298
Commodity swap contracts	12	19

The amount of hedge effectiveness was immaterial.

T FAIR VALUE MEASUREMENTS

ASC 820, "Fair Value Measurements and Disclosures," defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value as follows:

Level 1 ……… Inputs are quoted prices in active markets for identical assets or liabilities.

Level 2 ……… Inputs are quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable, and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 ……… Inputs are significant to measure fair value of assets or liabilities and unobservable.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The assets and liabilities that are measured at fair value on a recurring basis at March 31, 2022 were as follows:

(JPY millions)

	Amount of Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Equity securities	27,816	–	2,869	30,685
Derivatives				
Forward exchange contracts	–	10,012	–	10,012
Commodity swap contracts	–	10	–	10
Liabilities				
Derivatives				
Forward exchange contracts	–	3,287	–	3,287

Investment Securities

Investment securities consist of stocks. Since fair values of marketable securities are valued using quoted market prices in active markets for identical assets and can be observed, these are classified as Level 1. Since fair values of nonmarketable securities without readily determinable fair values are estimated using information mainly obtained from the investee companies, and considering its non-liquidity, such securities are classified as Level 3 because unobservable inputs are used in their measurement.

Derivatives

Derivatives consist of forward exchange contracts and commodity swap contracts. Since fair value of derivatives is determined using the observable market data, such as foreign exchange rates, these are classified as Level 2.

A reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended March 31, 2022 was as follows:

(JPY millions)

	Investment Security
Balance at beginning of year	2,431
Amount included in net income:	
Other expenses , net	108
Purchases	298
Sales	(30)
Other	62
Balance at end of year	2,869

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2022 were as follows:

(JPY millions)

	Total Amount of Gain (Loss)	Amount of Fair Value Measurements			
		Level 1	Level 2	Level 3	Total Amount of Fair Value
Assets					
Investment securities	1,137	–	1,805	212	2,017
Long-lived assets	(410)	–	–	0	0
Goodwill	(3,384)	–	–	–	–

Investment securities measured by observable price in the orderly transactions of an identical or similar investment of the same issuer are classified as Level 2, and investment securities measured based on unobservable inputs obtained from issuers are classified as Level 3.

Long-lived assets listed above are classified as Level 3, as most of these assets are measured based on unobservable inputs resulting recognition of impairment. The fair value for the major assets was measured using the discounted future cash flows method.

Goodwill listed above was recorded as a result of acquisition of NS Indústria de Aparelhos Médicos LTDA. (currently Omron Healthcare Brasil Indústria e Comércio de Produtos Médicos LTDA.), a Brazilian nebulizer manufacturer, which is included in the Healthcare Business. The goodwill is classified as Level 3, as it is measured based on unobservable inputs. The fair value of its reporting unit is measured using the discounted future cash flows method. Future cash flows are measured by future business plans revised as of the end of the third quarter which reflects the business environment in light of rapid inflation in Brazil and the impact of the depreciation of the Brazilian real.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The assets and liabilities that are measured at fair value on a recurring basis at March 31, 2023 were as follows:

(JPY millions)

	Amount of Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
Assets				
Investment securities				
Equity securities	26,590	–	2,486	29,076
Derivative:				
Forward exchange contracts	–	3,953	–	3,953
Commodity swap contracts	–	49	–	49
Liabilities				
Forward exchange contracts	–	1,176	–	1,176

Investment Securities

Investment securities consist of stocks. Since fair values of marketable securities are valued using quoted market prices in active markets for identical assets and can be observed, these are classified as Level 1. Since fair values of nonmarketable securities without readily determinable fair values are estimated using information mainly obtained from the investee companies, and considering its non-liquidity, such securities are classified as Level 3 because unobservable inputs are used in their measurement.

Derivatives

Derivatives consist of forward exchange contracts and commodity swap contracts. Since fair value of derivatives is determined using the observable market data, such as foreign exchange rates, these are classified as Level 2.

A reconciliation of Level 3 assets measured at fair value on a recurring basis for the years ended March 31, 2023 was as follows:

(JPY millions)

	Investment Security
Balance at beginning of year	2,869
Amount included in net income:	
Other expenses, net	(372)
Purchases	132
Other	(143)
Balance at end of year	2,486

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

The assets and liabilities that are measured at fair value on a nonrecurring basis at March 31, 2023 were as follows:

(JPY millions)

	Total Amount of Gain (Loss)	Amount of Fair Value Measurements			
		Level 1	Level 2	Level 3	Total Amount of Fair Value
Assets					
Investment securities	(590)	–	1,057	–	1,057
Long-lived assets	(1,768)	–	–	0	0

Investment securities measured by observable price in the orderly transactions of an identical or similar investment of the same issuer are classified as Level 2, and investment securities measured based on unobservable inputs obtained from issuers are classified as Level 3.

Long-lived assets listed above are classified as Level 3, as most of these assets are measured based on unobservable inputs resulting recognition of impairment. The fair value for the major assets was measured using the discounted future cash flows method.

U COMMITMENTS AND CONTINGENT LIABILITIES

Commitment

The Companies have non-cancelable contracts mainly for certain information technology-related services and materials. The amounts of outstanding contracts as of March 31, 2022 and 2023 was JPY2,878 million and JPY2,864 million, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Companies to concentrations of credit risk consist principally of short-term cash investments and trade receivables. The Companies place their short-term cash investments with high credit quality financial institutions. As approximately 35% of total sales are concentrated in Japan, Concentrations of credit risk with respect to trade receivables are limited due to the large number of well-established customers and their dispersion across many industries.

Cost for Environmental Remediation

The Companies record an environmental remediation accrual when it is probable that a liability has been incurred and the amount can reasonably be estimated. The environmental remediation accrual as of March 31, 2022 and 2023 was JPY200 million and JPY196 million, respectively.

Product Warranties

The Companies issue contractual product warranties under which they generally guarantee the performance of products delivered and services rendered for a certain period or term. Changes in accrued product warranty cost for the years ended March 31, 2022 and 2023 was summarized as follows:

(JPY millions)

	2022	2023
Balance at beginning of year	1,060	1,158
Additions	976	1,053
Utilizations	(878)	(1,025)
Balance at end of year	1,158	1,186

Unused Committed Lines

The Companies have a total of JPY30,000 million in unused committed lines of credit at March 31, 2022 and 2023.

Deferred Revenue

The Companies provide extended warranties for certain products, and the revenue is recognized using the straight-line method over the warranty term. The costs from the extended warranties are charged to earnings as incurred. The deferred revenue for the years ended March 31, 2022 and 2023 was JPY11,007 million and JPY11,839 million, respectively, and recorded in other current liabilities and other long-term liabilities.

Lawsuits

The Company and some of its subsidiaries are facing several petitions and lawsuits arising from the normal course its business and appropriate accounting is performed according to the progress. However, based upon the information currently available to both the Company and its legal counsel, management of the Company believes that damages from such petitions and lawsuits, if any, would not have a material effect on the consolidated financial statements.

V SEGMENT INFORMATION

Operating Segment Information

ASC 280, "Segment Reporting," establishes the disclosure of information about operating segments in financial statements. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

The Company discloses operating segment information in four operating segments: "IAB," "HCB," "SSB," and "DMB." These segments are mainly separated based on the Companies' consideration of their nature of the products and the business standing in the group.

The primary products included in each segment are as follows:

(1) IAB:

……Programmable controllers, motion controllers, sensing devices, industrial camera/code reader devices, inspection systems, safety devices and industrial robots.

(2) HCB:

……Digital blood pressure monitors, nebulizers, low-frequency therapy equipment, ECGs, oxygen generators, digital thermometers, body composition monitors, pedometers and activity meters, electric toothbrushes, massagers, blood glucose monitors, vascular screening devices and visceral fat monitors.

