

## Sustainability Initiatives

### Maximize Corporate Value by Achieving Sustainability of both Society and OMRON

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For OMRON, achieving both the sustainability of society and its own sustainability is the very purpose of its existence. This can be traced back to the Corporate Mission established by founder Kazuma Tateishi in 1959: “To improve lives and contribute to a better society.” The founder incorporated two aspirations he had into the Corporate Mission. One is the conviction that “a business should create value for society through its key practices.” The founder said that co-existence and co-prosperity should be the hallmarks of the relationship between the company and society, as the company that best serves society is rewarded by society with the most profit. The other is the “to take the initiative as pioneer.” If people wait passively for a better society to dawn, they will wait forever. A better society is created when people continuously take on challenges without fear of failure and create innovation. OMRON is determined to do that. Since establishing the Corporate Mission, OMRON has grown by pursuing the sustainability of both society and OMRON through its business.

Sustainability has risen with increasing rapidity to the top of the agenda in recent years. This is because sustainability has become a management issue directly linked to “corporate value.” Corporate value is essentially the present economic value of the future cash flows from operations, i.e., discounted cash flows. In other words, sustainability issues, such as climate change and human rights issues, have become factors that have significant impacts on a company’s equity story as it advances into the future, in terms of both “opportunities” and “risks.” As a result, sustainability has come to have an important bearing on the dialogue between a company and its stakeholders.

The turning point was the Principles for Responsible Investment (PRI) proposed by the United Nations in

2006. In Japan, the signing of the PRI by the Government Pension Investment Fund (GPIF) in 2015 triggered the spread of the ESG concept. In addition, the SDGs, adopted by the United Nations in 2015, have become a common framework for the international community, with sustainability issues viewed in terms of both opportunities and risks. Influenced by such trends in society, OMRON’s sustainability management has continuously evolved since the company’s founding.

Shaping the Future 2030 (SF2030) launched in fiscal 2022 is OMRON’s first long-term vision for which the business strategy and the sustainability strategy were fully integrated from the initial planning phase onward. In other words, SF2030 is a complete integration of the equity story and the sustainability story. So how will sustainability issues impact future cash flow generation under SF2030?

Under SF2030, we identified “five material sustainability issues” that represent opportunities and risks related to the achievement of our vision. These are “resolving social issues through our business,” “maximizing the capability to innovate driven by social needs,” “generating diverse talent taking on the challenge of value creation,” “achieving decarbonization and lower environmental impact,” and “respecting human rights in the value chain.”

For “resolving social issues through our business,” under SF 1st Stage, the first medium-term management plan to fiscal 2024, we have designated businesses that will contribute to resolution of the three social issues addressed by OMRON as “focus businesses” and aim to achieve 45% growth of those businesses over three years. As the plan calls for a 7% annual growth of consolidated net sales, it is clear that OMRON’s growth will be driven by the focus businesses addressing the social issues. In fiscal 2022, focus businesses achieved 28% growth, a

flying start exceeding our initial plan. Regarding “maximizing the capability to innovate driven by social needs,” our goal for fiscal 2024 is to create at least three new businesses. Toward this goal, we compiled a list of 37 candidate new businesses in fiscal 2022, exceeding the target of 32. (For details, please refer to the section on the “Innovation Exploring Initiative HQ.”) For “generating diverse talent taking on the challenge of value creation,” we achieved the targets in all categories except for the ratio of women in managerial roles for the OMRON Group worldwide. (For details, please refer to the section on “People.”) Regarding “achieving decarbonization and lower environmental impact,” we achieved steady reduction of GHG emissions in Scope 1 and 2 as planned. Moreover, in Scope 3, Category 11, on which our efforts are focused, we are on track to achieve our 2030 target by leveraging the calculation method that uses the actual measurements. For “respecting human rights in the value chain,” we achieved the short-range goals regarding the establishment of a human rights due diligence structure, which is a target under SF 1st Stage, and completed the formulation of a roadmap for human rights initiatives. As sustainability is positioned as a management issue directly linked to corporate value, connectivity between sustainability information and financial information is increasingly important. In this context, we have begun testing the connectivity hypothesis, anticipating that sustainability information will be subject to external audits and third-party assurance similar to those applied to financial information. As a first initiative, we aim to improve the correlation between the indicators for enhancing human creativity, which is a target of SF 1st Stage, and financial indicators. Specifically, following the Down-

Top ROIC Tree approach exemplified in the “Guidelines on Visualization of Human Capital” formulated by The Council of New Form of Capitalism Realization of the Cabinet Secretariat of Japan in August 2022, we attempted correlation analysis to test the hypothesis regarding the impact our human capital-related indicators would have on financial indicators and how they would be translated into corporate value. The results are presented on the following pages. Based on the results of this hypothesis testing, we will continue visualization of the impact of sustainability information on future financial value, in order to realize disclosure of high-quality sustainability-related information that can withstand upcoming external audits and third-party assurance. Last but not least, at OMRON the Board of Directors takes ownership, and exercises leadership, of these

sustainability initiatives. The Board of Directors, which is entrusted with responsibility by shareholders and society, monitors and supervises the sustainability initiatives of the executive side, which constitute one of the management issues, thereby ensuring the achievement of the sustainability of both society and OMRON from a medium- to long-term perspective. Beginning the current fiscal year, to further strengthen the Board of Directors’ commitment, OMRON appointed members of the Board of Directors to serve as directors in charge of environment and human rights. OMRON will continue to promote sustainability initiatives through the initiatives of both the Board of Directors and the executive side, in order to achieve sustainable enhancement of corporate value.

<Company-wide Management Structure to Promote Sustainability>