(3) SSB:

……Energy solutions, railway station service systems, traffic and road management systems, card payment services, security and safety solutions, IoT (power protection, data protection) solutions and related maintenance business.

(4) DMB:

……Relays, switches, connectors, amusement components and units, general sensors, face recognition software, image sensing component and MEMS sensors.

Note : MEMS: Micro Electro Mechanical Systems

The segment information is presented in accordance with accounting principles generally accepted in the United States of America.

Revenues and expenses directly associated with specific segments are disclosed in the figures of each segment's operating results. Based on the Company's allocation method used by management to evaluate results of each segment, revenues and expenses not directly associated with specific segments are allocated to each segment or included in "Eliminations and Others."

"Segment profit" is presented by subtracting "Cost of sales", "Selling, general and administrative expenses", and "Research and development expenses" from "Net sales".

Operating segment information as of and for the year ended March 31, 2022 was as follows:

(JPY millions)

	IAB	HCB	SSB	DMB	Total	Eliminations and Others	Consolidated
I Sales and segment profit (loss)							
1. Sales to external customers	418,107	132,857	87,692	120,972	759,628	3,299	762,927
2. Intersegment sales	6,483	160	10,779	42,824	60,246	(60,246)	–
Total	424,590	133,017	98,471	163,796	819,874	(56,947)	762,927
Segment profit	76,257	18,544	6,505	10,086	111,392	(22,076)	89,316
II Assets, depreciation, and capital expenditures							
Assets	533,355	136,083	117,117	154,039	940,594	(9,965)	930,629
Depreciation and amortization	5,885	3,118	2,094	6,725	17,822	5,545	23,367
Capital expenditures	7,047	4,355	2,791	6,079	20,272	13,938	34,210

Notes: 1. The value of intersegment transactions is in accordance with the value of transactions with external customers.
2. "Eliminations and Others" include not allocated expenses and eliminations of intersegment transactions and the head office divisions and others.
3. Due to a revision of business management classifications, certain business of the IAB is included in the DMB business segment for disclosure for the year ended March 31, 2023. Accordingly, the Company reclassified results for the fiscal year ended March 31, 2022 under this new categorization for presentation herein.

Operating segment information as of and for the year ended March 31, 2023 was as follows:

(JPY millions)

	IAB	HCB	SSB	DMB	Total	Eliminations and Others	Consolidated
I Sales and segment profit (loss)							
1. Sales to external customers	485,738	142,132	107,273	138,854	873,997	2,085	876,082
2. Intersegment sales	6,822	294	13,804	48,451	69,371	(69,371)	—
Total	492,560	142,426	121,077	187,305	943,368	(67,286)	876,082
Segment profit	85,835	16,018	7,490	15,501	124,844	(24,158)	100,686
II Assets, depreciation, and capital expenditures							
Assets	576,488	141,823	131,640	164,560	1,014,511	(16,351)	998,160
Depreciation and amortization	6,382	3,615	2,526	7,421	19,944	6,643	26,587
Capital expenditures	9,298	6,587	3,395	9,581	28,861	16,213	45,074

Notes: 1. The value of intersegment transactions is in accordance with the value of transactions with external customers.
2. "Eliminations and Others" include not allocated expenses and eliminations of intersegment transactions and the head office divisions and others.

A reconciliation between segment profit and income before income taxes and equity in loss (earnings) of affiliates for the years ended March 31, 2022 and 2023 was as follows:

(JPY millions)

	2022	2023
Total amount of segment profit	111,392	124,844
Other expenses, net	2,602	2,277
Eliminations and Others	(22,076)	(24,158)
Income before income taxes and equity in loss (earnings) of affiliates	86,714	98,409

Note: "Other expenses, net" for the year ended March 31, 2022 includes an impairment loss of goodwill of JPY3,384 million related to Healthcare Business.

Geographic Information

Information on the Companies' sales to external customers and property, plant, and equipment by major geographic area as of and for the years ended March 31, 2022 and 2023 was as follows:

2022

(JPY millions)

	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	289,896	78,296	120,423	196,351	76,924	1,037	762,927
Property, plant, and equipment	69,074	5,705	3,350	36,299	7,670	–	122,098

2023

(JPY millions)

	Japan	Americas	Europe	Greater China	Southeast Asia and Others	Direct Exports	Consolidated
Sales to external customers	326,539	104,299	140,137	211,528	92,874	705	876,082
Property, plant, and equipment	72,919	5,308	3,381	39,448	8,529	—	129,585

Notes:
1. Classification of country or area is based upon physical geographic proximity.
2. Major countries or areas belonging to segments other than Japan are as follows:
   (1) Americas: ………… The United States of America, Canada, Brazil
   (2) Europe: ………… The Netherlands, Great Britain, Germany, France, Italy and Spain
   (3) Greater China: … China, Hong Kong and Taiwan
   (4) Southeast Asia and Others: …… Singapore, South Korea, India and Australia
   (5) Direct Exports: …… Direct delivery exports
3. For sales and property, plant, and equipment, there were no material amounts specific to a particular country, except for Japan, China, and the United States of America that require separate disclosure as of and for the years ended March 31, 2022 and 2023. Sales in China was JPY167,660 million, and JPY179,111 million. Property, plant, and equipment in China was JPY36,169 million, and JPY39,340 million for the years ended March 31, 2022 and 2023. Sales in the United States of America was JPY65,916 million, and JPY89,042 million for the years ended March 31, 2022 and 2023, respectively.
4. For sales to external customers, there were no amounts specific to particular customers that require separate disclosure for the years ended March 31, 2022 and 2023.

W BUSINESS COMBINATIONS

There were no significant acquisitions for the years ended March 31, 2022 and 2023.

X SALES OF BUSINESSES

Sales of businesses for the year ended March 31, 2022 was as follows:

Semiconductor/MEMS plant and MEMS development/production functions

On June 30, 2021, the Company reached an agreement whereby the Company have its semiconductor/MEMS plant and MEMS development/production functions (hereinafter, the “Target Business”) succeeded by a newly established company by way of a company split, and assign all shares of the new company to MITSUMI ELECTRIC CO., LTD., a subsidiary of MinebeaMitsumi Inc. The stock transfer was completed on October 1, 2021. As a result of the completion of the transfer, loss related to sale of business of JPY1,116 million was included in other expenses (income), net. The Target Business was included in the Eliminations and Others segment. DMB’s segment sales and profits include the business of procuring MEMS sensors from the Target Business and selling them to external and other segments. This business continues even after completion of the transfer of the Target Business.

There were no significant sales of businesses for the year ended March 31, 2023.

Y SUBSEQUENT EVENTS

The Companies have evaluated subsequent events in accordance with ASC 855, “Subsequent Events.”
No significant subsequent events took place at June 23, 2023, the date when Annual Securities Report for the year ended March 31, 2023 was available to be issued in Japan.

(vi) Consolidated Supplementary Schedule

Schedule of Bonds

Not applicable.

Schedule of Borrowings

This information is presented in the notes to the consolidated financial statements under “II: Descriptions and Breakdowns of Major Accounts, I: Short-term Borrowings.”

Schedule of Asset Retirement Obligations

As the amount of asset retirement obligations at the beginning and end of the current fiscal period are a hundredth or less of the sum of liabilities and net assets during the said period, it has been omitted in accordance with the provisions of Article 92-2 of the Regulations for Consolidated Financial Statements.

(2) Other

Quarterly information for the fiscal year ended March 31, 2023

(Cumulative)	First quarter	Second quarter	Third quarter	Fiscal year ended March 31, 2023
Net sales (JPY millions)	184,386	404,418	637,977	876,082
Income before income taxes and equity in loss (earnings) of affiliates (JPY millions)	11,698	38,919	70,661	98,409
Net income attributable to shareholders (JPY millions)	7,973	27,875	50,517	73,861
Basic net income attributable to shareholders (JPY)	39.98	139.81	253.94	372.19

(Accounting Period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic net income attributable to shareholders (JPY)	39.98	99.81	114.26	118.55

2. Non-consolidated Financial Statements, etc.

(1) Non-consolidated Financial Statements

(i) Non-consolidated Balance Sheets

(JPY millions)

		FY2022 (as of March 31, 2022)		FY2023 (as of March 31, 2023)
ASSETS				
CURRENT ASSETS				
Cash and deposits		72,914		22,152
Notes receivable - trade		145		224
Accounts receivable - trade	*1	60,679	*1	66,742
Merchandise and finished goods		7,883		11,442
Raw materials		10,556		15,277
Work in process		3,057		3,341
Supplies		254		269
Short-term loans receivable to subsidiaries and affiliates	*1	3,583	*1	8,668
Accounts receivable - other	*1	12,020	*1	11,775
Other accounts receivable	*1	5,235	*1	5,016
Other		13,587		7,885
Allowance for doubtful accounts		(0)		(0)
Total current assets		189,913		152,791
NON-CURRENT ASSETS				
PROPERTY, PLANT, AND EQUIPMENT				
Buildings		23,665		23,906
Structures		921		952
Machinery and equipment		4,268		5,557
Vehicles		0		1
Tools, furniture and fixtures		3,563		4,833
Land		12,025		12,025
Leased assets		889		830
Construction in progress		520		1,055
Total property, plant and equipment		45,851		49,159
INTANGIBLE ASSETS				
Leasehold interests in land		480		480
Software		5,966		6,607
Right to use facilities		57		61
Technological asset		6,118		5,465
Software in progress		7,998		16,828
Other		50		139
Total intangible assets		20,669		29,580
INVESTMENTS AND OTHER ASSETS				
Investment securities	*2	33,202	*2	32,407
Shares of subsidiaries and affiliates		259,737		269,689
Investments in other securities of subsidiaries and affiliates		500		1,429
Investments in capital of subsidiaries and affiliates		22,837		22,837
Long-term loans receivable from subsidiaries and affiliates	*1	3,091	*1	3,703
Distressed receivables		6,441		5,791
Leasehold and guarantee deposits		4,647		4,638
Prepaid pension costs		17,463		17,636
Deferred tax assets		6,172		7,126
Other		1,683		5,247
Allowance for doubtful accounts		(5,724)		(5,724)
Total investments and other assets		350,049		364,779
Total non-current assets		416,569		443,518
TOTAL		606,482		596,309

(JPY millions)

		FY2022 (as of March 31, 2022)		FY2023 (as of March 31, 2023)
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Notes payable - trade	*1	6,523	*1	6,909
Accounts payable - trade	*1	37,373	*1	38,098
Short-term borrowings		20,000		―
Short-term borrowings from subsidiaries and affiliates	*1	220,563	*1	169,336
Lease liabilities	*1	895	*1	139
Accounts payable - other	*1	12,879	*1	16,734
Accrued expenses		12,421		12,253
Income taxes payable		1,774		4,458
Advances received		17		28
Deposits received	*1	1,147	*1	1,340
Provision for bonuses for directors (and other officers)		295		231
Provision for share awards		113		355
Other		5,763		3,596
Total current liabilities		319,763		253,477
NON-CURRENT LIABILITIES				
Lease liabilities		–		601
Provision for share awards		1,113		1,117
Deferred tax liabilities for land revaluation		957		957
Long-term advances received		2,649		2,649
Other		4,841		4,243
Total non-current liabilities		9,560		9,567
Total liabilities		329,323		263,044
Net assets				
Shareholders’equity				
Share capital		64,100		64,100
Capital surplus				
Legal capital surplus		88,771		88,771
Other capital surplus		0		―
Total capital surplus		88,771		88,771
Retained earnings				
Legal retained earnings		6,774		6,774
Other retained earnings				
Reserve for dividends		3,400		3,400
Reserve for special account		1,177		1,252
General reserve		73,500		73,500
Retained earnings brought forward		83,770		155,776
Total retained earnings		168,621		240,702
Treasury shares		(54,605)		(70,615)
Total shareholders’equity		266,887		322,958
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		15,746		14,801
Deferred gains or losses on hedges		(1,160)		(180)
Revaluation reserve for land		(4,314)		(4,314)
Total valuation and translation adjustments		10,272		10,307
Total equity		277,159		333,265
Total liabilities and net assets		606,482		596,309

(ii) **Non-consolidated Statements of Income**

(JPY millions)

		FY2022 (April 1, 2021 to March 31, 2022)		FY2023 (April 1, 2022 to March 31, 2023)
NET SALES	*1, *2	310,989	*1, *2	369,498
Cost of sales	*2	188,878	*2	223,030
Gross profit		122,111		146,468
Selling, general and administrative expenses	*2, *3	101,499	*2, *3	117,784
Operating profit		20,612		28,684
Non-operating income				
Interest and dividend income	*2	22,613	*2	74,759
Foreign exchange gains		549		—
Other	*2	2,537	*2	3,289
Total non-operating income		25,699		78,048
Non-operating expenses				
Interest expenses	*2	2,480	*2	2,674
Foreign exchange losses due to subsidiary paid-in capital refunds		1,049		—
Commission expenses		31		49
Foreign exchange losses		–		401
Loss on investments in partnerships		263		453
Other	*2	404	*2	47
Total non-operating expenses		4,227		3,624
Ordinary profit		42,084		103,108
Extraordinary income				
Gain on sale of non-current assets	*4	7	*4	6
Gain on sale of investment securities		601		80
Gain on liquidation of subsidiaries and affiliates		–		140
Reversal of allowance for doubtful accounts	*2	1,140		—
Total extraordinary income		1,748		226
Extraordinary losses				
Loss on sale and retirement of non-current assets	*5, *6	311	*5, *6	371
Impairment losses		407	*7	—
Loss on sale of shares of subsidiaries and affiliates		592		—
Loss on valuation of shares of subsidiaries and affiliates		16,811		—
Other		141		—
Total extraordinary losses		18,262		371
Profit before income taxes		25,570		102,963
Income taxes - current		3,276		12,826
Income taxes - deferred		(956)		(969)
Total income taxes		2,320		11,857
NET INCOME		23,250		91,106

(iii) Non-consolidated Statements of Changes in Net Assets

FY2022 (April 1, 2021 to March 31, 2022)

(JPY millions)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Share capital	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for dividends	Reserve for special account	General reserve	Retained earnings brought forward	Total retained earnings
Balance at beginning of period	64,100	88,771	0	88,771	6,774	3,400	1,177	73,500	78,333	163,184
Changes during period										
Dividends of surplus				—					(17,813)	(17,813)
Net income				—					23,250	23,250
Purchase of treasury shares				—						—
Disposal of treasury shares			0	0						—
Net changes in items other than shareholders' equity				—						—
Total changes during period	—	—	0	0	—	—	—	—	5,437	5,437
Balance at end of period	64,100	88,771	0	88,771	6,774	3,400	1,177	73,500	83,770	168,621

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	(24,814)	291,241	12,355	(366)	(4,314)	7,675	298,916
Changes during period							
Dividends of surplus		(17,813)				—	(17,813)
Net income		23,250				—	23,250
Purchase of treasury shares	(31,430)	(31,430)				—	(31,430)
Disposal of treasury shares	1,639	1,639				—	1,639
Net changes in items other than shareholders' equity		—	3,391	(794)	—	2,597	2,597
Total changes during period	(29,791)	(24,354)	3,391	(794)	—	2,597	(21,757)
Balance at end of period	(54,605)	266,887	15,746	(1,160)	(4,314)	10,272	277,159

FY2023 (April 1, 2022 to March 31, 2023)

(JPY millions)

	Shareholders' equity									
	Share capital	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for special account	General reserve	Retained earnings brought forward	
Balance at beginning of period	64,100	88,771	0	88,771	6,774	3,400	1,177	73,500	83,770	168,621
Changes during period										
Dividends of surplus				―					(18,969)	(18,969)
Net income				―					91,106	91,106
Accumulation of reserve for special account				―			75		(75)	―
Purchase of treasury shares				―						―
Disposal of treasury shares			(0)	(0)					(56)	(56)
Net changes in items other than shareholders' equity				-						―
Total changes during period	―	―	(0)	(0)	―	―	75	―	72,006	72,081
Balance at end of period	64,100	88,771	―	88,771	6,774	3,400	1,252	73,500	155,776	240,702

	Shareholders' equity		Valuation and translation adjustments				Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Total valuation and translation adjustments	
Balance at beginning of period	(54,605)	266,887	15,746	(1,160)	(4,314)	10,272	277,159
Changes during period							
Dividends of surplus		(18,969)					(18,969)
Net income		91,106					91,106
Accumulation of reserve for special account		―				―	―
Purchase of treasury shares	(20,013)	(20,013)					(20,013)
Disposal of treasury shares	4,003	3,947					3,947
Net changes in items other than shareholders' equity		―	(945)	980		35	35
Total changes during period	(16,010)	56,071	(945)	980	―	35	56,106
Balance at end of period	(70,615)	322,958	14,801	(180)	(4,314)	10,307	333,265

Notes

(Significant Accounting Policies)

1 Valuation standards for securities are as follows.

Shares of subsidiaries and affiliates

・・・Cost accounting method using the moving average method

Investments in other securities of subsidiaries and affiliates

・・・For Investment Limited Liability Partnerships, the net value of equities is given based on the most recent financial statements available prepared in accord with the reporting dates stipulated in the respective partnership agreements.

Other securities

Shares, etc. other than those without market value

・・・Market value method (Valuation differences are directly charged or credited to shareholders' equity, and the cost of securities sold is calculated using the moving-average method)

Shares, etc. without market value

・・・Cost accounting method using the moving average method

2 Derivatives are valued using the market value method.

3 Valuation standard and method for inventories are valued at cost by the first-in, first-out method (the values in the non-consolidated balance sheet were calculated using the book-value write-down method based on the decline of profitability).

4 The depreciation method for fixed assets is as follows.

Property, plant and equipment (excluding leased assets)

・・・Straight-line method (Useful lives of buildings is generally 15 to 50 years)

Intangible fixed assets (excluding leased assets)

・・・Straight-line method (Useful life of software estimated at 3 to 10 years)

Leased assets

Lease assets from finance lease trade other than ownership transfer

・・・Straight-line method depreciation over the lease period, assuming the residual value is zero

5 Deferred assets are treated in full as expenses when incurred or paid.

6 Allowance for doubtful accounts is recorded based on the estimated historical default rate for normal loans, as well as individually assessed amounts for doubtful accounts, bankruptcy claims, reorganization claims, etc.

7 Accrued bonus for directors is recognized based on the amount estimated to be paid at the end of the fiscal period.

8 Allowances for termination and retirement benefits are recognized based on the estimated amount of the benefit obligation and the plan assets at the year-end.

Prior service costs are amortized by the straight-line method over a period within the average remaining service period for employees (11.9 years) at the time of recognition.

Actuarial gains and losses are amortized over the average remaining service period of the employees (11.9 years), using the straight-line method, from the following term when the difference is recognized.

As the estimated value of pension assets at the end of the current fiscal year then exceeds the amount of retirement benefit obligation after adjustment based on unrecognized past service costs and unrecognized actuarial gains and losses, the difference is accounted for as prepaid pension expenses on the non-consolidated balance sheet.

9 Provision for stock benefits is recorded based on the expected amount of payment at the end of the current fiscal year in order to prepare for the issuance of Company's shares to directors, executive officers and employees in line with share granting regulations, etc.

10 Revenue and expenses are recognized as follows.

Revenue arising from contracts with customers is recognized based on the following five-step approach, when, or as, the control of a product or service is transferred to the customer..

Step 1: Identify the contracts with customers
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when, or as, the entity satisfies a performance obligation

Revenue is recognized from domestic sales of goods when goods are delivered at a customer's site, unless stated otherwise in a contract. The revenue from export sales for such businesses is recognized when the transfer of the risk of loss to customer is complete based on the trade terms and conditions such as Incoterms.

In the provision of products and services involving installation and on-site adjustment work, the Company identifies the delivery of the products and the installation and on-site adjustment work of these products as a single performance obligation, which is deemed to be satisfied at the time when the Company completes installation and on-site adjustment work of the products. Accordingly, revenues are recognized at the time when the performance obligation is satisfied.

In addition, the Company provides for an estimate of rebates for customers based on the quantities sold to promote the sales of its products. The amount of rebates is included in variable consideration. As it can be reasonably estimated, a significant reversal in the amount of cumulative revenue recognized is unlikely to occur. Therefore, the estimate of variable consideration will not be constrained. The products of the Company do not include any right of return.

Promised consideration for transactions is largely received within three months after the satisfaction of performance obligations. No significant financing component is included in the amount of consideration.

11 Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal period.

12 The Company uses the deferral accounting method when accounting for hedging transactions.

13 The group tax sharing system is being applied. Also, in accordance with ASBJ Practical Issues Task Force Report No. 42, 'Treatment of Accounting and Disclosure for Applying the Group Tax Sharing System' (August 12, 2021), the Company is conducting accounting and disclosure for corporate and municipal taxes as well as the accounting treatment for tax-effect accounting related to these taxes.

Significant Accounting Estimates

Valuation of Shares of subsidiaries and affiliates

1 Amount recorded in financial statements for the fiscal year ended March 31, 2023

(JPY millions)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Shares of subsidiaries and affiliates (Of which, shares with market value)	259,737 [112,214]	269,689 [122,212]
Investments in capital of subsidiaries and affiliates	22,837	22,837
Loss on valuation of shares of subsidiaries and affiliates	16,811	—

2 Information on significant accounting estimates related to identified items

(i) Method of calculating amount recorded in financial statements for the fiscal year ended March 31, 2023

In the valuation of shares and investments in affiliates with market value, when the valuation based on the market price decline by 30% or more compared to the acquisition cost and is not expected to recover, such as the valuation based on the market price has not exceeded the acquisition cost for a certain period, the difference between the valuation based on the market price and the acquisition cost is recognized as an impairment loss on the investment. Shares and investments in affiliates without market value are recorded as the acquisition cost on the balance sheet. In the valuation of these shares, if the substantial value drops significantly due to the deterioration of the issuing company's financial position, a corresponding reduction in value will be made, and the difference will be treated as a loss for the current period.

A deterioration in financial position is defined, in principle, as a decline of 50% or more in the value of net assets per share compared to the value at the time of the acquisition. However, if the substantial value of shares without market value is substantiated by sufficient proof of recoverability, the valuation difference shall not be treated as a loss for the period.

Further, as part of the Company's strategic investment in healthcare business growth during the VG2020 period, it invested in AliveCor, Inc., which provides definitive diagnosis and monitoring services for atrial fibrillation in the United States. The investment is valuated as its real value, reflecting factors like the excess earning capacity of the company. In this case, the deterioration of financial condition is defined as when the real value falls by 50% or more compared to the value at the time of acquisition.

(ii) Key assumptions used in calculating the amounts recorded in financial statements for the fiscal year ended March 31, 2023

The financial position used as the basis for calculating net assets per share is the most recent available at end of the fiscal year, taking into account any subsequent circumstances, if known, that may have a material impact on the financial position. Further, in principle, when considering the possibility of recovery of the real value of shares and taking into account the business plan of the issuer of the relevant shares, it is assumed that the real value will recover to 100% of the book value within approximately five years.

The real value of investment in AliveCor, Inc. was calculated by discounting the estimated future cash flow based on the business plans that have been approved by management to the present value using a discount rate calculated based on the weighted-average cost of capital. The business plans are formulated using assumptions such as macroeconomic conditions, market growth rates, profit margins, and capital expenditures plans. Cash flows in business plans are calculated based on the growth rate estimated within the range of the long-term average growth rate of the market to which the affiliate belongs.

(iii)Impact on financial statements for the following fiscal year

If key assumptions used in calculating the amounts recorded in the financial statements for the current fiscal year deviate significantly from the situation at the end of said fiscal year, it may affect their valuation and have a significant impact on share-related values.

Changes in Presentation

Income Statement

The amount of "Loss on partnership investment," which was included in "Other" under "Non-operating expenses" in the previous fiscal year, is separately presented in the current fiscal year due to its increased significance. To reflect this change in presentation, the financial statements for the previous fiscal year have been reclassified.

As a result, JPY667 million presented as "Other" in "Non-operating expenses" in the statement of income for the previous fiscal year has been reclassified as "Loss on investment in partnership" of JPY263 million and "Other" of JPY404 million.

Changes in Accounting Estimates

Change of the number of years in which the amortization of actuarial gains and losses and past service cost is expensed in accounting for termination and retirement benefits

The number of years in which the amortization of actuarial gains and losses and past service cost is expensed in accounting for termination and retirement benefits was 15 years, which was a period within the average remaining service period for employees. However, since the average remaining service period was shortened, the number of years in which the amortization of actuarial gains and losses and past service cost is expensed has been changed to 11.9 years from the fiscal year ended March 31, 2023.

Accordingly, operating profit, ordinary profit and profit before income taxes for the fiscal year ended March 31, 2023 decreased by JPY1,205 million.

Additional Information

Matters Related to Shares

1 Overview of Transactions

The Company has implemented a performance-linked share compensation plan as a part of director compensation.

Under this system, points are granted to directors according to the Company’s prescribed standards. Company shares corresponding to the points earned are issued and cash payment equivalent to the value of the shares is paid out after the medium-term management plan concludes and at the time of retirement through a BIP Trust and Stock-granting ESOP Trust.

The accounting treatment for such trusts is subject to the application of the gross price method, in accordance with “Practical Handling of Transactions Where Company Shares are Issued to Employees, Etc., Through a Trust” (Practical Solutions Report No. 30 of December 25, 2013, revised March 26, 2015).

2 Own Shares Remaining Officer Compensation BIP Trust and Stock-granting ESOP Trust

The shares of the Company remaining in the Officer Compensation BIP Trust and the Stock-granting ESOP Trust are accounted for as treasury stock in the net assets section. The number and carrying amount of such shares, as of the end of the preceding fiscal year, were 606,434 shares and JPY3,921 million, and at the end of the current fiscal year were 600,208 shares and JPY3,880 million; this fiscal years 6,226 shares of the Company are being paid to directors, etc. In addition, the dividends for own shares held by the Officer Remuneration BIP Trust and the Stock-granting ESOP Trust were JPY60 million in the previous fiscal year and JPY57 million in the current fiscal year.

(Balance Sheet-related)

*1 Monetary claims and monetary debts with subsidiaries and affiliates

(JPY millions)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Short term monetary claims held against subsidiaries and affiliates	61,891	69,493
Long term monetary claims held against subsidiaries and affiliates	9,532	11,189
Short term monetary debts owed to transactions with subsidiaries	247,243	196,637

*2 Pledged assets

(JPY millions)

	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
Investment securities	200	200

3 Guaranteed debt

(JPY millions)

Main guaranteed party	FY2021 (as of March 31, 2022)	FY2022 (as of March 31, 2023)
OMRON ELETRONICA DO BRASIL LTDA.	9	9
OMRON MEXICO, S.A. DE C.V.	64	185
OMRON AUTOMATION PVT LTD.	―	213
Total	73	407

(Statements of Income-related)

*1 Indication of sales classifications

FY2022 (April 1, 2021 to March 31, 2022)	FY2023 (April 1, 2022 to March 31, 2023)
Sales items of the Company include products and goods of the same type, and due to the difficulty in classifying them, the sale of goods has been included in sales.	Sales items of the Company include products and goods of the same type, and due to the difficulty in classifying them, the sale of goods has been included in sales.

*2 Volume of transactions with subsidiaries and affiliates

(JPY millions)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Sales	203,431	249,732
Amount purchased	132,533	157,228
Volume of other sales transactions	19,145	12,682
Volume of transactions other than sales transactions	27,789	79,441

*3 The approximate ratio of expenses attributable as selling expenses was 17% in the previous fiscal year and 15% this fiscal year; the approximately ratio of expenses attributable as general and administrative expenses was 83% in the previous fiscal year and 85% this fiscal year.

The major items and amount of SG&A expenses are as shown below.

(JPY millions)

	FY2021 (From April 1, 2021 to March 31, 2022)	FY2022 (From April 1, 2022 to March 31, 2023)
Commission expenses	22,264	24,862
Salaries, allowances and bonuses	27,031	28,618
Depreciation	4,315	4,900
Retirement benefit expenses	(413)	410
Research and development expenses	31,274	36,048

*4 Main breakdown of gain on sale of fixed assets

(JPY millions)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Buildings	―	0
Machinery and equipment	1	5
Tools, furniture and fixtures	0	0
Construction in progress	5	―
Software	1	0

*5 Main breakdown of loss on sale of fixed assets

(JPY millions)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Buildings	0	—
Machinery and equipment	—	3

*6 Main breakdown of loss on disposal of fixed assets

(JPY millions)

	FY2021 (April 1, 2021 to March 31, 2022)	FY2022 (April 1, 2022 to March 31, 2023)
Buildings	62	46
Structures	2	1
Machinery and equipment	172	59
Vehicles	—	0
Tools, furniture and fixtures	39	59
Leased assets	2	—
Construction in progress	14	11
Software	9	22
Facility usage rights	11	13
Software in progress	—	157

(Securities-related)

FY2022 (as of March 31, 2022)

Shares of subsidiaries and affiliates, etc.

(JPY millions)

	Amount recorded on the non-consolidated balance sheet	Market value	Difference
Shares of affiliates	112,214	126,034	13,820
Total	112,214	126,034	13,820

Note: The amounts recorded on the non-consolidated balance sheet for shares of subsidiaries and affiliates, etc., which have no market value and are not included in the above, are as shown below.

(JPY millions)

	Amount recorded on the non-consolidated balance sheet
Shares of subsidiaries	136,804
Shares of affiliates	10,719
Investments in other securities of subsidiaries and affiliates	500
Total	148,023

FY2023 (as of March 31, 2023)

Shares of subsidiaries and affiliates, etc.

(JPY millions)

	Amount recorded on the non-consolidated balance sheet	Market value	Difference
Shares of affiliates	122,212	93,088	(29,124)
Total	122,212	93,088	(29,124)

Note: The amounts recorded on the non-consolidated balance sheet for shares of subsidiaries and affiliates, etc., which have no market value and are not included in the above, are as shown below.

(JPY millions)

	Amount recorded on the non-consolidated balance sheet
Shares of subsidiaries	136,758
Shares of affiliates	10,719
Investments in other securities of subsidiaries and affiliates	1,429
Total	148,906

(Tax Effect Accounting-related)

1. Breakdown of major causes of deferred tax assets and deferred tax liabilities

(JPY millions)

	FY2022 (as of March 31, 2022)	FY2023 (as of March 31, 2023)
Deferred tax assets		
Allowance for doubtful receivables	1,746	1,746
Inventories	656	1,072
Unpaid bonuses	2,574	2,557
Retirement benefit trusts	6,131	6,182
Investment securities	1,029	1,151
Shares of subsidiaries and affiliates, etc.	8,375	8,298
Contingent debt	2,244	2,357
Depreciation and amortization assets	1,639	1,768
Other	1,513	1,162
Deferred tax assets, Subtotal	25,907	26,293
Valuation allowance	(6,945)	(6,945)
Deferred tax assets, Total	18,962	19,348
Deferred tax liabilities		
Valuation difference on other securities	6,910	6,495
Prepaid pension expenses	5,326	5,379
Other	554	348
Deferred tax liabilities, Total	12,790	12,222
Net deferred tax assets	6,172	7,126

2. Breakdown of major items causing a difference between the income tax rates and effective income tax rates

	FY2022 (as of March 31, 2022)	FY2023 (as of March 31, 2023)
Statutory effective tax rates	30.5%	30.5%
(Adjusted)		
Dividend income amount	(25.9)	(21.0)
Valuation allowance	11.7	0.0
Outflows such as entertainment expenses	1.8	0.2
Tax credits, etc., for testing and research expenses	(5.7)	(3.1)
Foreign withholding tax	0.7	5.9
Other	(4.0)	(1.0)
Effective income tax rates	9.1	11.5

(Change in Presentation)

In the previous fiscal year, "Foreign withholding tax," which had been included in "Other," has become of increasing significance, so it is presented separately starting from this fiscal year. To reflect this change in presentation, the notes for the previous fiscal year have been rearranged.

As a result, the -3.3% that was displayed in "Other" for the previous fiscal year has been reclassified as 0.7% for "Foreign withholding tax" and -4.0% for "Other."

(Revenue Recognition-related)

For sufficient information to enable users to understand the relationship of disaggregated revenue, notes have been omitted due to the content being the same as provided in the section of the consolidated financial statements entitled "Notes II: Content of Main Items and Explanation of Content - A. Earnings 2. Sufficient Information to Enable Users to Understand the Relationship of Disaggregated Revenue."

(Subsequent Events)

Not applicable.

(iv) Supplementary Schedule

Property, Plant, and Equipment, Etc., Schedule

(JPY millions)

Classification	Type of asset	Balance at beginning of this year	Amount of increase this year	Amount of decrease this year	Balance at end of this year	Cumulative depreciation	Amortization this year	Deduction balance at end of this year
Property, plant, and equipment	Buildings	63,616	2,208	292	65,532	41,626	1,927	23,906
	Structures	5,219	137	47	5,309	4,357	105	952
	Machinery and equipment	10,877	2,354	553	12,678	7,121	963	5,557
	Vehicle and delivery equipment	12	1	5	8	7	0	1
	Tools, furniture and fixtures	12,788	2,339	672	14,455	9,622	1,010	4,833
	Land	[3,357] 12,025	—	—	[3,357] 12,025	—	—	[3,357] 12,025
	Leased assets	2,316	931	2,316	931	101	57	830
	Construction in progress	520	2,489	1,954	1,055	—	—	1,055
	Total	107,373	10,459	5,839	111,993	62,834	4,062	49,159
Intangible fixed assets	Leaseholds	480	—	—	480	—	—	480
	Software	35,718	2,691	653	37,756	31,149	2,023	6,607
	Facility usage rights	330	40	39	331	270	21	61
	Technological asset	7,835	31	2	7,864	2,399	684	5,465
	Software in progress	7,998	10,135	1,305	16,828	—	—	16,828
	Other	260	97	128	229	90	10	139
	Total	52,621	12,994	2,127	63,488	33,908	2,738	29,580

Notes: 1. The “Cumulative depreciation” section includes the total amount of impairment loss.

2. The amount within parenthesis () is the difference with the carrying amount prior to the land reevaluation that was conducted pursuant to the Act on Revaluation of Land (Act No. 34 of 1998).

3. The amount of increase this year in software and software suspense account is mainly due to the development, etc., of core corporate systems.

Statement of Reserves

(JPY millions)

Account	Balance at beginning of this year	Amount of increase this year	Amount of decrease this year	Balance at end of this year
Allowance for doubtful receivables (current)	0	—	—	0
Allowance for doubtful receivables (fixed)	5,724	—	—	5,724
Allowance for officer bonuses (current)	295	231	295	231
Allowance for stock benefits (current)	113	355	113	355
Allowance for stock benefits (fixed)	1,113	390	386	1,117

(2) Content of Main Assets and Liabilities

Description has been omitted due to the consolidated financial statements having been prepared.

(3) Other

Not applicable.

VI. Outline of Share-Related Administration of the Reporting Company

Fiscal year	April 1 to March 31
Ordinary General Meeting of Shareholders	During June
Reference date	March 31
Reference date for dividends of surplus	March 31, September 30
Number of shares constituting one unit	100 shares
Purchase / additional purchase of shares less than one unit	
Handling location	(Special Account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Stock Transfer Agency Department, Mitsubishi UFJ Trust and Banking Corporation
Administrator of shareholder registry	(Special Account) 1-4-5, Marunouchi, Chiyoda-ku, Tokyo Mitsubishi UFJ Trust and Banking Corporation
Agency	-
Commission for purchases and additional purchases	None
Publication method	The Company uses the method of electronic publication for publications. However, in the event of it not being possible to make a publication electronically due to accident or other unavoidable reason, a notification shall be published in the Nihon Keizai Shimbun and the Kyoto Shimbun, which is issued in Kyoto. It should be noted that the address (URL) of the website containing publications is https://www.omron.com.jp/ja/.
Benefits for shareholders	Not applicable.

Note: Pursuant to the provisions of the Company's articles of incorporation, shareholders of shares constituting less than one unit do not hold any rights other than the rights stated in each of the items of Article 189, paragraph (2) of the Companies Act, the right to make a claim pursuant to the provisions of Article 166, paragraph (1) of the Companies Act, the right to receive an allocation of shares for subscription and an allocation of stock acquisition rights for subscription in accordance with the number of shares held by the shareholder, and the right to request sale of shares less than one unit.

VII. Reference Information about the Reporting Company

1. Information about the Parent Company, etc. of the Reporting Company

The Company does not have a parent company, etc.

2. Other Reference Information

The following documents were submitted in the period from the start date of the current fiscal year through to the submission date of the Annual Securities Report.

(1)	Securities report, attached documents, and confirmation letter	Fiscal year FY2021	(April 1, 2021 to March 31, 2022)	June 24, 2022 Reported to Director of Kanto Local Finance Bureau
(2)	Internal control report and attached documents			June 24, 2022 Reported to Director of Kanto Local Finance Bureau
(3)	Quarterly report and confirmation letter	Fiscal year (First quarter of FY2022)	April 1, 2022 to June 30, 2022	August 9, 2022 Reported to Director of Kanto Local Finance Bureau
		Fiscal year (Second quarter of FY2022)	July 1, 2022 to September 30, 2022	November 11, 2022 Reported to Director of Kanto Local Finance Bureau
		Fiscal year (Third quarter of FY2022)	October 1, 2022 to December 31, 2022	February 10, 2023 Reported to Director of Kanto Local Finance Bureau
(4)	Extraordinary report	An extraordinary report based on Article 19, paragraph (2), item (ix-ii) (Results of the Exercising of Voting Rights at Meeting of Shareholders) of the Cabinet Office Ordinance on the Disclosure of Corporate Information, Etc.		June 24, 2022 Reported to Director of Kanto Local Finance Bureau
(5)	Own share buyback status report	Report period	July 1, 2022 to July 31, 2022	August 9, 2022 Reported to Director of Kanto Local Finance Bureau
		Report period	August 1, 2022 to August 31, 2022	September 13, 2022 Reported to Director of Kanto Local Finance Bureau
		Report period	September 1, 2022 to September 30, 2022	October 13, 2022 Reported to Director of Kanto Local Finance Bureau
		Report period	October 1, 2022 to October 31, 2022	November 14, 2022 Reported to Director of Kanto Local Finance Bureau

	Report period	November 1, 2022 to November 30, 2022	December 14, 2022 Reported to Director of Kanto Local Finance Bureau
	Report period	December 1, 2022 to December 31, 2022	January 13, 2023 Reported to Director of Kanto Local Finance Bureau
	Report period	January 1, 2023 to January 31, 2023	February 13, 2023 Reported to Director of Kanto Local Finance Bureau
	Report period	February 1, 2023 to February 28, 2023	March 13, 2023 Reported to Director of Kanto Local Finance Bureau
	Report period	March 1, 2023 to March 31, 2023	April 13, 2023 Reported to Director of Kanto Local Finance Bureau
(6)	Securities registration statement and attachments	A securities registration statement concerning the disposal of own shares under the mid-term incentive plan through the use of restricted stock for the Employee Stockholding association.	February 28, 2023 Reported to Director of Kanto Local Finance Bureau
		A securities registration statement concerning the disposal of own shares under the Stockholding Association Stimulation Plan using restricted stock for the Employee Stockholding Association.	February 28, 2023 Reported to Director of Kanto Local Finance Bureau
		A securities registration statement concerning the disposal of own shares under the mid-term incentive plan through the use of Employee Stock Ownership Plan Trusts.	February 28, 2023 Reported to Director of Kanto Local Finance Bureau
(7)	Notice of amendment of securities registration statement	A notice of amendment regarding the securities registration statement concerning the disposal of own shares under the mid-term incentive plan through the use of restricted stock for the Employee Stockholding association that was submitted on February 28, 2023.	April 26, 2023 Reported to Director of Kanto Local Finance Bureau
		A notice of amendment regarding the securities registration statement concerning the disposal of own shares under the Stockholding Association Stimulation Plan using restricted stock for the Employee Stockholding Association that was submitted on February 28, 2023.	April 26, 2023 Reported to Director of Kanto Local Finance Bureau
		A notice of amendment regarding the securities registration statement concerning the disposal of own shares under the mid-term incentive plan through the use of Employee Stock Ownership Plan Trusts that was submitted on February 28, 2023.	April 26, 2023 Reported to Director of Kanto Local Finance Bureau

Part II Information about the Reporting Company's Guarantor, etc.

Not applicable.

NOTE TO READERS:

Following is an English translation of the Independent Auditor's Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

Readers should be particularly aware of the differences between an audit of internal control over financial reporting ("ICFR") under the Financial Instruments and Exchange Act ("ICFR under FIEA") and one conducted under the standards of the Public Company Accounting Oversight Board (the United States of America) ("ICFR under PCAOB");

- In an audit of ICFR under FIEA, the auditors express an opinion on management's report on ICFR, and do not express an opinion on the Company's ICFR directly. In an audit of ICFR under PCAOB, the auditors express an opinion on the Company's ICFR directly.
- In an audit of ICFR under FIEA, there is detailed guidance on the scope of an audit of ICFR, such as quantitative guidance on business location selection and/or account selection. In an audit of ICFR under PCAOB, there is no such detailed guidance. Accordingly, regarding the scope of assessment of internal control over business processes, the Company selected locations and business units to be tested, and the companies whose combined sales and other balances reaches two thirds of total sales and other balances for the prior year on a consolidation basis were selected as "significant locations and/or business units."

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 23, 2023

To the Board of Directors of
OMRON Corporation:

Deloitte Touche Tohmatsu LLC
Kyoto office

Designated Engagement Partner,
Certified Public Accountant:

Yoshio Sato

Designated Engagement Partner,
Certified Public Accountant:

Takeshi Kawazoi

Designated Engagement Partner,
Certified Public Accountant:

Kenjiro Ikehata

Audit of Financial Statements

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of OMRON Corporation and its consolidated subsidiaries (the "Company") included in the Financial Section, namely, the consolidated balance sheet as of March 31, 2023, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of equity and consolidated statement of cash flows for the fiscal year from April 1, 2022 to March 31, 2023, and the related notes, and consolidated supplementary schedules.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2023, and its consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America pursuant to the third paragraph of the Supplementary Provisions of the Cabinet Office Ordinance for Partial Amendment of the Ordinance for Terminology, Forms and Preparation Methods of Consolidated Financial Statements (No.11 of the Cabinet Office Ordinance in 2002).

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investments in affiliates (JMDC Inc.)	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As disclosed in NoteII.D to the consolidated financial statements, investments in and advances to affiliates in the consolidated balance sheet as of March 31, 2023 included the equity method investments in JMDC Inc. of JPY121,918 million. The excess of the investments over the Company's proportionate shares in net assets of JMDC Inc. for the amount of JPY101,427 million is mainly related to the balance of equity method goodwill. The valuation based on the market price of JMDC Inc. shares as of March 31, 2023, was JPY93,088 million, which was lower than the carrying amount by JPY28,380 million. In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 323, "Investments: Equity method and joint ventures," a loss in value of an investment that is other than a temporary decline shall be recognized. In assessing whether a decline in the investment value was temporary, the Company compared the carrying amount per share with the market prices for the period from the initial acquisition date to the date when the consolidated financial statements for the fiscal year ended March 31, 2023 were available to be issued, and considered the length of the time and the extent to which the quoted market value was less than the carrying amount. In addition, the Company comprehensively considered	Our audit procedures in assessing the reasonableness of the management's analysis of the other than temporary decline, including the key assumptions used, included the following, among others: ● We tested the effectiveness of controls over the reasonableness of the management's analysis for the other than temporary decline, including the identification and assessment of factors used for the analysis and the result, related to the valuation of equity method investments in JMDC Inc. ● We evaluated the reasonableness of management's conclusion that no other than temporary decline occurred in the value of equity method investments in JMDC Inc. by performing the following procedures: - Evaluating the reasonableness of management's conclusion that the decline in the valuation based on the market price was temporary. - Evaluating the consistency with the external valuation by investors such as analyst reports. - Examining the external information for the potential growth of the investee and the markets to which it belongs.

factors, such as the comparison between the valuation based on the market price and the amount calculated using the discounted cash flow method based on the future business plan, the analysis on the difference, the profitability of JMDC Inc. based on its recent performance, and the recent stock market condition. In estimating future cash flows used for the assessment, the Company used key assumptions such as 1) a future revenue forecast for JMDC Inc. and 2) a discount rate calculated based on a weighted average cost of capital. The difference between the carrying amount and the valuation based on the market price was quantitatively significant and the valuation based on the market price continued to be less than the carrying amount. In addition, significant management judgments were involved in determining whether other than temporary decline in the investment value occurred and preparing the future revenue forecast. Based on above, we determined the valuation of investment in JMDC Inc. as a key audit matter.	- Analyzing the investee’s profitability and financial soundness. - Evaluating the reasonableness of the result of analysis on the difference between the amount calculated using the discounted cash flow method and the carrying amount as well as the valuation based on the market price. - Evaluating the consistency with objective evidence, including trends of the market prices subsequent to the year end. ● We performed the following procedures on the key assumptions used for the calculation of the amount using the discounted cash flow method: - Assessing the existence of any contradictory evidence against the key assumptions used for preparing the future revenue forecast by comparing them with external information related to the investee's business strategy and the market’s potential growth. ● With the assistance of our network firm's valuation specialists, we tested the accuracy of the calculation using the discounted cash flow method and evaluated the reasonableness of the discount rate calculated based on the weighted average cost of capital as the key assumptions by obtaining an understanding of the calculation method and comparing data with publicly available information.

Valuation of investments in affiliates (AliveCor, Inc.)	
Key Audit Matter Description	**How the Key Audit Matter Was Addressed in the Audit**
As disclosed in NoteII.D to the consolidated financial statements, investments in and advances to affiliates in the consolidated balance sheet as of March 31, 2023 included the equity method investments in AliveCor, Inc. of JPY9,835 million. The excess of the investments over the Company’s proportionate shares in net assets of AliveCor, Inc. by JPY8,199 million is mainly related to the balance of equity method goodwill. In accordance with FASB ASC 323, "Investments: Equity method and joint ventures," a loss in value of an investment that is other than a temporary decline shall be recognized. In assessing whether a decline in the investment value was temporary, the Company comprehensively considered qualitative factors including the progress of business plans and the business	Our audit procedures in assessing the reasonableness of management’s analysis of the other than temporary decline, including the key assumptions used, included the following, among others: ● We tested the effectiveness of controls over the reasonableness of management’s analysis of the other than temporary decline, including the identification and assessment of factors used for the analysis and the result, related to the valuation of equity method investments in AliveCor, Inc. ● We evaluated the reasonableness of management's judgment by inspecting the documents relating to the qualitative analysis, such as the progress of business plans and the business environment and the

environment, and the quantitative factors, such as the comparison between the carrying amount and the amount calculated using the discounted cash flow method. In estimating the future cash flows used for the assessment, the Company used key assumptions, such as estimated sales growth rates and estimated profit rates reflected in the future business plan, and a discount rate calculated based on a weighted average cost of capital. Given the emerging markets applicable to the business of AliveCor, Inc., uncertainty exists in these key assumptions, and the qualitative analysis and the quantitative analysis involve significant management judgment. Based on above, we determined the valuation of investment in AliveCor, Inc. as a key audit matter.	quantitative analysis including the following. ● We inquired of management in the responsible department for healthcare business concerning the key assumptions used in the future business plan, such as the projection on market growth by sales type, growth rate of each business and changes in the profit rates. We evaluated the reasonableness of the future business plan by comparing these assumptions with publicly available data and performing a trend analysis. ● We evaluated the reliability of management's estimation process by comparing the future business plan used in management's assessment using the discounted cash flow method in the prior year with the performance results in the current year. ● We involved our network firm's valuation specialists to assist us in testing the accuracy of the calculation using the discounted cash flow method and evaluating the reasonableness of the discount rate calculated based on the weighted average cost of capital as the key assumptions by obtaining an understanding of the calculation method and comparing data with publicly available information. ● We compared the carrying amount per share with the most recent price of the similar equity security issued by AliveCor, Inc.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in the United States of America.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Audit of Internal Control

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of OMRON Corporation as of March 31, 2023.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of OMRON Corporation as of March 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management’s report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and performance of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

NOTE TO READERS:
Following is an English translation of the Independent Auditor’s Report filed under the Financial Instruments and Exchange Act of Japan. Readers should be aware that this report is presented merely as supplemental information.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

June 23, 2023

To the Board of Directors of
OMRON Corporation:

Deloitte Touche Tohmatsu LLC
Kyoto office

Designated Engagement Partner,
Certified Public Accountant:

Yoshio Sato

Designated Engagement Partner,
Certified Public Accountant:

Takeshi Kawazoi

Designated Engagement Partner,
Certified Public Accountant:

Kenjiro Ikehata

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the nonconsolidated financial statements of OMRON Corporation (the "Company") included in the Financial Section, namely, the nonconsolidated balance sheet as of March 31, 2023, and the nonconsolidated statement of income and nonconsolidated statement of changes in equity for the 86th fiscal year from April 1, 2022 to March 31, 2023, and a summary of significant accounting policies and other explanatory information, and the supplementary schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2023, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the nonconsolidated financial statements of the current period. The matter was addressed in the context of our audit of the nonconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

<table>
<tr><th colspan="2">Valuation of investments in affiliates</th></tr>
<tr><th>Key Audit Matter Description</th><th>How the Key Audit Matter Was Addressed in the Audit</th></tr>
<tr><td>As disclosed in Note “Information on significant accounting estimates related to identified items" to the non-consolidated financial statements, investments in affiliates in the non-consolidated balance sheet as of March 31, 2023, included investments in AliveCor, Inc. of 10,687 million.
For the valuation of shares and investments in affiliates without market value, an impairment loss on the investment is recognized if the substantial value declines significantly due to the deterioration of the investee company’s financial position or the decline in excess earning power, except in cases when the recoverability of decline in value is supported by sufficient evidence.
The Company calculates the substantial value that includes excess earning power by discounting the estimated future cash flows based on the future business plan to present value.
In estimating the future cash flows used for the calculation of the substantial value, the Company used key assumptions, such as estimated sales growth rates and estimated profit rates reflected in the future business plan, and a discount rate calculated based on a weighted average cost of capital.
Given the emerging markets applicable to the business of AliveCor, Inc., uncertainty exists in these key assumptions, and the qualitative analysis and the quantitative analysis involve significant management judgment.
Based on above, we determined the valuation of investments in affiliates as a key audit matter.</td><td>Our audit procedures for testing management’s analysis for the significant decline in the substantial value, including the key assumptions used, included the following, among others:

● We tested the effectiveness of controls over management's judgment on whether an impairment loss on investments should be recognized.

● We inquired of management in the responsible department for healthcare business concerning the key assumptions used in the future business plan such as the projection on market growth by sales type, growth rate of each business and changes in the profit rates. We evaluated the reasonableness of the future business plan by comparing these assumptions with publicly available data and performing a trend analysis.

● We evaluated the reliability of the management estimation process by comparing the future business plan used for calculation of the substantial value in the prior year with the performance results in the current year.

● With the assistance of our network firm's valuation specialists, we tested the accuracy of the calculation using the discounted cash flow method and evaluated the reasonableness of the discount rate calculated based on the weighted average cost of capital as the key assumptions by obtaining an understanding of the calculation method and comparing data with publicly available information.

● We compared the carrying amount per share with the most recent price of the similar equity security issued by AliveCor, Inc.</td></tr>
</table>

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the nonconsolidated financial statements and our auditor's report thereon.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the nonconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Readers of Independent Auditor's Report</u>

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

FY2022 (April 1, 2022 to March 31, 2023)

Confirmation Letter

This document serves as the confirmation letter based on the provisions of Article 24-4-2, paragraph (1) of the Financial Instruments and Exchange Act, and represents the output and printing of the data submitted on June 23, 2023 through the use of the Electronic Data Processing System for Disclosure (EDINET) prescribed in Article 27-30-2 of said Act.

OMRON Corporation

[Cover]

[Reported Document]	Confirmation Letter
[Clause Serving as Basis]	Article 24-4-2, paragraph (1) of the Financial Instruments and Exchange Act
[Recipient]	Director of Kanto Local Finance Bureau
[Submission Date]	June 23, 2023
[Company Name]	OMRON Corporation
[Name and Title of Representative]	Junta Tsujinaga, President and CEO
[Name and Title of Chief Financial Officer]	Seiji Takeda, Managing Executive Officer, CFO
[Address of Head Office]	801, Minami Fudondocho, Shiokoji Horikawa Higashi-iru, Shimogyo-ku, Kyoto-shi, Japan
[Location for Public Inspection]	OMRON Corporation Tokyo Office (2-3-13, Konan, Minato-ku, Tokyo) Tokyo Stock Exchange, Inc. (2-1 Nihombashi Kabutocho, Chuo-ku, Tokyo)

1. Matters related to the appropriateness of the content of the securities report

It has been confirmed that the Company's President and CEO Mr. Junta Tsujinaga and Managing Executive Officer,CFO Mr. Seiji Takeda have made appropriate descriptions on the content of the securities report of the Company for 2023 (from April 1, 2022 to March 31, 2023) based on the Financial Instruments and Exchange Act.

2. Notes

There is nothing that should be expressly stated.